

Financial Oversight & Management Board for Puerto Rico

Puerto Rico Electric Power Authority

Report Date **8/23/2023**



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Puerto Rico Electric Power Authority
B2A Summary
FISCAL YEAR 2023
As 8/23/2023

FY23 Monthly B2A Summary

(\$ millions)

Summary	June-23				YTD			
	Jun-23 Budget	Jun-23 Actual	Jun-23 Variance (\$)	Jun-23 Variance (%)	YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
A. Revenue								
Total Gross Revenue	400	298	(102)	(25.6%)	4,964	4,302	(662)	(13.3%)
Other Income	3	21	18	562.3%	37	152	115	307.3%
Total Unconsolidated Revenue	\$ 403	\$ 318	\$ (85)	(21.0%)	\$ 5,002	\$ 4,454	\$ (547)	(10.9%)
Bad Debt Expense	(6)	(7)	(1)	9.7%	(74)	(79)	(5)	6.5%
CILT & Subsidies	(28)	(19)	9	(33.6%)	(353)	(351)	2	(0.5%)
Total Consolidated Revenue	\$ 369	\$ 293	\$ (76)	(20.6%)	\$ 4,574	\$ 4,024	\$ (550)	(12.0%)
B. Expenses								
Fuel & Purchased Power	\$ 267	\$ 163	\$ 104	38.9%	\$ 3,441	\$ 2,898	\$ 543	15.8%
GenCo:								
GenCo Labor Operating Expenses	\$ 7	\$ 5	\$ 2	26.2%	\$ 88	\$ 74	\$ 13	15.2%
GenCo Non-Labor/Other Operating Expense	\$ 6	\$ 8	\$ (1)	(23.4%)	\$ 73	\$ 71	\$ 3	3.5%
Shared Services Agreement Impact	\$ 5	\$ 11	\$ (6)	(123.4%)	\$ 60	\$ 71	\$ (11)	(19.0%)
O&M Agreement Mobilization Fee	\$ 15	\$ 15	\$ -	0.0%	\$ 15	\$ 15	\$ -	0.0%
PREPA Voluntary Transition Program	\$ 2	\$ -	\$ 2	100.0%	\$ 29	\$ -	\$ 29	100.0%
Emergency PREPA Employee Retirement System Contribu	\$ 5	\$ 26	\$ (21)	(384.7%)	\$ 65	\$ 30	\$ 35	53.3%
Second Emergency PREPA Employee Retirement System I	\$ 9	\$ -	\$ 9	100.0%	\$ 108	\$ -	\$ 108	100.0%
Total GenCo Maintenance Projects Expense	\$ 9	\$ 19	\$ (10)	(113.9%)	\$ 105	\$ 83	\$ 22	21.0%
Federal Funding Cost Share	\$ -	\$ -	\$ -	n.a.	\$ -	\$ -	\$ -	n.a.
Total GenCo Operating & Maintenance Expenses	\$ 59	\$ 84	\$ (25)	(42.4%)	\$ 543	\$ 345	\$ 199	36.6%
HoldCo:								
HoldCo Labor Operating Expenses	\$ 1	\$ 2	\$ (1)	(99.0%)	\$ 13	\$ 16	\$ (4)	(28.3%)
HoldCo Non-Labor / Other Operating Expenses	\$ 5	\$ (6)	\$ 11	205.4%	\$ 66	\$ 69	\$ (3)	(4.0%)
Total HoldCo Operating Expenses	\$ 7	\$ (4)	\$ 10	156.9%	\$ 78	\$ 85	\$ (6)	(7.8%)
GridCo:								
Total GridCo Operating & Maintenance Expenses	\$ 62	\$ 97	\$ (35)	(56.2%)	\$ 749	\$ 745	\$ 4	0.5%
Total Expenses	\$ 394	\$ 340	\$ 54	13.73%	\$ 4,813	\$ 4,073	\$ 740	15.37%
C. Net Balance								
	\$ (25)	\$ (47)	\$ 22	-85.62%	\$ (238)	\$ (49)	\$ (189)	79.45%

Note 1: GenCo Operating Expenses were revised in June 2023 to reflect additional items from PREPA's FY23 second amended budget certified on June 23, 2023.

