



**Puerto Rico  
Electric Power  
Authority**

# **Budget to Actual Variance Report**

## **For the Third Quarter of Fiscal Year 2018-2019**

April 30, 2019

## Disclaimer

The information contained herein (the "Information") has been provided and prepared by the Puerto Rico Electric Power Authority ("PREPA" or the "Company") and is in draft form subject to further discussion and revision. No representation or warranty, express or implied, is made by the Company as to the accuracy or completeness of the Information, which has not been independently verified. Without limitation of the foregoing, no representation or warranty, express or implied, is made by the Company as to the accuracy or completeness of any forecasts or projections contained in the Information. Nothing contained in the Information may be relied upon as a promise or representation as to the future.

The financial information contained herein, whether projected or historic, is unaudited interim financial information, has not been examined by independent auditors and does not constitute an audit. The financial and other information contained herein, whether projected or historic, is subject to a number of assumptions, and speaks solely as of the date indicated.

Recipients of the Information agree to keep the Information strictly confidential. The Information is confidential and contains proprietary and confidential information about the Company, its subsidiaries and its operations. This document material is being presented solely for your information and may not be copied, reproduced or redistributed to any other person in any manner. Information includes the nature, substance, status, and terms of any discussions related to the Information discussed herein.

The Information does not constitute an offer or invitation to purchase or subscribe for any shares or other securities of the Company and neither any part of this document nor any information or statement contained therein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. By receiving the Information, you agree to be bound by the foregoing limitations.

## TABLE OF CONTENTS

Introduction.....	
Executive Summary.....	5
Account Definitions & Groupings.....	6
Budget to Actual Variance Report (Unaudited) Third Quarter.....	7
Notes to Budget to Actual Variance Report (Unaudited) Third Quarter.....	9
Budget to Actual Variance Report (Unaudited) Year to Date.....	16
Notes to Budget to Actual Variance Report (Unaudited) Year to Date.....	21

## Introduction

On June 30, 2016, the United States Congress enacted the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA). Section 101 of PROMESA established the Financial Oversight and Management Board for Puerto Rico (FOMB); and Section 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of budgets for covered instrumentalities of the Commonwealth of Puerto Rico. On July 3, 2017, FOMB formally presented, before the United States District Court for the District of Puerto Rico, a request for adjustment of debts for the Puerto Rico Electric Power Authority (PREPA) under the Title III of PROMESA.

On April 19, 2018, FOMB certified the Fiscal Plan for PREPA and, on June 4, 2018, the Governor submitted a proposed budget for PREPA for fiscal year 2018-2019. Later, on August 1, 2018, the FOMB certified the revised Fiscal Plan for PREPA (Fiscal Plan), and on September 30, 2018, the FOMB approved the Puerto Rico Electric Power Authority Fiscal Year 2019 Compliant Budget and Budgetary Resolutions Provisions, pursuant to Sections 202(c)(2) and 202(e)(4) of PROMESA.

PROMESA and the Fiscal Plan require that a budget-to-actual variance report be provided to the FOMB on a quarterly basis for reviewing purposes. Consequently, this report was prepared in compliance with such requirements.

## Executive Summary

This report presents the variances between the third quarter allocation of the budget approved by the FOMB for Fiscal Year 2018-2019 and the actual amounts. The Fiscal Plan requires explanations for material variances, which the Fiscal Plan defined as variances above 10% and \$30 million, related to expenses and maintenance expenditures. During the third quarter, no material variances were observed; thus, no explanations for material variances were presented.

During the third quarter of FY 2018-2019, PREPA has achieved revenue targets in accordance with the Fiscal Plan, as total consolidated revenues were approximately 11% higher than budget.

Generation for third quarter was projected in 4,078 MW. However, actual generation was 4,052MW; which represents a change of approximately 26 MW or 1% below budget. Consequently, Fuel and Purchased Power expenses decreased by approximately \$25 million or 5% when compared with the budgeted amount.

Nonetheless, YTD generation increased by 65 MW or less than 1% whereas Fuel and Purchase Power expense increased by \$48,453,821 or 3% when compared with the budget. This increment in Fuel and Purchase Power was covered by the increase in revenues. Accordingly, Fuel and Purchase Power represents 59% of gross revenues, which results in less than 1% below budget.

The Maintenance Projects Expense Budget is measured annually. Therefore, budget to actual comparisons are analyzed in terms of percentage of utilization for the entire year. As of March 31, 2019, spending is approximately 38%, when compared to approved budget.

## Account Definitions & Groupings

### Revenues

Gross revenues are segregated according to client category (residential, commercial, industrial, public, agricultural and others) and revenue type (fuel adjustment, purchased power, basic revenues and provisional rate).

### Fuel & Purchased Power

Fuel expense consists of the amount disbursed to purchase, transport and dispatch fuel onto the PREPA generators to generate electricity. This amount does not contemplate maintenance expenses for the plants or labor related to such generation.

Conversely, purchased power expense consists of the amount disbursed to purchase of electricity generated from third parties with whom PREPA has contracted purchase power agreements. The expense is segregated in two (2) categories: conventional purchased power, which includes plants that generate based on fossil fuels, coal and gas to energy; and renewable purchased power, which includes solar and wind plants.

### Labor Operating Expense

The labor operating expense consists of ordinary salaries, wages, pension and benefits, plus overtime pay and overtime benefits. This expense contains both fixed and variable components, and the overtime pay, and benefits portion are often influenced by external or environmental circumstances.

### Non-Labor / Other Operating Expense

The expenses under this category include multiple kinds of expenses, such as: materials and supplies, transportation and other traveling expenses, utilities, rent, communications and postage fees, professional services, security, etc.

### Maintenance Projects

Maintenance projects are presented as categorized by directorate. They include expenditures for materials, overhead, salaries, transportation, and other expenses. In addition, amounts are presented after proportionately distributing \$1.8 million labor reform reduction among directorates. Furthermore, some projects were transferred to other directorates from budget in order to improve project management and execution.

### Vertical %

These columns present the line item's proportion to total gross revenues. The unconsolidated revenues are also calculated based on the gross revenues.

### Budget Variance

The quarterly budget variance is calculated as the actual amount for that line item minus the budget amount for revenues; and budget amount minus actual amount for expenses and maintenance projects.

Accordingly, for revenues, a positive variance signifies that the actual amount is greater than the budget amount, whereas a negative variance signifies that the actual amount is less than the budget amount.

Conversely, for expenses and maintenance project expenditures, a positive variance signifies that the amount incurred was less than the budget amount (under-budget), whereas a negative variance signifies that the amount incurred was more than the budget amount (over-budget).

The budget horizontal variance presents the percentual deviation of the actual amounts from the budget amount.

The budget vertical variance presents the change in percentage points between the Vertical % for the budget and actual amounts.

Puerto Rico Electric Power Authority  
Budget to Actual Variance Report (Unaudited)  
For the Three-Month Period Ended on March 31, 2019

The following tables present the financial results for the third quarter of FY 2018-2019:

