QUIÑONES & ARBONA
ATTORNEYS AT LAW

April 7, 2016

VIA HAND DELIVERY

COMISIÓN DE ENERGÍA DE PUERTO RICO
Recibido por: Rafael Pereira
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Fecha: _____ Hora: 4:30

Puerto Rico Energy Commission
500 Avenue Roberto H. Todd (Parada 18, Santurce)
San Juan, PR 00907

RE: Puerto Rico Electric Power Authority Revitalization Corporation Verified Petition for Restructuring Order

Dear President and Commissioners:

In compliance with the provisions of Article 6.25A of Law 57 of May 22, 2014, as adopted by Article 20 of the Law for the Revitalization of the Electric Power Authority, Law 4 of February 16, 2016, and in accordance with the procedures established by Resolution No. CEPR-MI-2015-0001, *Administrative Order on Adjudicative Procedures, Deficiency Notices, Rate Review, and Investigations before the Puerto Rico Energy Commission*, issued by this Honorable Commission on February 19, 2015, we accompany to this communication the *Verified Petition for a Restructuring Order* and its attachments and exhibits. The documents are listed in the letter dated today, signed by E. Glenn Rippie, Esq., from Rooney Rippie & Ratnaswamy, which we accompany to this communication.

Sincerely,

Edwin Quiñones

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April 7, 2016

Via Hand Delivery

Puerto Rico Energy Commission
500 Avenue Roberto H. Todd (Parada 18 – Santurce)
San Juan, Puerto Rico 00907

Re: Puerto Rico Electric Power Authority Revitalization Corporation
Verified Petition for Restructuring Order

Dear President and Commissioners:

The Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation") herewith submits to this Honorable Commission its Verified Petition for a Restructuring Order and attachments thereto, as well as supporting forms of testimony and exhibits thereto, with confirming Affidavits. The Corporation submits these materials for filing pursuant to Article 6.25A of Act 57-2014, as added by Article 20 of the PREPA Revitalization Act, Act 4-2016 (the "Revitalization Act"), and in accordance with the procedures established byResolution No. CEPR-MI-2015-0001, Administrative Order on Adjudicative Procedures, Deficiency Notices, Rate Review, and Investigations before the Puerto Rico Energy Commission, issued by this Honorable Commission on February 19, 2015.

The filing consists of the following documents:

- Verified Petition
- Restructuring Resolution (including certain appended materials) (Attachment 1.00)
- Bond Revenue Requirement Information (Attachments 2.00 – 2.04)
- Transition Charge and Savings Calculations (Attachments 3.00 – 3.03)
- Projections and Stress Test Scenarios Provided to Rating Agencies (Attachment 4.00)
- Historical Energy Use and Billing Determinate Data Used in Transition Costs and Adjustment Mechanism Calculations (Attachment 5.00)
- Independent Financial Consultant's Report prepared by Navigant Consulting, Inc. (Attachment 6.00)

ROONEY RIPPIE & RATNASWAMY LLP

- Cross-Reference of Statutes, Petition, Attachments, and Testimony(Attachment 7.00)
- Draft Form of Restructuring Order (Attachment 8.00)
- Testimony of Lisa J. Donahue and exhibits thereto (Exhibits 1.00 – 1.01)
- Testimony of Javier Quintana Méndez and exhibits thereto (Exhibits 2.00 – 2.01)
- Testimony of Gerard Gil-Olazábal and exhibits thereto (Exhibits 3.00 – 3.01)
- Testimony of Michael Mace and exhibits thereto (Exhibits 4.00 – 4.01)
- Testimony of Dan T. Stathos and exhibits thereto (Exhibit 5.00 – 5.04)
- Testimony of Ralph Zarumba and exhibits thereto (Exhibits 6.00 – 6.03)

To avoid confusion in the designation of documents, attachments to the Petition are designated as "Attachments" and testimony, and documents attached thereto,are designated as "Exhibits."

In connection with this proceeding, please enter the appearances of the undersigned counsel for the Corporation:

Edwin Quiñones
Víctor D. Candelario-Vega
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* Pursuant to Moción Suplementaria de Solicitud de Admisión por Cortesía (pending)

Finally, the Corporation attaches hereto a summary, in both Spanish and English, of its Petition for publication on the Commission's website pursuant to Article 6.25A(f)(1) of Act 57-2014, as added by Article 20 of the Revitalization Act.

Sincerely,

E. Glenn Rippie

Enc. Summary of Petition for Posting by Commission
cc: Melba Acosta Febo, Esq.

COMMONWEALTH OF PUERTO RICO

PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, Petitioner.	NO. **SUBJECT: VERIFIED PETITION FOR RESTRUCTURING ORDER**

VERIFIED PETITION FOR RESTRUCTURING ORDER

TO THE HONORABLE PUERTO RICO ENERGY COMMISSION:

Comes now the Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation"), a special purpose public corporation and instrumentality of the Government of the Commonwealth of Puerto Rico (the "Commonwealth"), and submits this Petition ("Petition") to the honorable Puerto Rico Energy Commission (the "Commission") under the jurisdiction of Article 6.25A of Act 57-2014 ("Article 6.25A"), as added by Article 20 of the PREPA Revitalization Act, Act 4-2016 ("Revitalization Act" or "PRA").

This Petition, as authorized by Article 6.25A, describes the Corporation's proposed issuance of certain Restructuring Bonds (the "Bonds") and places before the Commission a proposed Restructuring Resolution[1] that creates Restructuring Property, provides for financing of Approved Restructuring Costs through the issuance of Bonds, imposes and provides for the collection of Transition Charges to fund Upfront Financing Costs and Ongoing Financing Costs, and describes how the Transition Charges will be calculated and adjusted through the

[1] "Restructuring Resolution" [*"Resolución de Reestructuración"*] means "a resolution of the Board adopted in accordance with [the Revitalization Act] which creates Restructuring Property, approves the imposition and collection of Transition Charges and the financing of "Approved Restructuring Costs" through the issuance of Restructuring Bonds, and contains a related Adjustment Mechanism, all as provided in Articles 34 and 35 of [the Revitalization Act.]" PRA, Art. 31 para. 29.

Adjustment Mechanism. The Corporation respectfully requests, as provided in Article 6.25A(f), that this honorable Commission review the Petition and supporting testimony and attachments, and approve the Petition by issuing a final and non-revocable order ("Restructuring Order") making the findings and determinations requested herein, including, as set forth in Article 6.25A(b):

First, the provisions of the Restructuring Resolution proposed by the Corporation (the "Restructuring Resolution") (Attachment 1.00)[2], including the calculation methodology for the Transition Charges[3] and Adjustment Mechanism[4] related to the Bonds are consistent with the criteria set forth in Article 6.25A(d) and are sufficient for and provide for adequate protection of the full and timely payment of the Bonds, in accordance with their terms, and other Ongoing Financing Costs;

Second, the Upfront Financing Costs and Ongoing Financing Costs proposed to be recovered from the Bond proceeds or the Transition Charge Revenues are consistent with Article 6.25A and Chapter IV of the Revitalization Act; and

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[2] To avoid confusion in the designation of documents, attachments to this Petition are designated as "Attachments" and testimony or documents attached to testimony are designated as "Exhibits" or "Ex."

[3] "Transition Charges" ["*Cargos de Transición*"] means "those rates and charges that are separate from rates and charges of PREPA and that are imposed pursuant to a Restructuring Resolution on Customers to recover the Ongoing Financing Costs, and shall include a pro rata share of any late payment fee imposed in respect of any past-due bill for electric service that includes in such bill an amount for Transition Charges." PRA, Art. 31, para. 6 (citations are to the official version). "Transition Charge Revenues" ["*Ingresos de Cargos de Transición*"] means "all money and other property received or to be received, directly or indirectly, on account of the Transition Charges, and all proceeds of the investment thereof." *Id*., para. 20.

[4] "Adjustment Mechanism" [*"Mecanismo de Ajuste"*] means "the formulaic adjustment mechanism contained in a Restructuring Resolution, as approved in a Restructuring Order pursuant to the terms of Article 35 and Chapter IV of this Act and 6.25A of Act 57-2014, as amended, to be applied by the Corporation periodically, but not less often than semi-annually, to adjust the Transition Charges to ensure the collection of Transition Charge Revenues sufficient to provide for the timely payment of Ongoing Financing Costs." PRA, Art. 31, para. 23.

Third, the servicing costs proposed to be recovered by the Puerto Rico Electric Power Authority ("PREPA") in its role as the initial Servicer[5] (the "Initial Servicer") are necessary, reasonable, and sufficient to compensate PREPA for the incremental costs of performing its functions as the Initial Servicer.

In support of this Petition and in compliance with Article 6.25A, the Corporation submits the Attachments hereto and the sworn testimony of the witnesses for the Corporation (including the exhibits thereto) filed with the Commission, and states:

I. INTRODUCTION AND JURISDICTION

1. The Corporation is a duly organized special purpose public corporation and governmental instrumentality of the Commonwealth of Puerto Rico exercising "essential governmental and public powers."[6] It was created on February 16, 2016, pursuant to Article 32 of the Revitalization Act. Its address is Roberto Sánchez Vilella (Minillas) Government Center, De Diego Avenue, Stop 22, San Juan, Puerto Rico 00907, Attention: President, Government Development Bank. It is, as of the date hereof, in the process of establishing web sites in English at *prc.pr.gov* and in Spanish at *craee.pr.gov*.

2. The Corporation is empowered by law to, among other things, adopt Restructuring Resolutions, issue Bonds contemplated by a Restructuring Resolution, impose and collect non-bypassable Transition Charges, and approve an Adjustment Mechanism, subject to

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[5] "Servicer" ["*Manejador*"] means "PREPA to the extent permitted by this Act, and if PREPA is replaced as Servicer pursuant to a Servicing Agreement or Act 57-2014, as amended, a Person or Persons authorized and required, by contract or otherwise, to impose, bill or collect Transition Charges, to prepare periodic reports regarding billings and collections of Transition Charges, to remit collections to or for the account of the Corporation or its assigns or pledgees, including a Financing Entity, and to provide other related services for the Corporation, which may include calculation of periodic adjustments to the Transition Charges or providing other services related to the Restructuring Property; and shall be deemed to include any subservicer, backup servicer (including if it becomes a Servicer under a Servicing Agreement), replacement servicer or the successors of any of the foregoing, authorized to act as such under a Restructuring Resolution." PRA, Art. 31, para. 22.

[6] PRA, Art. 32(a).

the Commission issuing a Restructuring Order.[7] The Corporation may not operate "for the purpose of making a profit."[8]

3. The Corporation has determined to adopt, in accordance with the provisions of Article 6.25A and Chapter IV of the Revitalization Act, a Restructuring Resolution that meets the requirements of Article 6.25A authorizing the issuance of Bonds as described in Article 34 of the Revitalization Act. The proposed "Restructuring Resolution" with certain Appendices and Schedules thereto is attached to this Petition as Attachment 1.00. Appendix 2 to the Restructuring Resolution sets out the "Calculation Methodology and Adjustment Mechanism to Establish and Adjust the Transition Charge" (the "Calculation Methodology").[9] The Petition does not ask the Commission to waive or exercise rights of consent belonging to any other party.

4. The Revitalization Act defines the jurisdiction and authority of the Commission to review specific aspects of the Restructuring Resolution, the Calculation Methodology, and the agreement for servicing the Bonds. That statutory review is the subject of this Petition. Article 6.25A defines requirements for the Corporation's Petition, the Restructuring Resolution, and the supporting materials and testimony filed with the Petition. It also enumerates the specific criteria under which the Commission must evaluate the Petition and the findings that the Commission must make to issue the Restructuring Order. In accordance with paragraphs (b) and (f) of Article 6.25A, the Corporation asks the Commission, as requested by this Petition, to make the statutorily required findings and adopt a Restructuring Order substantially in the form proposed by the Corporation. The Revitalization Act provides that "[t]he establishment and adjustment of

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[7] PRA, Art. 33(a).