Puerto Rico Electric Power Authority (LUMA)
 Monthly Revenues
 FISCAL YEAR 2023
 As Of: 8/23/2023

FY23 Monthly Revenues

(\$ millions)

Revenues	June-23				YTD			
	Jun-23 Budget	Jun-23 Actual	Jun-23 Variance (\$)	Jun-23 Variance (%)	YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
Basic Revenue								
1 Residential	37	39	2	5.6%	418	379	(40)	(9.5%)
2 Commercial	49	29	(20)	(41.7%)	585	487	(98)	(16.7%)
3 Industrial	9	8	(1)	(5.8%)	101	98	(3)	(3.3%)
4 Public Lighting	5	5	(0)	(2.5%)	61	56	(4)	(7.3%)
5 Agricultural	0	0	(0)	(6.0%)	2	2	(0)	(3.1%)
6 Others	0	0	(0)	(11.2%)	2	2	(0)	(15.5%)
Total Basic Revenue	100	81	(19)	(19.0%)	1,170	1,024	(146)	(12.5%)
Fuel & Purchased Power								
7 Residential	117	85	(32)	(27.4%)	1,460	1,178	(282)	(19.3%)
8 Commercial	117	84	(33)	(28.4%)	1,543	1,383	(160)	(10.4%)
9 Industrial	30	19	(11)	(36.7%)	378	324	(54)	(14.3%)
10 Public Lighting	3	5	2	55.7%	49	55	6	12.7%
11 Agricultural	0	0	(0)	(32.7%)	5	4	(1)	(11.9%)
12 Others	1	0	(0)	(27.1%)	8	7	(1)	(8.7%)
Total Purchased Power	269	194	(75)	(27.9%)	3,441	2,951	(491)	(14.3%)
CILT								
13 Residential	4	3	(1)	(29.7%)	48	44	(4)	(9.1%)
14 Commercial	4	3	(1)	(25.8%)	51	52	1	2.6%
15 Industrial	1	1	(0)	(41.7%)	12	12	(0)	(3.3%)
16 Public Lighting	0	0	(0)	(46.0%)	2	2	0	19.9%
17 Agricultural	0	0	(0)	(44.2%)	0	0	0	2.0%
18 Others	0	0	(0)	(29.9%)	0	0	0	3.3%
Total CILT	10	7	(3)	(29.6%)	113	110	(3)	(2.7%)
Subsidies								
19 Residential	9	7	(2)	(26.3%)	102	86	(15)	(15.1%)
20 Commercial	9	7	(2)	(22.2%)	108	103	(5)	(4.4%)
21 Industrial	2	1	(1)	(38.2%)	26	24	(3)	(10.3%)
22 Public Lighting	0	0	(0)	(31.0%)	3	4	1	15.6%
23 Agricultural	0	0	(0)	(40.3%)	0	0	(0)	(7.0%)
24 Others	0	0	(0)	(26.1%)	1	1	(0)	(3.2%)
Total Subsidies	21	15	(5)	(26.0%)	240	218	(22)	(9.3%)
Total Revenue								
Total Gross Revenue	400	298	(102)	(25.6%)	4,964	4,302	(662)	(13.3%)
25 Other Income	3	21	18	562.3%	37	152	115	307.3%
Total Unconsolidated Revenue	\$ 403	\$ 318	\$ (85)	(21.0%)	\$ 5,002	\$ 4,454	\$ (547)	(10.9%)
26 Bad Debt Expense	(6)	(7)	(1)	9.7%	(74)	(79)	(5)	6.5%
27 CILT & Subsidies	(28)	(19)	9	(33.6%)	(353)	(351)	2	(0.5%)
Total Consolidated Revenue	\$ 369	\$ 293	\$ (76)	(20.6%)	\$ 4,574	\$ 4,024	\$ (550)	(12.0%)

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Note 1: Bad Debt Expense amounts have been revised from November 2022 through June 2023 based on updated results from LUMA.

Puerto Rico Electric Power Authority
Monthly Revenues
FISCAL YEAR 2023
As Of: 8/23/2023

FY23 Monthly Expenses

(\$ millions)

