

EXHIBIT 2

NEPR

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Cash Situation, Fuel Cost and Fuel Charge Adjustment (FCA) Monthly Reconciliation



Introduction

This report provides a concise assessment of the fuel-related cash position of Puerto Rico's energy system, focusing on the interaction between actual fuel costs, Fuel Charge Adjustment (FCA) revenues, replenishment funding, and recent operational conditions. It summarizes how sustained variances between forecasted and actual fuel costs, combined with the timing of cash outflows and funding cycles, have materially affected system liquidity.

The analysis outlines the funding pressures observed during the July replenishment cycle, the accumulated FCA revenue shortfalls, the impact of deferrals associated with the San Juan (SJ) Terminal fuel vessel swap, and the resulting reconciliation requirements for June and July 2026. It also examines the operational and weather-driven factors, including increased fuel consumption due to elevated temperatures and limited availability of lower-cost generation units, that contributed to higher system costs.

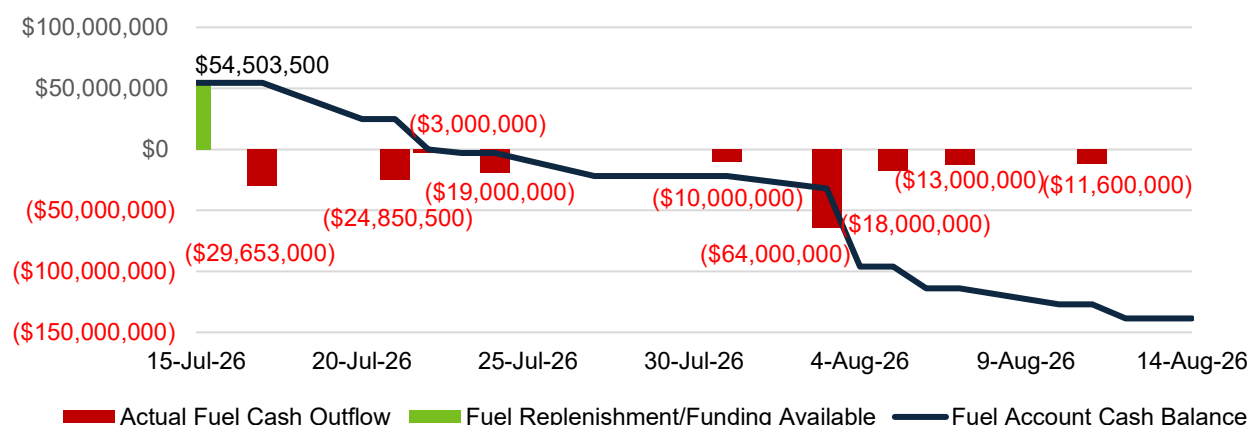
Together, these elements frame the current cash position of the system and highlight the constraints expected during the upcoming FCA recovery period.

Fuel Cost and Fuel Charge Adjustment Revenue

Cash Funding Impact of Actual FCA

The Energy System's cash position has been materially affected by actual fuel costs and the timing of the associated funding and recovery. The practical effect of these conditions can be observed in the cash flow during the July replenishment cycle, as illustrated in Figure 1-1 below.

Figure 0-1. Fuel Cash Flow During the July Replenishment Cycle



For the July replenishment cycle, Puerto Rico Electric Power Authority (PREPA) funded the system for the amount of \$259.0 million. Of this amount, PREPA allocated \$54.5 million for fuel costs. This amount was based on \$164.9 million—equivalent to one-month of the Puerto Rico Energy Bureau (PREB) approved budget for Fuel Charge Adjustment (FCA)—minus \$110.3 million in advances that had been provided to fund fuel costs prior to the replenishment date.

