



David A. Skeel Jr.
Chair

Members

Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa

Robert F. Mujica Jr.
Executive Director

BY ELECTRONIC MAIL

June 30, 2023

Honorable Pedro R. Pierluisi Urrutia
Governor of Puerto Rico

Dear Governor Pierluisi Urrutia:

Pursuant to a Resolution adopted by the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), a copy of which is attached hereto as **Exhibit A** (the “Resolution”), and Section 202(e)(4) of the Puerto Rico Oversight, Management, and Economic Stability Act, the Oversight Board hereby issues to the Governor this compliance certification that the Fiscal Year 2024 budget for the Puerto Rico Electric Power Authority (“PREPA”), attached as **Exhibit 1** to the Resolution (the “Fiscal Year 2024 Budget for PREPA”), is a compliant budget as set forth in the Resolution.

The Oversight Board looks forward to working with you to fully implement the Fiscal Year 2024 Budget for PREPA for the benefit of the people of Puerto Rico.

Sincerely,

David A. Skeel, Jr.

Andrew G. Biggs
Arthur J. Gonzalez
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa

CC: Mr. Robert F. Mujica Jr.

Hon. Pierluisi Urrutia

June 30, 2023

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Hon. Omar Marrero Díaz

Mr. Josué Colón

PREPA Governing Board

Mr. Edison Aviles Deliz

Mr. Fermín Fontanés

Mr. Wayne Stensby

Mr. Brannen McElmurra

APPENDIX A

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EXHIBIT 1:

PUERTO RICO ELECTRIC POWER AUTHORITY
FISCAL YEAR 2024 BUDGET AND
BUDGETARY RESOLUTION PROVISIONS

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I. EXHIBIT 1 - BUDGET - REVENUES
PUERTO RICO ELECTRIC POWER AUTHORITY

\$ Thousand	FY24 Budget
Basic Revenue	
Residential	373,933
Commercial	569,457
Industrial	103,381
Public Lighting	60,989
Agricultural	1,880
Others	2,161
Total	\$ 1,111,801
Fuel & Purchased Power	
Residential	994,178
Commercial	1,151,171
Industrial	301,179
Public Lighting	41,039
Agricultural	3,467
Others	5,838
Total	\$ 2,496,872
CILT	
Residential	39,209
Commercial	45,296
Industrial	11,851
Public Lighting	1,609
Agricultural	136
Others	230
Total	\$ 98,331
Subsidies	
Residential	85,823
Commercial	99,147
Industrial	25,942
Public Lighting	3,522
Agricultural	299
Others	503
Total	\$ 215,236
Energy Efficiency	
Residential	8,189
Commercial	9,461
Industrial	2,476
Public Lighting	336
Agricultural	29
Others	48
Total	\$ 20,539
Total Gross Revenue	\$ 3,942,779
Other Income	188,437
Total Unconsolidated Revenue	\$ 4,131,216
Bad Debt Expense	(59,450)
CILT, Subsidies, & EE	(334,105)
Total Consolidated Revenue	\$ 3,737,661

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II. EXHIBIT 1 BUDGET - EXPENSES (cont'd)
PUERTO RICO ELECTRIC POWER AUTHORITY

\$ Thousand	FY24 Budget
A. Fuel & Purchased Power	
Fuel	1,920,067
Purchased Power - Conventional	481,101
Purchased Power - Renewable	95,704
Total Fuel & Purchase Power Expenses	\$ 2,496,872
B. GenCo - Operations & Maintenance Expenses	
Genco Labor Operating Expenses	55,025
Genco Non-Labor / Other Operating Expenses	71,103
Shared Services Agreement Impact	63,826
Operator Service Fees	52,540
Maintenance Projects Expenses	134,075
Total GenCo Operating & Maintenance Expenses	\$ 376,569
C. HoldCo (PropertyCo) – Operating & Maintenance Expenses	
Labor	
Salaries & Wages	4,469
Pension & Benefits	2,692
Overtime Pay	361
Overtime Benefits	43
Total HoldCo Labor Operating Expenses	\$7,565
Non-Labor / Other Operating Expenses	
Materials & Supplies	29
Transportation, Per Diem, and Mileage	26
Retiree Medical Benefits	7,950
Security	797
Utilities & Rents	41
Legal Services	728
Communications Expenses	6
Professional & Technical Outsourced Services	554
Regulation and Environmental Inspection	744
External Audit Services	357
Equipment, Inspections, Repairs & Other	541
PREPA Restructuring & Title III	30,150
FOMB Advisor Costs allocated to PREPA	32,821
Total HoldCo Non-Labor / Other Operation Expenses	\$74,744
Shared Services Agreement	1,993
Maintenance Projects Expenses	645
Total HoldCo Operating & Maintenance Expenses	\$84,947

