

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

<b>NEPR</b>
Received:
Mar 16, 2026
9:06 PM

**IN RE:** REVIEW OF LUMA'S INITIAL  
BUDGETS

**CASE NO.:** NEPR-MI-2021-0004

**MOTION TO SUBMIT THE JANUARY 2026 B2A REPORT**

**TO THE HONORABLE PUERTO RICO ENERGY BUREAU:**

**COMES NOW** the Puerto Rico Electric Power Authority ("PREPA") through its undersigned legal representation and respectfully informs and requests as follows:

1. On June 25, 2023, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a Resolution and Order ("June 25 Order") modifying the proposed budget and approving the Consolidated Annual Budgets for Fiscal Year 2024 ("FY24 Approved Budget").

2. The June 25 Order established several financial reporting requirements for PREPA, including the submission of a monthly Budget to Actual ("B2A Report") for HydroCo and HoldCo, based on a template provided by the Financial Oversight and Management Board ("FOMB"). This report must include:

- a. Explanation of material variances (greater than 10% and \$30 million),
- b. Income statement within the reporting package, and
- c. Monthly budget reporting.

3. On June 26, 2024, the Energy Bureau issued another Resolution and Order ("June 26 Order") regarding the review of the FY 2025 Budget. In that order, the Energy Bureau determined that the modified FY 2025 Budgets complied with Act

57-2014 and the 2017 Rate Order. The Energy Bureau also confirmed that all existing reporting requirements remained in full force and effect.

4. Therefore, in compliance with the June 25 Order, PREPA hereby submits its January 2026 B2A Report as *Exhibit A*.

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

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, on March 16<sup>th</sup>, 2026.

**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>. We also certify that a true and exact copy of this document was notified to the following parties through attorneys of record:

record: [jfr@sbgblaw.com](mailto:jfr@sbgblaw.com); [sromero@sbgblaw.com](mailto:sromero@sbgblaw.com);  
[margarita.mercado@us.dlapiper.com](mailto:margarita.mercado@us.dlapiper.com); [yahaira.delarosa@us.dlapiper.com](mailto:yahaira.delarosa@us.dlapiper.com);  
[Katuska.bolanos-luga@us.dlapiper.com](mailto:Katuska.bolanos-luga@us.dlapiper.com); and [hrivera@jrsp.pr.gov](mailto:hrivera@jrsp.pr.gov).

**GONZÁLEZ & MARTÍNEZ**  
1509 López Landrón  
Seventh Floor  
San Juan, PR 00911-1933  
Tel.: (787) 274-7404

**s/ Natalia Zayas Godoy**  
Natalia Zayas Godoy  
TSPR No.: 20,415  
E-mail: [nzayas@gmlex.net](mailto:nzayas@gmlex.net)

Exhibit A

# Financial Oversight & Management Board for Puerto Rico

## Puerto Rico Electric Power Authority

Report Date **3/16/2026**



### I. Table of Contents ("CTRL + [" to go to each file)

#### Financial:

- 1 [FY26 Monthly B2A Summary](#)
- 2 [FY26 Monthly Expenses](#)
- 3 [Variance Detail](#)
- 5 [Pension and Benefits](#)

#### General Text Color Guides

##### Text Colors:

Black	<i>(Intra Sheet) Formulas</i>
<a href="#">Green</a>	<i>Link to another Tab</i>
<a href="#">Blue</a>	<i>Hardcoded figures</i>
<a href="#">Red</a>	<i>Key Assumption</i>

## FY26 Monthly B2A Summary

(\$ millions)