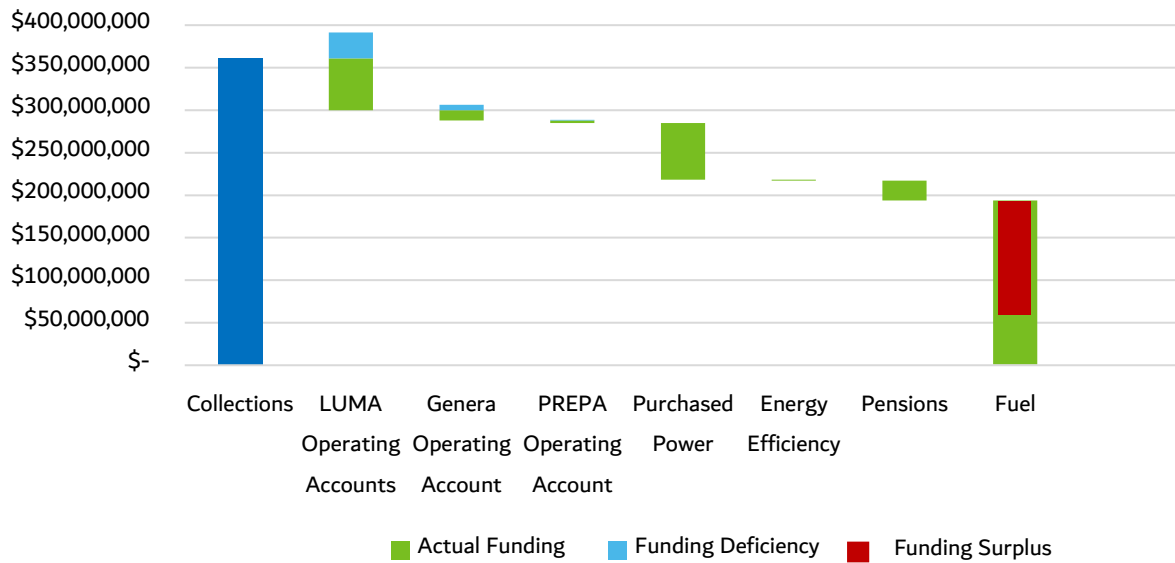
As reflected in Figure 1-1, the fuel funding was progressively utilized to fund actual fuel payments during the month and was fully utilized by July 23. **Notwithstanding, fuel payments continued after the approved fuel funding had been exhausted.** From July 23—through the remainder of the period—\$138.6 million in additional fuel payments were made without corresponding fuel funding included in PREPA's replenishment. As a result, funds that would normally replenish other system accounts had to be redirected to cover fuel costs.

It is important to note that fuel purchases are paid over a 60-month period following receipt.¹ This funding pressure is reflected in the account balances immediately prior to the August replenishment, as the accounts remained collectively underfunded by approximately \$37.5 million on the day before the August replenishment was scheduled to take place. Of this amount, the LUMA operating accounts were underfunded by approximately \$30.5 million, the Genera account by approximately \$6.2 million, and the

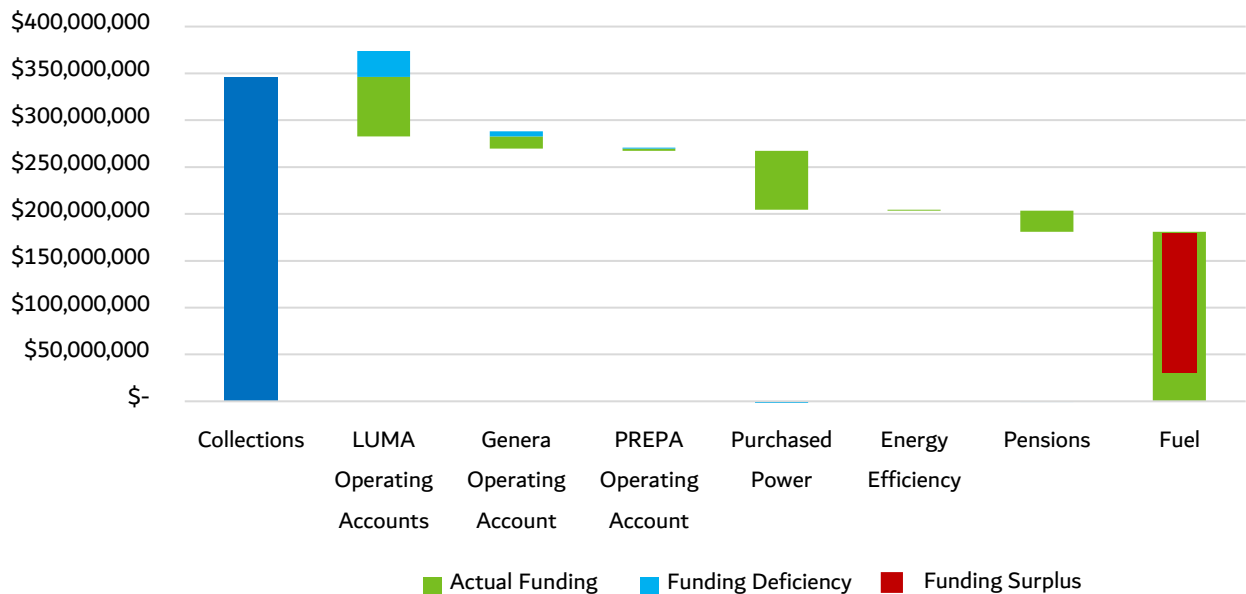
¹ For example, fuel payments completed in July were used to cover fuel purchases corresponding to the April-May timeframe. Accordingly, the timing of collections does not necessarily coincide with the timing of the fuel cash payments required to support fuel purchases.

