

**GOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU**

NEPR
Received:
Mar 15, 2024
6:55 PM

IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

**MOTION TO SUBMIT THE JANUARY 2024 BUDGET TO ACTUAL REPORTS AS ORDERED
IN THE JUNE 25 ORDER**

COMES NOW the Puerto Rico Electric Power Authority ("PREPA"), through its counsel of record, and respectfully submits and requests as follows:

1. On May 16, 2023, LUMA¹ filed a document titled *Submission of Consolidated Annual Budgets for Fiscal Year 2024 and Proposed Annual T&D Projections Through Fiscal Year 2026* ("May 16 Motion") for the Energy Bureau of the Puerto Rico Public Service Regulatory Board's ("Energy Bureau") review and approval. The May 16 Motion included the following budget components: (i) the proposed T&D budget developed by LUMA, (ii) the proposed generation budget developed by Genera PR, LLC ("Genera") on behalf of the PREPA, for the PREPA subsidiary GENCO LLC ("GenCo"), and (iii) the proposed Budget developed by PREPA for its holding company, HoldCo, and its subsidiaries PREPA HydroCo LLC ("HydroCo") and PREPA PropertyCo, LLC ("PropertyCo").
2. On June 25, 2023, the Energy Bureau issued a *Resolution and Order* ("June 25 Order") through which it modified the Proposed Consolidated Fiscal Year 2024

¹ LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly referred to as, "LUMA").

submitted by LUMA and approved the modified budgets subject to compliance with various orders ("FY24" Approved Budget").

3. The June 25 Order included a series of orders to PREPA. As part of the financial reporting requirements the Energy Bureau ordered PREPA to submit on a monthly basis the following:

a. The tracking of certified Budget to Actual ("B2A Report") for HydroCo and HoldCo based on a template to be provided by the Oversight Board, which must include the following:

- Explanation for material variances (greater than 10% and \$30 million)
- Income statement in the reporting package
- Monthly budget reporting

4. In compliance with the June 25 Order, PREPA herein submits the January 2024 B2A.

WHEREFORE, PREPA respectfully requests the Energy Bureau to take **NOTICE** of the information provided for January 2024 and find PREPA in compliance with the reporting requirements of the June 25 Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 15th day of March 2024.

CERTIFICATE OF SERVICE: We hereby certify that this document was filed with the Office of the Clerk of the Energy Bureau using its Electronic Filing System

at <https://radicacion.energia.pr.gov/login>, which will send notification of such filing to all attorneys of record.

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Financial Oversight & Management Board for Puerto Rico

Puerto Rico Electric Power Authority

Report Date **3/15/24**



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Puerto Rico Electric Power Authority
 B2A Summary
 FISCAL YEAR 2024
 As 3/15/24

FY24 Monthly B2A Summary

(\$ millions)

