



**Puerto Rico
Electric Power
Authority**

**Budget to Actual Variance Report
For the Fourth Quarter of Fiscal Year 2018-2019**

June 30, 2019

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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 fourth 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 fourth quarter, material variances were observed; explanations are included herein.

During the fourth quarter of FY 2018-2019, PREPA has achieved revenue targets in accordance with the Fiscal Plan, as total consolidated revenues were approximately 17% higher than budget.

Generation for fourth quarter was projected in 4,460 MW. However, actual generation was 4,557MW; which represents a change of approximately 97 MW or 2% over budget. Consequently, Fuel and Purchased Power expenses increased by approximately \$57 million or 12% when compared with the budgeted amount.

Nonetheless, YTD generation increased by 164 MW or less than 1% whereas Fuel and Purchase Power expense increased by \$141,607,361 or 11% 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 June 30, 2019, spending is approximately 98%, 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, contribution in lieu of taxes, subsidies HH, subsidies NHH, 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

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 June 30, 2019

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

Revenues	A		B		C = B - A		Budget Horizontal Variance (%)	Budget Vertical Variance (%)
	Budget Q4	Vertical %	Actual Q4	Vertical %	Variance (\$)	Vertical %		
Residential								
Fuel Adjustment	\$ 136,733,113	16.15%	\$ 146,219,878	15.84%	\$ 9,486,765	12.40%	6.94%	-0.31%
Purchased Power	79,996,649	9.45%	68,523,074	7.42%	(11,473,575)	-15.00%	-14.34%	-2.03%
Basic Revenues	76,862,561	9.08%	106,088,490	11.49%	29,225,928	38.20%	38.02%	2.41%
Contribution in Lieu of Taxes	-	0.00%	6,242,170	0.68%	6,242,170	8.16%	100.00%	0.68%
Subsidies HH	-	0.00%	11,457,491	1.24%	11,457,491	14.98%	100.00%	1.24%
Subsidies NHH	-	0.00%	948,221	0.10%	948,221	1.24%	100.00%	0.10%
Provisional	17,191,670	2.03%	5,357,241	0.58%	(11,834,429)	-15.47%	-68.84%	-1.45%
Total Residential	\$ 310,783,993	36.71%	\$ 344,836,565	37.36%	\$ 34,052,572	44.51%	10.96%	0.65%
Commercial								
Fuel Adjustment	\$ 177,784,274	21.00%	\$ 186,407,754	20.19%	\$ 8,623,479	11.27%	4.85%	-0.81%
Purchased Power	100,624,670	11.89%	87,737,680	9.51%	(12,886,990)	-16.85%	-12.81%	-2.38%
Basic Revenues	122,769,849	14.50%	132,308,395	14.33%	9,538,546	12.47%	7.77%	-0.17%
Contribution in Lieu of Taxes	-	0.00%	8,088,201	0.88%	8,088,201	10.57%	100.00%	0.88%
Subsidies HH	-	0.00%	14,648,683	1.59%	14,648,683	19.15%	100.00%	1.59%
Subsidies NHH	-	0.00%	1,230,465	0.13%	1,230,465	1.61%	100.00%	0.13%
Provisional	23,884,393	2.82%	5,915,820	0.64%	(17,968,573)	-23.49%	-75.23%	-2.18%
Total Commercial	\$ 425,063,187	50.21%	\$ 436,336,998	47.27%	\$ 11,273,811	14.74%	2.65%	-2.94%
Industrial								
Fuel Adjustment	\$ 36,690,451	4.33%	\$ 52,605,445	5.70%	\$ 15,914,993	20.80%	43.38%	1.36%
Purchased Power	20,811,794	2.46%	24,209,611	2.62%	3,397,817	4.44%	16.33%	0.16%
Basic Revenues	19,021,196	2.25%	27,633,436	2.99%	8,612,240	11.26%	45.28%	0.75%
Provisional	5,305,748	0.63%	2,335,791	0.25%	(2,969,957)	-3.88%	-55.98%	-0.37%
Contribution in Lieu of Taxes	-	0.00%	2,084,163	0.23%	2,084,163	2.72%	100.00%	0.23%
Subsidies HH	-	0.00%	3,884,089	0.42%	3,884,089	5.08%	100.00%	0.42%
Subsidies NHH	-	0.00%	317,414	0.03%	317,414	0.41%	100.00%	0.03%
Total Industrial	\$ 81,829,189	9.67%	\$ 113,069,949	12.25%	\$ 31,240,759	40.84%	38.18%	2.58%
Public Lighting								
Fuel Adjustment	\$ 7,386,898	0.87%	\$ 7,690,696	0.83%	\$ 303,799	0.40%	4.11%	-0.04%
Purchased Power	4,204,627	0.50%	3,363,248	0.36%	(841,378)	-1.10%	-20.01%	-0.13%
Basic Revenues	13,399,882	1.58%	13,179,578	1.43%	(220,304)	-0.29%	-1.64%	-0.16%
Provisional	947,015	0.11%	(258,263)	-0.03%	(1,205,278)	-1.58%	-127.27%	-0.14%
Contribution in Lieu of Taxes	-	0.00%	224,738	0.02%	224,738	0.29%	100.00%	0.02%
Subsidies HH	-	0.00%	252,215	0.03%	252,215	0.33%	100.00%	0.03%
Subsidies NHH	-	0.00%	37,640	0.00%	37,640	0.05%	100.00%	0.00%
Total Public Lighting	\$ 25,938,421	3.06%	\$ 24,489,853	2.65%	\$ (1,448,568)	-1.89%	-5.58%	-0.41%
Agricultural								
Fuel Adjustment	\$ 599,535	0.07%	\$ 669,310	0.07%	\$ 69,775	0.09%	11.64%	0.00%
Purchased Power	340,670	0.04%	295,848	0.03%	(44,823)	-0.06%	-13.16%	-0.01%
Basic Revenues	368,475	0.04%	539,523	0.06%	171,048	0.22%	46.42%	0.01%
Provisional	76,990	0.01%	26,131	0.00%	(50,859)	-0.07%	-66.06%	-0.01%
Contribution in Lieu of Taxes	-	0.00%	107,093	0.01%	107,093	0.14%	100.00%	0.01%
Subsidies HH	-	0.00%	108,097	0.01%	108,097	0.14%	100.00%	0.01%
Subsidies NHH	-	0.00%	95,384	0.01%	95,384	0.12%	100.00%	0.01%
Total Agricultural	\$ 1,385,671	0.16%	\$ 1,841,386	0.20%	\$ 455,715	0.60%	32.89%	0.04%
Others								
Fuel Adjustment	\$ 705,913	0.08%	\$ 1,193,171	0.13%	\$ 487,259	0.64%	69.03%	0.05%
Purchased Power	399,435	0.05%	562,827	0.06%	163,392	0.21%	40.91%	0.01%
Basic Revenues	349,809	0.04%	550,756	0.06%	200,947	0.26%	57.44%	0.02%
Provisional	102,547	0.01%	54,381	0.01%	(48,166)	-0.06%	-46.97%	-0.01%
Contribution in Lieu of Taxes	-	0.00%	41,944	0.00%	41,944	0.05%	100.00%	0.00%
Subsidies HH	-	0.00%	75,094	0.01%	75,094	0.10%	100.00%	0.01%
Subsidies NHH	-	0.00%	6,447	0.00%	6,447	0.01%	100.00%	0.00%
Total Others	\$ 1,557,703	0.18%	\$ 2,484,620	0.27%	\$ 926,916	1.21%	59.51%	0.09%
Total Gross Revenue	\$ 846,558,165	100.00%	\$ 923,059,370	100.00%	\$ 76,501,205	100.00%	9.04%	0.00%
Other Income	2,375,358	0.28%	9,173,698	0.99%	6,798,340	8.89%	286.20%	0.71%
Total Unconsolidated Revenue	848,933,523	100.28%	932,233,068	100.99%	83,299,545	108.89%	9.81%	0.71%
Bad Debt Expense	(14,502,234)	-1.71%	(2,123,031)	-0.23%	12,379,203	16.18%	-85.36%	1.48%
CILT & Subsidies	(64,214,340)	-7.59%	(31,067,828)	-3.37%	33,146,512	43.33%	-51.62%	4.22%
PREPA Networks, LLC	1,645,309	0.19%	2,149,175	0.23%	503,866	0.66%	30.62%	0.04%
Adjustments/Other/Eliminations	-	0.00%	-	0.00%	-	0.00%	0.00%	0.00%
Total Consolidated Revenue	\$ 771,862,258	91.18%	\$ 901,191,384	97.63%	\$ 129,329,126	169.06%	16.76%	6.45%

