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# FINANCIAL OVERSIGHT & MANAGEMENT BOARD FOR PUERTO RICO



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## **BY ELECTRONIC MAIL**

December 28, 2021

Mr. Arty Straehla  
Chief Executive Officer and Director  
Mammoth Energy Services, Inc.

Dear Mr. Straehla:

I write in response to your December 15, 2021 letter and renewed request for payment. As an initial matter, we would like to clarify for you the Oversight Board's role with respect to PREPA's expenditures. The Oversight Board's primary role in this dispute is to represent PREPA in matters before the Title III court, including Cobra's motion for allowance of an administrative expense claim. The Oversight Board generally has the authority to approve and establish PREPA's annual budgets, but it does not control accounts payable. For the Oversight Board to support the allowance of an administrative claim, it will need to know all the facts that are being discussed between the parties in the Review Process (defined below) and make sure that Cobra's charges are not subject to valid contract defenses or clawback, including as a result of the pending criminal proceedings against Cobra's former president. The Oversight Board's main concern is to ensure PREPA's financial stability and avoid a liquidity crisis.

Cobra's motion is currently held in abeyance while Cobra and PREPA work to resolve any remaining questions regarding Cobra's remaining unpaid invoices under its second contract with PREPA. To that end, PREPA has informed the Oversight Board that for the past several months, representatives of PREPA and Cobra have held bi-weekly meetings to review remaining discrepancies regarding Cobra's invoices (the "Review Process"). We understand that these meetings have generally focused on categories of invoices which PREPA had not approved for submission to FEMA. In addition, we understand these meetings have addressed FEMA's requests for additional information from PREPA with respect to Cobra's work. PREPA has informed us this process has been productive and collaborative, and significant progress has been made. The Review Process is continuing and will hopefully be completed shortly.

Moreover, based on reporting we receive from PREPA, PREPA does not have funds on hand to pay Cobra through previous allocations from FEMA. We are not aware of any material FEMA funds in PREPA's possession or that it has discretion to allocate to payment to Cobra. I understand

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PREPA, working collaboratively with Cobra, has submitted its appeal of FEMA's rejection of \$46 million in charges from the first contract to COR3, and COR3 has submitted it to FEMA. PREPA's FEMA counsel expects FEMA's decision on this appeal in the near future. PREPA will submit charges under the second contract for FEMA approval when the parties' Review Process is complete.

We believe the Review Process now taking place and pending requests for FEMA funding weigh in favor of paying remaining amounts duly owed to Cobra when those amounts are settled after the completion of the Review Process, from all available funding provided by FEMA as opposed to PREPA's cash on hand, which is needed for operations and maintenance, especially in light of the current challenges you have noted. The Oversight Board and its advisors will continue to monitor these processes, which at this time we believe are the most expedient path to resolution.

Sincerely,



Natalie A. Jaresko