Summary	January-26				YTD			
	Jan-26 Budget	Jan-26 Actual	Jan-26 Variance (\$)	Jan-26 Variance (%)	YTD Certified Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
<b>A. Revenue</b>								
Commonwealth Loan for PREPA ERS	-	-	-	n.a.	(25.000)	(25.000)	-	0.0%
Shared Services Separation	-	-	-	n.a.	-	-	-	n.a.
PREPA Restructuring & Title III	(1.593)	(1.593)	-	0.0%	(9.143)	(9.143)	-	0.0%
FOMB Advisor Costs allocated to PREPA	(2.467)	(2.467)	-	0.0%	(14.164)	(14.164)	-	0.0%
<b>B. Expenses</b>								
<b>HoldCo:</b>								
HoldCo Labor Operating Expenses	0.672	0.935	(0.263)	(39.2%)	4.531	4.848	(0.317)	(7.0%)
HoldCo Non-Labor / Other Operating Expenses	1.863	0.753	1.110	59.6%	12.561	7.098	5.462	43.5%
Shared Services Agreement	0.324	0.101	0.223	68.8%	2.185	0.710	1.474	67.5%
HoldCo Maintenance Projects Expense	0.055	-	0.055	100.0%	0.370	0.177	0.194	52.3%
<b>Total HoldCo Expenses (excluding Pensions)</b>	<b>\$ 2.915</b>	<b>\$ 1.790</b>	<b>\$ 1.125</b>	<b>38.6%</b>	<b>\$ 19.646</b>	<b>\$ 12.833</b>	<b>\$ 6.813</b>	<b>34.7%</b>
Pension Expense funded by PREPA	-	22.346	(22.346)	n.a.	25.000	104.216	(79.216)	(316.9%)
Shared Service Separation Expense	-	-	-	n.a.	-	-	-	-
<b>Total HoldCo Expenses (including Pensions)</b>	<b>\$ 2.915</b>	<b>\$ 24.136</b>	<b>\$ (21.221)</b>	<b>(728.0%)</b>	<b>\$ 44.646</b>	<b>\$ 117.050</b>	<b>\$ (72.403)</b>	<b>(162.2%)</b>
<b>HydroCo:</b>								
HydroCo Labor Operating Expenses	0.375	0.303	0.072	19.1%	2.525	1.746	0.779	30.9%
HydroCo Non-Labor / Other Operating Expenses	0.466	0.186	0.280	60.2%	3.140	1.091	2.049	65.2%
Shared Services Agreement	0.216	0.067	0.149	68.8%	1.457	0.474	0.983	67.5%
HydroCo Maintenance Projects Expense	0.105	-	0.105	100.0%	0.708	0.070	0.638	90.1%
<b>Total HydroCo Expenses</b>	<b>\$ 1.162</b>	<b>\$ 0.556</b>	<b>\$ 0.606</b>	<b>52.1%</b>	<b>\$ 7.830</b>	<b>\$ 3.381</b>	<b>\$ 4.450</b>	<b>56.8%</b>
<b>Total HoldCo &amp; HydroCo Expenses (including Pensions)</b>	<b>\$ 4.076</b>	<b>\$ 24.692</b>	<b>\$ (20.615)</b>	<b>-505.71%</b>	<b>\$ 52.477</b>	<b>\$ 120.430</b>	<b>\$ (67.954)</b>	<b>-129.49%</b>
<b>Total HoldCo &amp; HydroCo Expenses (excluding Pensions)</b>	<b>\$ 4.076</b>	<b>\$ 2.346</b>	<b>\$ 1.731</b>	<b>42.46%</b>	<b>\$ 27.477</b>	<b>\$ 16.214</b>	<b>\$ 11.263</b>	<b>40.99%</b>

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

Note 2: Pursuant to the FOMB 2025 Certified Fiscal Plan dated February 6, 2025, PREPA is reporting HoldCo and HydroCo expenses for YTD FY2026.

Note 3: PREPA is reporting YTD FY2026 amounts based on the FOMB Certified Budget dated June 30, 2025, and as amended on January 23, 2026.