Puerto Rico Electric Power Authority
 Budget to Actual Variance Report (Unaudited) (Cont.)
 For the Three-Month Period Ended on June 30, 2019

Expenses	A		B		C = A - B		Budget Horizontal Variance (%)	Budget Vertical Variance (%)
	Budget Q4	Vertical %	Actual Q4	Vertical %	Variance (\$)	Vertical %		
Fuel	\$ 307,824,978	36.36%	\$ 375,342,828	40.66%	\$ (67,517,850)	-88.26%	-21.93%	4.30%
Purchased Power - Conventional	167,353,374	19.77%	156,004,457	16.90%	11,348,916	14.83%	6.78%	-2.87%
Purchased Power - Renewable	21,057,619	2.49%	22,270,514	2.41%	(1,212,895)	-1.59%	-5.76%	-0.07%
Total Fuel & Purchase Power Expense	\$ 496,235,970	58.62%	\$ 553,617,799	59.98%	\$ (57,381,829)	-75.01%	-11.56%	1.36%
Salaries & Wages	\$ 51,912,453	6.13%	\$ 46,801,177	5.07%	\$ 5,111,276	6.68%	9.85%	-1.06%
Pension & Benefits	29,466,532	3.48%	27,874,017	3.02%	1,592,516	2.08%	5.40%	0%
Overtime Pay	7,490,936	0.88%	1,034,125	0.11%	6,456,812	8.44%	86.19%	-0.77%
Overtime Benefits	939,405	0.11%	11,080,807	1.20%	(10,141,403)	-13.26%	-1079.56%	1.09%
Total Labor Operating Expense	\$ 89,809,326	10.61%	\$ 86,790,126	9.40%	\$ 3,019,201	3.95%	3.36%	-1.21%
Materials & Supplies	\$ 8,174,369	0.97%	\$ 6,874,708	0.74%	\$ 1,299,661	1.70%	15.90%	-0.22%
Transportation, Per Diem, and Mileage	9,789,705	1.16%	8,467,304	0.92%	1,322,402	1.73%	13.51%	-0.24%
Property & Casualty Insurance	9,484,928	1.12%	5,311,799	0.58%	4,173,129	5.45%	44.00%	-1%
Retiree Medical Benefits	5,348,429	0.63%	2,233,486	0.24%	3,114,943	4.07%	58.24%	-0.39%
Security	5,478,906	0.65%	6,194,965	0.67%	(716,060)	-0.94%	-13.07%	0.02%
IT Service Agreements	5,978,133	0.71%	6,188,563	0.67%	(210,430)	-0.28%	-3.52%	-0.04%
Banking Services	3,991,674	0.47%	3,842,638	0.42%	149,036	0.19%	3.73%	-0.06%
Utilities & Rents	3,057,175	0.36%	3,596,996	0.39%	(539,821)	-0.71%	-17.66%	0.03%
Legal Services	1,297,607	0.15%	558,602	0.06%	739,005	0.97%	56.95%	-0.09%
Communications Expenses	2,131,510	0.25%	1,822,709	0.20%	308,801	0.40%	14.49%	0%
Professional & Technical Outsourced Services	12,780,823	1.51%	2,069,438	0.22%	10,711,385	14.00%	83.81%	-1.29%
Regulation and Environmental Inspection	4,231,878	0.50%	3,575,042	0.39%	656,836	0.86%	15.52%	-0.11%
Other Miscellaneous Expenses	5,177,998	0.61%	3,519,951	0.38%	1,658,047	2.17%	32.02%	-0.23%
PREPA Restructuring & Title III	14,783,508	1.75%	15,597,965	1.69%	(814,457)	-1.06%	-5.51%	-0.06%
FOMB Advisor Costs allocated to PREPA	7,827,692	0.92%	8,258,938	0.89%	(431,245)	-0.56%	-5.51%	-0.03%
P3 Authority Transaction Costs	2,338,462	0.28%	2,467,293	0.27%	(128,831)	-0.17%	-5.51%	-0.01%
Other Expenses	-	0.00%	(7,883,294)	-0.85%	7,883,294	10.30%	100.00%	-0.85%
Total Non-Labor / Other Operating Expense	101,872,797	12.03%	72,697,102	7.88%	29,175,695	38.14%	28.64%	-4.16%
Total Operating Expenses	\$ 687,918,093	81.26%	\$ 713,105,027	77.25%	\$ (25,186,934)	-32.92%	-3.66%	-4.01%

Maintenance Projects	Budget FY 18-19	%	Actual YTD	%	Utilization (%)
Transmission & Distribution	\$ 59,995,381	26.59%	\$ 58,617,812	26.53%	98%
Generation	134,845,486	59.77%	143,078,573	64.75%	106%
Executive (General & Admin)	11,474,070	5.09%	6,525,036	2.95%	57%
Customer Service	16,820,213	7.46%	11,654,977	5.27%	69%
Planning and Environmental Protection	2,479,396	1.10%	1,101,491	0.50%	44%
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%	-
Total Maintenance Projects	\$ 225,614,546	100.00%	\$ 220,977,890	100.00%	98%

Description	Budget Q4	Vertical %	Actual Q4	Vertical %
Total Operating & Maintenance Expense	913,532,639	107.91%	934,082,917	101.19%
Government Loan Interest	11,250,000	1.33%	-	0.00%
Surplus/deficit before changes in working capital	\$ (152,920,382)	-18.06%	\$ (32,891,533)	-3.56%