Summary	January-24				YTD			
	Jan-24 Budget	Jan-24 Actual	Jan-24 Variance (\$)	Jan-24 Variance (%)	YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
A. Expenses								
<u>HoldCo:</u>								
HoldCo Labor Operating Expenses	\$ 0.800	\$ 0.554	\$ 0.246	30.7%	\$ 5.599	\$ 5.122	\$ 0.477	8.5%
HoldCo Non-Labor / Other Operating Expenses	6.661	6.513	0.148	2.2%	47.737	45.080	2.656	5.6%
Shared Services Agreement	0.166	0.304	(0.138)	(83.3%)	1.163	1.245	(0.082)	(7.0%)
Temporary PREPA ERS Contribution	22.841	22.841	-	0.0%	27.674	27.674	-	0.0%
Maintenance Projects Expenses	0.054	-	0.054	100.0%	0.376	-	0.376	100.0%
Total HoldCo Operating Expenses	\$ 30.521	\$ 30.212	\$ 0.309	1.0%	\$ 82.549	\$ 79.120	\$ 3.428	4.2%
<u>HydroCo:</u>								
HydroCo Labor Operating Expenses	\$ 0.367	\$ 0.263	\$ 0.103	28.2%	\$ 2.566	\$ 2.465	\$ 0.101	3.9%
HydroCo Non-Labor / Other Operating Expenses	0.466	0.352	0.114	24.4%	3.264	5.193	(1.929)	(59.1%)
Shared Services Agreement	0.098	0.202	(0.104)	(105.5%)	0.689	0.762	(0.074)	(10.7%)
Maintenance Projects Expenses	0.206	-	0.206	100.0%	1.441	0.000	1.441	100.0%
Total HydroCo Operating Expenses	\$ 1.137	\$ 0.818	\$ 0.319	28.1%	\$ 7.960	\$ 8.420	\$ (0.461)	(5.8%)
Total HoldCo & HydroCo Expenses	\$ 31.659	\$ 31.030	\$ 0.629	2.0%	\$ 90.508	\$ 87.541	\$ 2.967	3.3%
<u>Other Expenses:</u>								
PREPA Voluntary Transition Program	\$ -	\$ -	\$ -	-	\$ 14.774	\$ 14.774	\$ 0.000	0.0%
Emergency PREPA Employee Retirement System Contribution	-	-	-	-	142.713	142.713	-	0.0%
Total Other Expenses	\$ -	\$ -	\$ -	-	\$ 157.487	\$ 157.487	\$ 0.000	0.0%

Note 1: Preliminary / unaudited financial information - subject to material change.

Note 2: Pursuant to the 2023 Certified Fiscal Plan and PREB Resolution & Order dated June 25, 2023, PREPA is reporting HoldCo and HydroCo expenses for YTD FY2024.

Note 3: PREPA is reporting YTD FY2024 amounts based on the Revised FOMB Certified Budget dated December 12, 2023.

Note 4: Pensions & Benefits amounts are equal to 25% of Salaries and Wages for YTD FY2024.

Note 5: Due to the Genera transaction, many of the line items in PREPA's YTD B2A include Genera expenses as Genera has been entering these expenses into PREPA's legacy cost centers. These are reflected in the HydroCo line items. Although PREPA discontinued the use of its legacy cost centers as of November 1, 2023, Genera expenses continue to affect legacy cost centers. PREPA expects that this issue will continue in the upcoming B2A reports and will continue to monitor accounts closely to resolve any issues.

Puerto Rico Electric Power Authority
Monthly Expenses
FISCAL YEAR 2024
As Of: 3/15/24

FY24 Monthly Expenses

(\$ millions)