[8] PRA, Art. 32(a).

[9] Certain technical terms, periods, and dates referred to in the Calculation Methodology are defined in the Restructuring Resolution (Attachment 1.00) and Appendices thereto.

the Transition Charges made by the Corporation in relation with the Adjustment Mechanism shall not be subject to legislative or any other governmental review or approval, except as provided in Article 34, regarding the review by the Commission to correct mathematical errors made by the Corporation, and Article 35(b) with respect to the approval of the Adjustment Mechanism in the Restructuring Order."[10]

5. The remainder of this Petition is organized as follows:

- **Section II** describes the background and context for the Corporation's proposed issuance of the Bonds;
- **Section III** demonstrates that the Corporation has met every requirement of Article 6.25A and is entitled to the entry of a Restructuring Order; and
- **Section IV** enumerates the relief sought.

II. BACKGROUND

6. PREPA provides electric utility service to the vast majority of Puerto Rico. PREPA serves an essential role in supporting the public health, welfare, and economic vitality of the Commonwealth. Since its creation in 1941, PREPA has worked for the benefit of consumers as the only public corporation responsible for the provision of electricity in the Commonwealth. Only a financially sound PREPA can fund its ongoing operating expenses and capital investment needs, meet its obligations to its creditors, and provide efficient, safe, reliable, and environmentally friendly electric service at just and reasonable rates, thereby stimulating Puerto Rico's economic growth.

[10] PRA, Art. 31, para. 23.

7. During the past several decades, PREPA issued substantial debt to fund capital expenditures and, in the case of fuel related credit facilities, operating expenses. In total, PREPA has debt obligations of approximately $9 billion, including nearly $735 million currently due under its revolving fuel lines of credit and approximately $420 million in principal and interest that will be due on or before July 1, 2016 under its outstanding bonds. PREPA cannot meet these financial obligations absent a financial restructuring and transformative change. Indeed, without action to restructure PREPA's debt and reduce its immediate cash flow burdens, PREPA faces a funding gap of almost $800 million as of July 1, 2016. PREPA also faces the need to replenish its self-insurance fund, which helps protect PREPA against unexpected needs, *e.g.*, extraordinary maintenance and repair costs to prepare for and following a hurricane. As the Legislative Assembly concluded in adopting the Revitalization Act, PREPA's financial situation requires immediate action if it is to achieve financial solvency and meet its obligations to all its stakeholders.

8. In light of its financial situation, PREPA negotiated with major creditors to arrive at a broad, consensual financial settlement, and has entered into a Restructuring Support Agreement, dated as of January 27, 2015 (as amended or restated from time to time, the "RSA") with creditors holding or insuring approximately 70% of the face amount of PREPA's outstanding financial indebtedness including beneficial owners and insurers of existing PREPA bonds, banks (and their transferees) that previously provided revolving lines of credit used to pay for fuel and other expenses, the Government Development Bank for Puerto Rico (collectively, the "Supporting Creditors"), and others. The Corporation is now also a party to the RSA. The RSA sets forth material terms of PREPA's financial and operational restructuring. A cornerstone

of the restructuring is the issuance by the Corporation of Bonds[11] authorized by the Restructuring Resolution to defease, exchange for, and/or effectively refinance certain debt of PREPA.

9. The RSA provides, in pertinent part and in summary, that the Corporation will issue certain Bonds including Bonds to be exchanged for certain existing uninsured PREPA bonds having greater face value and that impose greater aggregate financial burdens on PREPA and, ultimately, on the residents of Puerto Rico.[12] For the existing PREPA uninsured bondholders that participate, the RSA provides for an 85% exchange rate — or a 15% discount to principal owed under existing uninsured PREPA bonds — as well as a five-year principal holiday and an agreed-upon weighted-average interest rate pursuant to a pricing grid included in the RSA that is projected to be lower than the weighted-average interest rates on PREPA's existing bonds. In return for a commitment to defease certain insured PREPA bonds with Mirror Bonds (as defined in the Restructuring Resolution), the Monoline Insurers will provide an additional capital commitment in the form of one or more, debt service reserve fund surety policies (each, a "Surety Bond") to provide credit support for the Bonds. The scheduled maturity (including scheduled mandatory sinking fund redemptions), interest rate, principal amount, and other economic terms of the Mirror Bonds are the same as the legal maturity (including scheduled mandatory sinking fund redemptions), interest rate, principal amount, and other

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[11] "Restructuring Bonds" [*"Bonos de Reestructuración"*] means "bonds, notes, or other evidences of long term indebtedness that are issued by the Corporation pursuant to this Act, any Restructuring Resolution and the Trust Agreement related thereto (a) the payments on or proceeds of which are used, directly or indirectly, to finance or refinance Approved Restructuring Costs, (b) that are directly or indirectly secured by, or payable from, Restructuring Property, and (c) that have a term no less than one (1) year and no longer than thirty-five years." PRA, Art. 31 para. 3. The Bonds, as defined above, refer to those Restructuring Bonds that would be authorized by the proposed Restructuring Resolution.

[12] The terms of the RSA and the Restructuring Resolution are precise, and speak for themselves. But, this summary is accurate, and it identifies key features of the RSA and the Bonds that the Commission should be aware of and that put the Commission's specific statutory duties and authority under the Revitalization Act into context. Additional details may also be found, without limitation, in the testimony of Lisa J. Donahue and Michael Mace (Corporation Exs. 1.00 and 4.00, respectively).

economic terms of the existing PREPA bonds insured by the monoline bond insurers that have signed, and are participating in the transactions set forth in Schedule II to Annex D to the RSA (the "Monoline Insurers").

10. Cognizant of the urgent need to address PREPA's legacy debt and the demands on its cash flow, to cement PREPA's transformation, and to benefit the Commonwealth and its citizens as a whole, the Legislative Assembly of Puerto Rico enacted, and the Governor on February 16, 2016, signed the Revitalization Act into law. The Revitalization Act implements essential terms of the RSA, which is the "Agreement with Creditors"[13] referred to in the Revitalization Act, and authorizes the Corporation to issue the Bonds. The Revitalization Act sets forth, among other things: characteristics of the Bonds and describes the Restructuring Property created to secure, satisfy, and support the payment of the Bonds; the Calculation Methodology under which Transition Charges are established and adjusted over time; and the Servicing Agreement[14] that provides for the administration, billing, and collection of the Transition Charges on behalf of the Corporation. By creating the Corporation and authorizing its issuance of the Bonds, the Revitalization Act furthers PREPA's ability to perform its obligations under the RSA.

11. The Restructuring Resolution (Attachment 1.00, Findings of Fact 1 - 3) authorizes the issuance of one or more series of Bonds that may be broadly grouped into two separate

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[13] "Agreement with Creditors" [*Acuerdo de Acreedores"*] means "the agreement (including all schedules and annexes and supporting documents) between PREPA and several of its main creditors, as it may be amended or supplemented, through which certain terms and conditions of PREPA's outstanding debt are modified and PREPA commits to (i) implement certain administrative, operational, and governance reforms, (ii) modernize its generation fleet and (iii) implement operational savings." *See* PRA, Art. 3(a); Art. 4(a).

[14] "Servicing Agreement" ["*Contrato de Manejo*"] means "the agreement or agreements between the Corporation and the Servicer providing for the administering and servicing of Restructuring Property, as the same may be amended from time to time by the parties thereto in a manner not prohibited by this Act." PRA, Art. 31, para. 11. A draft form of the initial Servicing Agreement is attached to the Restructuring Resolution as Appendix 4. *See* Attachment 1.00, Appendix 4.

categories: the "Closing Date Bonds" and the "Post-Closing Date Bonds." The Closing Date Bonds are issued in the following amounts and for the following purposes on the date (the "Closing Date") on which the Exchange Offer Bonds, described below, are issued:

a. Exchange Offer Bonds in an initial aggregate principal amount not to exceed $4.97 billion, to be issued to the beneficial owners of PREPA Bonds that are not insured PREPA Bonds ("Uninsured PREPA Bonds"), in exchange for such Uninsured PREPA Bonds (i) at an exchange ratio (principal to principal) of 85% and (ii) may also be issued in an amount equal to and in satisfaction of any accrued and unpaid interest owing on such Uninsured PREPA Bonds at the time of such exchange.

b. "Mirror Bonds" that include (i) Bonds, in an initial aggregate principal amount not to exceed $2.086 billion (the "Monoline Mirror Bonds"), to be deposited in an irrevocable escrow to solely legally or economically defease the PREPA Bonds insured by the monoline bond insurers (the "Insured PREPA Bonds") that have signed the RSA and are participating in the transactions set forth in Schedule II to the RSA (the "Monoline Insurers"), and (ii) Bonds, in an initial aggregate principal amount not to exceed $750 million (the "Other Mirror Bonds") to be deposited in an irrevocable escrow to solely legally or economically defease the PREPA Bonds issued in 2016 (the "2016 PREPA Bonds").

c. Bonds, in a principal amount not in excess of the sum of 6.25% of the other Closing Date Bonds plus 6.25% of the Post-Closing Date Bonds, to fund or, in the case of (ii) to be provided in whole or in part as payment for, (i) one or more debt service reserve or operating funds or accounts to secure payment of all or a portion of the Bonds, and (ii) all Upfront Financing Costs incurred in connection with the issuance of all Closing Date Bonds or the Post-Closing Date Bonds, as the case may be; plus (iii) the costs of any payment to the Internal Revenue Service (the "IRS") in accordance with any PREPA agreement with the IRS under the voluntary closing agreement or similar program.

d. Bonds, in an initial aggregate principal amount not in excess of $50 million, to fund a deposit to the PREPA Self Insurance Fund described in Finding of Fact 4(g) of the Restructuring Resolution (Bonds issued for purposes described in this clause (d) and the preceding clause (c) are collectively referred to as "New Money Bonds").

e. "Cash Offer Bonds," in an initial aggregate principal amount not exceeding $2.6 billion for the purpose of funding the costs to refund, redeem or purchase, directly or indirectly, Uninsured PREPA Bonds with the goal of increasing the exchange offer participation levels.

f. "Lender Bonds," in an initial aggregate principal amount not exceeding $625 million, issued to the Supporting Creditors (i) in exchange for the extinguishment

of the obligations due and owing under the Credit Agreements (the "Credit Agreements") between such Supporting Creditors and PREPA, at an exchange ratio (principal to principal) of 85% and (ii) to reimburse such Supporting Creditors for certain fees and expenses in an amount not to exceed $1 million.

g. "Closing Date Syncora Bonds," in a principal amount not exceeding $240 million, to be issued to restructure, refund, redeem, defease (legally or economically through the issuance of additional mirror bonds or otherwise) or purchase PREPA Bonds insured by Syncora Guarantee Inc. and/or an affiliate thereof ("Syncora"), as required to implement the economic terms of the RSA, as it may be amended.

12. In addition, one or more series of Post-Closing Date Bonds may be issued after the Closing Date in the following amounts and for the following purposes:

a. One or more series of Bonds, in an initial aggregate principal amount not to exceed $750 million to one or more holders of 2016 PREPA Bonds, at an exchange ratio of 100%, in voluntary exchange for such 2016 PREPA Bonds. If any 2016 PREPA Bonds are exchanged for Post-Closing Date Bonds, the corresponding Mirror Bonds will be cancelled

b. One or more series of Bonds in a principal amount not exceeding $240 million, to be issued to restructure, refund, redeem, defease (legally or economically through the issuance of mirror bonds or otherwise) or purchase PREPA Bonds insured by Syncora, as required to implement the economic terms of the RSA, as it may be amended (the "Post-Closing Date Syncora Bonds" and, together with the Closing Date Bonds, the "Syncora Bonds"); provided that the total principal amount of Syncora Bonds issued shall not exceed $240 million.

c. New Money Bonds with respect to Post-Closing Date Bonds, as described in and to the extent not previously issued as described in Paragraph 11, clause (c) of the preceding paragraph to pay the Upfront Financing Costs described therein.