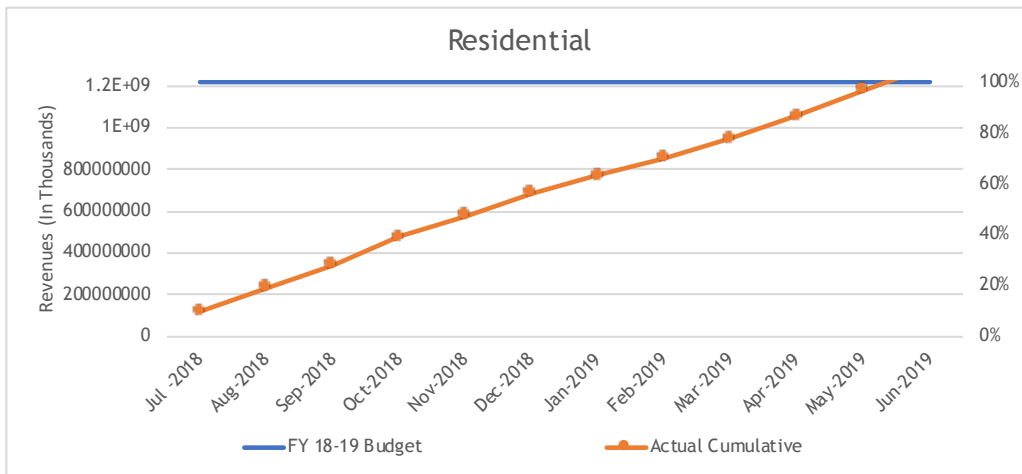
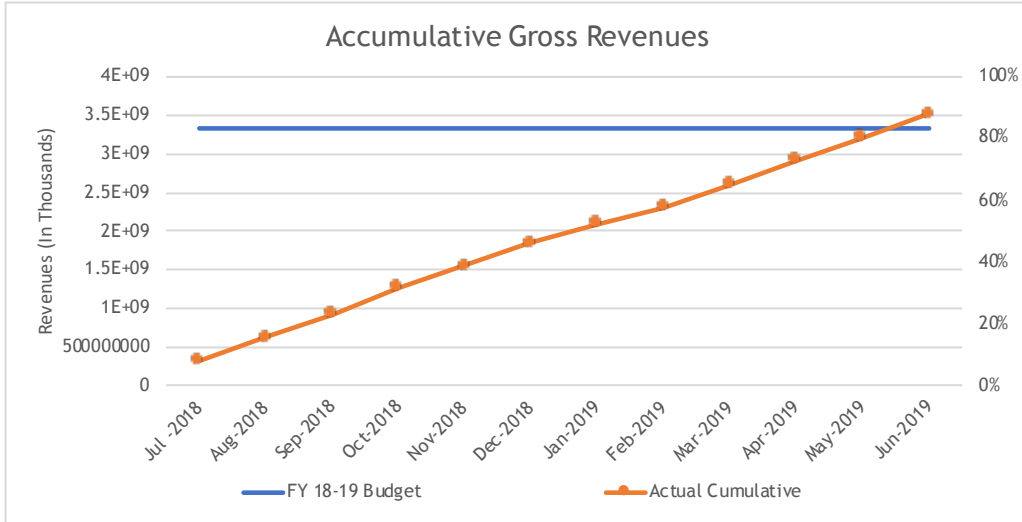
General Notes

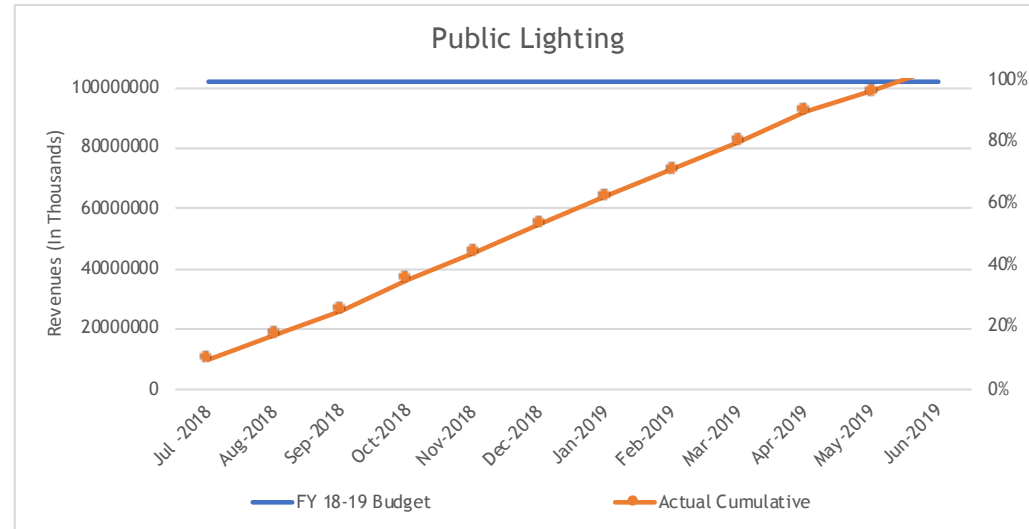
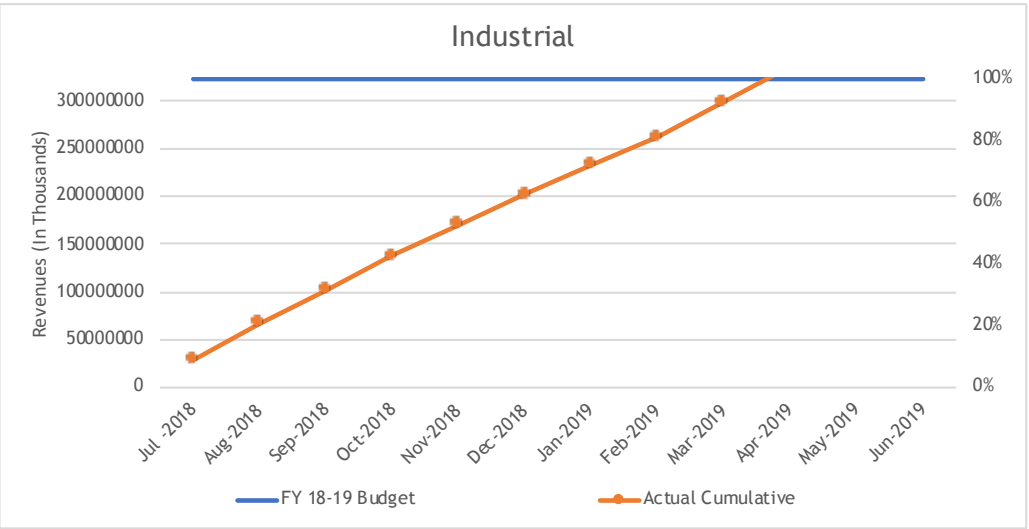
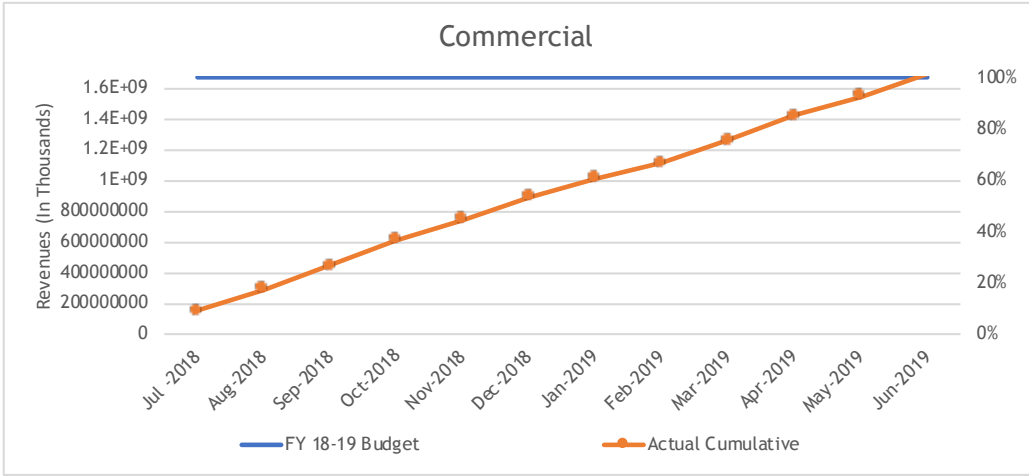
The budget includes differences due to rounding. Nonetheless, for the purposes of this report, we presented the amounts approved by FOMB. Also, actual results might include immaterial differences with actual results presented in Monthly Operating Reports (MOR).