Expenses	January-24				YTD			
	Jan-24 Budget	Jan-24 Actual	Jan-24 Variance (\$)	Jan-24 Variance (%)	YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
A. HoldCo - Operations Expenses								
Labor								
1 Salaries & Wages	0.542	0.456	0.086	15.8%	3.793	3.767	0.026	0.7%
2 Pension & Benefits	0.224	0.094	0.130	58.1%	1.570	0.896	0.675	43.0%
3 Overtime Pay	0.030	0.004	0.026	86.7%	0.211	0.411	(0.200)	(95.2%)
4 Overtime Benefits	0.004	0.000	0.004	99.9%	0.025	0.048	(0.023)	(90.6%)
Total HoldCo Labor Operating Expenses	\$ 0.800	\$ 0.554	\$ 0.246	30.7%	\$ 5.599	\$ 5.122	\$ 0.477	8.5%
Non-Labor / Other Operating Expenses								
5 Materials & Supplies	0.002	0.009	(0.007)	(290.9%)	0.017	0.037	(0.020)	(120.1%)
6 Transportation, Per Diem, and Mileage	0.002	0.011	(0.009)	(395.3%)	0.015	0.182	(0.167)	(1098.5%)
7 Retiree Medical Benefits	0.663	0.644	0.019	2.8%	4.638	4.080	0.557	12.0%
8 Security	0.066	0.084	(0.018)	(26.8%)	0.465	0.559	(0.094)	(20.3%)
9 Utilities & Rents	0.006	0.004	0.001	27.1%	0.039	0.099	(0.060)	(156.9%)
10 Legal Services	0.307	0.307	-	0.0%	2.151	1.273	0.878	40.8%
11 Communications Expenses	0.001	-	0.001	100.0%	0.004	-	0.004	100.0%
12 Professional & Technical Outsourced Services	0.179	0.179	-	0.0%	1.251	0.365	0.886	70.8%
13 Regulation and Environmental Inspection	0.133	0.002	0.131	98.6%	0.928	0.285	0.643	69.2%
14 External Audit Services	-	-	-	n.a.	1.108	0.454	0.654	59.0%
15 Equipment, Inspections, Repairs and Others	0.056	0.025	0.030	54.1%	0.389	1.012	(0.624)	(160.6%)
16 PREPA Restructuring & Title III	2.513	2.513	-	0.0%	17.588	17.588	-	0.0%
17 FOMB Advisor Costs allocated to PREPA	2.735	2.735	-	0.0%	19.146	19.146	-	0.0%
Total HoldCo Non-Labor / Other Operating Expenses	\$ 6.661	\$ 6.513	\$ 0.148	2.2%	\$ 47.737	\$ 45.080	\$ 2.656	5.6%
18 Shared Services Agreement HoldCo	0.166	0.304	(0.138)	(83.3%)	1.163	1.245	(0.082)	(7.0%)
19 Temporary PREPA ERS Contribution	22.841	22.841	-	0.0%	27.674	27.674	-	0.0%
20 Maintenance Projects Expenses HoldCo	0.054	-	0.054	100.0%	0.376	-	0.376	100.0%
Total HoldCo Operating Expenses	\$ 30.521	\$ 30.212	\$ 0.309	1.0%	\$ 82.549	\$ 79.120	\$ 3.428	4.2%
B. HydroCo - Operations & Maintenance Expenses								
Labor								
21 Salaries & Wages	0.212	0.193	0.018	8.7%	1.483	1.666	(0.183)	(12.3%)
22 Pension & Benefits	0.128	0.041	0.086	67.6%	0.894	0.411	0.483	54.1%
23 Overtime Pay	0.024	0.028	(0.004)	(18.1%)	0.168	0.362	(0.194)	(115.4%)
24 Overtime Benefits	0.003	-	0.003	100.0%	0.020	0.026	(0.006)	(27.0%)
Total HydroCo Labor Operating Expenses	\$ 0.367	\$ 0.263	\$ 0.103	28.2%	\$ 2.566	\$ 2.465	\$ 0.101	3.9%
Non-Labor / Other Operating Expenses								
25 Materials & Supplies	0.060	0.004	0.057	93.9%	0.422	1.959	(1.536)	(363.8%)
26 Transportation, Per Diem, and Mileage	0.022	0.022	0.000	1.9%	0.157	0.225	(0.068)	(43.5%)
27 Security	0.143	0.188	(0.045)	(31.9%)	0.999	1.255	(0.257)	(25.7%)
28 Utilities & Rents	0.007	-	0.007	100.0%	0.047	0.001	0.046	97.5%
29 Professional & Technical Outsourced Services	0.016	0.060	(0.044)	(284.1%)	0.109	0.236	(0.127)	(116.7%)
30 Regulation and Environmental Inspection	0.061	0.002	0.059	97.0%	0.426	0.281	0.146	34.2%
31 Equipment, Inspections, Repairs and Others	0.158	0.077	0.081	51.3%	1.104	1.236	(0.132)	(12.0%)
Total HoldCo Non-Labor / Other Operating Expenses	\$ 0.466	\$ 0.352	\$ 0.114	24.4%	\$ 3.264	\$ 5.193	(1.929)	(59.1%)
32 Shared Services Agreement HydroCo	0.098	0.202	(0.104)	(105.5%)	0.689	0.762	(0.074)	(10.7%)
33 Maintenance Projects Expenses HydroCo	0.206	-	0.206	100.0%	1.441	0.000	1.441	100.0%
Total HydroCo Operating & Maintenance Expenses	\$ 1.137	\$ 0.818	\$ 0.319	28.1%	\$ 7.960	\$ 8.420	\$ (0.461)	(5.8%)
Total HoldCo & HydroCo Operating & Maintenance Expenses	\$ 31.659	\$ 31.030	\$ 0.629	1.99%	\$ 90.508	\$ 87.541	\$ 2.967	3.3%