Expenses	June-23				YTD			
	Jun-23 Budget	Jun-23 Actual	Jun-23 Variance (\$)	Jun-23 Variance (%)	YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
A. Fuel and Purchased Power								
28 Fuel	218	152	66	30.3%	2,890	2,445	445	15.4%
29 Purchased Power - Conventional Power	41	6	36	86.7%	472	388	84	17.8%
30 Purchased Power - Renewable Power	7	5	2	25.5%	79	65	14	17.9%
Total Fuel and Purchased Power	\$ 267	\$ 163	\$ 104	38.9%	\$ 3,441	\$ 2,898	\$ 543	15.8%
B. GenCo - Operations & Maintenance Expenses								
Labor								
31 Salaries & Wages	4	2	2	40.9%	46	38	8	17.1%
32 Pension & Benefits	2	2	1	22.5%	29	21	8	27.4%
33 Overtime Pay	1	1	(0)	(19.7%)	12	14	(2)	(19.2%)
34 Overtime Benefits	0	0	0	8.2%	1	2	(0)	(9.8%)
Total GenCo Labor Operating Expenses	\$ 7	\$ 5	\$ 2	26.2%	\$ 88	\$ 74	\$ 13	15.2%
Non-Labor/Other Operating Expense								
35 Materials & Supplies	2	3	(1)	(40.3%)	26	28	(2)	(7.6%)
36 Transportation, Per Diem, and Mileage	0	0	(0)	(235.3%)	2	3	(1)	(92.3%)
37 Security	1	3	(2)	(309.7%)	9	9	0	2.7%
38 Utilities & Rents	0	0	(0)	(8.3%)	4	3	1	30.9%
39 Legal Services	1	1	(0)	(31.3%)	10	6.64	4	35.0%
40 Professional & Technical Outsourced Services	0	(0)	0	120.7%	2	2	1	28.6%
41 Regulation & Environmental Inspection	1	0	1	95.0%	8	6	2	28.3%
42 Other Miscellaneous Expenses	1	(1)	2	150.4%	12	14	(2)	(15.6%)
Total Non-Labor/Other Operating Expense	\$ 6	\$ 8	\$ (1)	(23.4%)	\$ 73	\$ 71	\$ 3	3.5%
43 Shared Services Agreement Impact	5	11	(6)	(123.4%)	60	71	(11)	(19.0%)
44 O&M Agreement Mobilization Fee	15	15	-	0.0%	15	15	-	0.0%
45 PREPA Voluntary Transition Program	2	-	2	100.0%	29	-	29	100.0%
46 Emergency PREPA Employee Retirement System Contribution	5	26	(21)	(384.7%)	65	30	35	53.3%
47 Second Emergency PREPA Employee Retirement System Contribution	9	-	9	100.0%	108	-	108	100.0%
Total GenCo Operating Expenses	\$ 50	\$ 65	\$ (15)	(29.9%)	\$ 438	\$ 261	\$ 177	40.3%
Maintenance								
48 Generation	9	19	(10)	(113.9%)	105	83	22	21.0%
Total GenCo Maintenance Projects Expense	\$ 9	\$ 19	\$ (10)	(113.9%)	\$ 105	\$ 83	\$ 22	21.0%
49 Federal Funding Cost Share	-	-	-	n.a.	-	-	-	n.a.
Total GenCo Operating & Maintenance Expenses	\$ 59	\$ 84	\$ (25)	(42.4%)	\$ 543	\$ 345	\$ 199	36.6%
C. HoldCo - Operations Expenses								
Labor								
50 Salaries & Wages	1	2	(1)	(163.4%)	8	10	(3)	(38.3%)
51 Pension & Benefits	0	0	(0)	(2.9%)	5	5	(1)	(13.3%)
52 Overtime Pay	0	0	(0)	(0.7%)	0	1	(0)	(18.0%)
53 Overtime Benefits	0	0	0	50.7%	0	0	0	32.8%
Total HoldCo Labor Operating Expenses	\$ 1	\$ 2	\$ (1)	(99.0%)	\$ 13	\$ 16	\$ (4)	(28.3%)
Non-Labor / Other Operating Expenses								
54 Materials & Supplies	0	0	0	84.5%	0	0	0	12.3%
55 Transportation, Per Diem, and Mileage	0	0	(0)	(60.6%)	0	0	0	50.3%
56 Retiree Medical Benefits	1	1	0	25.3%	9	7	2	24.3%
57 IT Service Agreements	0	(0)	0	402.2%	1	1	(0)	(48.6%)
58 Utilities & Rents	0	1	(1)	(49467.4%)	0	15	(15)	(40612.9%)
59 Communications Expenses	0	-	0	100.0%	0	-	0	100.0%
60 Professional & Technical Outsourced Services	0	(0)	1	221.9%	4	2	3	61.8%
61 Other Miscellaneous Expenses	0	0	(0)	(97.6%)	2	(1)	3	166.0%
62 PREPA Restructuring & Title III	2	(8)	10	460.6%	25	26	(1)	(4.3%)
63 FOMB Advisor Costs allocated to PREPA	2	-	2	100.0%	24	19	5	22.4%
P3 Authority Transaction Costs	-	-	-	n.a.	-	-	-	n.a.
Total HoldCo Non-Labor / Other Operating Expenses	\$ 5	\$ (6)	\$ 11	205.4%	\$ 66	\$ 69	\$ (3)	(4.0%)
Total HoldCo Operating Expenses	\$ 7	\$ (4)	\$ 10	156.9%	\$ 78	\$ 85	\$ (6)	(7.8%)
D. GridCo - Operating & Maintenance Expenses								
64 GridCo Labor Operating Expenses	20	33	(12)	(60.7%)	246	251	(4)	(1.8%)
65 GridCo Non-Labor / Other Operating Expenses	24	36	(12)	(52.1%)	290	292	(2)	(0.8%)
66 Operator Service Fees	11	11	0	0.3%	122	122	0	0.0%
67 2% Reserve for Excess Expenditures	1	-	1	100.0%	11	-	11	100.0%
68 Maintenance Projects Expenses	6	17	(11)	(178.1%)	80	80	(0)	(0.3%)
Total GridCo Operating & Maintenance Expenses	\$ 62	\$ 97	\$ (35)	(56.2%)	\$ 749	\$ 745	\$ 4	0.5%
Total Operating & Maintenance Expenses	\$ 394	\$ 340	\$ 54	13.73%	\$ 4,813	\$ 4,073	\$ 740	15.37%
E. HoldCo Balance Sheet Items								
69 Operations and Maintenance Reserve	2	-	2	100.0%	20	-	20	100.0%
70 Genera Working Capital Reserve	432	432	-	0.0%	432	432	-	0.0%
Total HoldCo Balance Sheet Items	\$ 434	\$ 432	\$ 2	0.4%	\$ 453	\$ 432	\$ 20	4.5%

