

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

<b>NEPR</b>
Received:
May 15, 2026
1:26 PM

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

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

**MOTION TO SUBMIT THE MARCH 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 March 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 May 15<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: [emaldonado@sbgblaw.com](mailto:emaldonado@sbgblaw.com); [gcastrodad@sbgblaw.com](mailto:gcastrodad@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).

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**s/ Natalia Zayas Godoy**

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# Financial Oversight & Management Board for Puerto Rico

## Puerto Rico Electric Power Authority

Report Date **5/15/2026**



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### General Text Color Guides

**Text Colors:**

- Black *(Intra Sheet) Formulas*
- Green *Link to another Tab*
- Blue *Hardcoded figures*
- Red *Key Assumption*

## FY26 Monthly B2A Summary

(\$ millions)

Summary	March-26				YTD			
	Mar-26 Budget	Mar-26 Actual	Mar-26 Variance (\$)	Mar-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%	(13.922)	(13.922)	-	0.0%
FOMB Advisor Costs allocated to PREPA	(2.467)	(2.467)	-	0.0%	(21.566)	(21.566)	-	0.0%
<b>B. Expenses</b>								
<b>HoldCo:</b>								
HoldCo Labor Operating Expenses	0.672	0.616	0.056	8.3%	5.875	6.089	(0.213)	(3.6%)
HoldCo Non-Labor / Other Operating Expenses	1.863	2.272	(0.409)	(21.9%)	16.288	11.555	4.732	29.1%
Shared Services Agreement	0.324	0.698	(0.373)	(115.2%)	2.833	1.660	1.172	41.4%
HoldCo Maintenance Projects Expense	0.055	0.025	0.029	53.6%	0.480	0.202	0.278	57.9%
<b>Total HoldCo Expenses (excluding Pensions)</b>	<b>\$ 2.915</b>	<b>\$ 3.611</b>	<b>\$ (0.697)</b>	<b>(23.9%)</b>	<b>\$ 25.476</b>	<b>\$ 19.506</b>	<b>\$ 5.969</b>	<b>23.4%</b>
Pension Expense funded by PREPA	-	23.111	(23.111)	n.a.	25.000	150.161	(125.161)	(500.6%)
Shared Service Separation Expense	0.667	-	0.667	100.0%	1.333	-	1.333	100.0%
<b>Total HoldCo Expenses (including Pensions)</b>	<b>\$ 3.581</b>	<b>\$ 26.722</b>	<b>\$ (23.141)</b>	<b>(646.1%)</b>	<b>\$ 51.809</b>	<b>\$ 169.667</b>	<b>\$ (117.858)</b>	<b>(227.5%)</b>
<b>HydroCo:</b>								
HydroCo Labor Operating Expenses	0.375	0.208	0.167	44.5%	3.274	2.167	1.107	33.8%
HydroCo Non-Labor / Other Operating Expenses	0.466	0.268	0.198	42.4%	4.072	1.514	2.559	62.8%
Shared Services Agreement	0.216	0.465	(0.249)	(115.2%)	1.889	1.107	0.782	41.4%
HydroCo Maintenance Projects Expense	0.105	0.074	0.031	29.7%	0.919	0.144	0.775	84.3%
<b>Total HydroCo Expenses</b>	<b>\$ 1.162</b>	<b>\$ 1.015</b>	<b>\$ 0.147</b>	<b>12.6%</b>	<b>\$ 10.154</b>	<b>\$ 4.932</b>	<b>\$ 5.222</b>	<b>51.4%</b>
<b>Total HoldCo &amp; HydroCo Expenses (including Pensions)</b>	<b>\$ 4.743</b>	<b>\$ 27.737</b>	<b>\$ (22.994)</b>	<b>-484.79%</b>	<b>\$ 61.963</b>	<b>\$ 174.599</b>	<b>\$ (112.636)</b>	<b>-181.78%</b>
<b>Total HoldCo &amp; HydroCo Expenses (excluding Pensions)</b>	<b>\$ 4.076</b>	<b>\$ 4.627</b>	<b>\$ (0.550)</b>	<b>-13.49%</b>	<b>\$ 35.630</b>	<b>\$ 24.438</b>	<b>\$ 11.191</b>	<b>31.41%</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 March 13, 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 actuals are accrued equal to budget.

Note 8: Approximately \$1.0M in the HoldCo Non-Labor / Other Operating Expenses YTD related to Shared Services Separation Expense is pending transfer entry in Oracle.