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EXHIBIT 1 BUDGET - EXPENSES (cont'd) PUERTO

RICO ELECTRIC POWER AUTHORITY

\$ Thousand	FY24 Budget
<i>D. HydroCo – Operating & Maintenance Expenses</i>	
Labor	
Salaries & Wages	2,543
Pension & Benefits	1,532
Overtime Pay	288
Overtime Benefits	35
Total HydroCo Labor Operating Expenses	\$4,398
Non-Labor / Other Operating Expenses	
Materials & Supplies	724
Transportation, Per Diem, and Mileage	244
Security	1,712
Utilities & Rents	80
Professional & Technical Outsourced Services	187
Regulation and Environmental Inspection	731
Equipment, Inspections, Repairs & Other	1,792
Total HydroCo Non-Labor / Other Operating Expenses	\$5,470
Shared Services Agreement	1,181
Maintenance Projects Expenses	2,471
Total HydroCo Operating & Maintenance Expenses	\$13,520
<i>E. GridCo - Operating & Maintenance Expenses</i>	
GridCo Labor Operating Expenses	254,172
GridCo Non-Labor / Other Operating Expenses	280,580
Operator Service Fees	129,162
2% Reserve	10,695
Maintenance Projects Expenses	91,144
Total GridCo Operating & Maintenance Expenses	\$ 765,753
Total Operating & Maintenance Expenses	\$ 3,737,661
Surplus / (Deficit) Before Legacy Pension and Debt Obligations	\$ 0

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III. ENFORCEMENT OF THE PUERTO RICO ELECTRIC POWER AUTHORITY FY24 BUDGET

Section 1.- All expenditures authorized in any prior fiscal year are terminated and no disbursement of public funds may be covered by such expenditure authorization, except: (1) expenditures to carry out capital improvements that have been accounted for and kept on the books in fiscal year 2023 and in fiscal year 2024; (2) capital and maintenance expenditures with procurement cycles that extend beyond the end of fiscal year 2023 that have been accounted for and kept on the books in both fiscal year 2023 and fiscal year 2024; (3) the portion of any other expenditures authorized in the Puerto Rico Electric Power Authority (“PREPA”) Certified Budget for fiscal year 2024; and (4) the portion of the appropriations authorized for fiscal year 2023 that have been allocated, transferred or designated on or before June 30, 2023. This restriction on expenditures authorized in any prior fiscal year shall not apply to: (i) programs financed in whole or part with federal funds; (ii) orders by the United States district court with jurisdiction over all matters under Title III of PROMESA; and (iii) matters pertaining to any consent decree or injunction, or an administrative order or settlement entered into with a Federal Agency, with respect to Federal programs. In addition, the foregoing exceptions to the restrictions on expenditures authorized in any prior fiscal year are conditioned on the prior written approval of the Oversight Board.

Section 2.- On or before August 31, 2023, the Executive Director of PREPA will provide to the Oversight Board a certification indicating whether there are any unused amounts of the fiscal year 2023 certified budget for items (1), (2), (3), and (4) of Section 1 and, if so, an itemization of such unused amounts.

Section 3.- Notwithstanding any other statement, no unused budget allotments from any previous fiscal year shall be used by PREPA to fund current fiscal year expenditures, except as otherwise expressly authorized by the Oversight Board in writing after June 30, 2023.

Section 4.- The Executive Director of PREPA shall be responsible for not spending or encumbering during fiscal year 2024 any amount that exceeds the expenditures authorized for HydroCo and HoldCo herein for fiscal year 2024.

Section 5.- Except for additional expenditures related to fuel and purchased power, the expenditures approved in this budget, including payroll and related expenses, may only be reprogrammed with the prior express written approval of the Oversight Board. For the avoidance of doubt, this prohibition includes any reprogramming of any amount, line item or expenditure provided in this budget. In the case of reprogramming to the fuel and purchased power budget, the Executive Director of PREPA must provide written notice to the Oversight Board of any change to such amounts within 5 days after any such change taking place.

Section 6.- Pursuant to Section 203 of PROMESA, PREPA must submit to the Oversight Board, no later than 15 days after the last day of each quarter of fiscal year 2024, a budget to actual report, along with an explanation of relevant variances as provided in the certified Fiscal Plan. The Oversight Board may determine to provide to PREPA a template to be used for such reporting, in

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which case any quarterly budget to actual reports submitted by PREPA must be submitted consistent with such reporting template.