Note 4: YTD Pension expense reflective of loan proceeds received by PREPA from the Commonwealth and transferred to PREPA ERS for July 2025. Excludes August 2025, September 2025 and portion of the October 2025 PREPA Retirement System funding provided for by the Commonwealth Loan as it was directly transferred from the Puerto Rico Treasury Department to ERS. Starting in November 2025, all PREPA transfer amounts to PREPA ERS for funding of the pensions are paid with customer collections from pension rider revenues.

Note 5: PREPA Restructuring & Title III excludes amount allocated to LUMA.

Note 6: Pension & Benefits amounts are equal to 25% of Salaries and Wages for YTD FY2026.

Note 7: PREPA Restructuring & Title III and FOMB Advisors Cost are equal to budget for January to accrue for monthly expenses.

## FY26 Monthly Expenses

(\$ millions)

Expenses	January-26				YTD			
	Jan-26 Budget	Jan-26 Actual	Jan-26 Variance (\$)	Jan-26 Variance (%)	YTD Certified Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
<b>C. HoldCo (&amp; PropertyCo) – Operating &amp; Maintenance Expenses</b>								
<b>Labor</b>								
48 Salaries & Wages	0.397	0.752	(0.355)	(89.5%)	2.677	3.887	(1.211)	(45.2%)
49 Pension & Benefits	0.239	0.166	0.073	30.4%	1.612	0.866	0.746	46.3%
50 Overtime Pay	0.032	0.015	0.017	52.9%	0.216	0.085	0.132	60.8%
51 Overtime Benefits	0.004	0.002	0.002	58.6%	0.026	0.010	0.016	63.1%
<b>Total HoldCo Labor Operating Expense</b>	<b>\$ 0.672</b>	<b>\$ 0.935</b>	<b>\$ (0.263)</b>	<b>(39.2%)</b>	<b>\$ 4.531</b>	<b>\$ 4.848</b>	<b>\$ (0.317)</b>	<b>(7.0%)</b>
<b>Non-Labor / Other Operating Expenses</b>								
52 Materials & Supplies	0.005	0.003	0.002	42.5%	0.037	0.047	(0.010)	(27.2%)
53 Transportation, Per Diem, and Mileage	0.022	0.010	0.011	52.1%	0.146	0.035	0.112	76.3%
54 Retiree Medical Benefits	0.677	0.477	0.201	29.6%	4.564	3.339	1.225	26.8%
55 Security	0.202	0.064	0.138	68.2%	0.592	0.432	0.160	27.0%
56 Utilities & Rents	0.006	-	0.006	100.0%	0.041	0.015	0.026	62.9%
57 Legal Services	0.328	-	0.328	100.0%	2.209	0.911	1.297	58.7%
58 Professional & Technical Outsourced Services	0.184	-	0.184	100.0%	1.242	0.330	0.912	73.4%
59 IT – Maintenance & Corporate Services	0.060	0.119	(0.059)	(98.2%)	0.791	0.948	(0.157)	(19.9%)
60 Regulation and Environmental Inspection	0.136	0.049	0.087	64.0%	0.913	0.171	0.743	81.3%
61 External Audit Services	0.187	-	0.187	100.0%	1.263	0.442	0.821	65.0%
62 Equipment, Inspections, Repairs & Other	0.056	0.030	0.025	45.5%	0.762	0.429	0.333	43.7%
<b>Total HoldCo Non-Labor / Other Operation Expenses</b>	<b>\$ 1.863</b>	<b>\$ 0.753</b>	<b>\$ 1.110</b>	<b>59.6%</b>	<b>\$ 12.561</b>	<b>\$ 7.098</b>	<b>\$ 5.462</b>	<b>43.5%</b>
63 Shared Service Agreement	0.324	0.101	0.223	68.8%	2.185	0.710	1.474	67.5%
64 Maintenance Projects Expenses	0.055	-	0.055	100.0%	0.370	0.177	0.194	52.3%