Revenues	A		B		C = B - A		Budget Horizontal Variance (%)	Budget Vertical Variance (%)
	Budget Q3	Vertical %	Actual Q3	Vertical %	Variance (\$)	Vertical %		
<b>Residential</b>								
Fuel Adjustment	\$ 125,059,482	16.17%	\$ 105,853,501	14.02%	\$ (19,205,981)	104.98%	-15.36%	-2.15%
Purchased Power	70,703,735	9.14%	66,588,338	8.82%	(4,115,397)	22.49%	-5.82%	-0.32%
Basic Revenues	71,515,077	9.25%	71,531,323	9.47%	16,246	-0.09%	0.02%	0.23%
Provisional	15,996,390	2.07%	15,948,166	2.11%	(48,224)	0.26%	-0.30%	0.04%
<b>Total Residential</b>	<b>\$ 283,274,684</b>	<b>36.63%</b>	<b>\$ 259,921,327</b>	<b>34.43%</b>	<b>\$ (23,353,357)</b>	<b>127.65%</b>	<b>-8.24%</b>	<b>-2.21%</b>
<b>Commercial</b>								
Fuel Adjustment	\$ 162,605,408	21.03%	\$ 144,098,614	19.09%	\$ (18,506,794)	101.16%	-11.38%	-1.94%
Purchased Power	92,033,493	11.90%	89,785,859	11.89%	(2,247,634)	12.29%	-2.44%	-0.01%
Basic Revenues	112,288,733	14.52%	112,860,260	14.95%	571,527	-3.12%	0.51%	0.43%
Provisional	21,844,970	2.82%	21,427,573	2.84%	(417,397)	2.28%	-1.91%	0.01%
<b>Total Commercial</b>	<b>\$ 388,772,604</b>	<b>50.27%</b>	<b>\$ 368,172,306</b>	<b>48.76%</b>	<b>\$ (20,600,298)</b>	<b>112.60%</b>	<b>-5.30%</b>	<b>-1.51%</b>
<b>Industrial</b>								
Fuel Adjustment	\$ 33,558,142	4.34%	\$ 42,376,735	5.61%	\$ 8,818,593	-48.20%	26.28%	1.27%
Purchased Power	19,034,978	2.46%	25,241,372	3.34%	6,206,394	-33.92%	32.61%	0.88%
Basic Revenues	17,397,673	2.25%	22,567,677	2.99%	5,170,004	-28.26%	29.72%	0.74%
Provisional	4,853,200	0.63%	6,219,922	0.82%	1,366,722	-7.47%	28.16%	0.20%
<b>Total Industrial</b>	<b>\$ 74,843,993</b>	<b>9.68%</b>	<b>\$ 96,405,707</b>	<b>12.77%</b>	<b>\$ 21,561,714</b>	<b>#####</b>	<b>28.81%</b>	<b>3.09%</b>
<b>Public Lighting</b>								
Fuel Adjustment	\$ 6,756,466	0.87%	\$ 7,213,361	0.96%	\$ 456,895	-2.50%	6.76%	0.08%
Purchased Power	3,845,985	0.50%	4,471,652	0.59%	625,667	-3.42%	16.27%	0.09%
Basic Revenues	12,256,233	1.58%	14,799,116	1.96%	2,542,883	-13.90%	20.75%	0.38%
Provisional	866,577	0.11%	1,006,952	0.13%	140,375	-0.77%	16.20%	0.02%
<b>Total Public Lighting</b>	<b>\$ 23,725,261</b>	<b>3.07%</b>	<b>\$ 27,491,081</b>	<b>3.64%</b>	<b>\$ 3,765,820</b>	<b>-20.58%</b>	<b>15.87%</b>	<b>0.57%</b>
<b>Agricultural</b>								
Fuel Adjustment	\$ 548,631	0.07%	\$ 567,735	0.08%	\$ 19,104	-0.10%	3.48%	0.00%
Purchased Power	311,448	0.04%	353,649	0.05%	42,201	-0.23%	13.55%	0.01%
Basic Revenues	337,208	0.04%	367,001	0.05%	29,793	-0.16%	8.84%	0.01%
Provisional	70,087	0.01%	79,783	0.01%	9,696	-0.05%	13.83%	0.00%
<b>Total Agricultural</b>	<b>\$ 1,267,374</b>	<b>0.16%</b>	<b>\$ 1,368,168</b>	<b>0.18%</b>	<b>\$ 100,794</b>	<b>-0.55%</b>	<b>7.95%</b>	<b>0.02%</b>
<b>Others</b>								
Fuel Adjustment	\$ 645,407	0.08%	\$ 736,848	0.10%	\$ 91,441	-0.50%	14.17%	0.01%
Purchased Power	365,290	0.05%	432,353	0.06%	67,063	-0.37%	18.36%	0.01%
Basic Revenues	319,570	0.04%	370,960	0.05%	51,390	-0.28%	16.08%	0.01%
Provisional	93,759	0.01%	112,836	0.01%	19,077	-0.10%	20.35%	0.00%
<b>Total Others</b>	<b>\$ 1,424,026</b>	<b>0.18%</b>	<b>\$ 1,652,997</b>	<b>0.22%</b>	<b>\$ 228,971</b>	<b>-1.25%</b>	<b>16.08%</b>	<b>0.03%</b>
<b>Total Gross Revenue</b>	<b>\$ 773,306,942</b>	<b>100.00%</b>	<b>\$ 755,011,586</b>	<b>100.00%</b>	<b>\$ (18,295,356)</b>	<b>100.00%</b>	<b>-2.37%</b>	<b>0.00%</b>
Other Income	2,534,317	0.33%	66,758,683	8.84%	64,224,366	-351.04%	2534.19%	8.51%
<b>Total Unconsolidated Revenue</b>	<b>775,841,259</b>	<b>100.33%</b>	<b>821,770,269</b>	<b>108.84%</b>	<b>45,929,010</b>	<b>#####</b>	<b>5.92%</b>	<b>8.51%</b>
Bad Debt Expense	(15,472,726)	-2.00%	(2,159,188)	-0.29%	13,313,538	-72.77%	-86.05%	1.71%
CILT & Subsidies	(68,511,575)	-8.86%	(54,501,336)	-7.22%	14,010,239	-76.58%	-20.45%	1.64%
PREPA Networks, LLC	1,755,415	0.23%	1,380,376	0.18%	(375,039)	2.05%	-21.36%	-0.04%
Adjustments/Other/Eliminations	-	0.00%	-	0.00%	-	0.00%	0.00%	0.00%
<b>Total Consolidated Revenue</b>	<b>\$ 693,612,373</b>	<b>89.69%</b>	<b>\$ 766,490,121</b>	<b>101.52%</b>	<b>\$ 72,877,748</b>	<b>#####</b>	<b>10.51%</b>	<b>11.83%</b>

Other Revenues

Pursuant to a settlement with the Official Committee of Unsecured Creditors, PREPA recorded -\$57MM in *Other Revenues*. The recorded amount is related to a -\$154MM claim that PREPA has against the GDB with respect to its deposits. Pertaining to *Other Revenues*, -\$42MM corresponds to the canceling of its outstanding Line of Credit (LoC) with GDB and the remainder, -\$15MM, was received in cash. During the previous fiscal year, PREPA recognized such deposits as a loss on impairment on deposits. This variance represents 90% of the year-to-date variance.



Puerto Rico Electric Power Authority  
 Budget to Actual Variance Report (Unaudited) (Cont.)  
 For the Three-Month Period Ended on March 31, 2019

Expenses	A		B		C = A - B		Budget Horizontal Variance (%)	Budget Vertical Variance (%)
	Budget Q3	Vertical %	Actual Q3	Vertical %	Variance (\$)	Vertical %		
Fuel	\$ 300,720,447	38.89%	\$ 273,295,813	36.20%	\$ 27,424,634	-149.90%	9.12%	-2.69%
Purchased Power - Conventional	145,288,089	18.79%	155,675,210	20.62%	(10,387,121)	56.77%	-7.15%	1.83%
Purchased Power - Renewable	25,552,266	3.30%	16,925,225	2.24%	8,627,041	-47.15%	33.76%	-1.06%
<b>Total Fuel &amp; Purchase Power Expense</b>	<b>\$ 471,560,802</b>	<b>60.98%</b>	<b>\$ 445,896,248</b>	<b>59.06%</b>	<b>\$ 25,664,554</b>	<b>-140.28%</b>	<b>5.44%</b>	<b>-1.92%</b>
Salaries & Wages	\$ 52,726,889	6.82%	\$ 47,442,500	6.28%	\$ 5,284,389	-28.88%	10.02%	-0.53%
Pension & Benefits	30,512,514	3.95%	28,453,961	3.77%	2,058,553	-11.25%	6.75%	0%
Overtime Pay	7,608,017	0.98%	11,326,389	1.50%	(3,718,372)	20.32%	-48.87%	0.52%
Overtime Benefits	839,803	0.11%	1,069,583	0.14%	(229,780)	1.26%	-27.36%	0.03%
<b>Total Labor Operating Expense</b>	<b>\$ 91,687,224</b>	<b>11.86%</b>	<b>\$ 88,292,434</b>	<b>11.69%</b>	<b>\$ 3,394,789</b>	<b>-18.56%</b>	<b>3.70%</b>	<b>-0.16%</b>
Materials & Supplies	\$ 8,322,250	1.08%	\$ 6,024,768	0.80%	\$ 2,297,482	-12.56%	27.61%	-0.28%
Transportation, Per Diem, and Mileage	9,875,849	1.28%	8,090,183	1.07%	1,785,666	-9.76%	18.08%	-0.21%
Property & Casualty Insurance	9,633,309	1.25%	8,890,373	1.18%	742,936	-4.06%	7.71%	0%
Retiree Medical Benefits	5,432,001	0.70%	2,273,824	0.30%	3,158,177	-17.26%	58.14%	-0.40%
Security	5,564,493	0.72%	6,253,533	0.83%	(689,040)	3.77%	-12.38%	0.11%
IT Service Agreements	6,089,934	0.79%	5,736,178	0.76%	353,756	-1.93%	5.81%	-0.03%
Banking Services	4,054,351	0.52%	3,740,043	0.50%	314,308	-1.72%	7.75%	-0.03%
Utilities & Rents	3,105,027	0.40%	3,442,533	0.46%	(337,505)	1.84%	-10.87%	0.05%
Legal Services	1,317,684	0.17%	673,184	0.09%	644,500	-3.52%	48.91%	-0.08%
Communications Expenses	2,165,091	0.28%	1,763,838	0.23%	401,254	-2.19%	18.53%	0%
Professional & Technical Outsourced Services	12,980,489	1.68%	1,701,604	0.23%	11,278,884	-61.65%	86.89%	-1.45%
Regulation and Environmental Inspection	4,297,999	0.56%	1,954,584	0.26%	2,343,415	-12.81%	54.52%	-0.30%
Other Miscellaneous Expenses	5,145,489	0.67%	5,678,205	0.75%	(532,716)	2.91%	-10.35%	0.09%
PREPA Restructuring & Title III	15,014,500	1.94%	4,396,245	0.58%	10,618,255	-58.04%	70.72%	-1.36%
FOMB Advisor Costs allocated to PREPA	7,950,000	1.03%	2,327,760	0.31%	5,622,240	-30.73%	70.72%	-0.72%
P3 Authority Transaction Costs	2,375,000	0.31%	4,730,743	0.63%	(2,355,743)	12.88%	-99.19%	0.32%
Other Expenses	-	0.00%	(2,749,316)	-0.36%	2,749,316	-15.03%	100.00%	-0.36%
<b>Total Non-Labor / Other Operating Expense</b>	<b>103,323,466</b>	<b>13.36%</b>	<b>64,928,282</b>	<b>8.60%</b>	<b>38,395,184</b>	<b>-209.86%</b>	<b>37.16%</b>	<b>-4.76%</b>
<b>Total Operating Expenses</b>	<b>\$ 666,571,492</b>	<b>86.20%</b>	<b>\$ 599,116,964</b>	<b>79.35%</b>	<b>\$ 67,454,528</b>	<b>-368.70%</b>	<b>10.12%</b>	<b>-6.85%</b>