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: Amounts charged to Monthly Generation Expenses for July 2022 - April 2023 were revised down in the April B2A due to findings that certain necessary maintenance expenses were funded with Federal Funds.

Note 3: For FY2023 B2A reporting through March, EcoElectrica Fuel was included in Purchased Power for budget and actuals. Starting in April, EcoElectrica Fuel is reported in the Fuel account consistent with the FOMB Certified Budget.

Note 4: GenCo Operating Expenses were revised in June 2023 to reflect additional items from PREPA's FY23 second amended budget certified on June 23, 2023.

Note 5: Operations & Maintenance Reserve and Genera Working Capital Reserve are balance sheet items that were presented as operating expenses in the second amended FY23 budget.

PREPA received a loan of \$447.4 million from the Commonwealth, of which \$15 million was applied to the Genera mobilization fee and \$432.4 million was applied to funding of the Genera service accounts in June 2023.

Puerto Rico Electric Power Authority
Variance Detail
FISCAL YEAR 2023
8/23/2023

Variance #1
FOMB Category: Maintenance
Account: Generation

Expenses	Budget YTD	Actual YTD	Variance(\$)	Variance (%)
Generation	\$ 105	\$ 83	\$ 22	20.97%

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 will inform Genera Finance team about the need to improve process to better report NME spend should there be limited resources.

Variance #2
FOMB Category: Non-Labor/Other Operating Expense - GenCo.
Account: Utilities & Rents

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Utilities & Rents	\$ 0	\$ 15	\$ (15)	-40612.89%

Variance Explanation
 This is a permanent year-to-date variance resulting from underbudgeting by PREPA, due to (i) expected increases in water utility costs; and (ii) a flat 35% haircut adjustment applied by the FOMB to PREPA's proposed FY23 budget.

Root Cause
 Insufficient budget allocation to cover costs.

Corrective Action
 Consider budget reapportionment for FY2023 cost when appropriate and improve input to FY2024 budget process.

Puerto Rico Electric Power Authority
Variance Detail
FISCAL YEAR 2023
8/23/2023

Variance #3
 FOMB Category: Revenues
 Account: Basic Revenues

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Total Basic Revenue	\$ 1,170	\$ 1,024	\$ (146)	-12.47%

Variance Explanation
 Base rate revenues are approximately 13% below budget in part due to below budget kWh sales results, approximately 6% lower than projected for FY2023. Approximately 45% of the negative sales variance occurred in September, the month in which Hurricane Fiona impacted the system. June was the only month in FY23 where actual sales slightly exceeded the budgeted amount by 4%.

Root Cause
 Largest identifiable impact due to Hurricane Fiona in September.

Corrective Action
 N/A

Puerto Rico Electric Power Authority
Variance Detail
FISCAL YEAR 2023
8/23/2023

Variance #4
 FOMB Category: Fuel & Purchased Power
 Account: Fuel & Purchased Power Expense

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Total Fuel & Purchased Power	\$ 3,441	\$ 2,898	\$ 543	15.79%

Variance Explanation
 The favorable variance in Total Fuel & Purchased Power expense of approximately \$540 million is due to lower than expected bunker, AES, and renewable generation and fuel prices, offset by higher than expected diesel and LNG generation.