<b>Total HoldCo Operating &amp; Maintenance Expenses (excluding Pensions)</b>	<b>\$ 2.915</b>	<b>\$ 1.790</b>	<b>\$ 1.125</b>	<b>38.6%</b>	<b>\$ 19.646</b>	<b>\$ 12.833</b>	<b>\$ 6.813</b>	<b>34.7%</b>
65 Pension Expense	-	22.346	(22.346)	n.a.	25.000	104.216	(79.216)	(316.9%)
66 Shared Service Separation Expense	-	-	-	n.a.	-	-	-	n.a.
<b>Total HoldCo Operating &amp; Maintenance Expenses (including Pensions)</b>	<b>\$ 2.915</b>	<b>\$ 24.136</b>	<b>\$ (21.221)</b>	<b>(728.0%)</b>	<b>\$ 44.646</b>	<b>\$ 117.050</b>	<b>\$ (72.403)</b>	<b>(162.2%)</b>
<b>D. HydroCo – Operating &amp; Maintenance Expenses</b>								
67 Salaries & Wages	0.217	0.218	(0.001)	(0.5%)	1.460	1.184	0.276	18.9%
68 Pension & Benefits	0.130	0.050	0.081	62.1%	0.880	0.277	0.602	68.5%
69 Overtime Pay	0.025	0.032	(0.008)	(30.9%)	0.165	0.255	(0.090)	(54.2%)
70 Overtime Benefits	0.003	0.004	(0.001)	(23.1%)	0.020	0.029	(0.009)	(46.0%)
<b>Total HydroCo Labor Operating Expenses</b>	<b>\$ 0.375</b>	<b>\$ 0.303</b>	<b>\$ 0.072</b>	<b>19.1%</b>	<b>\$ 2.525</b>	<b>\$ 1.746</b>	<b>\$ 0.779</b>	<b>30.9%</b>
<b>Non-Labor / Other Operating Expenses</b>								
71 Materials & Supplies	0.062	0.006	0.056	90.8%	0.416	0.087	0.329	79.1%
72 Transportation, Per Diem, and Mileage	0.021	0.009	0.012	57.8%	0.140	0.040	0.100	71.7%
73 Security	0.211	0.123	0.088	41.9%	1.048	0.796	0.252	24.0%
74 Utilities & Rents	0.007	-	0.007	100.0%	0.046	0.017	0.029	62.9%
75 Professional & Technical Outsourced Services	0.016	-	0.016	100.0%	0.107	0.002	0.105	98.2%
76 Regulation and Environmental Inspection	0.062	0.041	0.021	34.5%	0.420	0.077	0.343	81.7%
77 Equipment, Inspections, Repairs & Other	0.087	0.008	0.080	91.3%	0.963	0.072	0.891	92.5%
<b>Total HydroCo Non-Labor / Other Operating Expenses</b>	<b>\$ 0.466</b>	<b>\$ 0.186</b>	<b>\$ 0.280</b>	<b>60.2%</b>	<b>\$ 3.140</b>	<b>\$ 1.091</b>	<b>\$ 2.049</b>	<b>65.2%</b>
78 Shared Services Agreement	0.216	0.067	0.149	68.8%	1.457	0.474	0.983	67.5%
79 Maintenance Projects Expenses	0.105	-	0.105	100.0%	0.708	0.070	0.638	90.1%
<b>Total HydroCo Operating &amp; Maintenance Expenses</b>	<b>\$ 1.162</b>	<b>\$ 0.556</b>	<b>\$ 0.606</b>	<b>52.1%</b>	<b>\$ 7.830</b>	<b>\$ 3.381</b>	<b>\$ 4.450</b>	<b>56.8%</b>
<b>Total HoldCo &amp; HydroCo Operating &amp; Maintenance Expenses (including Pensions)</b>	<b>\$ 4.076</b>	<b>\$ 24.692</b>	<b>\$ (20.615)</b>	<b>-505.71%</b>	<b>\$ 52.477</b>	<b>\$ 120.430</b>	<b>\$ (67.954)</b>	<b>-129.49%</b>
<b>Total HoldCo &amp; HydroCo Operating &amp; Maintenance Expenses (excluding Pensions)</b>	<b>\$ 4.076</b>	<b>\$ 2.346</b>	<b>\$ 1.731</b>	<b>42.46%</b>	<b>\$ 27.477</b>	<b>\$ 16.214</b>	<b>\$ 11.263</b>	<b>40.99%</b>

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

Note 2: Pension & Benefits amounts are equal to 25% of Salaries and Wages for YTD FY2026.

