September 22, 2025

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ANNUAL FINANCIAL INFORMATION SUBMITTAL
CONSENT DECREE - UNITED STATES OF AMERICA V. PUERTO RICO AQUEDUCT AND SEWER AUTHORITY, CIVIL ACTION 3:15-CV-02283-JAG

Dear Sirs:

As required per Section XIII Modification/Prioritization of Remedial Measures, Paragraph #45 of the Consent Decree approved by the District Court on May 23, 2016, the Puerto Rico Aqueduct and Sewer Authority (PRASA or the Authority) shall provide to EPA certain financial information no later than August 31, 2016, and **annually each year thereafter**.

The requested financial information submitted herein is detailed as follows:

1. **Projected budget for next fiscal year**

   PRASA's Fiscal Year ("FY") 2026 Budget as certified by the Financial Oversight and Management Board for Puerto Rico's (the "Oversight Board") on June 27, 2025 is included below:

In $'000	FY2025
Operating Revenues	1,179,190
Miscellaneous Income	4,500
Transfer from the RSA	30,000
Authority Revenues (+)	**1,213,690**
Senior and Senior Sub Debt (-)	**255,653**
Payroll and Related	342,701
Electricity	191,743
Maintenance & Repair	93,180
Chemicals	77,898
Other Expenses	229,399
Capitalized Expenses	(25,109)
Net Operating Expenses (-)	**909,812**
FEMA/Other Funds for OPEX (+)	**4,950**
Operating Reserve Fund	—
Capital Improvement Fund, Net	52,726
Deposits (-)	**52,726**
Net Balance	**449**

Note: Numbers may not add due to rounding

2. **Debt service coverage ratio, senior lien coverage ratio and liquidity ratios:**

   Below are included the current and quick ratio, based on the audited results for FY 2024:

FY2024 Ratios	
Total Debt Service Coverage Ratio (Operating Revenues/Total Debt Service)	4.69
Senior and Senior Sub Debt Coverage Ratio	4.69

Current Ratio = (Current Assets/Current Liabilities)	132%
Quick ratio = (Current Assets – Inventory) / Current Liabilities	127%
Debt Ratio (Total Liabilities/Total Assets)	85%

3. Any approved future rate increases

On July 1, 2022, after following the process required by Act 21-1985, the Authority implemented a new rate structure and charges, simplifying its rate to only two charges – base charge and consumption charge. The new rate reflected an increase of 4.95% in base charge revenues and 2% in consumption charge revenues. As recommended by the Officer Examiner appointed to run the public hearing process required by Act 21-1985, the revised rate also incorporates an annual increase for subsequent years of at least 2% but not more than 5% annually, up to a cumulative cap of 30%. On July 1, 2023, 2024 and 2025 a 2% rate increase was implemented for each year. The most recent Fiscal Plan as certified by the Financial Oversight and Management Board for Puerto Rico on June 27, 2025, incorporate the minimum annual 2% rate increase for subsequent fiscal years, including fiscal year 2026.

4. Status of debt to plant ratio, key financial ratios monitored internally and for lender(s)

For fiscal year 2024 debt to plant ratio, calculated dividing the long-term financial debt outstanding by the total capital assets was 0.72.

Some of the key financial ratios monitored internally by the Authority are presented below:

STRATEGIC INITIATIVE	PERFORMANCE INDICATOR	FY 2024
Fiscal Health	Employees per 1,000 connections	3.06
	Overtime (as % of payroll costs incl OT)**	11.1%
	Actual Expenses/Budgeted Expenses	87.0%
	Actual Collections versus Billings	99.7%

PRASA also measures on a monthly basis the level of compliance with its projected cash collections and budgeted expenses and internally report financial results to each Region/Department Director to allow the management to take any corrective action as soon as possible. Additionally, PRASA publish its preliminary financial results in its webpage on a quarterly basis. Please refer to Información financiera y de inversionistas (pr.gov).

5. **Bond ratio and bonds ratings**

BONDS RATIO FOR FY2024	
Bonds Ratio = Bonds due after one year / (Bonds due after one year + Net Assets)	76%

As of August 31, 2025, the Authority's outstanding debt was not rated by any of the nationally recognized rating agencies (i.e., Moody's Investors Service, S&P Global Ratings and Fitch Ratings).

6. **Number of customers by service pipe diameter as of June 30, 2025:**

Meter Diameter	# of Clients
1/2" & 5/8"	1,253,273
3/4"	4,179
1"	5,753
1-1/2"	1,260
2"	4,825
3"	99
4"	468
6"	84
8"	18
10"	2
Total	**1,269,961**

Additionally, the following information is included herein, as required by the Consent Decree:

1. **Most recent annual financial report**: The Audited Financial Statements for fiscal year 2024 are included as **Appendix A**. The issued Audited Financial Statements of the Authority are published and available on PRASA's website at www.acueductos.pr.gov

2. **Bond prospectus issued during prior year**: PRASA did not issue any bond prospectus during fiscal year 2025.

3. **Rating agency reports received during the previous year**. There were no reports issued by rating agencies since July 2024 for PRASA.

In addition, the latest PRASA's Fiscal Plan as certified by the Oversight Board on June 27, 2025 is included as **Appendix B.**

If additional information is needed, please contact us at your convenience.

Sincerely,

Alexander López García
Finance Director