

Financial Oversight & Management Board for Puerto Rico

Puerto Rico Electric Power Authority

Report Date **5/15/2023**



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Puerto Rico Electric Power Authority
B2A Summary
FISCAL YEAR 2023
As 5/15/2023

FY23 Monthly B2A Summary

(\$ millions)

Summary	March-23				YTD			
	Mar-23 Budget	Mar-23 Actual	Mar-23 Variance (\$)	Mar-23 Variance (%)	YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
A. Revenue								
Total Gross Revenue	401	319	(82)	(20.6%)	3,798	3,323	(475)	(12.5%)
Other Income	3	6	3	84.0%	28	41	13	47.0%
Total Unconsolidated Revenue	\$ 404	\$ 324	\$ (80)	(19.8%)	\$ 3,826	\$ 3,364	\$ (462)	(12.1%)
Bad Debt Expense	(6)	-	6	(100.0%)	(56)	(56)	-	0.0%
CILT & Subsidies	(29)	(29)	-	0.0%	(269)	(260)	9	(3.5%)
Total Consolidated Revenue	\$ 369	\$ 295	\$ (74)	(20.0%)	\$ 3,501	\$ 3,048	\$ (453)	(12.9%)
B. Expenses								
Fuel & Purchased Power	\$ 256	\$ 177	\$ 79	30.8%	\$ 2,658	\$ 2,315	\$ 344	12.9%
Genco:								
GenCo Labor Operating Expenses	\$ 7	\$ 7	\$ 1	10.4%	\$ 66	\$ 58	\$ 8	11.9%
GenCo Non-Labor/Other Operating Expense	\$ 5	\$ 5	(0)	(6.8%)	\$ 44	\$ 53	(8)	(18.8%)
Shared Services Agreement Impact	\$ 5	\$ 6	(1)	(10.5%)	\$ 45	\$ 49	(4)	(8.5%)
Total GenCo Maintenance Projects Expense	\$ 8	\$ 14	(6)	(73.8%)	\$ 74	\$ 64	\$ 10	14.0%
Federal Funding Cost Share	\$ -	\$ -	-	n.a.	\$ -	\$ -	-	n.a.
Total Genco Operating & Maintenance Expenses	\$ 25	\$ 32	\$ (6)	(24.3%)	\$ 229	\$ 223	\$ 6	2.6%
HoldCo:								
HoldCo Labor Operating Expenses	\$ 1	\$ 2	(1)	(49.8%)	\$ 9	\$ 12	(2)	(23.8%)
HoldCo Non-Labor / Other Operating Expenses	\$ 5	\$ 4	\$ 1	22.4%	\$ 49	\$ 56	(7)	(14.0%)
Total HoldCo Operating Expenses	\$ 7	\$ 6	\$ 1	10.9%	\$ 59	\$ 68	\$ (9)	(15.5%)
GridCo:								
Total GridCo Operating & Maintenance Expenses	\$ 61	\$ 61	-	0.0%	\$ 565	\$ 534	\$ 31	5.4%
Total Expenses	\$ 350	\$ 276	\$ 73	20.97%	\$ 3,512	\$ 3,140	\$ 371	10.57%
C. Net Balance	\$ 19	\$ 19	\$ 0	1.77%	\$ (11)	\$ (92)	\$ 82	-769.92%

Note 1: LUMA submitted a request for extension to the PREB to file its Q3 results by May 22, 2023.

As such, due to the unavailability of LUMA's actual results, respective GridCo actuals for January, February, and March have been set to equal budget amounts.

LUMA's Q3 actual results will be updated in the April B2A submission.

Note 2: Due to the limited availability of monthly Bad Debt information, this category is set to equal monthly budgets for the year-to-date period.

Puerto Rico Electric Power Authority (LUMA)
Monthly Revenues
FISCAL YEAR 2023
As Of: 5/15/2023

FY23 Monthly Revenues

(\$ millions)