Maintenance Projects	Budget FY 18-19	%	Actual YTD	%	Utilization (%)
Transmission & Distribution	\$ 59,993,366	26.59%	\$ 41,390,261	48.03%	69%
Generation	135,262,046	59.95%	36,738,515	42.63%	27%
Executive (General & Admin)	11,059,525	4.90%	1,010,226	1.17%	9%
Customer Service	16,820,213	7.46%	6,833,021	7.93%	41%
Planning and Environmental Protection	2,479,395	1.10%	203,022	0.24%	8%
MATS Compliance Projects	-	0.00%	-	0.00%	-
Transmission IRP	-	0.00%	-	0.00%	-
Resiliency Investments	-	0.00%	-	0.00%	-
Labor Reform	-	0.00%	-	0.00%	-
Finance	-	0.00%	-	0.00%	-
<b>Total Maintenance Projects</b>	<b>\$ 225,614,545</b>	<b>100.00%</b>	<b>\$ 86,175,045</b>	<b>100.00%</b>	<b>38%</b>

Description	Budget YTD	Vertical %	Actual Q3	Vertical %
<b>Total Operating &amp; Maintenance Expense</b>	892,186,036	115.37%	685,292,009	90.77%
Government Loan Interest	3,750,000	0.48%	-	0.00%
<b>Surplus/deficit before changes in working capital</b>	<b>\$ (202,323,663)</b>	<b>-26.16%</b>	<b>\$ 81,198,113</b>	<b>10.75%</b>

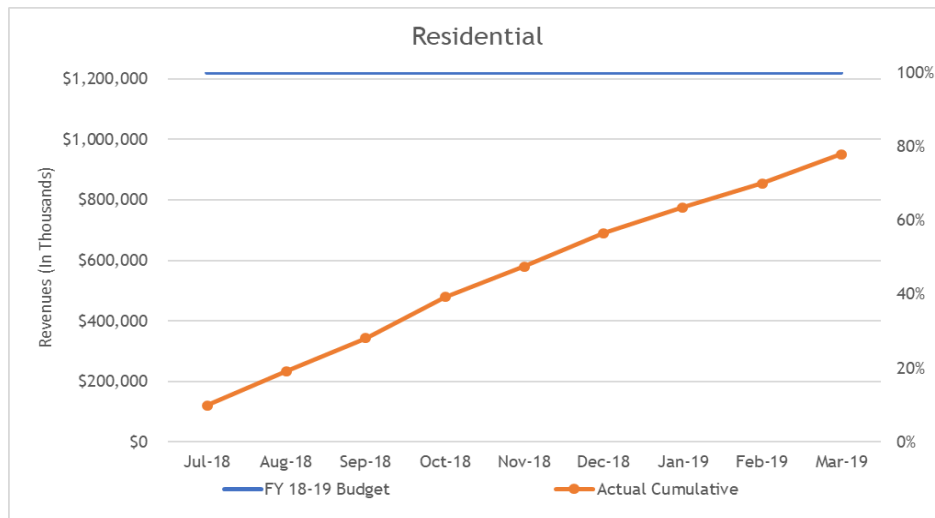
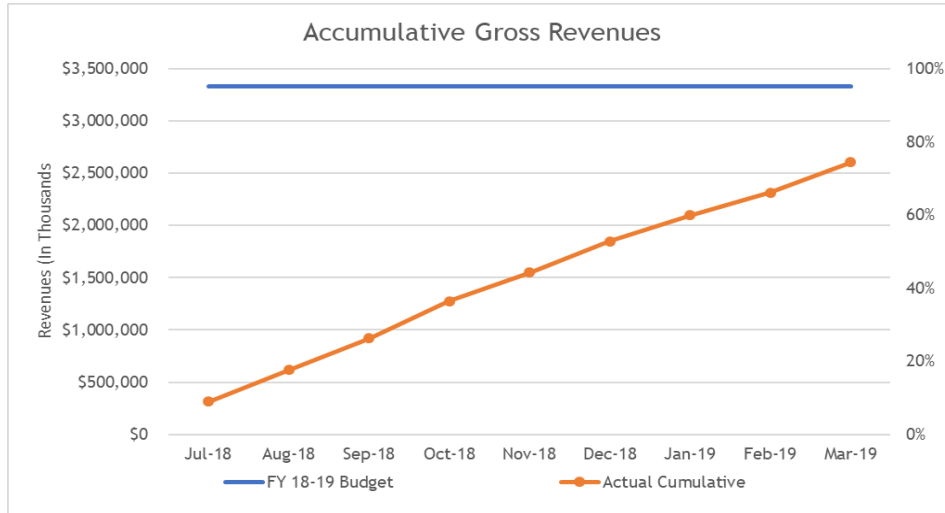
General Notes