Post-Closing Date Bonds shall be payable, on a parity with all Closing Date Bonds, from, and secured, equally and ratably with all Closing Date Bonds, by, the Restructuring Property pledged to the payment of the Bonds in the Trust Agreement. Absent the voluntary exchange for Post-Closing Date Bonds, the 2016 PREPA Bonds would remain a liability of PREPA.

13. As described in the Restructuring Resolution and required by the Revitalization Act, the Bonds will be paid and certain other expenses will be funded through Transition

Charges that Customers[15] will be obligated to pay. Those Transition Charges will adjust over time, up or down, in response to changes in the Ongoing Financing Costs and in response to changes in revenues that the Transition Charges generates. The imposition of the Transition Charges does not, however, increase the total aggregate cost or burden on PREPA customers (*i.e.*, whether paid to PREPA or as a Transition Charge). The Transition Charges support the Bonds and enable the transactions described in the Restructuring Resolution to achieve a reduction in PREPA's long-term costs and, in total and on balance, reduce the costs customers ultimately bear as compared to the costs they would have borne in the absence of the issuance of the Bonds and the consummation of the restructuring. In particular, Exchange Offer Bonds paid by the Transition Charges are projected to be issued in a lower aggregate principal amount and, on average, are projected to require lower debt service than the PREPA debt exchanged for or refinanced by those Bonds. Monoline Mirror Bonds give the Corporation access to surety bonds that partially satisfy a debt service reserve requirement for the Bonds.

14. In order to make the restructuring possible and maximize the benefits to Puerto Rico from the securitization transaction that is the subject of this Petition, the RSA requires, among other things, that: (a) Transition Charges be non-bypassable; (b) the Adjustment Mechanism increase or decrease Transition Charges in response to changes in Ongoing Financing Costs and factors affecting the revenues generated by the Transition Charges,

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[15] "Customer" ["*Cliente*"] means "any Person that is connected to or takes or receives electric service within the Commonwealth by means of the electric generation, transmission or distribution facilities constituting part of Electric System Assets, whether or not those electric generation, transmission, or distribution facilities are owned by PREPA. PREPA shall not be a Customer. Each municipality in the Commonwealth shall be a Customer to the extent that the dollar value of its usage of electric service (including in determining such dollar value of Transition Charges which would otherwise be imposed on such municipality and PREPA charges) in any fiscal year exceeds the dollar value owed by PREPA to such municipality as a contribution in lieu of taxes for such fiscal year." PRA, Article 31, para. 7. For the avoidance of doubt, previous Customers that completely disconnect from Electric System Asset and have no service agreement with PREPA, including for backup, standby, or other service, are no longer considered to be "Customers" for all purposes under the Act and the Restructuring Resolution unless and until said customers reconnect.

including, without limitation, the number of Customers paying Transition Charges, the Customers' electricity usage, and the timing and patterns of payment and collection of Transition Charges; and (c) there be a strong legislative and regulatory commitment, including the statutory covenants of the Commonwealth set forth in the Restructuring Resolution providing, among other things, that there be no amendment, modification, or termination of the Restructuring Resolution or the Restructuring Order and no reduction, impairment, postponement, termination, or adjustment to the Transition Charges established by the Restructuring Resolution except through the Adjustment Mechanism.

15. The Revitalization Act provides that the Petition be evaluated in an "expedited and extraordinary" process on a defined timetable, under specific statutory criteria, and under statutory procedures that, among other things, provide notice to the public and permit the citizens of Puerto Rico to express their opinions in writing. Under Article 6.25A(f), the Commission must approve this Petition by making certain findings in a Restructuring Order or adopt a resolution rejecting the Petition and stating the reasons for such rejection within seventy-five days of the Corporation Petition Date (as defined therein). Failing that, Article 6.25A(f)(4) provides that the Petition will be deemed approved as a matter of law. Approving the Petition by making the findings specified in Article 6.25A(b) and issuing a Restructuring Order will provide significant benefits to the citizens of Puerto Rico, and demonstrate concretely the ability of a key institution of the Commonwealth to successfully restructure its debt burden. The benefits to Puerto Rico include:

- ✓ **Reduced Costs to PREPA, Translating into Savings to Customers.** The Bonds and related actions authorized by the Restructuring Resolution will, in total and on balance, reduce PREPA's debt and ultimately reduce the costs of debt service and

credit agreements to all Customers. While the total net savings to Customers cannot be precisely quantified in advance because its exact value depends on factors that are not now known at this time, the Corporation does estimate that the statutorily identified transactions described in the Restructuring Resolution will result in at least $725 million of present value savings, which will benefit to Puerto Rico and its citizens.[16]

- ✓ **Fosters the Recovery of PREPA and Investment in Modernization, Reliability, Efficiency, and Performance and Environmental Compliance.** The Bonds and the transactions described in the Restructuring Resolution will help restore PREPA to financial stability through the restructuring of PREPA's debt burden and enable a capital plan for PREPA to invest in modernization, become more efficient, and comply with environmental regulations, all to the benefit of the Commonwealth and all its citizens. Without relief from its current debt burden, it will be difficult for PREPA to transform into a modern, efficient, and environmentally compliant electric utility as called for by Act 57-2014 and the Revitalization Act, and as envisioned by the RSA. PREPA's debt burden drains its cash and negatively impacts its ability to plan for future needs and to improve performance and efficiency for current and future customers. Moreover, PREPA cannot currently borrow in the capital markets. By improving PREPA's cash flow and reducing its

[16] Under Article 33(a)(3) of Chapter IV of the Revitalization Act, the Corporation may issue the Exchange Offer Bonds and Cash Offer Restructuring Bonds (each, as defined in the Restructuring Resolution) to retire PREPA Revenue Bonds issued on or before December 31, 2015 only if, as a result of the issuance of such Bonds, the present value of the debt service in respect of all such Bonds is at least $725 million lower than the present value of the debt service of all such PREPA Revenue Bonds issued on or before December 31, 2015 (calculated using the yield on such issue of Bonds then being issued as determined by the Corporation and using such other customary assumptions as the Corporation in consultation with its advisors shall determine) (the "Savings Test"). *See* also Attachment 3.01. The Savings Test is not applicable to other Bonds to be issued on the Closing Date or to Post-Closing Date Bonds.

debt burden, the restructuring can help put PREPA back in a position to make or attract new investments in infrastructure and to meet the future needs of its customers at a reasonable cost.

- ✓ **Promotes Growth and Investment in Puerto Rico.** The revitalization of PREPA will promote investment and economic activity in Puerto Rico. In addition, by enabling PREPA to become a utility that can provide efficient, safe, reliable, and environmentally friendly service at just and reasonable rates, the restructuring of PREPA's debt will stimulate Puerto Rico's economic growth.

16. In accordance with the RSA, the Petition and supporting materials contemplate a Closing Date of June 30, 2016. However, if the Closing Date does not occur by June 30, 2016, the Corporation would endeavor to reach an agreement with other parties to the RSA to close on a later date. If agreed to by the parties and as authorized by the Restructuring Resolution, the Corporation could capitalize and securitize the incremental interest expense that PREPA would otherwise be obligated to pay on its bonds exchanged for Exchange Offer Bonds by reason of the later closing through the issuance of additional Exchange Offer Bonds and/or to defer initial interest payment dates on such Exchange Offer Bonds (or to capitalize such interest) to mitigate the short term effect on Transition Charges needed to collect revenues sufficient to make such a payment in less than one year. Although this may result in a short term increase in the required Transition Charge, the costs to PREPA (which PREPA should seek to recover through its own rates) would be lessened. If agreed to by the parties and as authorized by the Restructuring Resolution, the Mirror Bonds could be subject to additional terms that provide for additional sources of payment or defer the timing of payment of such interest for the purposes of better matching expected Transition Charge Revenues with debt service requirements. The potential

need to close after June 30, 2016, does not affect any of the findings enumerated in Article 6.25A(b) and, in particular, the Calculation Methodology remains consistent with the criteria set forth in Article 6.25A(d).

III. THE CORPORATION'S REQUEST MEETS ALL APPLICABLE STATUTORY STANDARDS AND MUST BE GRANTED

17. Article 6.25A lists each of the specific criteria that the Petition, the Restructuring Resolution, and the supporting material must meet and that the Commission must apply in determining whether to issue a Restructuring Order.

18. The Petition is complete and the Petition, its attachments, and the accompanying supporting materials satisfy all of the requirements of, and include the documents and other information listed in, Article 6.25A. Without limiting the foregoing, as required by Article 6.25A(c), the Restructuring Resolution is attached (as Attachment 1.00). The Calculation Methodology is consistent with the provisions of Article 6.25A and includes the elements required by Article 6.25A(d). The identified Financing Costs[17] to be recovered from the Bonds proceeds and/or the Transition Charge Revenues are consistent with Article 6.25A and Chapter IV of the Revitalization Act. The Restructuring Resolution (Attachment 1.00) includes the data and elements required by Article 6.25A(e)(1).

19. The remainder of Section III of this Petition is organized in accordance with the requirements of Article 6.25A, as follows:

[17] "Financing Costs" ["*Costos de Financiamiento*"] are defined in PRA, Art. 31, para. 13. They include Upfront Financing Costs and Ongoing Financing Costs.

- **Section III.A** identifies the sworn testimony and other materials submitted with and in support of the Petition, as required by applicable provisions of Article 6.25A.
- **Section III.B** describes the Calculation Methodology, including the Adjustment Mechanism;
- **Section III.C** details how the Calculation Methodology complies with the requirements of Article 6.25A(d).
- **Section III.D** addresses how the Restructuring Resolution satisfies each of the additional requirements of Article 6.25A(e).
- **Section III.E** summarizes the Corporation's entitlement to relief.

20. The Corporation Petition Date is the date of filing of this Petition unless the Commission notifies the Corporation within five days thereafter that under Article 6.25A(c) it is requiring the Corporation to provide any information it concludes is missing, in which case the Corporation Petition Date is seven days after such request. The Restructuring Order should be entered no later than seventy-five days after the Corporation Petition Date. If the Commission does not approve or adopt a resolution rejecting the Petition by that date, Article 6.25A(f) provides that the Petition will be deemed approved as a matter of law.

A. <u>Sworn Testimony Supporting the Petition</u>

21. The Petition is accompanied by the following attachments:

- **Attachment 1.00** is the proposed Restructuring Resolution and Appendices and Schedules thereto, which appendices and schedules include without

limitation Appendix 2, describing the Adjustment Mechanism, and Appendix 4, a draft form of the initial Servicing Agreement.

- **Attachments 2.00 – 2.04** include information and estimates of costs relating to the Bonds. Attachment 2.01 identifies and estimates the Upfront Financing Costs. Attachment 2.02 identifies and estimates the Ongoing Financing Costs (excluding debt service). Attachment 2.03 estimates Principal and Interest Payments. Attachment 2.04 estimates the schedule for Surety Bond replacements.
- **Attachments 3.00 – 3.03** include information relating to Transition Charges and Savings. Attachment 3.01 demonstrates mathematically how the Savings Test is met. Attachment 3.02 identifies and estimates Transition Charges by class and compares estimates of the Transition Charges to estimates of total charges to Customers over the life of the Transition Charge. Attachment 3.03 compares relevant PREPA debt and debt service in a world where the Bonds are not issued to the corresponding total debt, including PREPA debt and the Bonds, and debt service supported by Transition Charges.
- **Attachment 4.00** includes the projections and stress test scenarios provided to credit rating agencies.
- **Attachment 5.00** is historical energy use data used in the calculation of Transition Charges, by the Adjustment Mechanism, and in the distributions described in Article 6.25A(e)(1)(ii), (iii), (iv), and (vi).