PREPA account by approximately \$0.8 million. Figure 1-2 illustrates the practical effect on system-wide funding.

Figure 0-2. July System Wide Funding Position

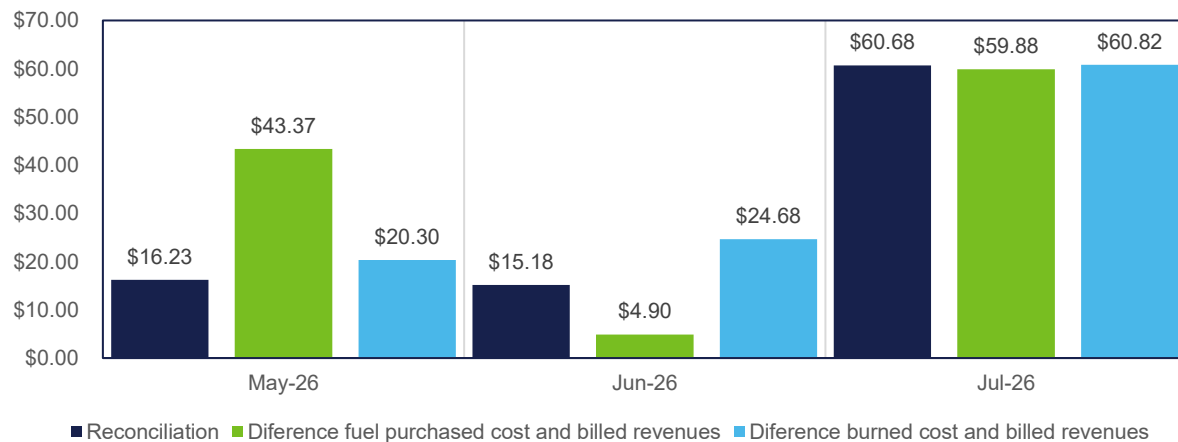


Looking ahead to the next replenishment cycle, the current fuel forecast suggests that the funding pressure on the Energy System's accounts is expected to continue. Based on the information currently available, projected fuel requirements are expected to exceed the amounts provided by PREPA in its August replenishment by approximately \$143.0 million as demonstrated in Figure 1-3. The amounts presented in Figure 1-3 are estimates based on the information available on the date of this filing and reflect current forecast of fuel requirements and collections. These amounts may change as additional actual costs, and system information becomes available.

Figure 0-3. August System Wide Funding Position Forecast

Fuel Cost and Fuel Charge Adjustment Revenues

The pressure on cash funding also reflects the difference between actual fuel costs and FCA revenues. Since May 2026, the costs of purchased and burned fuel have exceeded the revenues billed through the FCA—excluding the prior period adjustment—which reflects amounts that were underbilled or refunded to customers from the prior billing quarter. Figure 1-4 illustrates the differences in the fuel cost and revenues, and the approved reconciliations.