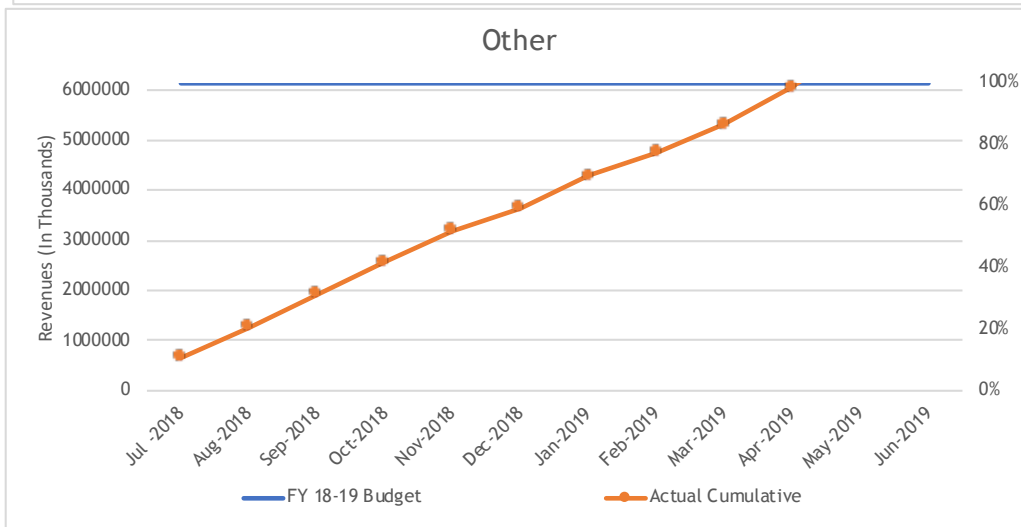
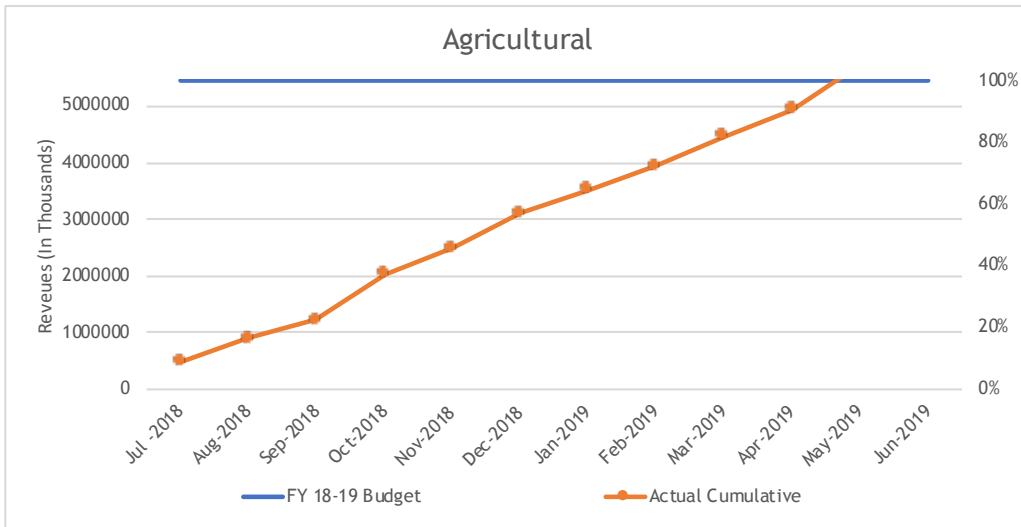
Puerto Rico Electric Power Authority
Notes to the Budget to Actual Variance Report (Unaudited)
For the Three-Month Period Ended on June 30, 2019

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 June 30, 2019

Fuel & Purchased Power

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

Expenses	A		B		C = A - B		Budget Horizontal Variance (%)	Budget Vertical Variance (%)
	Budget Q4	Vertical %	Actual Q4	Vertical %	Variance (\$)	Vertical %		
Fuel	\$ 307,824,978	36.36%	\$ 375,342,828	40.66%	\$ (67,517,850)	-88.26%	-21.93%	4.30%
Purchased Power - Conventional	167,353,374	19.77%	156,004,457	16.90%	11,348,916	14.83%	6.78%	-2.87%
Purchased Power - Renewable	21,057,619	2.49%	22,270,514	2.41%	(1,212,895)	-1.59%	-5.76%	-0.07%
Total Fuel & Purchase Power Expense	\$ 496,235,970	58.62%	\$ 553,617,799	59.98%	\$ (57,381,829)	-75.01%	-11.56%	1.36%

Budget to Actual comparison for Fuel presents a variance of approximately \$68 million or 22% over budget. Such variance is directly related to the increase in sales of energy. Nonetheless, Fuel's vertical relationship was budgeted to equate 36% of sales of electricity and the actual amount equates 41% principally due to unscheduled outages of PREPA plants that operate at a lower cost. To cover the shortfall, the generation shifted to less efficient plants.

For the fourth quarter, PREPA plants generation was budgeted to equate 2,629 MW. Nevertheless, actual generation equated to 2,734 MW, which represents 4% over budget. As a result, Fuel cost increased by \$67.5M or 22%.

Generation in third-party plants was budgeted to equate 1,832 MW. However, actual generation equated to 1,823 MW; which represents a -0.5% decrease when compared to budgeted generation. As a result, Purchase Power expense was overbudgeted by approximately \$10.1 million or 5%.