Note 1: Preliminary / unaudited financial information - subject to material change.

Note 2: Pensions & Benefits amounts are equal to 25% of Salaries and Wages for YTD FY2024.

Note 3: Actual expense amounts for HoldCo Legal Services are equal to budget for January as PREPA is currently reconciling January invoices and amounts to accrue for actual monthly expenses.

Note 4: Actual expense amounts for HoldCo Professional Services are equal to budget for January as PREPA is currently reconciling January invoices and amounts to accrue for actual monthly expenses.

Note 5: Due to the Genera transaction, many of the line items in PREPA's YTD B2A include Genera expenses as Genera has been entering these expenses into PREPA's legacy cost centers. These are mainly reflected in the HydroCo line items. Although PREPA discontinued the use of its legacy cost centers as of November 1, 2023, Genera expenses continue to affect legacy cost centers.

PREPA expects that this issue will continue in the upcoming B2A reports and will continue to monitor accounts closely to resolve any issues.

Note 6: HoldCo Restructuring & Title III and FOMB Advisors Cost are equal to budget for January to accrue for monthly expenses. PREPA is currently reconciling invoices related to Title III costs.

PREPA is discussing FOMB Advisors Costs with the Oversight Board.

Puerto Rico Electric Power Authority
 Monthly VTP & ERS Expenses
 FISCAL YEAR 2024
 As Of: 3/15/24

FY24 VTP & ERS Expenses

(\$ millions)

Expenses

- 40 Voluntary Transition Program (VTP)
- 41 Employee Retirement System Contribution (ERS)
- Total VTP & ERS Expenses**

	January-24			
	Jan-24 Budget	Jan-24 Actual	Jan-24 Variance (\$)	Jan-24 Variance (%)
40	-	-	-	n.a.
41	-	-	-	n.a.
Total VTP & ERS Expenses	\$ -	\$ -	\$ -	n.a.

	YTD			
	YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
40	14.774	14.774	0.000	0.0%
41	142.713	142.713	-	0.0%
Total VTP & ERS Expenses	\$ 157.487	\$ 157.487	\$ 0.000	0.0%

Note 1: Preliminary / unaudited financial information - subject to material change.

Note 2: On September 11, 2023, PREPA submitted a request of reapportionment of VTP and ERS funds from Second Revised Fiscal Year 2023 Budget certified by the Oversight Board on June 23, 2023 to increase budget funding available for FY2024. On October 3, 2023, the Oversight Board approved \$29.4 million of VTP and \$142.7M of ERS funds to be available in FY2024.

Puerto Rico Electric Power Authority
Variance Detail
FISCAL YEAR 2024
3/15/24

Variance # 1
FOMB Category: HydroCo Maintenance Expenses
Account: HydroCo Maintenance Project Expenses

Expenses	Budget Jan	Actual Jan	Variance(\$)	Variance (%)
HydroCo Maintenance Project Expenses	\$ 0.206	\$ -	\$ 0.206	100.00%

Variance Explanation
 PREPA is currently investigating this variance with the Operations Team.

Root Cause
 PREPA is currently investigating this variance with the Operations Team.

Corrective Action
 PREPA is currently investigating this variance with the Operations Team.