- **Attachment 6.00** is a report prepared by Navigant Consulting Inc. ("Navigant"), an independent financial consultant with recognized expertise in financing public electric utilities, addressing the matters specified in Article 6.25A(e)(3).
- **Attachment 7.00** is a table cross referencing, for the assistance of the Commission and not to limit the totality of the information provided, provisions of Article 6.25A with portions of the Petition, testimony, and materials that principally address each such provision.
- **Attachment 8.00** is a draft form of Restructuring Order that the Corporation requests the Commission adopt and issue.

22. The following witnesses provide written testimony, with confirming affidavits, in support of this Petition:

a. **Lisa J. Donahue**, Chief Restructuring Officer of PREPA and a Managing Director and the leader of the Turnaround and Restructuring Practice at AlixPartners, LLP, a global business and advisory firm (Corporation Ex. 1.00) describes this Petition and its purpose, introduces the balance of testimony supporting it, and describes how the Transition Charges support the Bonds. She explains the significance of the securitization transactions described in the Restructuring Resolution and how they support the aims of the Revitalization Act and the RSA. She also compares how the costs of PREPA's debt — costs that are ultimately borne by all citizens of Puerto Rico — will be reduced by reason of the issuance of the Bonds.

b. **Javier Quintana-Méndez, P.E.**, Executive Director of PREPA (Corporation Ex. 2.00) describes PREPA's financial condition and its effect on PREPA's

operations. He explains how the cost savings made possible by the issuance of the Bonds will enable PREPA to better serve Puerto Rico. He also confirms that PREPA has made determinations required by the Revitalization Act and certifies that the historic energy (kWh) usage data of each class of Customer is attached to the Petition (as Attachment 5.00).

c. **Gerard Gil-Olazábal, Esq.**, Senior Vice President of the Government Development Bank for Puerto Rico and the Secretary of the Board of the Corporation (Corporation Ex. 3.00) describes the Corporation and its formation and attests to the actions and determinations of the Corporation taken in compliance with the Revitalization Act and in furtherance of the proposed issuance of the Bonds.

d. **Michael Mace**, Managing Director, Public Financial Management, Inc., a financial advisor to the Corporation (Corporation Ex. 4.00) testifies concerning the process of issuing the Bonds, how they are rated and priced, and how the securitization debt restructures or otherwise economically defeases outstanding PREPA debt. He identifies, describes, and estimates the Upfront and Ongoing Financing Costs and explains their relationship to the transaction and the Bonds. Mr. Mace also testifies concerning the Servicing Agreement, the role and functions of the Servicer and, in particular, of PREPA as the initial Servicer, and terms of the Servicing Agreement. Finally, Mr. Mace addresses the projections and stress tests provided to rating agencies.

e. **Dan T. Stathos**, Associate Director, Navigant (Corporation Ex. 5.00) identifies how PREPA will meet its functions as the Initial Servicer, will escrow all customer collections, direct the allocation of cash collections among the PREPA bond

trustee and the securitization bond trustee, recover its incremental costs under the proposed Servicing Agreement, and confirms that those recoveries are reasonable.

f. **Ralph Zarumba**, Director, Navigant (Corporation Ex. 6.00) explains and supports the Corporation's determination that the overall distribution and/or calculation of Financing Costs and Transition Charges and the Adjustment Mechanism ensures the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds. He describes the Adjustment Mechanism and the manner of its calculation, explains how the Transition Charge is expected to change over time pursuant to the Adjustment Mechanism, and describes the estimated ratio of total Transition Charges to total charges to Customers. Mr. Zarumba also: (1) describes the Customer classes among which Ongoing Financing Costs are distributed and the mechanics of how those allocations are made; (2) confirms that Transition Charges for Non-Residential Customers are calculated based upon historic energy usage (kWh) data; (3) confirms the calculation of Transition Charges for Residential Customers on a per service agreement basis; (4) explains the proposed inclusion of estimated load served by net metering or distributed generation ("behind the meter") in the calculation of Transition Charges; and (5) verifies that the Calculation Methodology is practicable to administer and ensures the full and timely payment of the Bonds.

B. <u>The Calculation Methodology</u>

23. The Corporation will, or will cause the Servicer (which shall initially be PREPA) on behalf of the Corporation to, calculate the initial Transition Charge and to adjust the Transition Charges through "True-Up Adjustments" as set forth in the Calculation Methodology.

The Servicer will make adjustments to the Transition Charges: a) quarterly, beginning no more than three months from issuance of the Bonds and continuing until the Bonds and all Ongoing Financing Costs are paid or deemed paid in full, and (b) at any other time if the Servicer, the Calculation Agent, the Trustee or Requisite Bondholders (as and to the extent provided in the Trust Agreement) or any party to an Ancillary Agreement (as and to the extent provided in an Ancillary Agreement) determines that such adjustment is required to assure the timely payment of the principal of and interest on the Bonds and all other Ongoing Financing Costs.

24. Each True-Up Adjustment will be effective on a "True-Up Adjustment Date and will be calculated in accordance with the Calculation Methodology. The Calculation Methodology provides for the following steps:

(1) Divide the Aggregated Actual kWh Billed for the previous 12-month period ending with the end of the most recently completed calendar quarter for which data are available into the Actual kWh Billed to Residential Customers during that same 12-month period. The resulting percentage is the "Residential Customer Allocation."

(2) Divide the Aggregated Actual kWh Billed for the previous 12-month period ending with the end of the most recently completed calendar quarter for which data are available into the Actual kWh Billed for all Non-Residential Customers and Government Customers during the same 12-month period. The resulting percentage is the "Non-Residential and Government Customer Allocation."

(3) Project the Transition Charge Revenues expected to be held by the Trustee on the proposed True-Up Adjustment Date after payment of Ongoing Financing Costs due on or prior to such date (but excluding amounts held or to be held on such date by the Trustee in any debt service reserve fund or account, or in any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund), and add to that amount the Transition Charge Revenues expected to be received by the Trustee after the True-Up Adjustment Date and during the First Collection Period from bills rendered prior to the True-Up Adjustment Date based on the Transition Charges then or previously in effect.

(4) Calculate the sum of (a) principal of (in accordance with the scheduled maturity date or dates (including scheduled mandatory sinking fund redemption dates)) and interest on the Bonds when due and as accruing through and including the First Bond Payment Date, (b) any amount necessary or expected to be necessary to fund or replenish any debt service reserve fund or account, or any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund, to their required level, as and to the extent such funding or replenishment is required by the Trust Agreement or any Ancillary Agreement (as the case may be) on or prior to the First Bond Payment Date, and (c) all other Ongoing Financing Costs required to be paid or deposited on or prior to the First Bond Payment Date.

(5) Subtract the amount in clause (3) from the amount in clause (4) to determine the "Net Revenue Requirement" for the First Collection Period.

(6) Adjust (or gross up) the Net Revenue Requirement to give effect to the number of billing cycles, the Composite Collection Curve and the write-off assumption, to ensure that the Transition Charge Revenues expected to be remitted to the Trustee during the First Collection Period will satisfy the Net Revenue Requirement for the First Collection Period on a timely basis and will result in the Excess Funds Account held under the Trust Agreement to be zero by the First Bond Payment Date. The result will be the "Gross Billing Requirement" for the First Collection Period.

(7) Multiply the Gross Billing Requirement for the First Collection Period by the Residential Customer Allocation. The result will be the "Residential Gross Billing Requirement" for the First Collection Period.

(8) Multiply the Gross Billing Requirement for the First Collection Period by the Non-Residential and Government Customer Allocation. The result will be the "Non-Residential and Government Gross Billing Requirement" for the First Collection Period.

(9) Divide the Residential Gross Billing Requirement for the First Collection Period by the Residential Service Agreement Aggregate Count for First Collection Period to produce a $/per service agreement Transition Charge. Subject to clause (12) below, the result will be the first possible Transition Charge for each Residential Customer to be effective on the True-Up Adjustment Date.

(10) Divide the Non-Residential and Government Gross Billing Requirement for the First Collection Period by the Actual kWh Billed for Non-Residential Customers and Government Customers during the comparable period to the First Collection Period in the prior 12-month period for which data are available (i.e., the calendar dates one year prior to the

calendar dates in the First Collection Period), to produce an estimated volumetric (per kWh) Transition Charge. Subject to clause (12) below, the result will be the first possible Transition Charge (per kWh) for all Non-Residential and Government Customers to be effective on the True-Up Adjustment Date.

(11) Repeat the calculations described in clauses (3) through (10), inclusive, to determine the Transition Charges necessary to satisfy the revenue requirement for each consecutive Collection Period which ends during the Annual Calculation Period, replacing "First Bond Payment Date" with "Second Bond Payment Date" and "First Collection Period" with "Second Collection Period," etc. through the Third and Fourth Collection Periods (if any), respectively.

(12) Compare the revenues produced by each set of Transition Charges resulting from the calculations above (i.e., one set for each Collection Period). The set of Transition Charges which is expected to produce the greatest revenue by the end of the First Collection Period will be the set of Transition Charges to be effective on the True-Up Adjustment Date.

25. As provided in the Calculation Methodology, each True-Up Adjustment will be designed (i) to correct for any over-collections or under-collections of Transition Charges through the proposed True-Up Adjustment Date and (ii) to ensure that expected Transition Charge Revenues remitted or to be remitted to the Trustee, after taking into account assumed charge-offs and payment delays, are adequate (A) to pay timely principal of (in accordance with the scheduled maturity date or dates (including scheduled mandatory sinking fund redemption dates)) and interest on the Bonds on each of the Payment Dates that occurs during the related Annual Calculation Period (defined below), (B) to fund or replenish any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund) to its required level, as provided in the Trust Agreement or the Ancillary Agreement (as the case may be), and (C) to make timely payment of all other Ongoing Financing Costs during the related Annual Calculation Period.

26. The Calculation Methodology estimates the expected receipts of Transition Charges for any period the Servicer will apply a "collection curve" reflecting the most recent 12-month history of collections for which data are available. In connection with each True-Up Adjustment filing, the Servicer will develop one collection curve reflecting payment history for all Customers (the "Composite Collection Curve"). A collection curve is data reflecting the timing of payments of outstanding bills during a 12-month period, adjusted to assume that any Transition Charges which are not collected within 120 days of billing are written off. Each month's billings are divided into aging buckets based on the number of days for which such billings have been outstanding (e.g., 0 to 29 days, 30 to 59 days, 60 to 89 days, and 90 to 119 days outstanding). The aging buckets are then used to estimate the dollar amount of each month's billings collected within 30, 60, 90 and 120 days, as well as the dollar amount not collected within 120 days (amount written off) for the 12-month period. For such 12-month period, the collection curve is calculated by dividing each of the total dollar amount of billings collected within 30, 60, 90, and 120 days by the total dollar amount of billings collected within 120 days.