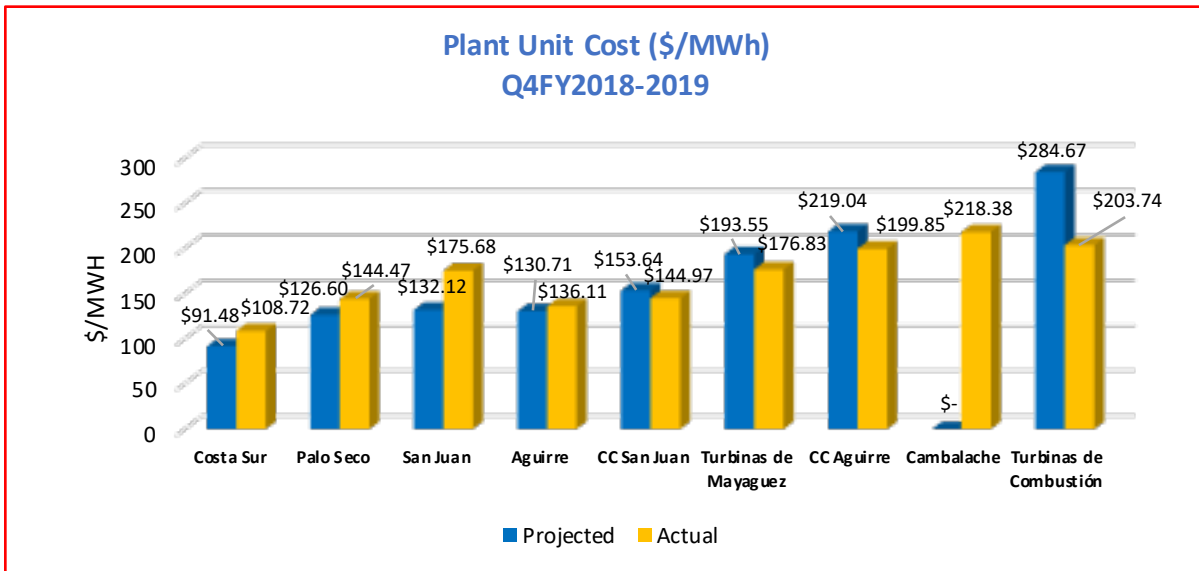
Although Fuel and Purchase Power expense was budgeted to equate to 59% of gross revenues, the actual amount equated to 60% due to shifts in dispatch, buying less purchase power and increasing generation in PREPA's less efficient plants. This factor resulted in an increase in F&PP costs of 12% over budget.

Puerto Rico Electric Power Authority
Notes to the Budget to Actual Variance Report (Unaudited) (Cont.)
For the Three-Month Period Ended on June 30, 2019

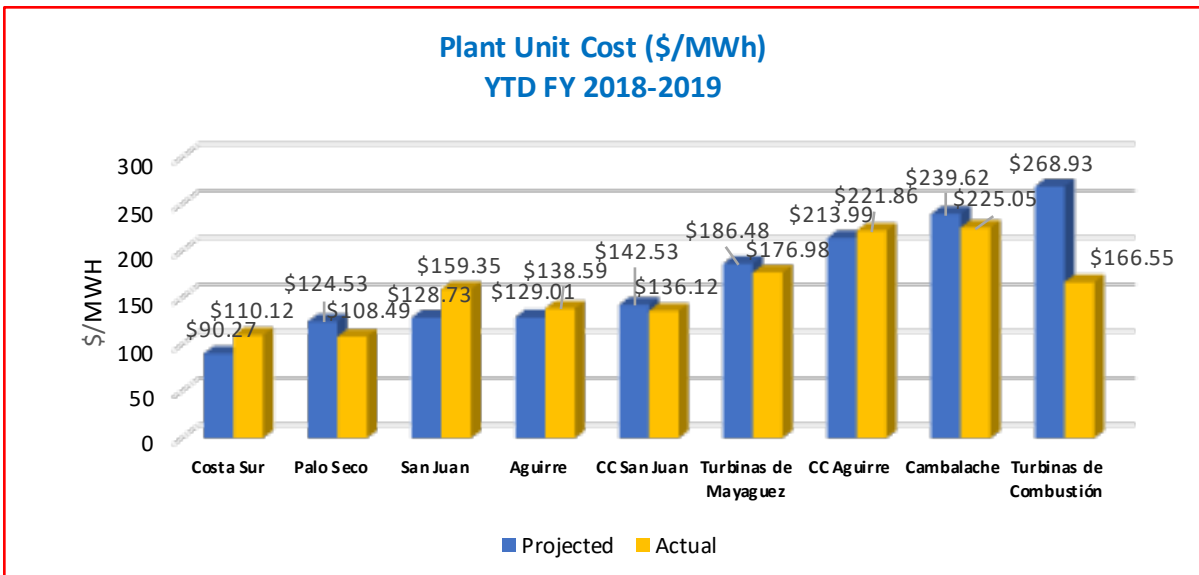
Plant Unit Cost

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 fourth quarter and year-to-date. The plant unit cost is measured according to the cost required to generate each MWh:



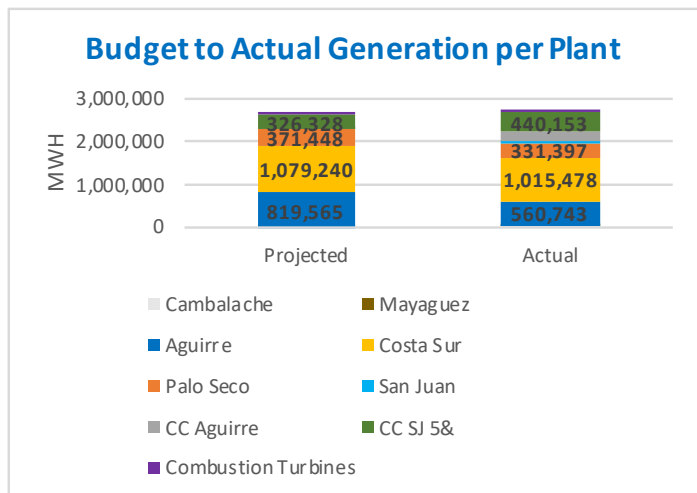
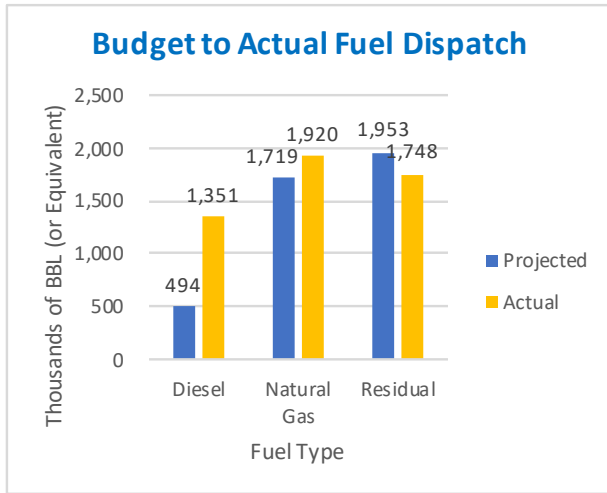
For the fourth quarter, the average variance for all plants was (\$20/MWh) or 23% over budget. However, when analyzing the data from YTD perspective, the variance is \$9/MWh, or 5% underbudget.