Figure 0-4. Fuel Cost and Billed Revenues – Monthly M\$

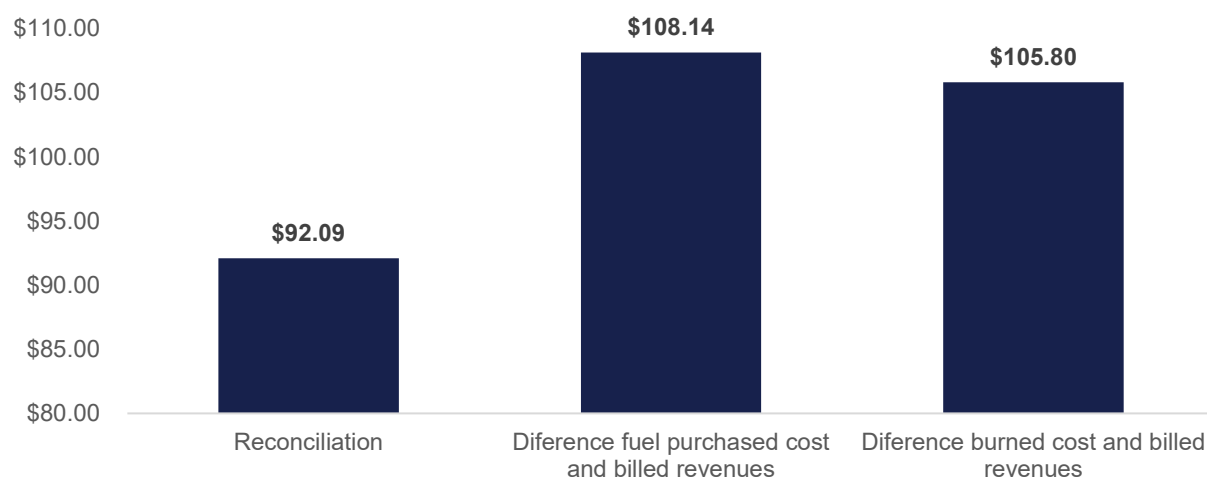
The accumulation for the period from May through June 2026 shows an FCA revenue shortfall of approximately \$108 million required to cover the cost of the purchased fuel (see Figure 1-4). It is important to note that the deferrals related to the San Juan (SJ) Terminal fuel vessel swap further reduced recognized revenues.

As part of the Request for Information (RFI) submitted on June 24, 2026, the Energy Bureau requested that LUMA assess the impact of the \$55 million deferred associated with the San Juan (SJ) Terminal fuel vessel swap.² During the public hearing held on June 25, 2026, LUMA stated that, as a result of these deferrals, approximately ~\$54 million less in revenue may have been received to cover the costs of the purchased fuel.³ Based on our analysis, this effect worsened liquidity constraints, impacted the prior-period adjustment, and consequently affected the reconciliations for the months evaluated.

In the same hearing, Genera confirmed that the San Juan (SJ) Terminal fuel vessel swap diesel costs incurred were paid.⁴ This testimony underscores that deferrals do not eliminate actual fuel expenditures; rather, they shift the timing of revenue recognition while fuel costs continue to be disbursed. The Energy Bureau remarked that some accounts payable or budget line must have been affected due to the reduced revenues, given that Genera proceeded with the payment despite the deferred amount.⁵

The figures below (see Figure 1-5) present an accumulated comparison among FCA-billed revenues, fuel purchased and consumed, and the reconciliation approved by the Energy Bureau.⁶

Figure 0-5. Fuel Cost and Billed Revenues – Accumulation to be Recovered



Thus, the combination of fuel costs exceeding billed amounts, the exhaustion of approved fuel funding before the end of the replenishment cycle, and continued cash fuel outflows resulted in a cash funding position materially different from that contemplated under the applicable funding assumptions.

² RFI A-23, Exhibit 1 of LUMA's Responses dated June 24, 2026, Docket No. NEPR-MI-2020-0001.

³ Technical Conference of June 25, 2026, Docket No. NEPR-MI-2020-0001.

⁴ *Id.*

⁵ *Id.*

⁶ A critical element is that the monthly payment obligation is the volume of fuel purchased, rather than the volume consumed for generation. This structural distinction results in a misalignment within the reconciliation process, as the reconciliation is calculated using the cost of barrels burned instead of barrels purchased.