Section 7.- The Oversight Board reserves the right to, in its sole discretion, issue a notice to the Governor, pursuant to PROMESA Section 202(a), setting forth a schedule for revising PREPA's budget.

Section 8.- The PREPA budget for fiscal year 2024 shall take effect on July 1, 2023.

EXHIBIT A

FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO

June 30, 2023

**RESOLUTION CERTIFYING THE FISCAL YEAR 2024 BUDGET FOR THE
PUERTO RICO ELECTRIC POWER AUTHORITY**

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted; and

WHEREAS, Section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”); and

WHEREAS, Section 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of a budget for covered instrumentalities of the Commonwealth of Puerto Rico, such as the Puerto Rico Electric Power Authority (“PREPA”), providing that: (i) the Governor must submit a proposed budget to the Oversight Board; (ii) the Oversight Board must review the proposed budget and determine, in the Oversight Board’s sole discretion, either that the proposed budget complies with the applicable fiscal plan or that it does not, in which case the Oversight Board must issue a notice of violation (“NoV”) and recommended revisions, giving the Governor an opportunity to correct the violations; (iii) the Governor may then submit a revised proposed budget; and (iv) if the Governor fails timely to submit a proposed budget that the Oversight Board determines in its sole discretion is a compliant budget, the Oversight Board shall develop and submit to the Governor its own compliant budget; and

WHEREAS, by letter dated March 21, 2023, the Oversight Board, pursuant to Section 202(a) of PROMESA, submitted to the Governor a schedule for developing, submitting, approving, and certifying the Fiscal Year 2024 budget for PREPA; and

WHEREAS, on May 1, 2023, the Puerto Rico Public-Private Partnerships Authority (the “P3 Authority”) informed LUMA Energy, LLC (“LUMA”) of its determination with respect to the Fiscal Year 2024 budget allocation pursuant to the 2017 Rate Order; and

WHEREAS, on June 23, 2023, the Oversight Board certified the 2023 Fiscal Plan for PREPA (the “Fiscal Plan”);

WHEREAS, on June 23, 2023, the Oversight Board, pursuant to Section 202(b) of PROMESA, submitted to the Governor and Legislature a forecast of revenues to be used in preparing the fiscal year 2024 budget for PREPA; and

WHEREAS, on June 23, 2023, the Governor submitted a proposed Fiscal Year 2024 budget for PREPA; and

WHEREAS, on June 25, 2023, the Puerto Rico Energy Bureau (“PREB”) approved a modified proposed consolidated Fiscal Year 2024 budget through a Resolution and Order (“R&O”); and

WHEREAS, on June 27, 2023, pursuant to Section 202(c)(1)(B) of PROMESA, the Oversight Board provided to the Governor a NoV, whereby the Oversight Board determined that the proposed Fiscal Year 2024 budget for PREPA required revisions before the Oversight Board could certify it as compliant with the Fiscal Plan and the requirements of PROMESA; and

WHEREAS, on June 28, 2023, the Governor submit a revised proposed Fiscal Year 2024 budget for PREPA; and

WHEREAS, the Oversight Board takes notice of PREPA’s stated intent to file with PREB a request for reconsideration of the June 25, 2023 R&O; and

WHEREAS, at this time, the Oversight Board concurs with PREB’s determination and, after substantial determinations, has determined that the proposed Fiscal Year 2024 budget for PREPA does not reflect a compliant budget as required by Section 202(c)(2) of PROMESA;

WHEREAS, the Oversight Board has developed a compliant Fiscal Year 2024 budget for PREPA that is consistent with the budget outlined in PREB’s June 25, 2023 R&O, which budget is attached hereto as Exhibit 1 (the “Fiscal Year 2024 PREPA Budget”);

WHEREAS, in certifying a budget that is consistent with PREB’s proposed Fiscal Year 2024 budget for PREPA, the Oversight Board is exercising its rights and powers under PROMESA to approve and certify a final, binding budget for PREPA; and

WHEREAS, the Oversight Board may revise in its sole discretion the Fiscal Year 2024 PREPA Budget based on future events, such as any reconsideration by PREB of the R&O; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to Sections 202(c)(2) and 202(e)(4) of PROMESA, the Oversight Board shall submit to the Governor the Fiscal Year 2024 PREPA Budget, and such budget shall be (i) deemed to be approved by the Governor; (ii) the subject of a compliance certification to be issued by the Oversight Board to the Governor; and (iii) in full force and effect beginning on July 1, 2023.