Note 3: July 2025 pension expense reflective of loan proceeds received by PREPA from the Commonwealth and transferred to PREPA ERS. Pension expense for August 2025, September 2025 and portion of the October 2025 PREPA Retirement System funding excludes Commonwealth Loan portions as it was directly transferred from the Puerto Rico Treasury Department to ERS. Starting in November 2025, all PREPA transfer amounts to PREPA ERS for funding of the pensions are paid with customer collections from pension rider revenues.

**Puerto Rico Electric Power Authority**  
**Variance Detail**  
**FISCAL YEAR 2026**  
**3/16/2026**

**Variance #1**  
**FOMB Category: HoldCo Shared Service Agreement HoldCo**  
**Account: Shared Service Agreement HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Shared Service Agreement HoldCo	\$ 2.185	\$ 0.710	\$ 1.474	67.49%

**Variance Explanation**  
 On January 1, 2026 the Shared Services Agreement for non-insurance related services was extended through June 30, 2026. As a result, LUMA continues to incur and allocate to PREPA its labor (firm/fixed) and non-labor (as incurred) costs associated with providing Shared Services. Since the non-labor services are billed on an as incurred basis, these costs are subject to post-period revisions. In January, a "true-up" was recorded of negative \$151,243.66 resulting in lower than anticipate January expense incurred.

**Root Cause**  
 True-Up in the amount of -\$151,243.66 was recorded in January.

**Corrective Action**  
 PREPA will continue to monitor and resolve any issues.

**Variance #2**  
**FOMB Category: HoldCo Legal Services HoldCo**  
**Account: Legal Services HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Legal Services HoldCo	\$ 2.209	\$ 0.911	\$ 1.297	58.74%

**Variance Explanation**  
 Due to the ERP system transition, PREPA was unable to process payments before the cutoff date, resulting in payment delays. Catch-up payments are expected in February and March. YTD actuals include a total of \$159,871.21 related to Litigation Claims Settlements (\$12,550.00 in August, \$59,500.00 in September and \$87,821.21 in November).

**Root Cause**  
 Delay in payment processing due to the ERP system transition.

**Corrective Action**  
 Catch-up payments are expected in February and March. PREPA will continue to monitor and resolve any issues.

**Variance #3**  
**FOMB Category: HoldCo Retiree Medical Benefits HoldCo**  
**Account: Retiree Medical Benefits HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Retiree Medical Benefits HoldCo	\$ 4.564	\$ 3.339	\$ 1.225	26.83%

**Variance Explanation**  
 Since December 2024, PREPA has seen a reduction of over 1,500 retirees in the Medicare Advantage retiree group. This is due to market offerings and retirees opting for private health plans.

**Root Cause**  
 Reduction to participants in the Medicare Advantage retiree group.

**Corrective Action**  
 No action identified. PREPA will continue to monitor and adjust future budget proposals as needed.

**Variance #4**  
**FOMB Category: HydroCo Shared Service Agreement HydroCo**  
**Account: Shared Service Agreement HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Shared Service Agreement HydroCo	\$ 1.457	\$ 0.474	\$ 0.983	67.49%

**Variance Explanation**  
 On January 1, 2026 the Shared Services Agreement for non-insurance related services was extended through June 30, 2026. As a result, LUMA continues to incur and allocate to PREPA its labor (firm/fixed) and non-labor (as incurred) costs associated with providing Shared Services. Since the non-labor services are billed on an as incurred basis, these costs are subject to post-period revisions. In January, a "true-up" was recorded of negative \$100,829.11 resulting in lower than anticipate January expense incurred.