**Puerto Rico Electric Power Authority
Notes to the Budget to Actual Variance Report (Unaudited)
For the Twelve-Month Period Ended on June 30, 2019**

Budget to Actual Fuel Dispatch & Generation per Plant

efficient PREPA plants, had a net effect of increasing Fuel cost by 22%. For the Fourth quarter, more Natural Gas and Diesel were dispatched than projected. In addition, less Residual barrels were dispatched than projected



Average \$/MWh

The following table presents the average quarterly cost per MWh for PREPA plants:

Average \$/MWh	
Q4FY18-19	
Projected	\$ 117.11
Actual	137.29
Difference	20.18
%	17%

Puerto Rico Electric Power Authority
Notes to the Budget to Actual Variance Report (Unaudited) (Cont.)
For the Three-Month Period Ended on June 30, 2019

Maintenance Projects

The following table compares the projected and actual NME for the period ended on June 30, 2019:

Maintenance Projects	Budget FY 18-19	%	Actual YTD	%	Utilization (%)
Transmission & Distribution	\$ 59,995,381	26.59%	\$ 58,617,812	26.53%	98%
Generation	134,845,486	59.77%	143,078,573	64.75%	106%
Executive (General & Admin)	11,474,070	5.09%	6,525,036	2.95%	57%
Customer Service	16,820,213	7.46%	11,654,977	5.27%	69%
Planning and Environmental Protection	2,479,396	1.10%	1,101,491	0.50%	44%
MATS Compliance Projects	-	0.00%	-	0.00%	0%
Transmission IRP	-	0.00%	-	0.00%	0%
Resiliency Investments	-	0.00%	-	0.00%	0%
Labor Reform	-	0.00%	-	0.00%	0%
Finance	-	0.00%	-	0.00%	0%
Total Maintenance Projects	\$ 225,614,546	100.00%	\$ 220,977,890	100.00%	98%

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 directorates.

Portable Generators Acquisition

Management achieved near full disbursement of the acquisition of the three (3) portable generating units or approximately 95% utilization.

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 Twelve-Month Period Ended on June 30, 2019

Revenues	A		B		C = B - A			
	Budget YTD	Vertical %	Actual YTD	Vertical %	Variance (\$)	Vertical %	Budget Horizontal Variance (%)	Budget Vertical Variance (%)
Residential								
Fuel Adjustment	\$ 538,869,943	16.17%	\$ 578,318,693	16.41%	\$ 39,448,750	20.47%	7.32%	0.23%
Purchased Power	304,656,466	9.14%	283,395,968	8.04%	(21,260,498)	-11.03%	-6.98%	-1.10%
Basic Revenues	308,152,476	9.25%	353,433,509	10.03%	45,281,033	23.49%	14.69%	0.78%
Provisional	68,926,734	2.07%	61,581,853	1.75%	(7,344,881)	-3.81%	-10.66%	-0.32%
Subsidies HH	-	0.00%	6,242,170	0.18%	6,242,170	3.24%	100.00%	0.18%
Subsidies NHH	-	0.00%	11,457,491	0.33%	11,457,491	5.94%	100.00%	0.33%
Provisional	-	0.00%	948,221	0.03%	948,221	0.49%	100.00%	0.03%
Total Residential	\$ 1,220,605,618	36.63%	\$ 1,295,377,906	36.75%	\$ 74,772,288	38.79%	6.13%	0.12%
Commercial								
Fuel Adjustment	\$ 700,652,451	21.03%	\$ 723,873,967	20.54%	\$ 23,221,516	12.05%	3.31%	-0.49%
Purchased Power	396,564,303	11.90%	356,024,993	10.10%	(40,539,310)	-21.03%	-10.22%	-1.80%
Basic Revenues	483,841,514	14.52%	514,822,579	14.61%	30,981,065	16.07%	6.40%	0.08%
Provisional	94,128,302	2.82%	78,275,465	2.22%	(15,852,837)	-8.23%	-16.84%	-0.60%
Subsidies HH	-	0.00%	8,088,201	0.23%	8,088,201	4.20%	100.00%	0.23%
Subsidies NHH	-	0.00%	14,648,683	0.42%	14,648,683	7.60%	100.00%	0.42%
Provisional	-	0.00%	1,230,465	0.03%	1,230,465	0.64%	100.00%	0.03%
Total Commercial	\$ 1,675,186,571	50.27%	\$ 1,696,964,353	48.14%	\$ 21,777,783	11.30%	1.30%	-2.13%
Industrial								
Fuel Adjustment	\$ 144,598,821	4.34%	\$ 192,027,871	5.45%	\$ 47,429,050	24.61%	32.80%	1.11%
Purchased Power	82,019,994	2.46%	94,179,386	2.67%	12,159,392	6.31%	14.82%	0.21%
Basic Revenues	74,964,535	2.25%	96,745,024	2.74%	21,780,489	11.30%	29.05%	0.49%
Provisional	20,911,526	0.63%	22,330,579	0.63%	1,419,053	0.74%	6.79%	0.01%
Subsidies HH	-	0.00%	2,084,163	0.06%	2,084,163	1.08%	100.00%	0.06%
Subsidies NHH	-	0.00%	3,884,089	0.11%	3,884,089	2.02%	100.00%	0.11%
Provisional	-	0.00%	317,414	0.01%	317,414	0.16%	100.00%	0.01%
Total Industrial	\$ 322,494,876	9.68%	\$ 411,568,526	11.68%	\$ 89,073,650	46.21%	27.62%	2.00%
Public Lighting								
Fuel Adjustment	\$ 29,112,749	0.87%	\$ 31,086,285	0.88%	\$ 1,973,536	1.02%	6.78%	0.01%
Purchased Power	16,571,639	0.50%	14,917,692	0.42%	(1,653,947)	-0.86%	-9.98%	-0.07%
Basic Revenues	52,810,590	1.58%	57,692,040	1.64%	4,881,450	2.53%	9.24%	0.05%
Provisional	3,733,548	0.11%	2,742,448	0.08%	(991,100)	-0.51%	-26.55%	-0.03%
Subsidies HH	-	0.00%	224,738	0.01%	224,738	0.12%	100.00%	0.01%
Subsidies NHH	-	0.00%	252,215	0.01%	252,215	0.13%	100.00%	0.01%
Provisional	-	0.00%	37,640	0.00%	37,640	0.02%	100.00%	0.00%
Total Public Lighting	\$ 102,228,525	3.07%	\$ 106,953,058	3.03%	\$ 4,724,532	2.45%	4.62%	-0.03%
Agricultural								
Fuel Adjustment	\$ 2,363,693	0.07%	\$ 2,551,423	0.07%	\$ 187,730	0.10%	7.94%	0.00%
Purchased Power	1,342,150	0.04%	1,250,546	0.04%	(91,604)	-0.05%	-6.83%	0.00%
Basic Revenues	1,452,790	0.04%	1,781,956	0.05%	329,166	0.17%	22.66%	0.01%
Provisional	302,360	0.01%	267,420	0.01%	(34,940)	-0.02%	-11.56%	0.00%
Subsidies HH	-	0.00%	107,093	0.00%	107,093	0.06%	100.00%	0.00%
Subsidies NHH	-	0.00%	108,097	0.00%	108,097	0.06%	100.00%	0.00%
Provisional	-	0.00%	95,384	0.00%	95,384	0.05%	100.00%	0.00%
Total Agricultural	\$ 5,460,994	0.16%	\$ 6,161,919	0.17%	\$ 700,926	0.36%	12.84%	0.01%
Others								
Fuel Adjustment	\$ 2,781,260	0.08%	\$ 3,797,095	0.11%	\$ 1,015,835	0.53%	36.52%	0.02%
Purchased Power	1,574,048	0.05%	1,844,444	0.05%	270,396	0.14%	17.18%	0.01%
Basic Revenues	1,377,408	0.04%	1,760,864	0.05%	383,456	0.20%	27.84%	0.01%
Provisional	404,035	0.01%	425,586	0.01%	21,551	0.01%	5.33%	0.00%
Subsidies HH	-	0.00%	-	0.00%	-	0.00%	100.00%	0.00%
Subsidies NHH	-	0.00%	-	0.00%	-	0.00%	100.00%	0.00%