## FY26 Monthly Expenses

(\$ millions)

Expenses
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March-26			
Mar-26 Budget	Mar-26 Actual	Mar-26 Variance (\$)	Mar-26 Variance (%)

YTD			
YTD Certified Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)

### C. HoldCo (& PropertyCo) – Operating & Maintenance Expenses

#### Labor

48	Salaries & Wages	0.397	0.483	(0.086)	(21.7%)	3.471	4.864	(1.393)	(40.1%)
49	Pension & Benefits	0.239	0.110	0.129	54.0%	2.090	1.088	1.002	47.9%
50	Overtime Pay	0.032	0.021	0.011	35.1%	0.281	0.123	0.157	56.1%
51	Overtime Benefits	0.004	0.002	0.002	43.7%	0.034	0.014	0.020	59.6%
<b>Total HoldCo Labor Operating Expense</b>		<b>\$ 0.672</b>	<b>\$ 0.616</b>	<b>\$ 0.056</b>	<b>8.3%</b>	<b>\$ 5.875</b>	<b>\$ 6.089</b>	<b>\$ (0.213)</b>	<b>(3.6%)</b>

#### Non-Labor / Other Operating Expenses

52	Materials & Supplies	0.005	0.005	0.001	14.3%	0.048	0.053	(0.005)	(10.5%)
53	Transportation, Per Diem, and Mileage	0.022	0.020	0.002	9.6%	0.190	0.067	0.122	64.5%
54	Retiree Medical Benefits	0.677	0.814	(0.137)	(20.2%)	5.919	4.546	1.372	23.2%
55	Security	0.202	0.079	0.122	60.7%	0.995	0.580	0.415	41.7%
56	Utilities & Rents	0.006	0.003	0.003	49.3%	0.054	0.025	0.029	53.9%
57	Legal Services	0.328	1.091	(0.763)	(232.9%)	2.864	2.214	0.650	22.7%
58	Professional & Technical Outsourced Services	0.184	0.079	0.105	56.9%	1.611	0.455	1.156	71.7%
59	IT – Maintenance & Corporate Services	0.060	-	0.060	100.0%	0.911	1.916	(1.005)	(110.3%)
60	Regulation and Environmental Inspection	0.136	0.012	0.124	91.3%	1.184	0.456	0.728	61.5%
61	External Audit Services	0.187	0.138	0.049	26.4%	1.638	0.760	0.878	53.6%
62	Equipment, Inspections, Repairs & Other	0.056	0.031	0.025	44.0%	0.874	0.483	0.391	44.8%
<b>Total HoldCo Non-Labor / Other Operation Expenses</b>		<b>\$ 1.863</b>	<b>\$ 2.272</b>	<b>\$ (0.409)</b>	<b>(21.9%)</b>	<b>\$ 16.288</b>	<b>\$ 11.555</b>	<b>\$ 4.732</b>	<b>29.1%</b>
63	Shared Services Agreement	0.324	0.698	(0.373)	(115.2%)	2.833	1.660	1.172	41.4%
64	Maintenance Projects Expenses	0.055	0.025	0.029	53.6%	0.480	0.202	0.278	57.9%
<b>Total HoldCo Operating &amp; Maintenance Expenses (excluding Pensions)</b>		<b>\$ 2.915</b>	<b>\$ 3.611</b>	<b>\$ (0.697)</b>	<b>(23.9%)</b>	<b>\$ 25.476</b>	<b>\$ 19.506</b>	<b>\$ 5.969</b>	<b>23.4%</b>
65	Pension Expense	-	23.111	\$ (23)	n.a.	25.000	150.161	(125.161)	(500.6%)
66	Shared Service Separation Expense	0.667	-	\$ 1	100.0%	1.333	-	1.333	100.0%
<b>Total HoldCo Operating &amp; Maintenance Expenses (including Pensions)</b>		<b>\$ 3.581</b>	<b>\$ 26.722</b>	<b>\$ (23.141)</b>	<b>(646.1%)</b>	<b>\$ 51.809</b>	<b>\$ 169.667</b>	<b>\$ (117.858)</b>	<b>(227.5%)</b>

### D. HydroCo – Operating & Maintenance Expenses

67	Salaries & Wages	0.217	0.141	0.076	34.9%	1.893	1.473	0.420	22.2%
68	Pension & Benefits	0.130	0.034	0.097	74.1%	1.141	0.346	0.795	69.7%
69	Overtime Pay	0.025	0.030	(0.005)	(21.3%)	0.214	0.313	(0.098)	(45.8%)
70	Overtime Benefits	0.003	0.003	(0.000)	(14.9%)	0.026	0.036	(0.010)	(38.0%)
<b>Total HydroCo Labor Operating Expenses</b>		<b>\$ 0.375</b>	<b>\$ 0.208</b>	<b>\$ 0.167</b>	<b>44.5%</b>	<b>\$ 3.274</b>	<b>\$ 2.167</b>	<b>\$ 1.107</b>	<b>33.8%</b>