**Root Cause**  
 True-Up in the amount of -\$100,829.11 was recorded in January.

**Corrective Action**  
 PREPA will continue to monitor and resolve any issues.

**Variance #5**  
**FOMB Category: HoldCo Professional & Technical Outsourced Services HoldCo**  
**Account: Professional & Technical Outsourced Services HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Professional & Technical Outsourced Services HoldCo	\$ 1.242	\$ 0.330	\$ 0.912	73.43%

**Variance Explanation**  
 Due to the ERP system transition, PREPA was unable to process payments before the cutoff date, resulting in payment delays. Catch-up payments are expected in February and March. Additionally, resulting budgetary reductions imposed by the approved budget results in internal delays in PREPA's contract approval and execution process. PREPA has to re-evaluate its priority contracts and/or engage in negotiations with certain professionals before submitting for approval and execution.

**Root Cause**  
 Delay in payment processing due to the ERP system transition and delay in PREPA's contract approval and execution process due to budgetary constraints.

**Corrective Action**  
 Catch-up payments are expected in February and March. PREPA is also working to execute contracts and expects to receive invoices in the coming months.

**Variance #6**  
**FOMB Category: HydroCo Equipment, Inspections, Repairs & Other HydroCo**  
**Account: Equipment, Inspections, Repairs & Other HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Equipment, Inspections, Repairs & Other HydroCo	\$ 0.963	\$ 0.072	\$ 0.891	92.48%

**Variance Explanation**  
 PREB and the FOMB approved/certified (as relevant) an FY2026 budget for this line item that was ~\$1.4 million greater than PREPA's proposed amount of ~\$415K.

**Root Cause**  
 PREB and the FOMB approved/certified (as relevant) an FY2026 budget amount in excess of PREPA's proposed amount.

**Corrective Action**  
 PREPA requested a reallocation of funds from this line item to the HydroCo Security line in the amount of ~\$393K. The FOMB approved this request on January 23, 2026.

**Variance #7**  
**FOMB Category: HoldCo External Audit Services HoldCo**  
**Account: External Audit Services HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
External Audit Services HoldCo	\$ 1.263	\$ 0.442	\$ 0.821	65.01%

**Variance Explanation**  
 Due to the ERP system transition, PREPA was unable to process payments before the cutoff date, resulting in payment delays. Catch-up payments are expected in February and March. Additionally, due to the delay in the issuance of the FY2023 audit and the resulting delay in commencing the FY2024 financial audit process, PREPA's approved FY2026 budget for External Audit is to perform, complete and issue the FY2024 financial audit statements as well as covering remaining FY2023 tasks for certain External Audit contracts. Variance is due to timing of invoices related to FY2023 audit tasks and delay of FY2024 audit commencement.

**Root Cause**  
 Delay in payment processing due to the ERP system transition and timing of invoices related to FY2023 audit tasks and delay of FY2024 audit

**Corrective Action**  
 Catch-up payments are expected in February and March. PREPA will continue to monitor and resolve any issues.

**Variance #8**  
**FOMB Category: HoldCo Regulation and Environmental Inspection HoldCo**  
**Account: Regulation and Environmental Inspection HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Regulation and Environmental Inspection HoldCo	\$ 0.913	\$ 0.171	\$ 0.743	81.33%

**Variance Explanation**  
 Due to the ERP system transition, PREPA was unable to process payments before the cutoff date, resulting in payment delays. Catch-up payments are expected in February and March. Additionally, funding constraints imposed by PREB and FOMB budgets have caused delays in PREPA's contract approval and execution process. PREPA continues to evaluate and prioritize contracts and is in negotiations with certain professionals.

**Root Cause**  
 Delay in PREPA's contract approval and execution process due to budgetary constraints, as well as internal invoice processing due to ERP transition.