FCA: June-July Reconciliation

The reconciliation for June and July 2026 indicates that FCA revenues were insufficient to cover the cost of fuel consumed, resulting in a shortfall of \$75.9 million. Under the standard FCA and Purchased Power Charge Adjustment (PPCA) adjustment procedures, these amounts must be recovered through billing between October and December 2026.

It is important to note that the amounts to be recovered may increase, as the operational pattern observed in July has continued into August, with higher diesel usage driven by outages across the generating fleet. During the first 17 days of August, multiple lower-cost generating units experienced forced outages, specifically at Costa Sur, EcoEléctrica, and AES. If revenue performance does not improve in August and September 2026 —months that historically exhibit higher demand— liquidity will deteriorate significantly.

Figure 1-6 presents the final June and July 2026 reconciliation, which resulted in a recovery of \$15,182,005.22 and \$60,680,139.14, respectively. This amounts to a total accumulated recovery of \$75,862,144.36.

Figure 0-6. FCA Reconciliation

Fuel Charge Adjustment	Jun-26	July -26	TOTAL
Fuel Expense System Units	\$184,812,293.79	\$224,300,769.07 ⁷	\$409,113,062.86
Prior Period Adjustment per PREB R&O	<u>\$(4,458,706.77)</u>	<u>\$(136,024.19)</u>	<u>\$(4,594,730.96)</u>
Fuel Cost to be Recovered	\$180,353,587.02	\$224,164,744.88	\$404,518,331.90
Less: FCA Billed Revenues	\$160,133,222.24	\$163,484,605.75	\$323,617,827.99
Other Adjustments	\$(5,038,359.56)		\$(5,038,359.56)
Amount to be recovered or (credited)	\$15,182,005.22	\$60,680,139.13	\$75,862,144.35

Fuel costs increased due to the limited availability of lower-cost generating units needed to meet above-average demand driven by unusually high temperatures.⁸ In July 2026, distillate consumption rose by 103.1% compared with the economic dispatch projected in PROMOD, while residual fuel consumption increased by 20.3%. June 2026 also recorded higher barrel consumption, although to a lesser extent than anticipated. Natural gas consumption exhibited a similar pattern in both months, rising by approximately 9% relative to the forecast.

This broad-based increase in fuel consumption across all units was driven by the need to meet the elevated load associated with the July heat wave. Consequently, total fuel costs rose, as higher-cost generating units were required to satisfy the additional demand.

⁷ Based on REPORTE DE COMBUSTIBLE_2026.07 provided by Genera on August 10, 2026.

⁸ See Figure 1-7.

Figure 0-7. Forecast and Actual Fuel Usage

	Forecast	Actual	Variance actual - forecast	Variance actual - forecast %
Equivalent Barrels (EB)				
Residual- Bunker 6				
June 2026	508,662.01	639,904.11	131,242.10	25.8%
July 2026	620,804.84	746,549.63	125,744.79	20.3%
Total	1,129,466.85	1,386,453.74	256,986.89	22.8%
Destillate - #2				
June 2026	170,921.21	213,704.14	42,782.93	25.0%
July 2026	217,820.21	442,473.91	224,653.70	103.1%
Total	388,741.42	656,178.05	267,436.63	68.8%
Natural Gas				
June 2026	1,218,612.80	1,328,581.00	109,968.19	9.0%
July 2026	1,261,867.04	1,372,072.60	110,205.56	8.7%
Total	2,480,479.84	2,700,653.60	220,173.75	8.9%
Total Equivalent Barrels				
June 2026	1,898,196.02	2,182,189.25	283,993.22	15.0%
July 2026	2,100,492.09	2,561,096.14	460,604.05	21.9%
Total	3,998,688.11	4,743,285.38	744,597.27	18.6%

In terms of total cost, the data show trends consistent with the variations observed in the volume of barrels consumed. Fuel costs display a direct and proportional correlation with the barrels burned, reflecting the cost structure inherent to operational dispatch. This relationship demonstrates that any increase in fuel consumption, particularly under conditions requiring the operation of higher-cost generating units, results in an immediate rise in total fuel expenditures.⁹

⁹ See Figure 1-8.