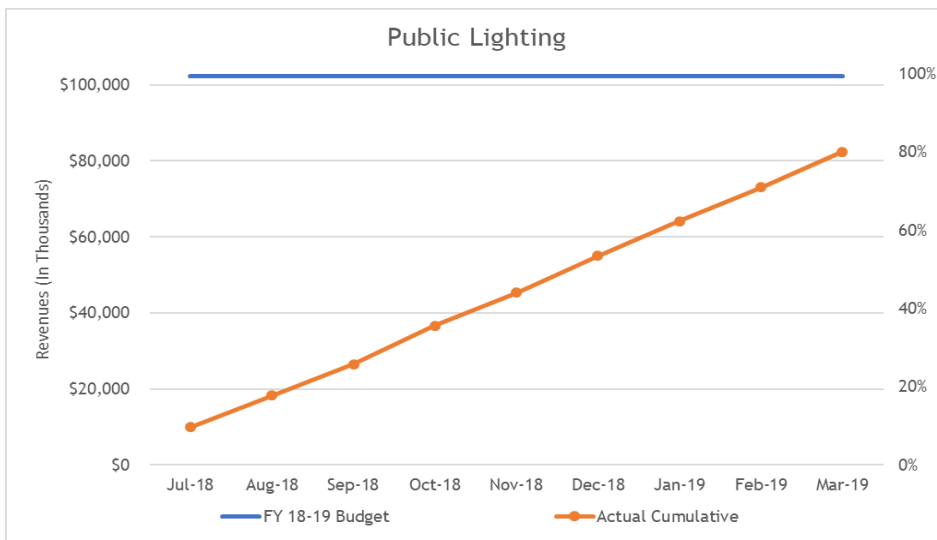
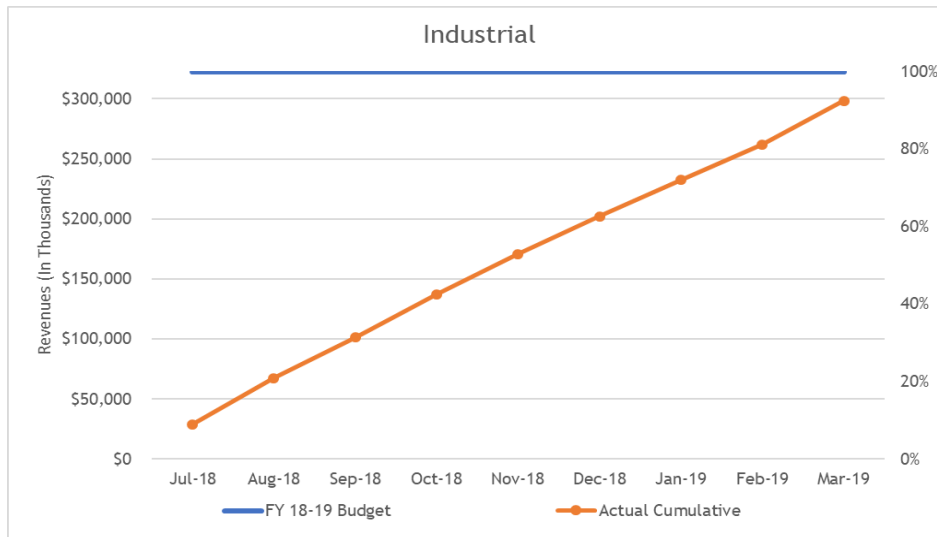
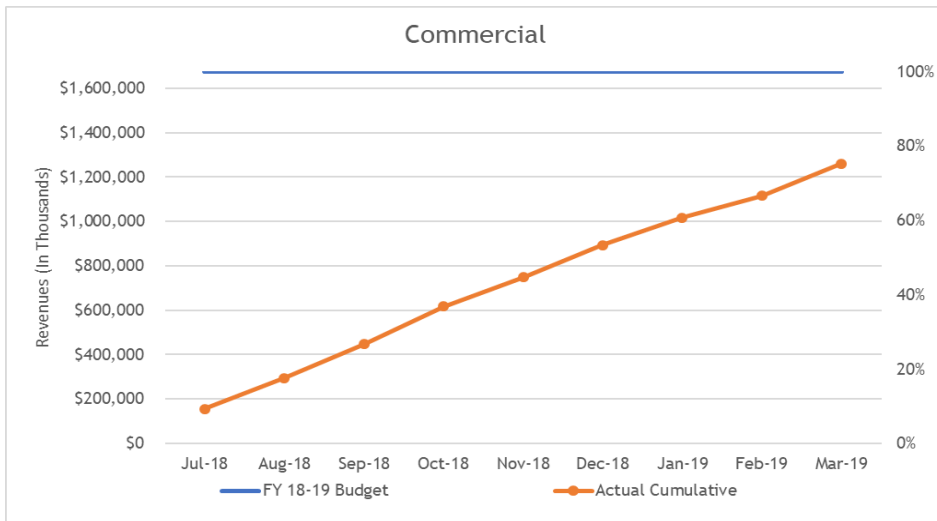
The budget includes differences due to rounding. Nonetheless, for the purposes of this report, we presented the amounts approved by FOMB. Also, actual results might include immaterial differences with actual results presented in Monthly Operating Reports (MOR).

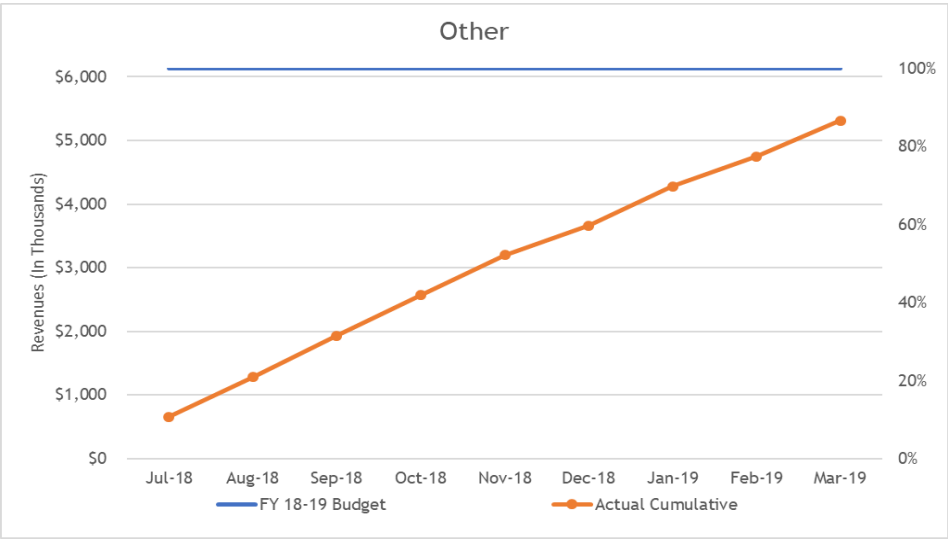
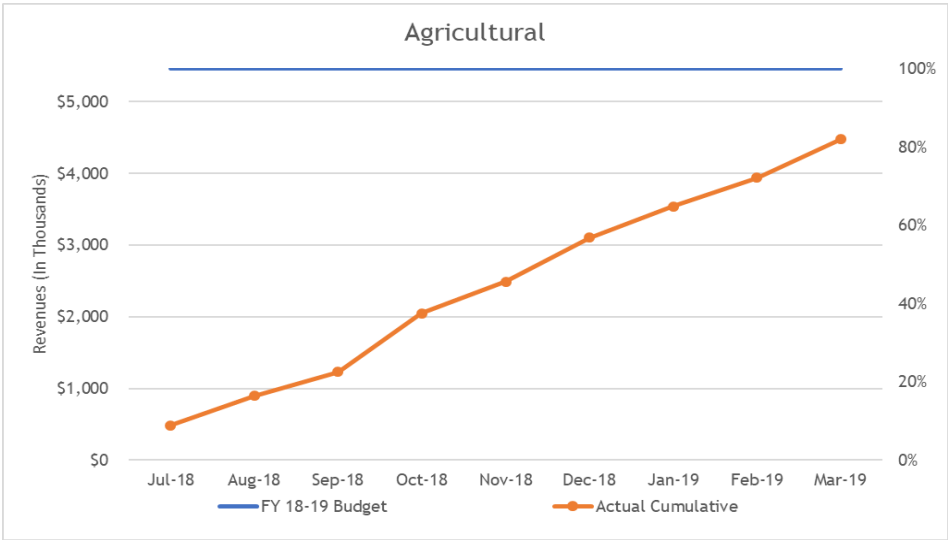
Puerto Rico Electric Power Authority  
 Notes to the Budget to Actual Variance Report (Unaudited)  
 For the Three-Month Period Ended on March 31, 2019

Revenues

The following graphs present the total accumulated gross revenues and revenues by customer type:







Puerto Rico Electric Power Authority  
Notes to the Budget to Actual Variance Report (Unaudited) (Cont.)  
For the Three-Month Period Ended on March 31, 2019

Fuel & Purchased Power

The following table presents the variance of Fuel & Purchased Power for third quarter:

Expenses	A		B		C = A - B		Budget Horizontal Variance (%)	Budget Vertical Variance (%)
	Budget Q3	Vertical %	Actual Q3	Vertical %	Variance (\$)	Vertical %		
Fuel	\$ 300,720,447	38.89%	\$ 273,295,813	36.20%	\$ 27,424,634	-149.90%	9.12%	-2.69%
Purchased Power - Conventional	145,288,089	18.79%	155,675,210	20.62%	(10,387,121)	56.77%	-7.15%	1.83%
Purchased Power - Renewable	25,552,266	3.30%	16,925,225	2.24%	8,627,041	-47.15%	33.76%	-1.06%
<b>Total Fuel &amp; Purchase Power Expenses</b>	<b>\$ 471,560,802</b>	<b>60.98%</b>	<b>\$ 445,896,248</b>	<b>59.06%</b>	<b>\$ 25,664,554</b>	<b>#####</b>	<b>5.44%</b>	<b>-1.92%</b>

Budget to Actual comparison for Fuel and Purchased Power present variance of approximately \$27 million or 9% below budget. Such variance is directly related to the reduction in sales of energy. Nonetheless, Fuel and Purchased Power vertical relationship was budgeted to equate 61% of sales of electricity and the actual amount equates 59% principally due to efficiencies in dispatch.

