

C-1 shall present the test year income statement, showing the amounts recorded during the test year in each account in column 1; pro forma adjustments, by account, in column 2; and adjusted results in column 3.

Income Statement	FY 2014	Adjustments	FY 2017
<b>Sales GWh</b>	<b>17,560,901,746</b>	<b>(292,576,566)</b>	<b>17,268,325,180</b>
Fuel & Purchased Power \$/kWh	\$ 0.20171	\$ (0.10568)	\$ 0.09603
Contribution to municipalities (CILT) \$/kWh	\$ -	\$ -	\$ -
Special Customer Subsidies & Public Lighting \$/kWh	\$ -	\$ -	\$ -
Non-Fuel O&M \$/kWh	\$ 0.06248	\$ (0.00004)	\$ 0.06245
Securitization Payment \$/kWh - Total Including Adjustments	\$ -	\$ 0.03005	\$ 0.03005
<b>Overall Rate \$/kWh</b>	<b>\$ 0.26420</b>	<b>\$ (0.07567)</b>	<b>\$ 0.18853</b>
<b>Revenue</b>			
Fuel & Purchased Power (+CILT pre-rate structure change)	\$ 3,542,269,097	\$ (1,883,982,301)	\$ 1,658,286,796
Base Rate (Non-CILT & Subsidy)	1,097,283,000	(18,896,051)	1,078,386,949
Other Income	18,010,147	20,914,698	38,924,845
<b>Total Revenues</b>	<b>4,657,562,244</b>	<b>(1,881,963,653)</b>	<b>2,775,598,590</b>
<b>Operating Expenses</b>			
Fuel	\$ (2,344,999,982)	\$ 1,581,304,904	\$ (763,695,078)
Purchased Power	(807,619,515)	(20,773,498)	(828,393,012)
Performance Improvement	-	116,212,842	116,212,842
<b>Total Fuel &amp; Purchased Power Expense</b>	<b>(3,152,619,496)</b>	<b>1,676,744,248</b>	<b>(1,475,875,249)</b>
Generation Expenses	160,541,902	(38,131,386)	122,410,515
Transmission Expenses	44,882,530	(10,660,351)	34,222,179
Distribution Expenses	222,007,687	(52,730,538)	169,277,149
Customer Billing Expenses	111,405,645	(26,460,704)	84,944,941
Administrative and General Expenses	195,279,419	(46,382,128)	148,897,292
<b>Total Labor &amp; Other Operating Expenses</b>	<b>734,117,183</b>	<b>(174,365,107)</b>	<b>559,752,076</b>
Bad Debt Expense	(191,533,358)	106,149,591	(85,383,767)
Energy Administration Assessment	-	(5,800,000)	(5,800,000)
Contribution to municipalities (CILT)	(249,310,364)	197,526,543	(51,783,821)
Special Customer Subsidies & Public Lighting	(116,694,478)	(51,618,443)	(168,312,921)
<b>Total Other Expenses</b>	<b>(557,538,200)</b>	<b>246,257,692</b>	<b>(311,280,508)</b>
Total Expenses ex-Fuel/PP	(911,191,865)	91,943,102	(819,248,764)
Total Flow Through Expenses (Fuel/PP)	(3,518,624,338)	1,990,965,268	(1,527,659,070)
<b>Total Expenses</b>	<b>(4,429,816,203)</b>	<b>2,082,908,370</b>	<b>(2,346,907,833)</b>
<b>EBITDA</b>	<b>227,746,040</b>	<b>200,944,717</b>	<b>428,690,757</b>
<i>DSCR ex-Securitization</i>	<i>0.36</i>	<i>2.24</i>	<i>2.60</i>
Depreciation Expense	(339,493,217)	(17,407,238)	(356,900,456)
Interest / Financing Expense	(431,021,147)	288,719,846	(142,301,302)
<b>Net Income</b>	<b>(542,768,324)</b>	<b>472,257,324</b>	<b>(70,511,000)</b>

Note: PREPA is a public power utility and does not file a FERC Form 1 or record costs and revenues by USOA account. Shown above is a high level mapping to functions.

Schedule C-2 shall present the income statement pro forma adjustments (one adjustment per column). PREPA shall discuss and explain each adjustment in prefiled direct testimony and shall provide supporting workpapers showing the derivation of each adjustment.