Provisional	-	0.00%	0.00%	-	0.00%	100.00%	0.00%	
Total Others	\$ 6,136,750	0.18%	\$ 7,827,989	0.22%	\$ 1,691,239	0.88%	27.56%	0.04%
Total Gross Revenue	\$ 3,332,113,335	100.00%	\$ 3,524,852,752	100.00%	\$ 192,739,417	100.00%	5.78%	0.00%
Other Income	10,106,000	0.30%	87,803,056	2.49%	77,697,056	40.31%	768.82%	2.19%
Total Unconsolidated Revenue	3,342,219,335	100.30%	3,612,655,808	102.49%	270,436,473	140.31%	8.09%	2.19%
Bad Debt Expense	(61,700,000)	-1.85%	(8,713,054)	-0.25%	52,986,946	27.49%	-85.88%	1.60%
CILT & Subsidies	(273,201,000)	-8.20%	(92,254,356)	-2.62%	180,946,644	93.88%	-66.23%	5.58%
PREPA Networks, LLC	7,000,000	0.21%	7,236,477	0.21%	236,477	0.12%	3.38%	0.00%
Adjustments/Other/Eliminations	-	0.00%	-	0.00%	-	0.00%	-	-
Total Consolidated Revenue	\$ 3,014,318,335	90.46%	\$ 3,518,924,874	99.83%	\$ 504,606,540	261.81%	16.74%	9.37%

Bad Debt Expense

Bad debt expense is recorded through a recurring monthly journal entry and is pending final analyses to determine the actual amount.

Puerto Rico Electric Power Authority
Budget to Actual Variance Report (Unaudited) (Cont.)
For the Twelve-Month Period Ended on June 30, 2019

Expenses	A		B		C = A - B		Budget Horizontal Variance (%)	Budget Vertical Variance (%)
	Budget YTD	Vertical %	Actual YTD	Vertical %	Variance (\$)	Vertical %		
Fuel	\$ 1,262,397,000	37.89%	\$ 1,404,004,120	39.83%	\$ (141,607,120)	-73.47%	-11.22%	1.95%
Purchased Power - Conventional	623,015,000	18.70%	613,555,452	17.41%	9,459,548	4.91%	1.52%	-1.29%
Purchased Power - Renewable	91,435,000	2.74%	64,543,626	1.83%	26,891,374	13.95%	29.41%	-0.91%
Total Fuel & Purchase Power Expense	\$ 1,976,847,000	59.33%	\$ 2,082,103,198	59.07%	\$ (105,256,198)	-54.61%	-5.32%	-0.26%
Salaries & Wages	\$ 210,901,000	6.33%	\$ 197,741,486	5.61%	\$ 13,159,514	6.83%	6.24%	-0.72%
Pension & Benefits	120,888,000	3.63%	115,137,933	3.27%	5,750,067	2.98%	4.76%	-0.36%
Overtime Pay	30,432,000	0.91%	51,455,179	1.46%	(21,023,179)	-10.91%	-69.08%	0.55%
Overtime Benefits	3,586,000	0.11%	5,112,316	0.15%	(1,526,316)	-0.79%	-42.56%	0.04%
Total Labor Operating Expense	\$ 365,807,000	10.98%	\$ 369,446,914	10.48%	\$ (3,639,914)	-1.89%	-1.00%	-0.50%
Materials & Supplies	\$ 33,249,000	1.00%	\$ 27,367,558	0.78%	\$ 5,881,442	3.05%	17.69%	-0.22%
Transportation, Per Diem, and Mileage	39,636,000	1.19%	30,105,544	0.85%	9,530,456	4.94%	24.04%	-0.34%
Property & Casualty Insurance	38,533,000	1.16%	33,962,304	0.96%	4,570,696	2.37%	11.86%	-0.19%
Retiree Medical Benefits	21,728,000	0.65%	13,510,262	0.38%	8,217,738	4.26%	37.82%	-0.27%
Security	22,258,000	0.67%	24,492,732	0.69%	(2,234,732)	-1.16%	-10.04%	0.03%
IT Service Agreements	24,323,000	0.73%	17,937,092	0.51%	6,385,908	3.31%	26.25%	-0.22%
Banking Services	16,217,000	0.49%	13,990,116	0.40%	2,226,884	1.16%	13.73%	-0.09%
Utilities & Rents	12,420,000	0.37%	14,396,806	0.41%	(1,976,806)	-1.03%	-15.92%	0.04%
Legal Services	5,271,000	0.16%	1,913,026	0.05%	3,357,974	1.74%	63.71%	-0.10%
Communications Expenses	8,660,000	0.26%	6,965,976	0.20%	1,694,024	0.88%	19.56%	-0.06%
Professional & Technical Outsourced Services	51,922,000	1.56%	6,356,906	0.18%	45,565,094	23.64%	87.76%	-1.38%
Regulation and Environmental Inspection	17,192,000	0.52%	9,027,861	0.26%	8,164,139	4.24%	47.49%	-0.26%
Other Miscellaneous Expenses	20,807,000	0.62%	16,722,798	0.47%	4,084,202	2.12%	19.63%	-0.15%
PREPA Restructuring & Title III	60,058,000	1.80%	43,445,771	1.23%	16,612,229	8.62%	27.66%	-0.57%
FOMB Advisor Costs allocated to PREPA	31,800,000	0.95%	23,004,021	0.65%	8,795,979	4.56%	27.66%	-0.30%
P3 Authority Transaction Costs	9,500,000	0.29%	6,872,270	0.19%	2,627,730	1.36%	27.66%	-0.09%
Other Expenses	-	0.00%	(28,809,213)	-0.82%	28,809,213	14.95%	100.00%	-0.82%
Total Non-Labor / Other Operating Expense	413,574,000	12.41%	261,261,830	7.41%	152,312,170	79.02%	36.83%	-5.00%
Total Operating Expenses	\$ 2,756,228,000	82.72%	\$ 2,712,811,942	76.96%	\$ 43,416,058	22.53%	1.58%	-5.75%