27. To initiate any True-Up Adjustment, the Servicer will make a preliminary calculation of the True-Up Adjustment and will prepare and submit to the Calculation Agent a draft request for adjustment (a "True-Up Letter"). The Calculation Agent will review the draft True-Up Letter, including the mathematical calculations related to the proposed True-Up Adjustment, and forward any corrections or modifications to the Servicer. The Servicer will then file the True-Up Letter, reflecting any such corrections or modifications, with the Corporation, the Commission and the Trustee, not later than 30 days prior to the proposed effective date of the adjustment set forth in the True-Up Letter (such effective date being referred to as the "True-Up

Adjustment Date"). As further provided in the Calculation Methodology, the Corporation will adjust the Transition Charges for each Class as requested in each True-Up Letter, and such Transition Charges will be effective on the date specified in the True-Up Letter, so long as such effective date is at least 30 days after the filing with the Commission of such True-Up Letter, subject only to the correction of any mathematical errors by the Commission as set forth in the next sentence. Any adjustment to correct the mathematical inaccuracy, if ordered by the Commission, shall be made by the Servicer no later than the next succeeding True-Up Adjustment on which such adjustment can practically be made without delaying the effective date set forth in the True-Up Letter.

C. The Restructuring Resolution and Calculation Methodology for the Transition Charges and the Adjustment Mechanism Comply With Article 6.25A(d)

28. Article 6.25A(d) requires that the calculation methodology for the Transition Charges and the Adjustment Mechanism (previously defined as the "Calculation Methodology") satisfy five criteria. The Calculation Methodology set forth in the Restructuring Resolution satisfies each of those criteria.

29. ***Calculation Methodology Criterion One: Transition Charges and the Adjustment Mechanism designed for full and timely payment.*** Article 6.25A(d)(i) requires:

> The calculation methodology for the Transition Charges and the Adjustment Mechanism included in a Restructuring Resolution shall (i) be designed to provide for the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs.

The Calculation Methodology established by the Restructuring Resolution and Appendix 2 thereto satisfies this criterion. It is designed to provide for the full and timely payment of the Bonds along with other Ongoing Financing Costs.

30. Corporation witness Gil-Olazábal (Corporation Ex. 3.00) sponsors the Restructuring Resolution and confirms that it includes the documents and information listed in Article 6.25A(e). Corporation witnesses Michael Mace and Ralph Zarumba (Corporation Exs. 4.00 and 6.00, respectively) confirm that the Calculation Methodology is designed to provide for the full and timely payment of the Bonds and other Ongoing Financing Costs.

31. ***Calculation Methodology Criterion Two: Distribution of Financing Costs between Residential and Non-Residential Customers.*** Article 6.25A(d)(ii)(1) of the Revitalization Act provides that the Calculation Methodology shall distribute Financing Costs among Customer classes and calculate and adjust the Transition Charges based on the following criterion:

> The share of Financing Costs to be recovered from each Customer class shall be calculated based upon the historic energy (kWh) usage of each class of Customers during the most recent twelve (12) months for which such information is reasonably available, as such information is provided by PREPA to the Corporation and to the Commission, and in such manner which is practicable to administer and which ensures the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs.

The Calculation Methodology meets this criterion.

32. The Calculation Methodology distributes Financing Costs and determines Residential and Non-Residential Revenue Requirements based on the share of the total actual historical kWh billed to Residential and Non-Residential (including Government) Customers, respectively, in the previous 12-month period ending with the last day of the most recently completed calendar quarter for which data is available. *See* Restructuring Resolution (Attachment 1.00), Appendix 2. Corporation witness Ralph Zarumba (Corporation Ex. 6.00) explains and supports the Calculation Methodology and how Financing Costs are to be recovered

from each Customer class.[18] Mr. Zarumba testifies that the Calculation Methodology is practicable to administer and ensures the full and timely payment of the Bonds in accordance with their terms and other Ongoing Financing Costs.

33. ***Calculation Methodology Criterion Three: Calculation of Transition Charges for Customers.*** Article 6.25A(d)(ii)(2) of the Revitalization Act provides that Transition Charges will be calculated in accordance with the following criterion:

> Once the share of Financing Costs to be recovered from each Customers class shall have been calculated, Transition Charges for Customers will be based upon historic energy usage (kWh) data for the most recent twelve (12) months for which such information is reasonably available, as provided by PREPA to the Corporation and to the Commission, provided that the Corporation may elect to calculate Transition Charges for residential Customers on a per service agreement basis, calculated in such manner which is practicable to administer and which ensures the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs, and provided further that the allocation of responsibility for the Transition Charge among Customers classes and Customers does not limit the discretion of the Commission when evaluating the allocation of responsibility with respect to the PREPA revenue requirement in any PREPA rate case.

The Calculation Methodology meets this criterion.

34. The Restructuring Resolution provides that the Transition Charges for Non-Residential Customers are based upon historic energy usage (kWh) data for the most recent twelve (12) months for which such information is reasonably available. The Corporation has elected to calculate Transition Charges for Residential Customers on a per service agreement basis. Restructuring Resolution, Appendix 2. These calculations are practicable to administer and ensure the full and timely payment of the Bonds and other Ongoing Financing Costs.

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[18] The historic energy usage of each class supporting that calculation is provided in Attachment 5.00 to the Petition. Corporation witness Javier Quintana-Méndez, P.E. (Corporation Ex. 2.00) provides testimony attesting that the historical energy usage data contained in Attachment 5.00 is accurate and based on the business records of PREPA.

Corporation witnesses Michael Mace and Ralph Zarumba (Corporation Exs. 4.00 and 6.00, respectively) explain and support the Calculation Methodology and how it ensures the full and timely payment of the Bonds and other Ongoing Financing Costs. Mr. Zarumba also explains and supports how Financing Costs are to be recovered from each Customer class and confirms and explains how the allocation of responsibility for the Transition Charge does not limit the Commission's discretion to allocate revenue requirement in any PREPA rate case.

35. ***Calculation Methodology Criterion Four: Adjusting for Delinquencies.*** Article 6.25A(d)(ii)(3) of the Revitalization Act provides that delinquencies shall be addressed in accordance with the following criterion:

> Delinquencies of any class of Customers in any period will be added to the revenue requirement of the next period and allocated among all Customers classes as provided in clauses (1) and (2) of this paragraph (d). The Commission shall require PREPA (or any other Servicer) to demonstrate that PREPA (or such other Servicer) has been prudent in addressing late payments, past-due bills and non-payments, provided that a finding of imprudence shall not affect the first sentence of this paragraph (3).

The Calculation Methodology meets this criterion.

36. The Restructuring Resolution provides that delinquencies of any Customers (including Governmental Customers) will be distributed among all Customer classes as provided in 6.25A(d)(ii)(3) and specified in the Adjustment Mechanism. *See* Restructuring Resolution (Attachment 1.00), Appendix 2. Particularly, any charges that are not collected within one hundred and twenty days of billing are re-distributed across all Customer classes. *Id.* Corporation witness Ralph Zarumba (Corporation Ex. 6.00) supports and explains this feature of the Calculation Methodology and how delinquencies are added to the revenue requirements of the next period and allocated among all Customer classes.

37. ***Calculation Methodology Criterion Five: Methodology for Determining Estimated Load Served by Net Metering or Distributed Generation.*** Article 6.25A(d)(ii)(4) of the Revitalization Act provides that the Calculation Methodology shall distribute Financing Costs among Customer classes and calculate and adjust the Transition Charges based on the following criterion:

> When calculating Customer energy usage in clauses (1) and (2) of this paragraph (d), the Corporation may elect to include the estimated load served by net metering or distributed generation ("behind the meter") if the methodology for such inclusion is practical to administer, and will ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs.

The Calculation Methodology meets this criterion.

38. The Calculation Methodology reflects the Corporation's determination that net-metering Customers and Customers using behind the meter generation should not be allowed to bypass Transition Charges to the extent their net load is less than their gross load and that, therefore behind the meter generation should not be an opportunity to bypass or avoid the applicability of Transition Charges. Therefore, the Calculation Methodology (Appendix 2 to Attachment 1.00) defines "Actual kWh Billed," for this purpose, "without regard to any offset for net-metering and adjusted for estimated distributed generation usage." Initially, that amount will be measured without any subtraction for the amount of electricity generated "behind the meter" and exported to the grid, and will reflect electricity flowing to the customer on PREPA facilities. As it becomes practicable, and as meter data measuring the output of the distributed generation itself becomes available, the load of such customers for these purposes will include the gross output of the distributed generation plus the net deliveries from PREPA. If the estimated load served by net metering and distributed "behind the meter" generation were not included, a Customer could reduce its responsibility to pay Transition Charges, and the

responsibility for those avoided charges would be transferred inequitably to other Customers. Further explanation and support for this determination is provided by Corporation witness Ralph Zarumba (Corporation Ex. 6.00).

39. Article 35(i) of the Revitalization Act provides in pertinent part that:

> For so long as Restructuring Bonds are outstanding, and the Approved Restructuring Costs (including, any payments that have or are to become due under Ancillary Agreements) have not been paid in full, the Transition Charges authorized and imposed by this Act shall be obligatory, Non-bypassable and shall apply to all Customers.

As Mr. Zarumba (Corporation Ex. 6.00) explains, the Transition Charges ultimately result from historical PREPA operating and fuel costs and investment expenditures, and that failing to include this load in its entirety would permit Customers to bypass those charges prospectively, effectively stranding their share of the costs to the detriment of Customers as a whole. This increase in other Customers' Transition Charges would create still greater uneconomic incentives to bypass the PREPA system. As Mr. Zarumba also explains, if Customers could entirely bypass or reduce their share (or that of their class) of these historical costs based on installing generation behind the meter or by net metering, it would distort the economic incentives to install and make use of behind the meter generation, send improper and inefficient price signals waste resources and increase the total cost of energy production, and further exacerbate the shift in the responsibility for Transition Charges.

40. Article 29 of the Revitalization Act amends Section 4 of Act 114-2007 to provide that the Commission shall "… evaluate and determine which rates will be applied to the net metering customers, the Contribution in lieu of Taxes, Grants, Securitization, and Subsidies." This provision must be interpreted and applied in the context of, and in harmony, with Article 6.25A and Article 35(i) of the Revitalization Act.

41. In addition to determining that the Calculation Methodology proposed in the Restructuring Resolution complies fully with Article 6.25A and establishes Transition Charges that are "obligatory, Non-bypassable and … apply to all Customers," as required by Article 35(i), the Corporation and PREPA have considered the criteria set out in Article 4 of Act 114-2007, as amended by Article 29 of the Revitalization Act. The Corporation believes that the resulting Transition Charges "will be just and … will cover operational and administrative costs of network services that the consumer received with the Net Metering Agreement" and that the Transition Charge will "never will be excessive or established in such a way that it becomes an obstacle to the deployment of renewable energy projects." *Id.* The Corporation notes further that the Commission retains authority, separate from the specification of the Transition Charges in the Calculation Methodology, over the design of PREPA's rates, including the charges applicable to net metering customers. The determination of how load is measured for the purposes of calculating the Transition Charge will not affect that authority or limit the design of the PREPA rate charged to such Customers when the time comes for the Commission to evaluate PREPA's rate request.

42. Finally, the Corporation has determined that Customer usage for the purpose of calculating Transition Charges should reflect gross usage (without regard to net metered credits) and "behind the meter" usage, insofar as practical, and the Corporation proposes that Transition Charges be calculated and adjusted based on usage (kWh) measured in that manner. The Corporation has further determined that this approach will not render the resulting Transition Charges impracticable to administer and that the resulting Transition Charges will ensure the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs. PREPA can practically determine total load, including estimated load served by net

metering and distributed generation, in the calculation of Transition Charges, as described above. Including such estimated load in the distribution of costs among Customer classes and the calculation of individual Customers' Transition Charges will not impair the collection of Transition Charges or the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds.