Variance # 2
FOMB Category: HoldCo Shared Services Agreement HoldCo
Account: Shared Services Agreement HoldCo

Expenses	Budget Jan	Actual Jan	Variance(\$)	Variance (%)
Shared Services Agreement HoldCo	\$ 0.166	\$ 0.304	\$ (0.138)	-83.31%

Variance Explanation
 Shared Services were budgeted under the original Shared Services Agreement. As of January 2024, Shared Services transitioned to the extension agreement which is in place until September 2024. PREPA is coordinating with the LUMA accounting team to determine if the January shared services amounts need to be revised.

Root Cause
 Shared Services Extension Agreement effective as of January 1, 2024.

Corrective Action
 PREPA expects that Shared Services will continue to show a variance in the upcoming B2A reports and will continue to monitor accounts closely to resolve any issues.

Variance # 3
FOMB Category: HydroCo Shared Services Agreement HydroCo
Account: Shared Services Agreement HydroCo

Expenses	Budget Jan	Actual Jan	Variance(\$)	Variance (%)
Shared Services Agreement HydroCo	\$ 0.098	\$ 0.202	\$ (0.104)	-105.48%

Variance Explanation
 Shared Services were budgeted under the original Shared Services Agreement. As of January 2024, Shared Services transitioned to the extension agreement which is in place until September 2024. PREPA is coordinating with the LUMA accounting team to determine if the January shared services amounts need to be revised.

Root Cause
 Shared Services Extension Agreement effective as of January 1, 2024.

Corrective Action
 PREPA expects that Shared Services will continue to show a variance in the upcoming B2A reports and will continue to monitor accounts closely to resolve any issues.

Puerto Rico Electric Power Authority
Variance Detail
FISCAL YEAR 2024
3/15/24

Puerto Rico Electric Power Authority
Pension and Benefits
FISCAL YEAR 2024
As Of: 3/15/24

	<u>July-23</u>	<u>August-23</u>	<u>September-23</u>	<u>October-23</u>	<u>November-23</u>	<u>December-23</u>	<u>January-24</u>	<u>February-24</u>	<u>March-24</u>	<u>April-24</u>	<u>May-24</u>	<u>June-24</u>
<u>HoldCo - Pension and Benefits</u>												
<i>Pension Benefits</i>	84,017	101,115	91,305	66,427	57,482	59,284	53,927					
<i>Loan Guaranties</i>	147	176	159	116	100	103	94					
<i>Work Comp Insurance</i>	9,143	11,004	9,936	7,229	6,255	6,452	5,869					
<i>Social Security</i>	15,075	18,146	16,385	11,921	10,315	10,639	9,678					
<i>Medicare</i>	3,529	4,250	3,838	2,792	2,416	2,492	2,267					
<i>Christmas Bonus</i>	3,323	4,003	3,615	2,630	2,276	2,347	2,135					
<i>Health Plan</i>	31,281	37,649	33,997	24,733	21,403	22,074	20,079					
Total	146,516	176,342	159,235	115,848	100,247	103,390	94,048	-	-	-	-	-
<u>HydroCo - Pension and Benefits</u>												
<i>Pension Benefits</i>	39,535	25,571	45,144	37,133	28,751	35,550	23,739					
<i>Loan Guaranties</i>	69	45	79	65	50	62	41					
<i>Work Comp Insurance</i>	4,302	2,783	4,913	4,041	3,129	3,869	2,583					
<i>Social Security</i>	7,095	4,589	8,101	6,664	5,160	6,380	4,260					
<i>Medicare</i>	1,662	1,075	1,897	1,561	1,208	1,494	998					
<i>Christmas Bonus</i>	1,565	1,012	1,787	1,470	1,138	1,407	940					
<i>Health Plan - Regular</i>	14,721	9,521	16,809	13,826	10,705	13,237	8,839					
Total	68,949	44,596	78,730	64,759	50,141	61,999	41,400	-	-	-	-	-

Note 1: Preliminary / unaudited financial information - subject to material change.