Maintenance Projects	Budget FY 18-19	%	Actual YTD	%	Utilization (%)
Transmission & Distribution	\$ 59,995,381	26.59%	\$ 58,617,812	26.53%	98%
Generation	134,845,486	59.77%	143,078,573	64.75%	106%
Executive (General & Admin)	11,474,070	5.09%	6,525,036	2.95%	57%
Customer Service	16,820,213	7.46%	11,654,977	5.27%	69%
Planning and Environmental Protection	2,479,396	1.10%	1,101,491	0.50%	44%
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%	-
Total Maintenance Projects	\$ 225,614,546	100.00%	\$ 220,977,890	100.00%	98%

Description	Budget YTD	Actual YTD
Total Operating & Maintenance Expense	2,981,842,546	2,933,789,832
Government Loan Interest	15,000,000	-
Surplus/deficit before changes in working capital	\$ 17,475,789	\$ 585,135,043

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

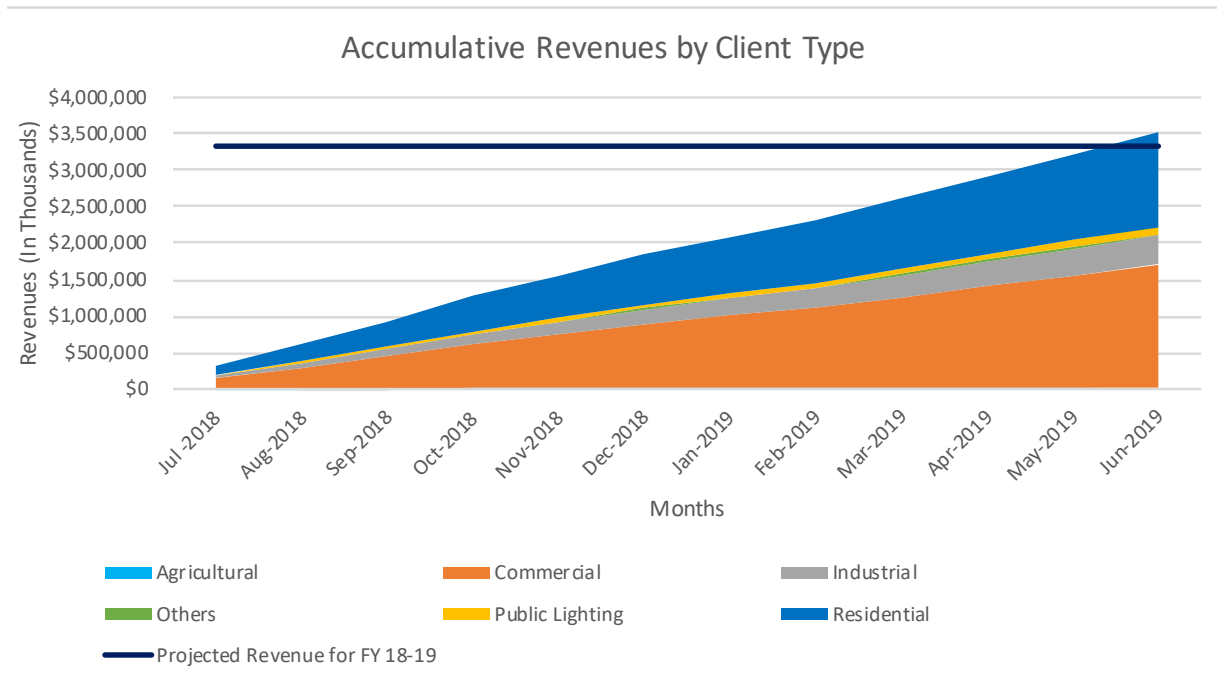
The primary component of the variation in professional & technical outsourced services is due to the vegetation management contract in the Transmission & Distribution directorate, which represents 58% of the variance. PREPA budgeted -\$26MM in vegetation management contracts, nonetheless as of June 30, 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 23% 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 Twelve-Month Period Ended on June 30, 2019

Revenues

During the twelve-month period ended on June 30, 2019, PREPA has achieved revenue targets in accordance with the certified fiscal plan, as gross revenues were approximately 6% above the projected budget. Likewise, total consolidated revenue increased by approximately 17% when compared to the projected budget.

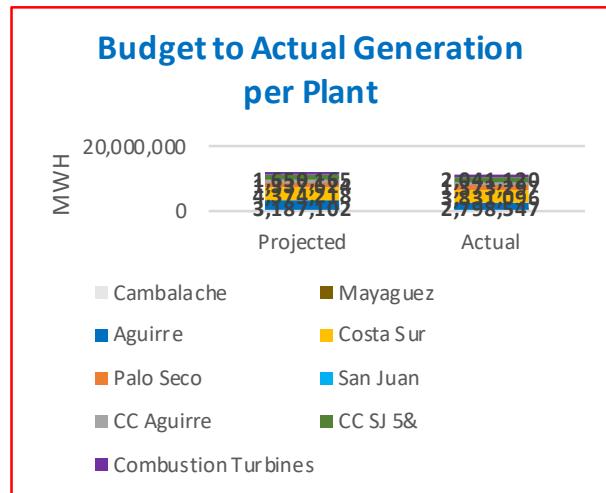
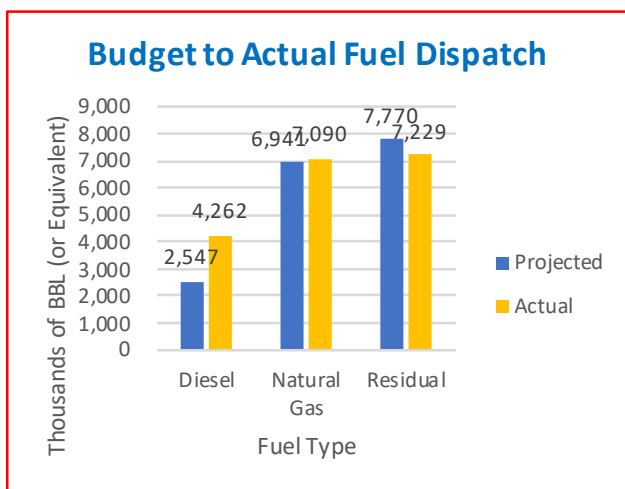
The following graph presents the total accumulative gross revenues segregated by customer type:



Puerto Rico Electric Power Authority
Notes to the Budget to Actual Variance Report (Unaudited) (Cont.)
For the Twelve-Month Period Ended on June 30, 2019

Budget to Actual Fuel Dispatch & Generation per Plant

During fiscal year 2018-2019, more Natural Gas and Diesel barrels were dispatched resulting from a shift to less efficient PREPA Plants. Actual generation was 44 MW or less than 1% below projections, nonetheless Fuel and Purchase Power expense increased by \$141,607,120 or 11% when compared with the budget. Notwithstanding this increase, actual Fuel and Purchase Power equated 59.07% of gross revenues when it was budgeted to equate 59.33%, which represents a vertical variance of less than 1% in connection to the increase in sales of electricity.



Average \$/MWh

The following table presents the average cost per MWh for PREPA plants during fiscal year 2018-2019, according to the projected and actual prices:

Average \$/MWh	
YTFY18-19	
Projected	\$ 115.50
Actual	128.98
Difference	\$ 13.48
	% 11.7%