43. The Corporation requests that the Commission, in making the required findings concerning the calculation of the Transition Charge, take notice of the Corporation's determinations and evaluate and determine that the criteria of Article 4 of Act 114-2007, as amended by Article 29 of the Revitalization Act, are met, and the Commission should accept the Corporation's proposal that load of Customers who are net metered or have other "behind the meter" generation, for the purposes of distributing Financing Costs among Customer classes and calculating those Transition Charges that are based on kWh usage, be based on estimated total electric consumption as described herein and in the Restructuring Resolution.

D. <u>The Petition and Restructuring Resolution Meets the Requirements of Article 6.25A(e)</u>

44. Article 6.25A(e) identifies information, determinations, commitments, and other features required of the Restructuring Resolution and the Corporation's Petition or attachments thereto. Those commitments are each enforceable against the Corporation by the Commission under Article 6.25A through judicial action directing that that the Corporation act in accordance with their terms. This section of the Petition addresses each of those requirements.

1. **Article 6.25A(e)(1)(i) – (xii) – Requirements for the Restructuring Resolution**

45. Article 6.25(e)(1) lists descriptions, documentation, determinations, calculations, and other provisions and information that must be included in the proposed form of Restructuring Resolution attached to the Petition.

46. ***Resolution Requirement One: Upfront and Ongoing Financing Costs description and documentation.*** Article 6.25A(e)(1)(i) provides that the Restructuring Resolution must contain the following:

> A description and documentation supporting the proposed Upfront Financing Costs and the Ongoing Financing Costs, to be recovered from the Restructuring Bonds proceeds or Transition Charges, as applicable;

The Restructuring Resolution satisfies this criterion.

47. Descriptions and documentation of Upfront Financing Costs and Ongoing Financing Costs proposed to be recovered are contained in the following sections of the Restructuring Resolution (Appendix 2 to Attachment 1.00):

- Finding of Fact 10 of the Restructuring Resolution sets forth categories of Upfront Financing Costs that are recoverable from the Bond proceeds or Transition Charges.
- Schedule D to the Restructuring Resolution identifies and provides estimates of the Upfront Financing Costs, also identified and estimated on Attachment 2.01 hereto.
- Finding of Fact 16 of the Restructuring Resolution sets forth each of the categories of Ongoing Financing Costs that are recoverable from the Transition Charges.
- Schedule E to the Restructuring Resolution identifies and provides estimates of the Ongoing Financing Costs, excluding debt service, also identifies and estimates on Attachment 2.02. Attachment 2.03 identifies and estimates debt service.

48. The precise amount and all components of Upfront Financing Costs for the Closing Date Bonds and the Post-Closing Date Bonds (each, as defined and described in the Restructuring Resolution) cannot be ascertained with certainty until the Bonds have been priced and issued. The Corporation estimates at this time that the Upfront Financing Costs, as identified and itemized in Attachment 2.01, will total approximately $124.3 million. The Corporation estimates at this time that the annual Ongoing Financing Costs (exclusive of debt service), as identified and itemized in Attachment 2.02, will total approximately $19.3 million for the first 12 months that the Bonds are outstanding.

49. Several of the components of the Upfront Financing Costs will vary depending upon the size of the final issuance of the Bonds. Specifically, the underwriters' fees, and the rating agencies' fees are typically proportional to the amount of a bond issuance. Other Upfront Financing Costs, such as legal and accounting fees and expenses, printing expenses, and trustee costs will not be known until the issuance of the Bonds or even thereafter, when final invoices are submitted. The costs of any credit enhancements or other mechanisms designed to promote the credit quality or marketability of the Bonds, if any, will not be known until near or at the time of issuance of the Bonds. For those reasons, the Corporation anticipates that its current estimate of the Upfront Financing Costs set forth above, and in the attachments to this Petition, will be subject to updating and changes. The Corporation commits that updated data concerning these costs will be provided to the Commission as called for by Article 6.25A(e). Upfront Financing Costs may be paid from the proceeds of the New Money Bonds or the Cash Offer Bonds (as the case may be), provided that any Upfront Financing Costs approved for recovery that cannot be paid from the proceeds of the sale of the Bonds shall be recoverable as Ongoing Financing Costs.

50. Corporation witness Michael Mace (Corporation Ex. 4.00) explains and estimates costs proposed to be recovered from the Bond proceeds and Transition Charges, and sponsors Attachments 2.01 - 2.04 that, respectively, identify and estimate Upfront Financing Costs, Ongoing Financing Costs (excluding principal and interest), principal and interest payments, and the surety replacement schedule. Mr. Mace also provides descriptions and documentation of the Upfront Financing Costs and Ongoing Financing Cost estimates (pursuant to Article 6.25A(e)(4)).

51. ***Resolution Requirement Two: Determination of Customer classes.*** Article 6.25A(e)(1)(ii) provides that the Restructuring Resolution must contain the following:

> The determination of Customers classes among which Ongoing Financing Costs are distributed and the distribution of Ongoing Financing Costs among the Customers classes;

The attached Restructuring Resolution satisfies this criterion.

52. Appendix 2 attached to the Restructuring Resolution sets forth the Calculation Methodology that distributes the responsibility for Financing Costs among Residential and Non-Residential classes of Customers and calculates and adjusts from time to time the Transition Charges (collectively, the "Adjustment Mechanism"). Corporation witness Ralph Zarumba (Corporation Ex. 6.00) also supports and explains the Residential and Non-Residential Customer class determinations and how the Calculation Methodology distributes Ongoing Financing Costs to each.

53. ***Resolution Requirement Three: Calculation of Transition Charges for Customers Other Than Residential Customers.*** Article 6.25A(e)(1)(iii) provides that the Restructuring Resolution must contain the following:

> The calculation of Transition Charges for Customers (other than residential Customers) based upon historical energy usage (kWh) data, along with information sufficient to allow the Commission to replicate such Charges;

The Restructuring Resolution meets this criterion.

54. The Restructuring Resolution describes the method for calculating Transition Charges for Non-Residential Customers based on historical energy usage. *See* Attachment 1.00 (Restructuring Resolution), Appendix 2. The data required to replicate the initial calculations are provided in the Attachments to this Petition. Corporation witness Ralph Zarumba (Corporation Ex. 6.00) explains and supports the Calculation Methodology applicable to Non-Residential Customers.

55. ***Resolution Requirement Four: Calculation of Transition Charges for Residential Customers.*** Article 6.25A(e)(1)(iv) provides that the Restructuring Resolution must contain the following:

> The calculation of Transition Charges for residential Customers based upon historical energy usage (kWh) data or, at the option of the Corporation, on a per service agreement basis, along with information sufficient to allow the Commission to replicate such Charges;

The Restructuring Resolution meets this criterion.

56. The Restructuring Resolution describes the method for calculating Transition Charges for Residential Customers on a per service agreement basis. *See* Attachment 1.00 (Restructuring Resolution), Appendix 2. The calculation of the Transition Charge applicable to Residential Customers is supported in the attached testimony of Corporation witness Ralph Zarumba (Corporation Ex. 6.00), who also supports the determination of the Corporation to calculate such Transition Charges on a per service agreement basis and discusses information provided that allows that calculation to be replicated by the Commission.

57. ***Resolution Requirement Five: Distribution of Customer Delinquencies.*** Article 6.25A(e)(1)(v) provides that the Restructuring Resolution must contain the following:

> A provision that delinquencies of any class of Customers will be distributed among all Customers classes as provided in this clause (ii) of this paragraph (e)(1) and included in the Adjustment Mechanism;

The Restructuring Resolution meets this criterion.

58. The Adjustment Mechanism, set out in Appendix 2 attached to the Restructuring Resolution, provides that delinquencies of any class of Customers will be distributed among all Customer classes. This characteristic of the Adjustment Mechanism is confirmed by the testimony of Corporation witness Ralph Zarumba (Corporation Ex. 6.00).

59. ***Resolution Requirement Six: Methodology for Determining Estimated Load Served by Net Metering or Distributed Generation.*** Article 6.25A(e)(1)(vi) provides that the Restructuring Resolution must contain the following:

> A determination by the Corporation of whether the estimated load served by net metering or estimated distributed generation ("behind the meter") will be included in its determination of energy usage pursuant to clauses (ii), (iii) and (iv) of this paragraph (e)(1) and in the Adjustment Mechanism. If the Corporation determines to include estimated net metering or estimated distributed generation in determining energy usage in clauses (ii), (iii) and (iv) of paragraph (e)(1), an explanation of the reasons and a determination (with its corresponding explanation) that this will not render the resulting Transition Charges impracticable to administer and that the resulting Transition Charges will ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds;

The Restructuring Resolution meets this criterion.

60. The Corporation's determination that the Transition Charges should be based on load including that served by net metering or estimated distributed generation ("behind the meter"), its determination that including estimated load served by net metering or estimated

distributed generation will not render the resulting Transition Charges impracticable to administer, and its determination that the resulting Transition Charges will ensure the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs are confirmed by the testimony of Corporation witness Gerard Gil-Olazábal (Corporation Ex. 3.00). The proposed means of implementing that determination and the rationale for it are described in Section II.C, above. Corporation witness Ralph Zarumba (Corporation Ex. 6.00): (1) confirms that the Calculation Methodology includes an estimate of load served by net metering or estimated distributed generation ("behind the meter") in determining energy usage in the calculations; (2) explains and supports the method for calculating Transition Charges for Customers with net metering or distributed generation, as included in the Restructuring Resolution; and (3) confirms that determination and the method of estimating the load served will not render the resulting Transition Charges impracticable to administer or interfere with the full and timely payment of the Bonds and all other Ongoing Financing Costs during the term of the Bonds.

61. ***Resolution Requirement Seven: Distributions can be administered practicably and ensure full and timely payment.*** Article 6.25A(e)(1)(vii) provides that the Restructuring Resolution must contain the following:

> A determination by the Corporation, with the corresponding explanations, that the distribution or calculation (as the case may be) in respect of the provisions in clauses (ii), (iii), (iv), (v) and (vi), as applicable, of this paragraph (e)(1) are practicable to administer and ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds;

The Restructuring Resolution meets this criterion. Attachment 1.00, Findings of Fact 27 - 31.

62. Corporation witness Gerard Gil-Olazábal (Corporation Ex. 3.00) confirms the Corporation's determination that the Calculation Methodology is practicable to administer and ensures the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds. Corporation witness Ralph Zarumba (Corporation Ex. 6.00) explains and supports this determination, testifying that: (1) the Calculation Methodology and the manner in which Ongoing Financing Costs are distributed among classes is practicable to administer, and (2) ensures the full and timely payment of the Bonds in accordance with their terms and other Ongoing Financing Costs.

63. ***Resolution Requirement Eight: Commitment to file Report on final terms of Bonds and estimates of Upfront and Ongoing Financing Costs.*** Article 6.25A(e)(1)(viii) provides that the Restructuring Resolution must contain the following:

> A commitment, enforceable by the Commission, that not later than ten (10) days following the issuance date of the Restructuring Bonds, the Corporation shall file, or cause the Servicer to file, with the Commission, for informational purposes only, a report detailing the final terms of the Restructuring Bonds, and setting forth a final estimate of the Upfront Financing Costs and the estimated Ongoing Financing Costs during the term of the Restructuring Bonds;

The attached Restructuring Resolution meets this criterion.

64. The Restructuring Resolution makes the following enforceable commitment by the Corporation to the Commission:

> Not later than ten (10) days following the issuance date of the Restructuring Bonds, the Corporation shall file, or cause the Servicer to file, with the Commission, for informational purposes only, a report detailing the final terms of the Restructuring Bonds, and setting forth a final estimate of the Upfront Financing Costs and the estimated Ongoing Financing Costs during the term of the Restructuring Bonds;

Restructuring Resolution, Attachment 1.00, at paragraph 19(i). This commitment is confirmed by the testimony of Corporation witness Gerard Gil-Olazábal (Corporation Ex. 3.00).