Revenues	January-23				February-23				March-23				YTD			
	Jan-23 Budget	Jan-23 Actual	Jan-23 Variance (\$)	Jan-23 Variance (%)	Feb-23 Budget	Feb-23 Actual	Feb-23 Variance (\$)	Feb-23 Variance (%)	Mar-23 Budget	Mar-23 Actual	Mar-23 Variance (\$)	Mar-23 Variance (%)	YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
Basic Revenue																
1 Residential	32	27	(4)	(13.8%)	28	24	(3)	(11.5%)	31	27	(4)	(11.7%)	313	277	(36)	(11.5%)
2 Commercial	46	43	(3)	(5.7%)	44	43	(1)	(1.8%)	50	42	(8)	(15.4%)	438	368	(70)	(16.0%)
3 Industrial	8	7	(0)	(5.3%)	8	7	(1)	(9.1%)	9	9	0	0.3%	76	74	(2)	(2.1%)
4 Public Lighting	5	5	0	1.6%	5	4	(1)	(23.7%)	5	5	(0)	(5.4%)	46	42	(4)	(8.5%)
5 Agricultural	0	0	0	0.2%	0	0	0	7.9%	0	0	0	10.4%	1	1	(0)	(3.9%)
6 Others	0	0	(0)	(28.9%)	0	0	(0)	(8.6%)	0	0	(0)	(13.6%)	2	1	(0)	(15.7%)
Total Basic Revenue	90	83	(7)	(8.1%)	84	79	(6)	(7.0%)	95	83	(12)	(12.2%)	876	764	(112)	(12.8%)
Fuel & Purchased Power																
7 Residential	109	63	(46)	(42.3%)	93	57	(36)	(38.8%)	107	75	(32)	(30.0%)	1,127	917	(210)	(18.6%)
8 Commercial	116	82	(34)	(29.7%)	108	79	(29)	(26.6%)	132	100	(32)	(24.5%)	1,193	1,080	(113)	(9.5%)
9 Industrial	26	19	(7)	(28.3%)	28	19	(9)	(31.7%)	33	25	(8)	(23.7%)	291	258	(34)	(11.5%)
10 Public Lighting	5	4	(1)	(22.6%)	4	2	(2)	(39.3%)	4	4	(0)	(7.8%)	38	42	4	11.5%
11 Agricultural	0	0	(0)	(31.1%)	0	0	(0)	(21.9%)	0	0	(0)	(9.3%)	4	3	(0)	(10.6%)
12 Others	1	0	(0)	(37.3%)	1	0	(0)	(18.9%)	1	1	(0)	(9.7%)	6	6	(0)	(7.0%)
Total Purchased Power	257	168	(89)	(34.8%)	234	159	(76)	(32.3%)	278	205	(73)	(26.2%)	2,658	2,306	(352)	(13.3%)
CLLT																
13 Residential	4	2	(1)	(33.5%)	3	4	1	46.6%	4	4	1	22.7%	36	33	(2)	(6.8%)
14 Commercial	4	3	(1)	(20.8%)	4	6	3	77.5%	4	6	2	35.1%	38	40	2	5.2%
15 Industrial	1	1	(0)	(18.6%)	1	1	0	53.7%	1	1	0	31.4%	9	9	0	1.4%
16 Public Lighting	0	0	0	2.8%	0	0	0	52.6%	0	0	0	104.9%	1	1	0	23.5%
17 Agricultural	0	0	(0)	(24.8%)	0	0	0	87.9%	0	0	0	63.5%	0	0	0	5.8%
18 Others	0	0	(0)	(26.6%)	0	0	0	83.9%	0	0	0	55.5%	0	0	0	7.3%
Total CLLT	8	6	(2)	(25.6%)	8	12	5	62.0%	9	12	3	31.0%	84	84	0	0.0%
Subsidies																
19 Residential	8	7	(1)	(8.2%)	7	6	(1)	(13.3%)	8	7	(1)	(10.3%)	76	67	(9)	(12.5%)
20 Commercial	8	9	1	11.6%	8	8	0	4.3%	9	9	(0)	(2.2%)	81	80	(1)	(1.2%)
21 Industrial	2	2	0	11.0%	2	2	(0)	(6.2%)	2	2	(0)	(4.5%)	20	19	(1)	(4.9%)
22 Public Lighting	0	0	0	25.8%	0	0	0	13.7%	0	0	0	32.3%	3	3	1	22.4%
23 Agricultural	0	0	0	9.9%	0	0	0	11.2%	0	0	0	17.3%	0	0	(0)	(2.3%)
24 Others	0	0	(0)	(1.9%)	0	0	0	11.9%	0	0	0	14.9%	0	0	0	1.1%
Total Subsidies	18	19	1	3.3%	16	16	(1)	(3.8%)	19	18	(1)	(5.1%)	180	169	(11)	(6.0%)
Total Revenue																
Total Gross Revenue	374	275	(98)	(26.3%)	343	265	(77)	(22.6%)	401	319	(82)	(20.6%)	3,798	3,323	(475)	(12.5%)
25 Other Income	3	1	(2)	(74.4%)	3	1	(2)	(71.9%)	3	6	3	84.0%	28	41	13	47.0%
Total Unconsolidated Revenue	\$ 377	\$ 276	\$ (101)	(26.7%)	\$ 346	\$ 266	\$ (80)	(23.0%)	\$ 404	\$ 324	\$ (80)	(19.8%)	\$ 3,826	\$ 3,364	\$ (462)	(12.1%)
26 Bad Debt Expense	(6)	-	6	(100.0%)	(6)	-	6	(100.0%)	(6)	-	6	(100.0%)	(56)	(56)	-	0.0%
27 CLLT & Subsidies	(28)	(28)	-	0.0%	(26)	(26)	-	0.0%	(29)	(29)	-	0.0%	(269)	(260)	9	(3.5%)
Total Consolidated Revenue	\$ 342	\$ 248	\$ (94)	(27.6%)	\$ 314	\$ 240	\$ (73)	(23.4%)	\$ 369	\$ 295	\$ (74)	(20.0%)	\$ 3,501	\$ 3,048	\$ (453)	(12.9%)