Figure 0-8. Forecast and Actual Fuel Cost

	Forecast	Actual	Variance actual - forecast	Variance actual - forecast %
Cost				
Residual- Bunker 6				
June 2026	\$54,957,633.46	\$68,525,381.53	\$13,567,748.07	24.7%
July 2026	\$68,550,597.31	\$79,544,152.12	\$10,993,554.81	16.0%
Total	\$123,508,230.77	\$148,069,533.65	\$24,561,302.88	19.9%
Destillate - #2				
June 2026	\$22,821,329.89	\$30,673,421.99	\$7,852,092.10	34.4%
July 2026	\$32,966,312.03	\$68,894,449.47	\$35,928,137.44	109.0%
Total	\$55,787,641.93	\$99,567,871.47	\$43,780,229.54	78.5%
Natural Gas				
June 2026	\$70,450,693.81	\$75,388,543.09	\$4,937,849.28	7.0%
July 2026	\$72,609,110.37	\$80,860,131.22	\$8,251,020.85	11.4%
Total	\$143,059,804.18	\$156,248,674.31	\$13,188,870.13	9.2%
Total Costs				
June 2026	\$148,229,657.17	\$174,587,346.62	\$26,357,689.45	17.8%
July 2026	\$174,126,019.71	\$229,298,732.81	\$55,172,713.10	31.7%
Total	\$322,355,676.88	\$403,886,079.43	\$81,530,402.55	25.3%

The cost per equivalent barrel (\$/BBL_e) generally aligned with the forecast, except for distillate, which exceeded projections by 7.5% in June 2026 and 2.9% in July 2026. (See Figure 1-8.)

Figure 0-9: Cost per Equivalent Barrel: Forecast and Actual

	Forecast	Actual	Variance actual - forecast	Variance actual - forecast %
Cost per Equivalent Barrels				
Residual- Bunker 6				
June 2026	108.04	107.09	-0.96	-0.9%
July 2026	110.42	106.55	-3.87	-3.5%
Total	109.35	106.80	-2.55	-2.3%
Destillate - #2				
June 2026	133.52	143.53	10.01	7.5%
July 2026	151.35	155.70	4.36	2.9%
Total	143.51	151.74	8.23	5.7%
Natural Gas				
June 2026	57.81	56.74	-1.07	-1.8%
July 2026	57.54	58.93	1.39	2.4%
Total	57.67	57.86	0.18	0.3%
Total Cost/EB				
June 2026	78.09	80.01	1.92	2.5%
July 2026	82.90	89.53	6.63	8.0%
Total	80.62	85.15	4.53	5.6%

Warmer Weather (CDD) – Impact to System Load

After May 2026, customers required more generation due to warmer temperatures compared with the same months of the prior year. Weather directly impacted load, measured through Cooling Degree Days (CDD), which quantifies how much temperatures exceed 65°F and signal increased cooling needs. Higher CDD values translate into higher electricity consumption and higher peak demand.