65. ***Resolution Requirement Nine: Commitment to provide any Successor Servicing Agreement and all Servicer Reports.*** Article 6.25A(e)(1)(ix) provides that the Restructuring Resolution must contain the following:

> A commitment that (A) the Corporation shall provide to the Commission a copy of any successor Servicing Agreement, for informational purposes only, and (B) the Corporation shall file, or cause the Servicer to file, with the Commission, all Servicer reports, including any notice of any proposed adjustment of the Transition Charge, at the same time as such notice is submitted to the Corporation (such report to show in detail all Ongoing Financing Costs which are being paid from Transition Charges on an ongoing basis);

The attached Restructuring Resolution meets this criterion.

66. The Restructuring Resolution makes the following enforceable commitment by the Corporation to the Commission:

> (A) The Corporation shall provide to the Commission a copy of any successor Servicing Agreement, for informational purposes only, and (B) the Corporation shall file, or cause the Servicer to file, with the Commission, all Servicer reports, including any notice of any proposed adjustment of the Transition Charge, at the same time as such notice is submitted to the Corporation (such report to show in detail all Ongoing Financing Costs which are being paid from Transition Charges on an ongoing basis).

Restructuring Resolution, Attachment 1.00, at paragraph 19(ii). This commitment is confirmed by the testimony of Corporation witness Gerard Gil-Olazábal (Corporation Ex. 3.00).

67. ***Resolution Requirement Ten: Commitment to provide any Reports Required by Bond Trustee.*** Article 6.25A(e)(1)(x) provides that the Restructuring Resolution must contain the following:

> A commitment, enforceable by the Commission, that any reports required to be filed with the Corporation by the bond trustee for the Restructuring Bonds shall also be filed with the Commission at the same time as such reports are filed with the Corporation;

The attached Restructuring Resolution meets this criterion.

68. The Restructuring Resolution makes the following enforceable commitment by the Corporation to the Commission:

> Any reports required to be filed with the Corporation by the bond trustee for the Restructuring Bonds shall also be filed with the Commission at the same time as such reports are filed with the Corporation;

Restructuring Resolution, Attachment 1.00, at paragraph 19(iii). This commitment is confirmed by the testimony of Corporation witness Gerard Gil-Olazábal (Corporation Ex. 3.00).

69. ***Resolution Requirement Eleven: Commitment to provide any annual Reports and Final Accounting.*** Article 6.25A(e)(1)(xi) provides that the Restructuring Resolution must contain the following:

> A commitment, enforceable by the Commission, that (A) the Corporation and the Servicer shall jointly submit a report to the Commission, not later than March 1 of each year, setting forth with respect to the prior calendar year, the outstanding principal amount of the Restructuring Bonds, the amount paid on such Bonds in such calendar year and the remaining Ongoing Financing Costs payable in such calendar year; and (B) after final and full payment of the Restructuring Bonds and any Financing Costs, the Transition Charge Revenues on deposit with, or thereafter received by, the bond trustee will be credited back to Customers in a manner directed by the Commission, and the Corporation will issue such final accounting reports as directed by the Commission;

The attached Restructuring Resolution meets this criterion.

70. The Restructuring Resolution makes the following enforceable commitment by the Corporation to the Commission:

> (A) The Corporation and the Servicer shall jointly submit a report to the Commission, not later than March 1 of each year, setting forth with respect to the prior calendar year, the outstanding principal amount of the Restructuring Bonds, the amount paid on such Bonds in such calendar year and the remaining Ongoing Financing Costs payable in such calendar year; and (B) after final and full payment of the Restructuring Bonds and any Financing Costs, the Transition Charge Revenues on deposit with, or thereafter received by, the bond trustee will be credited back to Customers in a manner directed by the Commission, and the Corporation will issue such final accounting reports as directed by the Commission.

Restructuring Resolution, Attachment 1.00, at paragraph 19(iv). This commitment is confirmed by the testimony of Corporation witness Gerard Gil-Olazábal (Corporation Ex. 3.00).

71. ***Resolution Requirement Twelve: Commitment to provide notice and data/work papers regarding any adjustments to Transition Charges***. Article 6.25A(e)(1)(xii) provides that the Restructuring Resolution must contain the following:

> A commitment, enforceable by the Commission, that each notice of a proposed adjustment to the Transition Charges, including the data or work papers used to calculate the Transition Charges, will be delivered by the Corporation or the Servicer to the Commission at least thirty (30) days prior to the proposed effective date of such adjustment, provided that, (1) notwithstanding the thirty (30) day obligation established by this paragraph, such information relating to the initial Transition Charges shall be provided not later than three (3) business days following the pricing or award of the Restructuring Bonds and such initial Transition Charges will be effective on the issuance date of the Restructuring Bonds…;

The attached Restructuring Resolution meets this criterion.

72. The Restructuring Resolution makes the following enforceable commitment by the Corporation to the Commission:

> The Corporation shall deliver to the Commission or cause the Servicer to deliver, notice of the proposed adjustment to the Transition Charges, including the data and work papers used to calculate the Transition Charges, at least thirty (30) days prior to the effective date of each proposed adjustment, provided that notwithstanding such thirty (30) day notice obligation, such information related to the initial Transition Charges shall be provided not later than three (3) business days following the pricing or award of the Restructuring Bonds and such initial Transition Charges shall be effective on the issuance date of the Restructuring Bonds,

Restructuring Resolution, Attachment 1.00, at Finding of Fact 33 and paragraph 19(v). This commitment is confirmed by the testimony of Corporation witness Gerard Gil-Olazábal (Corporation Ex. 3.00).

2. Article 6.25A(e)(2) – Transition Cost Calculation

73. ***The Transition Cost Calculation Utilizes Historic Energy Usage Provided with the Petition.*** Article 6.25(e)(2) requires that the Petition include or attach the following:

> The historic energy (kWh) usage of each class of Customers that serves as the basis of the distributions set forth in clauses (ii), (iii), (iv) and (vi) of paragraph (e)(1), as applicable, certified by an officer of PREPA.

The Petition meets this criterion.

74. Appendix 2 of the Restructuring Resolution (Attachment 1.00) describes the Calculation Methodology including how the share of costs will be recovered from each class of customer. The Calculation Methodology sets forth the manner in which Financing Costs are distributed among classes and allocated to customers and identifies the historic energy (kWh) usage on which those distributions and kWh transitional charges are initially based. That data is in Attachment 5.00 to the Petition. Corporation witness Javier Quintana-Méndez, P.E. (Corporation Ex. 2.00) certifies that the historical energy usage data contained in Attachment 5.00 is accurate and based on the records of PREPA.

3. Article 6.25A(e)(3) – Independent Financial Consultant's Report

75. Article 6.25(e)(3) requires that the petition include or attach the following:

> A report prepared by an independent financial consultant with recognized expertise in financing public electric utilities, a representative of which will appear to sponsor such report as a witness before the Commission in accordance with clause 9 of this paragraph (e), setting forth historical energy (kWh) usage, a projection of Ongoing Financing Costs and Transition Charges during the term of the Restructuring Bonds and any other material assumptions used in the report, and concluding that such Transition Charges have been calculated as provided in clauses (ii), (iii), (iv) and (vi) of paragraph (e)(1), as applicable, and in accordance with the assumptions included in such report, and will ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds.

The Petition satisfies this criterion.

76. Attachment 6.00 is a report sponsored and prepared by Corporation witness Ralph Zarumba, an independent financial consultant with recognized expertise in financing public electric utilities. Mr. Zarumba is a Director at Navigant, an independent professional services firm that provides financial and strategic services to companies, legal counsel, and governmental agencies worldwide, and is a recognized expert in financing public electric utilities. (Corporation Ex. 6.00). Mr. Zarumba has personally served as a consultant to publicly-owned and investor-owned electric utilities in the United States, including Puerto Rico, Canada, and Europe. The Independent Financial Consultant's Report sets forth the material assumptions, historical energy (kWh) usage, per service agreement and net metering determinations, a projection of Ongoing Financing Costs and Transition Charges during the term of the Bonds, and a conclusion that such Transition Charges meet the requirements of the Act.

4. <u>Article 6.25A(e)(4) – Financing Costs</u>

77. Article 6.25(e)(4) requires that the Petition include or attach the following:

> A[n] itemized breakdown of the estimates of (i) the Upfront Financing Cost in connection with the issuance of the Restructuring Bonds, and (ii) the Ongoing Financing Cost estimated to be incurred during the term of the Restructuring Bonds, together with any estimate of the resulting Transition Charges, and the estimated ratio of total Transition Charges to total charges to Customers.

The Petition meets this criterion.

78. Corporation witness Michael Mace (Corporation Ex. 4.00) supports Attachments 2.00 – 2.04 that set forth itemized estimates of the Upfront Financing Costs in connection with the issuance of the Bonds and the Ongoing Financing Costs estimated to be incurred during the term of the Bonds. Corporation witness Ralph Zarumba (Corporation Ex. 6.00) estimates the

resulting Transition Charges and supports Attachment 3.02 that sets forth the estimated ratio of total Transition Charges to total charges to Customers.

5. Article 6.25A(e)(5) – Savings Test

79. Article 6.25(e)(5) requires that the Petition include or attach the following:

> A demonstration that the proposed transaction is anticipated to satisfy the savings test set forth in Article 35 and Chapter IV of the PREPA Revitalization Act.

The Petition meets this criterion.

80. Attachment 3.01 to the Petition demonstrates that the proposed transaction will satisfy the Savings Test of Article 35(a)(iii) of the Revitalization Act. This Attachment shows the calculation of the expected present value savings based upon the scheduled payments on the Bonds, the expected Ongoing Financing Costs and debt service schedule on legacy PREPA bonds to be exchanged. The testimony of Corporation witness Michael Mace (Corporation Ex. 4.00) discusses the savings test and how the proposed transaction satisfies this test.

6. Article 6.25A(e)(6) – Servicer Costs

81. Article 6.25(e)(6) requires that the Petition include or attach the following:

> A determination, with support, that the servicing costs proposed to be recovered by PREPA as Servicer are sufficient to compensate PREPA for the reasonable incremental costs related to its servicing functions, including a copy of the proposed Servicing Agreement.

The Petition meets this criterion.

82. A draft form of the Initial Servicing Agreement is attached to the Restructuring Resolution (Attachment 1.00) as Appendix 4 thereto. Corporation witness Michael Mace (Corporation Ex. 4.00) also discusses the servicing function and the Servicing Agreement. Corporation witness Dan Stathos (Corporation Ex. 5.00) identifies, explains, and supports the

operations that PREPA must undertake to perform its duties as Initial Servicer and the incremental costs PREPA will incur to do so. He also confirms that the proposed payments to PREPA under the Initial Servicing Agreement are sufficient to compensate PREPA for the reasonable incremental costs of performing those servicing functions.

7. Article 6.25A(e)(7) – Projections and Stress Tests

83. Article 6.25(e)(7) requires that the Petition include or attach the following:

> All projections and stress test scenarios provided by PREPA or the Corporation to credit rating agencies relating to the Transition Charges;

The Petition meets this criterion.

84. Attached to the Petition as Attachment 4.00 are all projections and stress test scenarios provided by the Corporation to credit rating agencies relating to the Transition Charges. Those scenarios are described by Corporation witness Michael Mace (Corporation Ex. 4.00). Corporation witness Javier Quintana-Méndez, P.E. (Corporation Ex. 2.00) confirms that PREPA has not created or provided to any credit rating agencies any additional projections and stress test scenarios.