**Corrective Action**  
 Catch-up payments are expected in February and March. PREPA is also working to execute contracts and expects to engage professionals and incur expenses in the coming months.

**Variance #9**  
**FOMB Category: HydroCo Maintenance Projects Expenses HydroCo**  
**Account: Maintenance Projects Expenses HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Maintenance Projects Expenses HydroCo	\$ 0.708	\$ 0.070	\$ 0.638	90.10%

**Variance Explanation**  
 Funding constraints imposed by PREB and FOMB budgets have caused delays in PREPA's contract approval and execution process. PREPA continues to evaluate and prioritize contracts and is in negotiations with certain professionals.

**Root Cause**  
 Delay in PREPA's contract approval and execution process due to budgetary constraints.

**Corrective Action**  
 PREPA is working to execute contracts and expects to engage professionals and incur expenses in the coming months. Notably, in February 2026 over \$450,000 in funding was certified internally and PREPA operations anticipates executing contracts in the near future.

**Variance #10**  
**FOMB Category: HydroCo Regulation and Environmental Inspection HydroCo**  
**Account: Regulation and Environmental Inspection HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Regulation and Environmental Inspection HydroCo	\$ 0.420	\$ 0.077	\$ 0.343	81.68%

**Variance Explanation**  
 Due to the ERP system transition, PREPA was unable to process payments before the cutoff date, resulting in payment delays. Catch-up payments are expected in February and March. Additionally, funding constraints imposed by PREB and FOMB budgets have caused delays in PREPA's contract approval and execution process. PREPA continues to evaluate and prioritize contracts and is in negotiations with certain professionals. Of the FY2026 certified budget of \$731K, approximately \$234K is related to services that are as needed basis/upon request or in the event of an emergency/to cover unforeseen circumstances in order to comply with state and federal environmental regulations. Additionally, due to the PREPA's Oracle system transition, there have been internal delays in invoice processing.

**Root Cause**  
 Delay in PREPA's contract approval and execution process due to budgetary constraints, as well as internal invoice processing due to ERP transition.

**Corrective Action**  
 Catch-up payments are expected in February and March. PREPA is also working to execute contracts and expects to engage professionals and incur expenses in the coming months.

**Variance #11**  
**FOMB Category: HoldCo Equipment, Inspections, Repairs & Other HoldCo**  
**Account: Equipment, Inspections, Repairs & Other HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Equipment, Inspections, Repairs & Other HoldCo	\$ 0.762	\$ 0.429	\$ 0.333	43.74%

**Variance Explanation**  
 The FOMB approved PREPA's request to reallocate ~\$402K from this line item to the HoldCo Security on January 23, 2026. Additionally, this line items includes budget for the compensation of PREPA's Governing Board members who are not public employees. As of the date of this report, all current members of PREPA's Governing Board are public employees and therefore do not meet the criteria for compensation.

**Root Cause**  
 Reallocation of funds approved by FOMB in January. Current PREPA Governing Board members are public employees resulting in the related compensation budget unused.

**Corrective Action**  
 PREPA requested a reallocation of funds from this line item to the HoldCo Security line in the amount of ~\$402K. The FOMB approved this request on January 23, 2026.

**Variance #12**  
**FOMB Category: HydroCo Materials & Supplies HydroCo**  
**Account: Materials & Supplies HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Materials & Supplies HydroCo	\$ 0.416	\$ 0.087	\$ 0.329	79.07%

**Variance Explanation**  
 Approximately 70% of PREPA's proposed budget for HydroCo Materials & Supplies is for services related to turbine maintenance, with the remaining 30% related to services that are incurred on an as needed basis/upon request. In such, funding constraints imposed by PREB and FOMB budgets have caused delays in PREPA's contract approval and execution process for contacts related to turbine maintenance. PREPA continues to evaluate and prioritize contracts and is in negotiations with certain professionals.

**Root Cause**  
 Delay in PREPA's contract approval and execution process due to budgetary constraints.

**Corrective Action**  
 PREPA is working to execute contracts and expects to engage professionals and incur expenses in the coming months.