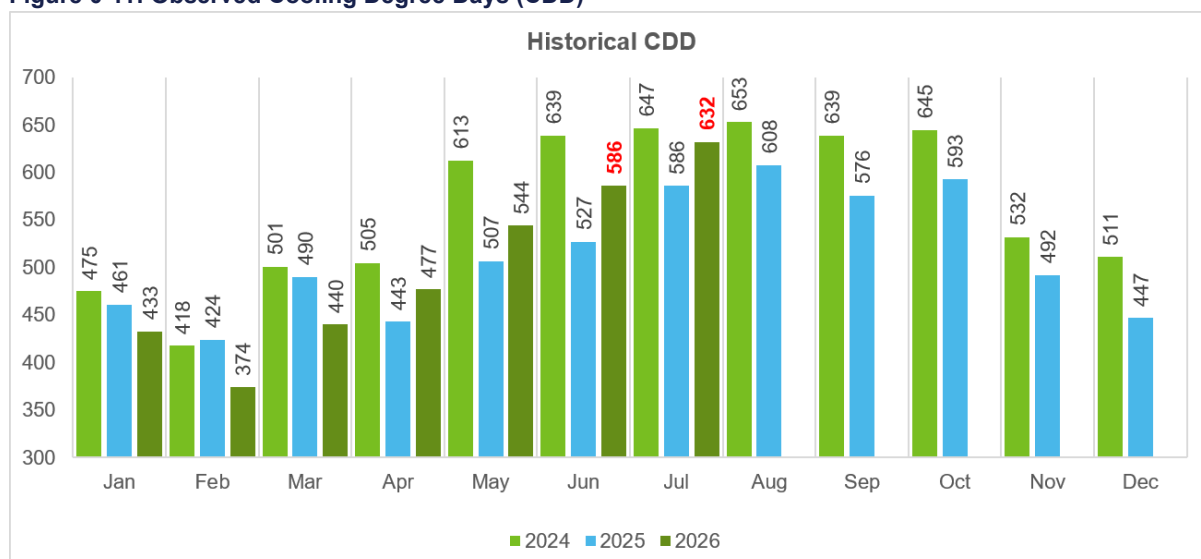
In June 2026, gross generation increased by 0.5% versus the forecast and 3% compared with the same month last year, mainly due to higher CDD. In July 2026, CDD values reached the second-highest level in Puerto Rico's history, resulting in a significant increase in gross generation and consumption, both ~12% above the expected, consistent with stronger cooling demand and a normal weather-driven load response. The following figures illustrate the trends in load and cooling degree days.¹⁰

Figure 0-10. Forecast and Actual Load

Load

	Forecast	Actual	Variance actual - forecast	Variance actual - forecast %
Load				
Gross Consumption (GWh)				
June 2026	1,476.44	1,397.06	-79.38	-5.4%
July 2026	1,401.43	1,569.11	167.68	12.0%
Total	2,877.87	2,966.17	88.30	3.1%
Gross Generation (GWh)				
June 2026	1,646.25	1,654.93	8.68	0.5%
July 2026	1,564.67	1,755.32	190.64	12.2%
Total	3,210.92	3,410.25	199.33	6.2%

Figure 0-11: Observed Cooling Degree Days (CDD)



¹⁰ See Figures 1-10 through 1-13.

Figure 0-12. Correlation Gross Generation and CDD

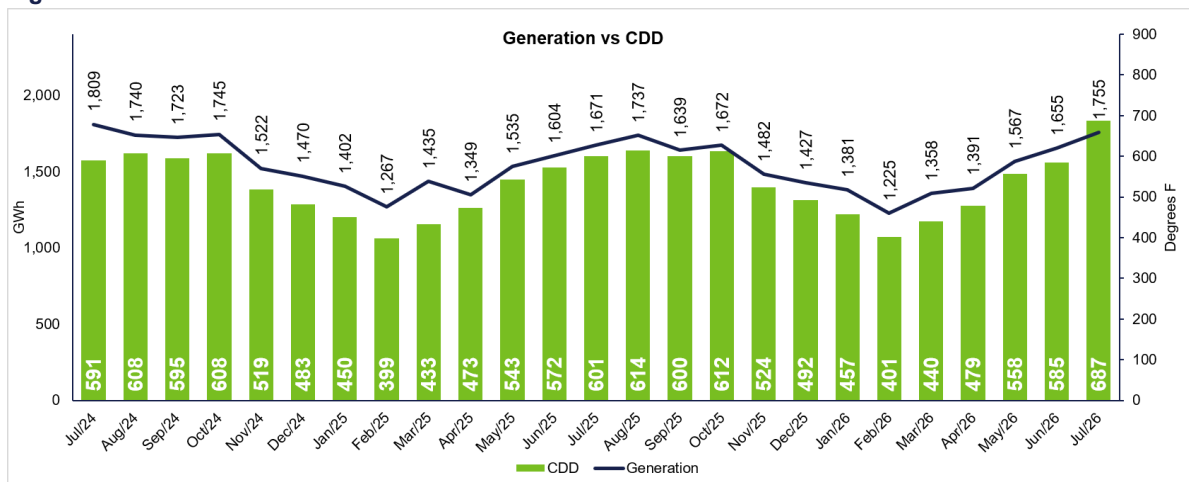


Figure 0-13. Consumption and CDD