Note 1: LUMA submitted a request for extension to the PREB to file its Q3 results by May 22, 2023.

As such, due to the unavailability of LUMA's actual results, respective GridCo actuals for January, February, and March have been set to equal budget amounts. LUMA's Q3 actual results will be updated in the April B2A submission.

Note 2: Due to the limited availability of monthly Bad Debt information, this category is set to equal monthly budgets for the year-to-date period.

Puerto Rico Electric Power Authority
Monthly Revenues
FISCAL YEAR 2023
As Of: 5/15/2023

FY23 Monthly Expenses

(\$ millions)

Expenses

A. Fuel and Purchased Power

Table with columns for Budget, Actual, Variance (\$) and Variance (%) for January-23, February-23, March-23, and YTD. Includes Fuel, Purchased Power - Conventional Power, and Purchased Power - Renewable Power.

B. GenCo - Operations & Maintenance Expenses

Table for GenCo - Operations & Maintenance Expenses, subdivided into Labor and Non-Labor/Other Operating Expense. Includes Salaries & Wages, Pension & Benefits, and various materials and supplies.

Non-Labor/Other Operating Expense

Detailed table for Non-Labor/Other Operating Expense, including items like Transportation, Security, Utilities & Rents, and Professional & Technical Outsourced Services.

Total GenCo Labor Operating Expenses

Summary row for Total GenCo Labor Operating Expenses showing Budget, Actual, Variance, and % Variance.

Maintenance

Table for Maintenance expenses, including Generation and Federal Funding Cost Share.

Total GenCo Operating & Maintenance Expenses

Summary row for Total GenCo Operating & Maintenance Expenses.

C. HoldCo - Operations Expenses

Table for HoldCo - Operations Expenses, subdivided into Labor and Non-Labor/Other Operating Expenses. Includes Salaries & Wages, Pension & Benefits, and various supplies.

Total HoldCo Non-Labor / Other Operating Expenses

Summary row for Total HoldCo Non-Labor / Other Operating Expenses.

Total HoldCo Operating Expenses

Summary row for Total HoldCo Operating Expenses.

D. GridCo - Operating & Maintenance Expenses

Table for GridCo - Operating & Maintenance Expenses, including GridCo Labor Operating Expenses, GridCo Non-Labor / Other Operating Expenses, and Maintenance Projects Expenses.

Total Operating & Maintenance Expenses

Summary row for Total Operating & Maintenance Expenses.

Note 1: Amounts charged in August, September, and October 2022 for FOMB Advisory Costs allocated to PREPA and P3 Authority Transaction Cost were reversed in December 2022 due to charges corresponding to prior Fiscal Years.

Note 2: LUMA submitted a request for extension to the PREB to file its Q3 results by May 22, 2023.

As such, due to the unavailability of LUMA's actual results, respective GridCo actuals for January, February, and March have been set to equal budget amounts.

LUMA's Q3 actual results will be updated in the April B2A submission.

Puerto Rico Electric Power Authority
Variance Detail
FISCAL YEAR 2023
5/15/2023

Variance #1
FOMB Category: Maintenance
Account: Generation

Expenses	Budget YTD	Actual YTD	Variance(\$)	Variance (%)
Generation	\$ 74	\$ 64	\$ 10	14.01%

Variance Explanation
 Due to the complexities of aggregating project costs and determining if capitalization policy and other accounting guidelines have been met, interim monthly accounting does not consistently reflect the actual progress on NME.

Root Cause
 Constrained administrative and finance resources.

Corrective Action
 PREPA Finance and Generation directorates are currently exploring process improvements to better report NME spend with existing limited resources.