#### Non-Labor / Other Operating Expenses

71	Materials & Supplies	0.062	0.015	0.046	75.3%	0.539	0.106	0.433	80.4%
72	Transportation, Per Diem, and Mileage	0.021	0.014	0.007	31.7%	0.182	0.070	0.111	61.4%
73	Security	0.211	0.114	0.098	46.2%	1.471	1.020	0.451	30.7%
74	Utilities & Rents	0.007	0.003	0.003	49.3%	0.060	0.028	0.032	53.8%
75	Professional & Technical Outsourced Services	0.016	-	0.016	100.0%	0.139	0.002	0.137	98.6%
76	Regulation and Environmental Inspection	0.062	0.030	0.032	51.7%	0.544	0.107	0.437	80.3%
77	Equipment, Inspections, Repairs & Other	0.087	0.091	(0.004)	(4.9%)	1.138	0.181	0.956	84.1%
<b>Total HydroCo Non-Labor / Other Operating Expenses</b>		<b>\$ 0.466</b>	<b>\$ 0.268</b>	<b>\$ 0.198</b>	<b>42.4%</b>	<b>\$ 4.072</b>	<b>\$ 1.514</b>	<b>\$ 2.559</b>	<b>62.8%</b>
78	Shared Services Agreement	0.216	0.465	(0.249)	(115.2%)	1.889	1.107	0.782	41.4%
79	Maintenance Projects Expenses	0.105	0.074	0.031	29.7%	0.919	0.144	0.775	84.3%
<b>Total HydroCo Operating &amp; Maintenance Expenses</b>		<b>\$ 1.162</b>	<b>\$ 1.015</b>	<b>\$ 0.147</b>	<b>12.6%</b>	<b>\$ 10.154</b>	<b>\$ 4.932</b>	<b>\$ 5.222</b>	<b>51.4%</b>

**Total HoldCo & HydroCo Operating & Maintenance Expenses (including Pensions)**

<b>\$ 4.743</b>	<b>\$ 27.737</b>	<b>\$ (22.994)</b>	<b>-484.79%</b>	<b>\$ 61.963</b>	<b>\$ 174.599</b>	<b>\$ (112.636)</b>	<b>-181.78%</b>
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**Total HoldCo & HydroCo Operating & Maintenance Expenses (excluding Pensions)**

<b>\$ 4.076</b>	<b>\$ 4.627</b>	<b>\$ (0.550)</b>	<b>-13.49%</b>	<b>\$ 35.630</b>	<b>\$ 24.438</b>	<b>\$ 11.191</b>	<b>31.41%</b>
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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.

Note 4: Approximately \$1.0M in the HoldCo IT – Maintenance & Corporate Services YTD related to Shared Services Separation Expense is pending transfer entry in Oracle.

**Puerto Rico Electric Power Authority**  
**Variance Detail**  
**FISCAL YEAR 2026**  
**5/15/2026**

**Variance #1**  
**FOMB Category: HoldCo Retiree Medical Benefits HoldCo**  
**Account: Retiree Medical Benefits HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Retiree Medical Benefits HoldCo	\$ 5,919	\$ 4,546	\$ 1,372	23.19%

**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 #2**  
**FOMB Category: HoldCo Shared Service Agreement HoldCo**  
**Account: Shared Service Agreement HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Shared Service Agreement HoldCo	\$ 2,833	\$ 1,660	\$ 1,172	41.39%

**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 March, PREPA identified higher-than-typical expenses related to non-labor services due to the timing of expense recognition, as both February and March costs were recorded in March. This is consistent with February results, as \$0 in expenses related to non-labor services was recorded.

**Root Cause**  
 Non-labor services for February and March were recorded in March 2026.

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

**Variance #3**  
**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	\$ 1,611	\$ 0,455	\$ 1,156	71.74%

**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 to continue over the next few months. Additionally, resulting budgetary reductions imposed by the approved budget results in internal delays in PREPA's contract approval and execution process. PREPA had 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 to continue in the coming months. PREPA has worked to execute contracts and expects to receive invoices in the coming months.