The variance of \$27 million or 9% in Fuel is due to a lower generation in PREPA plants than projected, and changes in the plan for generation dispatch within PREPA and Co-Generations Power Plants.

For the third quarter, PREPA plants generation was budgeted to equate 2,579 MW. Nevertheless, actual generation equated to 2,292 MW, which represents 11% underbudget. As a result, Fuel cost decreased by \$27.4M or 9%.

Generation in third-party plants was budgeted to equate 1,499 MW. However, actual generation equated to 1,760 MW; which represents a 17% increase when compared to budgeted generation. As a result, Purchase Power expense was overbudgeted by approximately \$1.8 million or 1%.

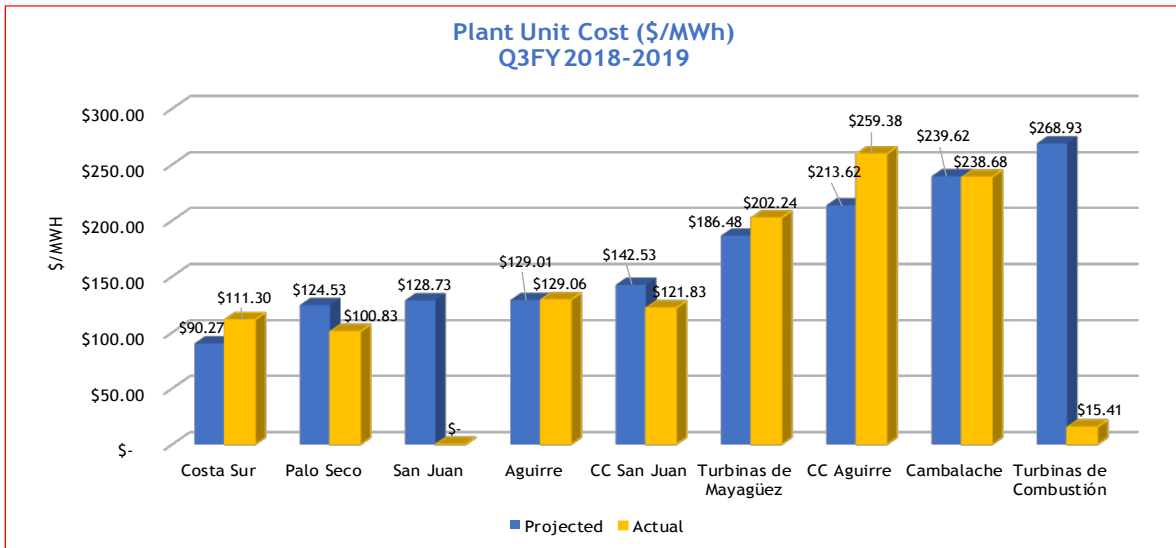
Although Fuel and Purchase Power expense was budgeted to equate to 61% of gross revenues, the actual amount equated to 59% due to efficiencies in dispatch, buying more purchase power and reducing generation in PREPA's plants. This factor resulted in a reduction in F&PP costs of 5% below budget.

**Puerto Rico Electric Power Authority**  
**Notes to the Budget to Actual Variance Report (Unaudited) (Cont.)**  
**For the Three-Month Period Ended on March 31, 2019**

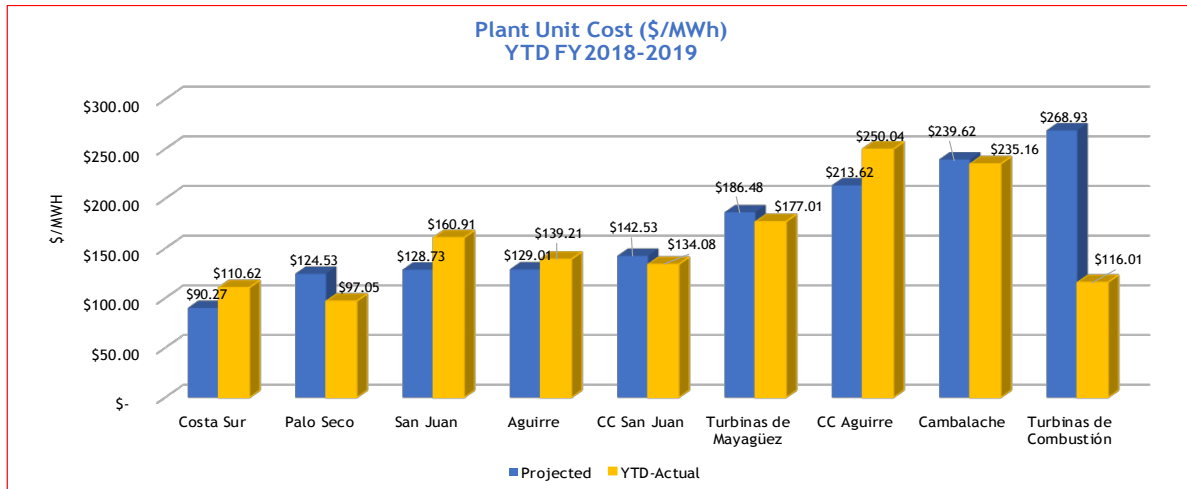
**Plant Unit Cost**

PREPA management segregates the PREPA-owned generation plants among nine groups. Ordinarily, PREPA responds to increases in generation demand by increasing the production on plants with greater efficiency and considering the system’s stability.

The following tables compare the projected and actual plant unit cost (\$/MWh) for the third quarter and year-to-date. The plant unit cost is measured according to the cost required to generate each MWh:



The San Juan Plant was inoperative during the third quarter. For the third quarter, the average variance for all plants was \$38/MWh or 23% underbudget. However, when analyzing the data from YTD perspective, the variance is \$0.80/MWh, or 0.5% overbudget.



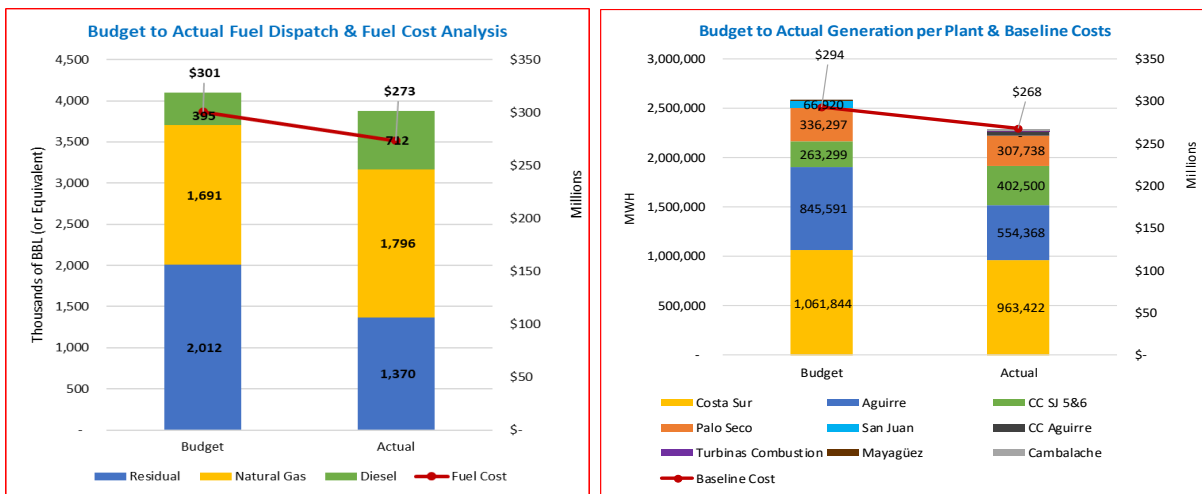
**Puerto Rico Electric Power Authority**  
**Notes to the Budget to Actual Variance Report (Unaudited) (Cont.)**  
**For the Three-Month Period Ended on March 31, 2019**

**Budget to Actual Fuel Dispatch & Fuel Cost**

A reduction in generation resulted in a 5% decrease in barrel consumption. Furthermore, dispatch in more efficient PREPA plants, had a net effect of decreasing Fuel cost by 9%. For the third quarter, more Natural Gas and Diesel barrels were dispatched than projected. In addition, less Residual barrels were dispatched than projected.