**Variance #13**  
**FOMB Category: HydroCo Security HydroCo**  
**Account: Security HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Security HydroCo	\$ 1.048	\$ 0.796	\$ 0.252	24.03%

**Variance Explanation**  
 Due to budgetary constraints, PREPA reduced the amount of services during the month of July until approved budget amounts were communicated with additional funds allocated. Additionally, the FOMB approved PREPA's request to reallocate ~\$383K from HydroCo Equipment, Inspections, Repairs & Other to HydroCo Security on January 23, 2026.

**Root Cause**  
 Reduction in the amount of services provided in July.

**Corrective Action**  
 Not applicable, no action identified or needed.

**Variance #14**  
**FOMB Category: HoldCo Maintenance Projects Expenses HoldCo**  
**Account: Maintenance Projects Expenses HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Maintenance Projects Expenses HoldCo	\$ 0.370	\$ 0.177	\$ 0.194	52.34%

**Variance Explanation**  
 Variance due to timing of invoices.

**Root Cause**  
 Variance due to timing of invoices.

**Corrective Action**  
 Not applicable, no action identified or needed.

**Variance #15**  
**FOMB Category: HoldCo Security HoldCo**  
**Account: Security HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Security HoldCo	\$ 0.592	\$ 0.432	\$ 0.160	26.99%

**Variance Explanation**  
 Due to budgetary constraints, PREPA reduced the amount of services during the month of July until approved budget amounts were communicated with additional funds allocated. Additionally, the FOMB approved PREPA's request to reallocate a total of ~\$804K from HoldCo IT – Maintenance & Corporate Services (~\$402K) and HoldCo Equipment, Inspections, Repairs & Other (~\$402K) to HoldCo Security on January 23, 2026.

**Root Cause**  
 Reduction in the amount of services provided in July.

**Corrective Action**  
 Not applicable, no action identified or needed.

**Variance #16**  
**FOMB Category: HydroCo Professional & Technical Outsourced Services HydroCo**  
**Account: Professional & Technical Outsourced Services HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Professional & Technical Outsourced Services HydroCo	\$ 0.107	\$ 0.002	\$ 0.105	98.24%

**Variance Explanation**  
 Budget constraints and prioritization have caused delays in PREPA's contract approval and execution process. PREPA has had to re-evaluate its priority contracts and/or engage in negotiations with certain professionals before submitting for approval and execution. While PREPA has made progress and executed various contracts totaling over \$100K, many of these services are performed on an as needed basis/upon request.

**Root Cause**  
 Delay in PREPA's contract approval and execution process due to budgetary constraints

**Corrective Action**  
 PREPA will continue to monitor and resolve any issues. PREPA is continuing to work to execute additional contracts and expects to receive invoices in the coming months.

**Variance #17**  
**FOMB Category: HoldCo IT - Maintenance & Corporate Services HoldCo**  
**Account: IT - Maintenance & Corporate Services HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
IT - Maintenance & Corporate Services HoldCo	\$ 0.791	\$ 0.948	\$ (0.157)	-19.87%

**Variance Explanation**  
 PREPA has identified \$760,093.64 in expenses year-to-date that are related to shared services separation that are to be funded through with the \$4.0M interagency transfer from AAFAF that PREPA anticipates receiving (\$511,542.39 in September, \$174,527.50 in November and \$74,023.75 in December). As of the date of this report, PREPA has not received the \$4.0M from AAFAF.

**Root Cause**  
 Delay in receiving the \$4.0M from AAFAF.

**Corrective Action**  
 On January 23, 2026, the FOMB certified an amended budget that includes the \$4.0M PREPA anticipates received from AAFAF. Once PREPA receives the \$4.0M from AAFAF and an PREPA will move \$760,093.64 in expenses from the IT -Maintenance & Corporate Services line to be recorded against the \$4.0M to correspond with the budget.