Variance #2
FOMB Category: Non-Labor/Other Operating Expense
Account: Materials & Supplies

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Materials & Supplies	\$ 15	\$ 21	\$ (6)	-38.85%

Variance Explanation
 Materials and supplies reflects the inclusion of project costs that should be capitalized, but have not yet been reclassified due to limited resources.

Root Cause
 Constrained administrative and finance resources.

Corrective Action
 PREPA Finance and Generation directorates are currently exploring process improvements to better report NME spend with existing limited resources.

Variance #3
FOMB Category: Non-Labor/Other Operating Expense
Account: Utilities & Rents

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Utilities & Rents	\$ 0	\$ 9	(\$ 9)	-33465.11%

Variance Explanation
 This is a permanent year-to-date variance resulting from underbudgeting by PREPA, which is expected to exacerbate due to (i) expected increasing water utility cost; and (ii) a flat 35% haircut adjustment applied by the FOMB to PREPA's proposed FY2023 budget.

Root Cause
 Insufficient budget allocation to cover costs.

Corrective Action
 Seeking budget reapportionment for FY2023 cost when appropriate and improving input to FY2024 budget process.

Variance #4
FOMB Category: Non-Labor/Other Operating Expense - GenCo
Account: Other Miscellaneous Expenses

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Other Miscellaneous Expenses	\$ 6	\$ 12	\$ (7)	-115.99%

Variance Explanation
 This is a permanent year-to-date variance resulting from a ~\$17MM top-side adjustment to PREPA's proposed FY23 Budget by the FOMB.

Root Cause
 Insufficient budget allocation to cover costs.

Corrective Action
 Seeking budget reapportionment for FY2023 cost when appropriate and improving input to FY2024 budget process.

Variance #5
FOMB Category: Revenues
Account: Basic Revenues

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Total Basic Revenue	\$ 876	\$ 764	\$ 112	12.78%

Variance Explanation
 Base rate revenues are approximately 13% below budget in part due to below budget kWh sales results, approximately 8% lower than projected for FY2023. Roughly 50% of the negative sales variance occurred in October, the month in which Hurricane Fiona impacted the system. The remaining negative variance is likely due to increased Net Metering program participation, however, further analysis is required to quantify this impact.

Root Cause
 Predominantly due to impacts from Hurricane Fiona in October, and secondarily due to Net Metering.

Corrective Action
 TBD

Variance #6
FOMB Category: Non Labor/Other Operating Expenses
Account: PREPA Restructuring & Title III

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
PREPA Restructuring & Title III	\$ 19	\$ 26	\$ (7)	-36.60%

Variance Explanation
 In FY2023, various payments to different suppliers were charged to responsibility code 673 which are not related to restructuring. Additional analysis is being performed to prepare a journal entry to adjust charges.

Root Cause
 N/A - actual results to be revised and corrected.

Corrective Action
 Based on the analysis, a journal entry will be prepared to adjust charges that were incorrectly posted to responsibility code 673.

Variance #7
FOMB Category: Fuel & Purchased Power
Account: Fuel & Purchased Power

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Fuel	\$ 1,971	\$ 1,715	\$ 256	13.00%

Variance Explanation
 The favorable variance in fuel expense of approximately \$256 million is composed of positive variances in bunker and LNG of approximately \$450 million and a negative variance in diesel of roughly \$200 million.

Root Cause
 The main drivers of the favorable 13% budget variance in Fuel Cost relative to the FY23 certified budget were the combined effects of lower than budget bunker and LNG unit dispatch and fuel prices offset by higher than budget diesel generation and fuel prices.

Bunker generation and fuel prices consistently remained below budget amounts for FY23, with total bunker generation 13% below budget and fuel prices approximately 15% below budget. Approximately 40% of this favorable variance occurred in September and October 2022, when there was a heavier reliance on and more generation from diesel plants due to Hurricane Fiona. Additionally, there were several outages in bunker plants in FY23, leading to changes in fuel mix and higher generation from diesel plants. San Juan LNG generation was approximately 30% below budget due to natural gas supply constraints in the southern part of the island. San Juan LNG fuel prices were approximately 20% below budget for FY23.

This was offset by diesel fuel expense, which was the largest negative variance, approximately two times higher than the budget amount for YTD FY23. Diesel generation was over 70% higher than budgeted amounts for FY23 and diesel fuel prices were nearly 10% higher than budget. Approximately 80% of the fuel expense and generation variance occurred in September 2022 - November 2022 due to the impact of Hurricane Fiona.

Corrective Action
 Predominantly due to impacts from Hurricane Fiona. Secondly, due to outages caused by maintenance which led to changes in fuel mix.