**Budget to Actual Generation per Plant & Baseline Costs**

Baseline costs are calculated using the projected and actual MWh generation per plant, and the projected efficiency for each plant according to the fuel forecast for FY2018-2019. The baseline cost is presented for analysis purposes only and does not match the actual amounts incurred throughout the quarter. The graphs below demonstrate that, assuming non-changing fuel prices per barrel and efficiency for each individual plant, the changes in allocation of generation within PREPA plants has resulted in lower fuel costs.



**Average \$/MWh**

The following table presents the average quarterly cost per MWh for PREPA plants, according to the FY18-19 budget and the actual baseline:

Average \$/MWh	
Q3FY18-19	
Projected	\$ 112.52
Actual	117.41
<b>Difference</b>	<b>\$ 4.89</b>
<b>%</b>	<b>4.3%</b>

The table considers the same generation (MWh) for both baselines to isolate other potential variables. The actual baseline \$/MWh is presented to analyze the potential increase in generation cost resulting from changes in generation distribution and does not necessarily equal the actual amount for the quarter.

**Puerto Rico Electric Power Authority**  
**Notes to the Budget to Actual Variance Report (Unaudited) (Cont.)**  
**For the Three-Month Period Ended on March 31, 2019**

**Maintenance Projects**

The following table compares the projected and actual NME for the period ended on March 31, 2019:

<b>Maintenance Projects</b>	<b>Budget FY 18-19</b>	<b>%</b>	<b>Actual YTD</b>	<b>%</b>	<b>Utilization (%)</b>
Transmission & Distribution	\$ 59,993,366	26.59%	\$ 41,390,261	48.03%	69%
Generation	135,262,046	59.95%	36,738,515	42.63%	27%
Executive (General & Admin)	11,059,525	4.90%	1,010,226	1.17%	9%
Customer Service	16,820,213	7.46%	6,833,021	7.93%	41%
Planning and Environmental Protection	2,479,395	1.10%	203,022	0.24%	8%
MATS Compliance Projects	-	0.00%	-	0.00%	-
Transmission IRP	-	0.00%	-	0.00%	-
Resiliency Investments	-	0.00%	-	0.00%	-
Labor Reform	-	0.00%	-	0.00%	-
Finance	-	0.00%	-	0.00%	-
<b>Total Maintenance Projects</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>	<b>38%</b>

The NME budget is measured annually. Therefore, budget to actual comparisons are analyzed in terms of percentage of utilization for the entire year. In contrast, revenues and expenses are compared to the quarterly proportion of the approved amount.

**Labor Reform**

Budgets per NME Area were proportionately adjusted to reflect the (\$1,875,000) labor reform reduction.

**Changes in Projects Management**

In response to PREPA's operational needs, budget and management of certain projects have shifted between directorate

**Portable Generators Acquisition**

Management is pursuing all avenues to achieve the full disbursement of the acquisition of the three (3) portable generating units. Nonetheless, 20% of the contract amount of ~\$58MM, ~\$11.5MM, is expected to be disbursed on or before June 30, 2019. Meanwhile the units arrive to Puerto Rico and thus to the corresponding plants, this percentage could increase. Currently, the utilization rate is at 38% and considering the 20% of the contract amount, would increase

Notwithstanding the actual percentage of the contract disbursed by June 30, 2019, Management will add balance pending to be disbursed of the contract amount to the fiscal year 2019-2020 budget.



Puerto Rico Electric Power Authority  
 Budget to Actual Variance Report (Unaudited)  
 For the Nine-Month Period Ended on March 31, 2019

Revenues	A		B		C = B - A		Budget Horizontal Variance (%)	Budget Vertical Variance (%)
	Budget YTD	Vertical %	Actual YTD	Vertical %	Variance (\$)	Vertical %		
<b>Residential</b>								
Fuel Adjustment	\$ 402,136,830	16.17%	\$ 432,098,816	16.61%	\$ 29,961,986	25.99%	7.45%	0.43%
Purchased Power	227,352,420	9.14%	214,872,894	8.26%	(12,479,526)	-10.82%	-5.49%	-0.88%
Basic Revenues	229,961,343	9.25%	247,345,020	9.51%	17,383,677	15.08%	7.56%	0.26%
Provisional	51,437,425	2.07%	56,224,612	2.16%	4,787,187	4.15%	9.31%	0.09%
<b>Total Residential</b>	<b>\$ 910,888,018</b>	<b>36.63%</b>	<b>\$ 950,541,341</b>	<b>36.53%</b>	<b>\$ 39,653,323</b>	<b>34.39%</b>	<b>4.35%</b>	<b>-0.10%</b>
<b>Commercial</b>								
Fuel Adjustment	\$ 522,868,177	21.03%	\$ 537,466,214	20.66%	\$ 14,598,037	12.66%	2.79%	-0.37%
Purchased Power	295,939,633	11.90%	268,287,313	10.31%	(27,652,320)	-23.98%	-9.34%	-1.59%
Basic Revenues	361,071,665	14.52%	382,514,184	14.70%	21,442,519	18.60%	5.94%	0.18%
Provisional	70,243,909	2.82%	72,359,645	2.78%	2,115,736	1.84%	3.01%	-0.04%
<b>Total Commercial</b>	<b>\$ 1,250,123,384</b>	<b>50.27%</b>	<b>\$ 1,260,627,356</b>	<b>48.45%</b>	<b>\$ 10,503,972</b>	<b>9.11%</b>	<b>0.84%</b>	<b>-1.82%</b>
<b>Industrial</b>								
Fuel Adjustment	\$ 107,908,370	4.34%	\$ 139,422,426	5.36%	\$ 31,514,056	27.33%	29.20%	1.02%
Purchased Power	61,208,200	2.46%	69,969,776	2.69%	8,761,576	7.60%	14.31%	0.23%
Basic Revenues	55,943,339	2.25%	69,111,588	2.66%	13,168,249	11.42%	23.54%	0.41%
Provisional	15,605,778	0.63%	19,994,788	0.77%	4,389,010	3.81%	28.12%	0.14%
<b>Total Industrial</b>	<b>\$ 240,665,687</b>	<b>9.68%</b>	<b>\$ 298,498,577</b>	<b>11.47%</b>	<b>\$ 57,832,890</b>	<b>50.16%</b>	<b>24.03%</b>	<b>1.79%</b>
<b>Public Lighting</b>								
Fuel Adjustment	\$ 21,725,851	0.87%	\$ 23,395,588	0.90%	\$ 1,669,737	1.45%	7.69%	0.03%
Purchased Power	12,367,012	0.50%	11,554,443	0.44%	(812,569)	-0.70%	-6.57%	-0.05%
Basic Revenues	39,410,708	1.58%	44,512,462	1.71%	5,101,754	4.42%	12.95%	0.13%
Provisional	2,786,533	0.11%	3,000,711	0.12%	214,178	0.19%	7.69%	0.00%
<b>Total Public Lighting</b>	<b>\$ 76,290,104</b>	<b>3.07%</b>	<b>\$ 82,463,204</b>	<b>3.17%</b>	<b>\$ 6,173,100</b>	<b>5.35%</b>	<b>8.09%</b>	<b>0.10%</b>
<b>Agricultural</b>								
Fuel Adjustment	\$ 1,764,158	0.07%	\$ 1,882,114	0.07%	\$ 117,956	0.10%	6.69%	0.00%
Purchased Power	1,001,480	0.04%	954,698	0.04%	(46,782)	-0.04%	-4.67%	0.00%
Basic Revenues	1,084,315	0.04%	1,242,433	0.05%	158,118	0.14%	14.58%	0.00%
Provisional	225,370	0.01%	241,289	0.01%	15,919	0.01%	7.06%	0.00%
<b>Total Agricultural</b>	<b>\$ 4,075,323</b>	<b>0.16%</b>	<b>\$ 4,320,534</b>	<b>0.17%</b>	<b>\$ 245,211</b>	<b>0.21%</b>	<b>6.02%</b>	<b>0.00%</b>
<b>Others</b>								
Fuel Adjustment	\$ 2,075,347	0.08%	\$ 2,603,924	0.10%	\$ 528,577	0.46%	25.47%	0.02%
Purchased Power	1,174,613	0.05%	1,281,618	0.05%	107,005	0.09%	9.11%	0.00%
Basic Revenues	1,027,599	0.04%	1,210,108	0.05%	182,509	0.16%	17.76%	0.01%
Provisional	301,488	0.01%	371,205	0.01%	69,717	0.06%	23.12%	0.00%
<b>Total Others</b>	<b>\$ 4,579,047</b>	<b>0.18%</b>	<b>\$ 5,466,854</b>	<b>0.21%</b>	<b>\$ 887,807</b>	<b>0.77%</b>	<b>19.39%</b>	<b>0.03%</b>
<b>Total Gross Revenue</b>	<b>\$ 2,486,620,563</b>	<b>100.00%</b>	<b>\$ 2,601,916,867</b>	<b>100.00%</b>	<b>\$ 115,296,304</b>	<b>100.00%</b>	<b>4.64%</b>	<b>0.00%</b>
Other Income	7,730,642	0.31%	78,629,359	3.02%	70,898,717	61.49%	917.11%	2.71%
<b>Total Unconsolidated Revenue</b>	<b>2,494,351,205</b>	<b>100.31%</b>	<b>2,680,546,225</b>	<b>103.02%</b>	<b>186,195,020</b>	<b>161.49%</b>	<b>7.46%</b>	<b>2.71%</b>
Bad Debt Expense	(47,197,766)	-1.90%	(6,590,023)	-0.25%	40,607,743	35.22%	-86.04%	1.64%
CILT & Subsidies	(208,986,660)	-8.40%	(159,329,837)	-6.12%	49,656,823	43.07%	-23.76%	2.28%
PREPA Networks, LLC	5,354,691	0.22%	5,087,301	0.20%	(267,390)	-0.23%	-4.99%	-0.02%
Adjustments/Other/Eliminations	-	0.00%	-	0.00%	-	0.00%	-	-
<b>Total Consolidated Revenue</b>	<b>\$ 2,243,521,470</b>	<b>90.22%</b>	<b>\$ 2,519,713,667</b>	<b>96.84%</b>	<b>\$ 276,192,197</b>	<b>239.55%</b>	<b>12.31%</b>	<b>6.62%</b>