**Variance #4**  
**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	\$ 0,911	\$ 1,916	\$ (1,005)	-110.28%

**Variance Explanation**  
 PREPA has identified \$955,673.64 in expenses year-to-date that are related to shared services separation and are to be funded with the \$4.0M interagency transfer from AAFAF that PREPA anticipates receiving (\$511,542.39 in September, \$174,527.50 in November, \$74,023.75 in December, \$119,437.50 in January and \$76,142.50 in February). 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 \$955,673.64 in expenses from the IT -Maintenance & Corporate Services line to be recorded against the \$4.0M to correspond with the budget.

**Variance #5**  
**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	\$ 1,138	\$ 0,181	\$ 0,956	84.05%

**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

Not applicable, no action identified or needed.

**Variance #6**  
**FOMB Category: HoldCo External Audit Services HoldCo**  
**Account: External Audit Services HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
External Audit Services HoldCo	\$ 1.638	\$ 0.760	\$ 0.878	53.58%

**Variance Explanation**  
 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**  
 Timing of invoices related to FY2023 audit tasks and delay of FY2024 audit commencement.

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

**Variance #7**  
**FOMB Category: HydroCo Shared Service Agreement HydroCo**  
**Account: Shared Service Agreement HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Shared Service Agreement HydroCo	\$ 1.889	\$ 1.107	\$ 0.782	41.39%

**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 March, PREPA identified higher-than-typical expenses related to non-labor services due to the timing of expense recognition, as both February and March costs were recorded in March. This is consistent with February results, as \$0 in expenses related to non-labor services was recorded.

**Root Cause**  
 Non-labor services for February and March were recorded in March 2026.

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

**Variance #8**  
**FOMB Category: HydroCo Maintenance Projects Expenses HydroCo**  
**Account: Maintenance Projects Expenses HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Maintenance Projects Expenses HydroCo	\$ 0.919	\$ 0.144	\$ 0.775	84.32%

**Variance Explanation**  
 Funding constraints imposed by PREB and FOMB budgets have caused delays in PREPA's contract approval and execution process.

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

**Corrective Action**  
 PREPA has worked to execute contracts and expects to receive invoices in the coming months.

**Variance #9**  
**FOMB Category: HoldCo Legal Services HoldCo**  
**Account: Legal Services HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Legal Services HoldCo	\$ 2.864	\$ 2.214	\$ 0.650	22.70%

**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 to continue in the coming months. YTD actuals include a total of \$845,798.94 related to Litigation Claims Settlements (\$12,550.00 in August, \$59,500.00 in September, \$87,821.21 in November, \$200,000.00 in February and \$485,927.73 in March).

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

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

**Variance #10**  
**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	\$ 1.184	\$ 0.456	\$ 0.728	61.50%

**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 to continue in the coming months. Additionally, funding constraints imposed by PREB and FOMB budgets caused delays in PREPA's contract approval and execution process.

**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 to continue in the coming months.

**Variance #11**  
**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	\$ 0.544	\$ 0.107	\$ 0.437	80.35%

**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 to continue in the coming months. Additionally, funding constraints imposed by PREB and FOMB budgets caused delays in PREPA's contract approval and execution process. 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.

**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 to continue in the coming months.

**Variance #12**  
**FOMB Category: HydroCo Security HydroCo**  
**Account: Security HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Security HydroCo	\$ 1.471	\$ 1.020	\$ 0.451	30.66%

**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 #13**  
**FOMB Category: HydroCo Materials & Supplies HydroCo**  
**Account: Materials & Supplies HydroCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Materials & Supplies HydroCo	\$ 0.539	\$ 0.106	\$ 0.433	80.38%

**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 caused delays in PREPA's contract approval and execution process for contracts related to turbine maintenance.

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

**Corrective Action**  
 PREPA has worked to execute contracts and expects to receive invoices in the coming months.

**Variance #14**  
**FOMB Category: HoldCo Security HoldCo**  
**Account: Security HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Security HoldCo	\$ 0.995	\$ 0.580	\$ 0.415	41.71%

**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 #15**  
**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	\$ 0.874	\$ 0.483	\$ 0.391	44.78%

**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 #16**  
**FOMB Category: HoldCo Maintenance Projects Expenses HoldCo**  
**Account: Maintenance Projects Expenses HoldCo**

Expenses	Budget YTD	Actual YTD	Variance (\$)	Variance (%)
Maintenance Projects Expenses HoldCo	\$ 0.480	\$ 0.202	\$ 0.278	57.93%

**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 #17**  
**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	\$ 0.139	\$ 0.002	\$ 0.137	98.65%

**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.