		Change in Fuel/PP Costs and kwhr	Changes in Generation Efficiency from Alix Business Plan	Changes in O&M from Alix Business Plan	Pro Forma to Reflect Uncollectible Accounts Expense	Pro Forma to Reflect PREC Assessment Fee	Pro Forma to Reflect CILT Accounting Change	Pro Forma for Cash Requirements Target
<b>Revenue</b>								
Fuel & Purchased Power (+CILT pre-rate structure change)	\$ 3,542,269,097							\$ 1,658,286,796
Contribution to municipalities (CILT)								
Special Customer Subsidies & Public Lighting								
Base Rate (Non-CILT & Subsidy)	1,097,283,000							1,300,643,739
Other Income	18,010,147							38,924,845
<b>Total Revenues</b>	<b>4,657,562,244</b>							<b>2,997,855,381</b>
<i>YoY Growth</i>								<i>-4%</i>
<b>Operating Expenses</b>								
Fuel	\$ (2,344,999,982)	\$ 1,581,304,904						\$ (763,695,078)
Purchased Power	(807,619,515)	(20,773,498)						(828,393,012)
Performance Improvement	-	\$ 116,212,842						116,212,842
<b>Total Fuel &amp; Purchased Power Expense</b>	<b>(3,152,619,496)</b>	<b>1,560,531,406</b>	<b>116,212,842</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,475,875,249)</b>
Salaries	(335,242,719)			\$ 54,881,858				(280,360,861)
Pension & Benefits	(195,554,701)			\$ 40,977,741				(154,576,960)
<b>Total Labor Expenses</b>	<b>(530,797,419)</b>	<b>-</b>	<b>-</b>	<b>95,859,598</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(434,937,821)</b>
Pension Underfunding								
Additional Safety Upgrades				\$ (4,432,500)				(4,432,500)
Unclassified division expenses	(203,348,077)			\$ (19,783,678)				(223,131,756)
<b>Total Other Operating Expenses</b>	<b>(203,348,077)</b>	<b>-</b>	<b>-</b>	<b>(24,216,178)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(227,564,256)</b>
Customer Service				\$ 23,750,000				23,750,000
Procurement				\$ 55,000,000				55,000,000
Other, Net				\$ 24,000,000				24,000,000
<b>Total Non-Fuel Performance Improvement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,750,000</b>
Bad Debt Expense	(191,533,358)				\$ 106,149,591			(85,383,767)
Energy Administration Assessment	-				\$ (5,800,000)			(5,800,000)
Contribution to municipalities (CILT)	(245,372,807)					(193,588,986)		(51,783,821)
Special Customer Subsidies & Public Lighting	(68,820,366)					99,492,555		(168,312,921)
<b>Total Other Expenses</b>	<b>(505,726,531)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106,149,591</b>	<b>(5,800,000)</b>	<b>(94,096,431)</b>	<b>(311,280,508)</b>
Total Expenses ex-Fuel/PP	(925,678,854)	-	-	174,393,420	106,149,591	(5,800,000)	99,492,555	(819,248,764)
Total Flow Through Expenses (Fuel/PP)	(3,466,812,669)	1,560,531,406	116,212,842	-	-	-	(193,588,986)	(1,527,659,070)
<b>Total Expenses</b>	<b>(4,392,491,523)</b>	<b>1,560,531,406</b>	<b>116,212,842</b>	<b>174,393,420</b>	<b>106,149,591</b>	<b>(5,800,000)</b>	<b>(94,096,431)</b>	<b>(2,346,907,833)</b>
<b>EBITDA</b>	<b>265,070,720</b>							<b>650,947,547</b>
<i>DSCR ex-Securitization</i>	<i>0.42</i>							<i>2.07</i>
Depreciation Expense	(339,493,217)						17,479,027	(356,972,244)
Interest / Financing Expense	(431,021,147)						(288,719,846)	(142,301,302)
<b>Net Income excluding Securitization</b>	<b>(505,443,644)</b>							<b>151,674,002</b>
<b>Securitization</b>								
<b>SPV Pass Through Income for Securitization</b>								<b>394,237,206</b>
<i>DSCR</i>								<i>1.47</i>
Securitized / Refinanced Debt Interest & Fees								(318,521,242)
<b>Net Income including Securitization</b>	<b>(505,443,644)</b>							<b>227,389,965</b>

**Note:**

Securitization payment is deducted from electricity sales prior to sales recognition as PREPA revenue (electricity sales - securitization payment = PREPA revenue)

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO ENERGY COMMISSION**

IN RE: THE PUERTO RICO ELECTRIC : NO.: CEPR-AP-2015-0001  
POWER AUTHORITY :  
INITIAL RATE REVIEW :

**REGULATION 8720, SECTION 2.05 (B) - SCHEDULE C-2**

“Schedule C-2 shall present the income statement pro forma adjustments (one adjustment per column). PREPA shall discuss and explain each adjustment in prefiled direct testimony and shall provide supporting workpapers showing the derivation of each adjustment.”

No work papers were created during the preparation of this schedule.

Schedule C-3 shall present the calculation of the Gross Revenue Conversion Factor. An explanation and support must be provided for each item that is incorporated into the Gross Revenue Conversion Factor.

PREPA's rate proposal does not include a Gross Revenue Conversion Factor. PREPA is not subject to income taxes. PREPA's proposal treats depreciation expense and CILT separately, without use of a GRCF. As a result, there is no item to include in a GRCF.

PREPA is required by law to provide service at no charge to Municipalities and Special Customers. We add a line item provisions broadly referred to as CILT & Subsidies to revenue requirement to recover the cost of providing service to these customers.

Like CILT & Subsidies, we add a provision for Bad Debt, also known as uncollectible revenue, to recover revenue for service rendered that is not collected. This line item is intended recover from non-municipal non-special customers only, such that there is no overlap. Given our available data, we developed our estimate based on overall billed revenue and total collections. Overall billed revenue includes all government entities, including municipalities. Total collections includes all cash collections, including other income. We compared our estimate to past year bad debt write-off amounts and found it to be in the range of prior years.