Root Cause
 The main drivers of the favorable 16% budget variance in Fuel & Purchased Power Cost relative to the FY23 certified budget were the combined effects of lower than budget bunker, AES, and renewables dispatch and fuel prices offset by higher than budget diesel and LNG generation.

Bunker generation and fuel prices consistently remained below budget amounts for FY23, with total bunker generation 14% below budget and fuel prices approximately 17% 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. AES generation was 16% below budget for FY23 and over half of this favorable variance occurred between February - April 2023, when AES unit 1 was undergoing annual maintenance. Renewable generation was also 18% below budget, with 35% of this variance occurring in September and October 2022 due to intermittency issues caused by Hurricane Fiona.

This was offset by diesel generation, which was the largest negative variance, approximately two times higher than the budget amount for FY23. Diesel generation was over 90% higher than budgeted amounts for FY23 and diesel fuel prices were nearly 4% higher than budget. More than 50% of the fuel expense and generation variance occurred in September - November 2022 due to the impact of Hurricane Fiona and 30% of the variance occurred in May and June 2023 due to outages in various bunker plants, leading to increased diesel burn. Costa Sur LNG generation was approximately 30% above budget, offset by San Juan LNG generation, which was approximately 22% below budget.

Corrective Action
 N/A

Puerto Rico Electric Power Authority
Variance Detail
FISCAL YEAR 2023
8/23/2023

Variance #5
FOMB Category: Revenues
Account: Purchased Power Revenues

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Total Purchased Power Revenue	\$ 3,441	\$ 2,951	\$ (491)	-14.26%

Variance Explanation
 Purchased power revenues are approximately 14% below budget predominantly due to 6% lower billed sales than projected for FY23 (largely driven by the impact from Hurricane Fiona) and the resulting impact on overall generation, which is approximately 7% below budget. Billed rates for the purchased power rider are also below budget due to lower-than-budget purchased power expenses.

Root Cause
 Overall system load and purchased power expenses are below budget, resulting in lower than budget generation requirements and billed rates for purchased power.

Corrective Action
 N/A

Variance #6
FOMB Category: GenCo Operating Expenses
Account: Emergency PREPA Employee Retirement System Contribution

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Emergency PREPA Employee Retirement System Contribution	\$ 65	\$ 30	\$ 35	53.31%

Variance Explanation
 The favorable variance of \$35 million is due to PREPA not utilizing the full budget after the first of two injections of emergency contributions to the Employee Retirements System (ERS) in FY23.

Root Cause
 PREPA complied with the requests of contributions from ERS and funded \$4 million in May and \$26 million in June. PREPA will continue to make contributions in FY24, and plans to contribute \$22 million in July and \$24 million in August.

Corrective Action
 N/A - PREPA will continue to make contributions in FY24.

Puerto Rico Electric Power Authority
Variance Detail
FISCAL YEAR 2023
8/23/2023

Variance #7
FOMB Category: GenCo Operating Expenses
Account: Emergency PREPA Employee Retirement System Contribution

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Second Emergency PREPA Employee Retirement System Contribution	\$ 108	\$ -	\$ 108	100.00%

Variance Explanation
 The favorable variance of \$108 million is due to the full budget for contributions to the Employee Retirements System (ERS) not being utilized in FY23.

Root Cause
 PREPA made monthly contributions in May and June for approximately \$30 million as requested by the ERS but the full budget amount was not utilized in FY23. However, this budget amount will be needed in FY24 as PREPA has received contribution requests for July and August and plans to make further contributions in FY24.

Corrective Action
 N/A - PREPA will continue to make contributions in FY24.

Variance #8
FOMB Category: Other Income
Account: Other Income

Expenses	Budget YTD	Actual YTD	Variance (\$)	Budget Horizontal Variance YTD (%)
Other Income	\$ 37	\$ 152	\$ 115	307.27%

Variance Explanation
 The favorable variance in Other Income of approximately \$115 million is driven by FEMA reimbursements for FFAST projects.

Root Cause
 PREPA submitted various requests for reimbursement (RFRs) related to FFAST projects and received these reimbursements from FEMA in FY23. These reimbursements are reflected in DFMO's Master Tracker and were accurately deposited in the Banco Popular FEMA Reimbursement Account ending in 678 throughout FY23.

Corrective Action
 N/A