Puerto Rico Electric Power Authority  
Budget to Actual Variance Report (Unaudited) (Cont.)  
For the Nine-Month Period Ended on March 31, 2019

Expenses	A		B		C = A - B		Budget Horizontal Variance (%)	Budget Vertical Variance (%)
	Budget YTD	Vertical %	Actual YTD	Vertical %	Variance (\$)	Vertical %		
Fuel	\$ 954,572,022	38.39%	\$ 1,028,661,292	39.53%	\$ (74,089,270)	-64.26%	-7.76%	1.15%
Purchased Power - Conventional	455,661,626	18.32%	457,550,995	17.59%	(1,889,369)	-1.64%	-0.41%	-0.74%
Purchased Power - Renewable	70,377,381	2.83%	42,273,112	1.62%	28,104,269	24.38%	39.93%	-1.21%
<b>Total Fuel &amp; Purchase Power Expense</b>	<b>\$ 1,480,611,030</b>	<b>59.54%</b>	<b>\$ 1,528,485,399</b>	<b>58.74%</b>	<b>\$ (47,874,369)</b>	<b>-41.52%</b>	<b>-3.23%</b>	<b>-0.80%</b>
Salaries & Wages	\$ 158,988,547	6.39%	\$ 150,940,309	5.80%	\$ 8,048,238	6.98%	5.06%	-0.59%
Pension & Benefits	91,421,468	3.68%	87,263,916	3.35%	4,157,552	3.61%	4.55%	-0.32%
Overtime Pay	22,941,064	0.92%	40,391,845	1.55%	(17,450,781)	-15.14%	-76.07%	0.63%
Overtime Benefits	2,646,595	0.11%	4,079,907	0.16%	(1,433,312)	-1.24%	-54.16%	0.05%
<b>Total Labor Operating Expense</b>	<b>\$ 275,997,674</b>	<b>11.10%</b>	<b>\$ 282,675,977</b>	<b>10.86%</b>	<b>\$ (6,678,304)</b>	<b>-5.79%</b>	<b>-2.42%</b>	<b>-0.24%</b>
Materials & Supplies	\$ 25,074,631	1.01%	\$ 20,700,930	0.80%	\$ 4,373,701	3.79%	17.44%	-0.21%
Transportation, Per Diem, and Mileage	29,846,295	1.20%	21,638,242	0.83%	8,208,053	7.12%	27.50%	-0.37%
Property & Casualty Insurance	29,048,072	1.17%	28,650,505	1.10%	397,567	0.34%	1.37%	-0.07%
Retiree Medical Benefits	16,379,571	0.66%	11,276,776	0.43%	5,102,796	4.43%	31.15%	-0.23%
Security	16,779,094	0.67%	18,297,766	0.70%	(1,518,672)	-1.32%	-9.05%	0.03%
IT Service Agreements	18,344,867	0.74%	11,748,529	0.45%	6,596,338	5.72%	35.96%	-0.29%
Banking Services	12,225,326	0.49%	10,147,470	0.39%	2,077,856	1.80%	17.00%	-0.10%
Utilities & Rents	9,362,825	0.38%	10,799,810	0.42%	(1,436,986)	-1.25%	-15.35%	0.04%
Legal Services	3,973,393	0.16%	1,354,424	0.05%	2,618,970	2.27%	65.91%	-0.11%
Communications Expenses	6,528,490	0.26%	5,143,268	0.20%	1,385,222	1.20%	21.22%	-0.06%
Professional & Technical Outsourced Services	39,141,177	1.57%	4,197,945	0.16%	34,943,231	30.31%	89.27%	-1.41%
Regulation and Environmental Inspection	12,960,122	0.52%	5,187,776	0.20%	7,772,346	6.74%	59.97%	-0.32%
Other Miscellaneous Expenses	15,629,002	0.63%	13,704,866	0.53%	1,924,136	1.67%	12.31%	-0.10%
PREPA Restructuring & Title III	45,274,492	1.82%	25,634,522	0.99%	19,639,971	17.03%	43.38%	-0.84%
FOMB Advisor Costs allocated to PREPA	23,972,308	0.96%	13,573,176	0.52%	10,399,132	9.02%	43.38%	-0.44%
P3 Authority Transaction Costs	7,161,538	0.29%	8,090,223	0.31%	(928,684)	-0.81%	-12.97%	0.02%
Other Expenses	-	0.00%	(16,968,396)	-0.65%	16,968,396	14.72%	100.00%	-0.65%
<b>Total Non-Labor / Other Operating Expense</b>	<b>311,701,203</b>	<b>12.54%</b>	<b>193,177,832</b>	<b>7.42%</b>	<b>118,523,371</b>	<b>102.80%</b>	<b>38.02%</b>	<b>-5.11%</b>
<b>Total Operating Expenses</b>	<b>\$ 2,068,309,907</b>	<b>83.18%</b>	<b>\$ 2,004,339,208</b>	<b>77.03%</b>	<b>\$ 63,970,699</b>	<b>55.48%</b>	<b>3.09%</b>	<b>-6.14%</b>

Maintenance Projects	Budget FY 18-19	%	Actual YTD	%	Utilization (%)
Transmission & Distribution	\$ 59,993,366	26.59%	\$ 41,390,261	48.03%	69%
Generation	135,262,046	59.95%	36,738,515	42.63%	27%
Executive (General & Admin)	11,059,525	4.90%	1,010,226	1.17%	9%
Customer Service	16,820,213	7.46%	6,833,021	7.93%	41%
Planning and Environmental Protection	2,479,395	1.10%	203,022	0.24%	8%
MATS Compliance Projects	-	0.00%	-	0.00%	-
Transmission IRP	-	0.00%	-	0.00%	-
Resiliency Investments	-	0.00%	-	0.00%	-
Labor Reform	-	0.00%	-	0.00%	-
Finance	-	0.00%	-	0.00%	-
<b>Total Maintenance Projects</b>	<b>\$ 225,614,545</b>	<b>100.00%</b>	<b>\$ 86,175,045</b>	<b>100.00%</b>	<b>38%</b>

Description	Budget YTD	Actual YTD
<b>Total Operating &amp; Maintenance Expense</b>	<b>2,293,924,451</b>	<b>2,090,514,253</b>
Government Loan Interest	3,750,000	-
<b>Surplus/deficit before changes in working capital</b>	<b>\$ (54,152,981)</b>	<b>\$ 429,199,414</b>

General Notes

The budget includes differences due to rounding. Nonetheless, for the purpose of this report, we presented the amounts approved by FOMB. Also, actual results might include immaterial differences with actual results presented in Monthly Operating Reports (MOR).

