

**EXHIBIT 1: PUERTO RICO ELECTRIC POWER AUTHORITY FISCAL YEAR 2019
COMPLIANT BUDGET AND BUDGETARY RESOLUTIONS
PROVISIONS**

EXHIBIT 1 - BUDGET - REVENUES

PUERTO RICO ELECTRIC POWER AUTHORITY

\$ Thousand	FY19 Budget
Residential	
Fuel Adjustment	\$538,870
Purchased Power	304,656
Basic Revenue	308,152
Provisional	68,927
Total Residential	\$1,220,606
Commercial	
Fuel Adjustment	700,652
Purchased Power	396,564
Basic Revenue	483,842
Provisional	94,128
Total Commercial	\$1,675,187
Industrial	
Fuel Adjustment	144,599
Purchased Power	82,020
Basic Revenue	74,965
Provisional	20,912
Total Industrial	\$322,495
Public Lighting	
Fuel Adjustment	29,113
Purchased Power	16,572
Basic Revenue	52,811
Provisional	3,734
Total Public Lighting	\$102,229
Agricultural	
Fuel Adjustment	2,364
Purchased Power	1,342
Basic Revenue	1,453
Provisional	302
Total Agricultural	\$5,461
Others	
Fuel Adjustment	2,781
Purchased Power	1,574
Basic Revenue	1,377
Provisional	404
Total Others	\$6,137
Total Gross Revenue	\$3,332,114
Other Income	10,106
Total Unconsolidated Revenue	\$3,342,220
Bad Debt Expense	(61,700)
CILT & Subsidies	(273,201)
PREPA Networks, LLC	7,000
Adjustments / Other / Eliminations	0
Total Consolidated Revenue	\$3,014,319

EXHIBIT 1 BUDGET - EXPENSES (cont'd)

PUERTO RICO ELECTRIC POWER AUTHORITY

\$ Thousand	FY19 Budget
Fuel	(\$1,262,397)
Purchased Power - Conventional Power ^[1]	(623,015)
Purchased Power - Renewable Power ^[1]	(91,435)
Total Fuel & Purchased Power Expense	(\$1,976,847)
Salaries & Wages	(210,901)
Pension & Benefits	(120,888)
Overtime Pay	(30,432)
Overtime Benefits	(3,586)
Total Labor Operating Expense	(\$365,808)
Materials & Supplies	(33,249)
Transportation, Per Diem, and Mileage	(39,636)
Property & Casualty Insurance	(38,533)
Retiree Medical Benefits	(21,728)
Security	(22,258)
IT Service Agreements	(24,323)
Banking Services	(16,217)
Utilities & Rents	(12,420)
(continued)	
Legal Services	(5,271)
Communications Expenses	(8,660)
Professional and External Audit Services	(51,922)
Regulation and Environmental Inspection	(17,192)
Other Miscellaneous Expenses	(20,807)
PREPA Restructuring & Title III	(60,058)
FOMB Advisor Costs allocated to PREPA	(31,800)
P3 Authority Transaction Costs	(9,500)
Total Non-Labor / Other Operating Expense	(\$413,574)
Transmission & Distribution	(111,765)
Generation	(95,615)
Executive (General & Admin)	(14,550)
Customer Service	(3,060)
Planning and Environmental Protection	(2,500)
MATS Compliance Projects	0
Transmission IRP	0
Resiliency Investments	0
Labor Reform	1,875
Total Maintenance Projects	(\$225,614)
Total Operating & Maintenance Expense	(\$2,981,844)
Government Loan Interest	(15,000)
Surplus / deficit before changes in working capital	\$17,475
Capital Expenditures^[2]	0

[1] Conventional power includes liquefied natural gas, coal and landfill gas and renewable power includes solar and wind.

[2] PREPA's management has indicated that all capital expenditures will be funded with federal assistance.

EXHIBIT 1 (cont'd)

**BUDGETARY RESOLUTION PROVISIONS FOR THE PUERTO RICO ELECTRIC
POWER AUTHORITY'S FISCAL YEAR 2019**

1. Restrictions on reallocation

The Chief Executive Officer, the Chief Financial Adviser and the Finance Director of PREPA, shall each be responsible for not spending or obligating, during FY19, any amount that exceeds the total amount of expenditures approved in the budget certified by the Oversight Board, other than amounts above those budgeted for fuel and purchased power, which may fluctuate based on market factors or increase due to unforeseen expenses necessary to maintain the electric system's reliability and safety. Any reallocation between budget line items must first be submitted to the Oversight Board for its approval, except for additional expenditures related to fuel and purchased power expenses. However, any change to the budgeted fuel amount must be reported to the Oversight Board within six business days.

Such officers shall also ensure that PREPA not spend or obligate any amount in excess of the budgeted amounts approved for the following expenses; "Total Maintenance Projects", "Transmission & Distribution", "Generation", "Executive (General & Admin)", "Customer Service", "Planning and Environmental Protection".

Any budgetary savings that accrue during FY19 or any revenues in excess of the forecast of revenues shall, on a quarterly basis, be set aside for resiliency projects in a dedicated line item within Maintenance Expense titled "Resiliency Investments", as provided for in Exhibit 1 of the budget. Budgetary savings accrued in this line-item shall be used only to fund investments into projects identified in the New Generation Plan and Grid Modernization Plan, as described in PREPA's New Fiscal Plan certified by the Oversight Board on August 1, 2018, subject to these plans being approved by the Oversight Board.

2. Schedule for budget review

Unless otherwise agreed to by the Oversight Board, the budget shall be revised by PREPA's Finance Director based on findings detailed below in (a), (b), (c), and (d) after the completion of Q1 FY19. The budget revisions from PREPA shall be submitted to the Oversight Board for approval no later than November 9, 2018. This budget revision shall incorporate any year-to-date financial results available, even if unaudited, and shall ensure consistency with the fiscal plan scheduled for certification on October 26, 2018. The Oversight Board expects said fiscal plan to include preliminary actual financial results from July and August 2018 and, to the extent available, preliminary actual September 2018 financial results. Upon Oversight Board approval, the revisions will go into effect as the new budget.

With the Q1 FY19 revision due on November 9, 2018 the Oversight Board requires that PREPA integrate preliminary the findings of:

- a. The fuel procurement strategy as described in the Fiscal Plan
- b. The labor capacity assessment as described in the Fiscal Plan
- c. The grid modernization plan as described in the Fiscal Plan, including any required near-term resiliency and hardening investments
- d. The new generation plan as described in the Fiscal Plan

Thereafter, the budget-to-actual variances shall be reported on a quarterly basis for review, following a 45-calendar day schedule post-closing of each quarter. Quarterly reviews may result in revisions by PREPA, which are subject to approval by the Oversight Board, particularly if new information becomes available to PREPA and/or the Oversight Board that, if considered, would change forecasted aggregated expenses of PREPA, such as legislative reform or operational assessments. Revisions must reflect the latest available draft financial statements, even if unaudited, for the prior fiscal quarter-end period, as well as, forecast of revenues and expenditures for the remainder of the fiscal year. Upon Oversight Board approval, the revisions will go into effect as the new budget.

3. Revisions to the Certified Budget

The Oversight Board reserves the right to, in its sole discretion, issue a notice to the Governor, pursuant to PROMESA Section 202(a), setting forth a schedule for revising the PREPA budget on a quarterly or other basis.