Professional & Technical Outsourced Services

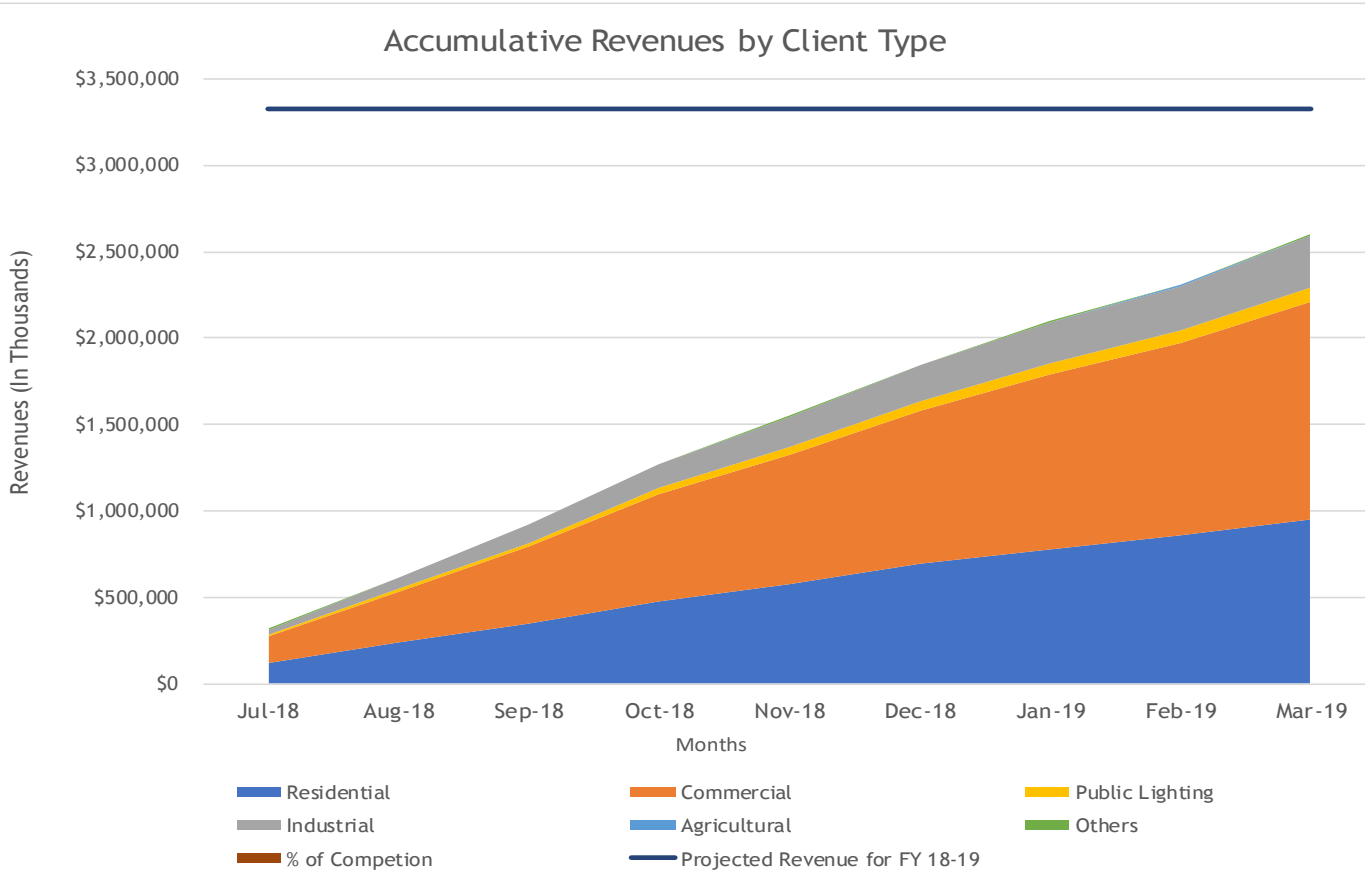
The primary component of the variation in professional & technical outsourced services is due to the vegetation management contract in the Transmission & Distribution directorate, which represents 57% of the variance. PREPA budgeted -\$26MM in vegetation management contracts, nonetheless as of March 31, 2019 no expenses related to such services have been incurred. Another primary component is the hiring of emergency personnel previously hired under professional services contracts as employees in the Customer Service directorate, which represents 22% of the variance. Such personnel have been classified as temporary employees.

**Puerto Rico Electric Power Authority**  
**Notes to the Budget to Actual Variance Report (Unaudited)**  
**For the Nine-Month Period Ended on March 31, 2019**

**Revenues**

During the nine-month period ended on March 31, 2019, PREPA has achieved revenue targets in accordance with the certified fiscal plan, as gross revenues were approximately 5% above the projected budget. Likewise, total consolidated revenue increased by approximately 12% when compared to the projected budget.

The following graph presents the total accumulative gross revenues segregated by customer type:



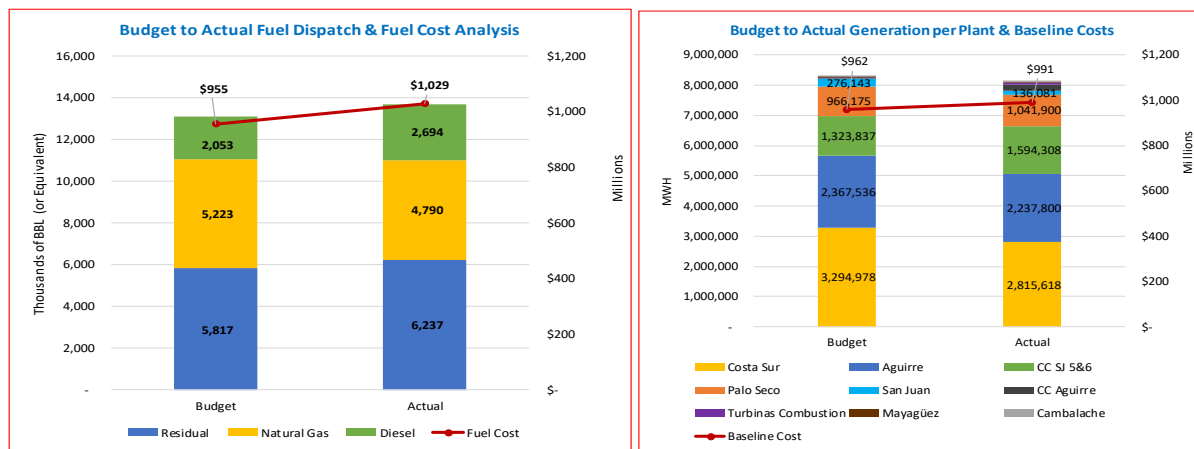
**Puerto Rico Electric Power Authority**  
**Notes to the Budget to Actual Variance Report (Unaudited)**  
**For the Nine-Month Period Ended on March 31, 2019**

**Budget to Actual Fuel Dispatch & Fuel Cost**

For the first three (3) quarters, more Residual and Diesel barrels were dispatched due to higher than projected generation in PREPA plants. YTD generation increased by 65 MW or less than 1%, whereas Fuel and Purchase Power expense increased by \$47,874,369 or 3% when compared with the budget. Notwithstanding this increase, actual Fuel and Purchase Power equated 58.74% of gross revenues when it was budgeted to equate 59.54%, which represents a vertical variance of less than 1% and a more efficient dispatch in connection to the increase in sales of electricity.

**Budget to Actual Generation per Plant & Baseline Costs**

Baseline costs are calculated using the projected and actual MWh generation per plant, and the projected efficiency for each plant according to the fuel forecast for FY2018-2019. The baseline cost is presented for analysis purposes only and does not match the YTD actual amounts incurred. The graphs below demonstrate that, assuming non-changing fuel prices per barrel and efficiency for each individual plant, the changes in allocation of generation within PREPA plants has resulted in higher fuel costs.



**Average \$/MWh**

The following table presents the average cost per MWh for PREPA plants for the first three quarters, according to the FY18-19 budget and the actual baseline:

<b>Average \$/MWh</b>	
<b>YTD FY18-19</b>	
Projected	\$ 115.87
Actual	121.57
<b>Difference</b>	<b>\$ 5.71</b>
<b>%</b>	<b>4.9%</b>

The table considers the same generation (MWh) for both baselines to isolate other potential variables. The actual baseline \$/MWh is presented to analyze the potential increase in generation cost resulting from changes in generation distribution and does not necessarily equal the YTD actual amount.