8. Article 6.25A(e)(8) – Other Documentary Support and Estimates

85. Article 6.25(e)(8) lists information that must be included with or attached to the Petition, to the extent not already provided. It requires:

> i) documentary support for and non-binding estimates of
>
> (1) interest and principal payments [including amortization payments] on the Restructuring Bonds and the payment dates thereof,
>
> (2) debt service coverage requirement, if any,
>
> (3) issuance expenses (including legal fees, underwriting fees, defeasing costs, servicing fees, and other fees and costs),

(4) any payments to the United States to preserve or protect the tax-exempt status of PREPA's outstanding debt obligations or the Restructuring Bonds

(5) deposits to accounts (including amounts deposited in respect of capitalized interest, debt service reserve fund or account, operating expense reserve or account, and PREPA's self-insurance deposits), and

(6) any costs, not included above, related to obtaining the Restructuring Order, protecting status of Restructuring Property, collecting Transition Charge, and administration costs, and

ii) an identification of the one-time costs (as distinct from ongoing costs), and an explanation of how such one-time costs will be included in the Transition Charge (for example, amortization vs. one-time recovery in a single repayment).

The Petition satisfies these requirements.

86. The following table summarizes each category of information included in this criterion is satisfied.

Section	**Witness/attachment**	**Description**
6.25A(e)(8)(i)(1)	Mace Ex. 4.00 Attachment 1.00 Attachment 2.03	Mace supports the current estimates of the various components of the Restructuring Bonds and their respective principal and interest requirements (and dates) that are included in Attachment 2.03.
6.25A(e)(8)(i)(2)	Mace Ex. 4.00 Attachment 3.03	Mace discusses PREPA debt service coverage and the fact that there is no debt service coverage requirement on the Bonds.
6.25A(e)(8)(i)(3)	Mace Ex. 4.00 Attachment 1.00 Attachment 2.01	Mace discusses the estimated Upfront Financing Costs contained in Attachment 2.01 including issuance expenses (including legal fees, underwriting fees, defeasing costs, servicing fees, and other fees and costs).
6.25A(e)(8)(i)(4)	Mace Ex. 4.00	Mace discusses potential payments to protect the tax-exempt status of PREPA's outstanding debt obligations or the Restructuring Bonds.

Section	Witness/attachment	Description
6.25A(e)(8)(i)(5)	Mace Ex. 4.00 Attachment 1.00 Attachment 2.01	Mace discusses deposits to reserves and self-insurance funds and deposits required to replenish draws on reserves. Deposits to reserve funds are included in the estimates of Upfront Financing Charges in Attachment 2.01.
6.25A(e)(8)(i)(6)	Mace Ex. 4.00 Attachment 1.00 Attachment 2.01 Attachment 2.02	Mace discusses costs related to obtaining the Restructuring Order, protecting status of Restructuring Property, collecting Transition Charge, and administration costs. He supports estimates of Upfront and Ongoing Financing Charges in Attachments 2.01 and 2.02.
6.25A(e)(8)(ii)	Mace Ex. 4.00 Attachment 1.00 Attachment 2.01	Mace discusses estimated one-time costs and an explanation of how such estimated one-time costs will be included in the Transition Charge (for example, amortization vs. one-time recovery). He supports estimates of Upfront and Financing Charges in Attachment 2.01.

9. <u>Article 6.25A(e)(9) – Written Testimony</u>

87. Article 6.25A(e)(9) requires that the Petition include or attach the following:

> Written forms of testimony with confirming Affidavits (which testimony shall incorporate attachments and the petition or other materials filed with it) of one or more employees of the Corporation, or PREPA or any agents or consultants to the Corporation or PREPA, attesting to the statements of fact in the petition and the determinations required to be made in the materials required to be filed with it. Such testimony shall:
>
> i) describe the Adjustment Mechanism and the manner of its calculation; and describe each Upfront and Ongoing Financing Cost estimated to be incurred;
>
> ii) present an estimation, together with corresponding explanations, of how the Transition Charge will change over the life of the Transition Charge;
>
> iii) describe the estimated ratio of total Transition Charges to total charges to Customers;
>
> iv) compare the debt service and other Ongoing Financing Costs associated with the Restructuring Bonds, to the debt service and other Ongoing Financing Costs of PREPA's outstanding debt to be financed by the Restructuring Bonds; and

v) explain the projections and stress test scenarios provided by PREPA or the Corporation to the credit rating agencies relating to the Transition Charge.

88. Submitted with this Petition are written testimonies, with confirming Affidavits, of employees of, and agents and consultants to, the Corporation or PREPA that incorporate applicable attachments to the Petition and other materials filed with the Petition, attest to the statements of fact made in the Petition and the determinations required to be made in the materials filed with the Petition, and present, describe, compare, and explain the matters identified. The following table identifies the principal locations where the requirements enumerated in Article 6.25A(e)(9)(i) through (v) are met:

Section	**Witness/Attachment**	**Description**
6.25A(e)(9)(i)	Zarumba Ex. 6.00 Zarumba Ex. 6.03 Mace Ex. 4.00 Attachment 1.00 Attachment 2.01 Attachment 2.02	Mr. Zarumba describes the Adjustment Mechanism and the manner of its calculation; Mr. Mace describes each Upfront and Ongoing Financing Cost estimated to be incurred and provides a description of each Upfront and Ongoing Financing Cost estimated to be incurred.
6.25A(e)(9)(ii)	Zarumba Ex. 6.00 Attachment 3.02	Estimates of Transition Charges by class and a comparison of Transition Charges to total charges to customers, each over the life of the Transition Charges.
6.25A(e)(9)(iii)	Zarumba Ex. 6.00 Attachment 3.02	Describes the estimated ratio of total Transition Charges to total charges to Customers.
6.25A(e)(9)(iv)	Mace Ex. 4.00 Attachment 3.01 Attachment 3.03	Compares the debt service and other Ongoing Financing Costs associated with the Bonds, to the debt service and other costs of PREPA's outstanding debt to be refinanced by the Bonds.
6.25A(e)(9)(v)	Mace Ex. 4.00 Quintana Ex. 2.00 Attachment 4.00	Mace explains the projections and stress test scenarios provided by PREPA or the Corporation to the credit rating agencies relating to the Transition Charge. Quintana confirms that PREPA did not provide any such estimates to rating agencies.

10. Article 6.25A(e)(10) – Attachments and Other Documents

89. Article 6.25A(e)(10) provides that:

> The draft Restructuring Resolution presented to the Commission need not contain forms of any other financing document referenced in the Resolution, except for the proposed form of the Servicing Agreement and any other document to support the information required in accordance with this Article 6.25A as requested by the Commission within five (5) days of filing of the petition. The Commission shall not, by rule or otherwise, require additional materials or information to be submitted in support of the petition.

The Petition satisfies this criterion.

90. Attached to this Petition is a draft form of the Initial Servicing Agreement (Attachment 1.00, Appendix 4). The form of Initial Servicing Agreement shows certain language, set off in brackets, not affecting the Commission's jurisdiction that is currently under discussion with creditors. The Corporation commits to providing to the Commission an executed copy of the Initial Servicing Agreement when available. Corporation Ex. 3.00 (Gil-Olazábal). The Corporation will timely provide any other documents and information required under Article 6.25A that are duly requested by the Commission within five days of the filing of the Petition.

E. The Commission Should Make Findings Consistent with Article 6.25A(b) and Adopt the Proposed Restructuring Order

91. Submitted with this Petition are attachments and sworn written testimonies attesting to the statements of fact in the Petition and the determinations required to be made in the materials filed with the Petition and presenting, describing, comparing, and explaining the matters identified in Article 6.25A(e)(9). The witnesses who have provided that testimony will be available for interrogation by the Commission under oath on the subject matter of their testimony. Except for materials and information that the Corporation is required, or may be

called upon, to provide under Article 6.25A(d), (e) and (f), the Commission may not, by rule or otherwise, require additional materials or information to be submitted in support of this Petition.

92. This Petition, the Restructuring Resolution, and the other attachments to the Petition satisfy each of the criteria set forth in Article 6.25A for issuance of a Restructuring Order. They establish, among other things, that the Calculation Methodology is consistent with the cost distribution and other standards set forth in Article 6.25A and is not arbitrary or capricious. As set forth in Article 6.25A(f)(2), the Commission may only either make the findings and determinations related to the Corporation's petition filed pursuant to Article 6.25A(b) or reject this Petition. As also set forth in Article 6.25A(f)(2), the Commission may not limit, qualify, amend, or otherwise change the proposed Restructuring Resolution. Pursuant to Article 6.25A(f)(4), if the Commission does not approve or reject the Petition within the statutory review period, the Commission will be deemed to have approved the Petition as a matter of law.

93. The proposed Restructuring Order (Attachment 8.00) approving the Calculation Methodology adopts Findings of Fact supported by this Petition and by the testimony and materials submitted with it. It reaches Conclusions of Law consistent with the Revitalization Act and germane to the subject matter of the Restructuring Order and the Restructuring Resolution that the Corporation may adopt after the Restructuring Order is issued. In particular, the proposed Restructuring Order makes the required statutory findings, recites the required statutory conclusions, and also confirms, as provided by law, that it is "irrevocable and will not be subject to further review or amendment by the Commission."[19]

[19] PRA, Art. 6.25A(f)(4) and Art. 31, para. 24 ("O*rden de Reestructuración*").

IV. PRAYER FOR RELIEF

WHEREFORE, the Puerto Rico Electric Power Authority Revitalization Corporation respectfully requests that this honorable Commission grant this Verified Petition and issue a Restructuring Order, substantially in the form proposed as Attachment 8.00, approving the Calculation Methodology specified in the Restructuring Resolution and, without limitation, finding and determining:

a. the provisions of the Restructuring Resolution (Attachment 1.00) including the Calculation Methodology for the Transition Charges and Adjustment Mechanism related to the Bonds are consistent with the criteria set forth in Article 6.25A(d) and are sufficient for and provide for adequate protection of the full and timely payment of the Bonds in accordance with their terms and other Ongoing Financing Costs;

b. the Upfront Financing Costs and Ongoing Financing Costs proposed to be recovered from the Bond proceeds or the Transition Charge Revenues are consistent with Article 6.25A and Chapter IV of the Revitalization Act;

c. the servicing costs proposed to be recovered by PREPA in its role as the Initial Servicer are necessary, reasonable, and sufficient to compensate PREPA for the incremental costs of performing its functions as Servicer.

RESPECTFULLY SUBMITTED,

IN SAN JUAN, PUERTO RICO, THIS 7TH DAY OF APRIL, 2016

PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION

Edwin Quiñones
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Giselle M. Martínez-Velázquez
Richard Hemphill Cabrera
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By: _____

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Kingsbury Center, Suite 600
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Chicago, Illinois 60654

* Pursuant to Moción Suplementaria de Solicitud de Admisión por Cortesía (pending)

By: _____

VERIFICATION

The undersigned, MELBA ACOSTA FEBO, Esq., CPA, of legal age, single, attorney, Certified Public Accountant and executive, and resident of San Juan, Puerto Rico, in her capacity as Chairperson of the Board of Directors of the Puerto Rico Electric Power Authority Revitalization Corporation, states that the facts stated in the foregoing Verified Petition are true and correct to the best of her knowledge and belief.

IN WITNESS WHEREOF, I have hereunto signed my name this __ day of April 2016.

_____
MELBA ACOSTA FEBO

Chairperson
Board of Directors
Puerto Rico Electric Power Authority Revitalization Corporation

Affidavit No.____

Acknowledged and subscribed before me by Melba Acosta Febo, Esq., CPA, of the personal circumstances above mentioned, in her capacity as Chairperson of the Board of Directors of the Puerto Rico Electric Power Authority Revitalization Corporation, who is personally known to me, in San Juan, Puerto Rico, this ___ day of April 2016.

_____
Public Notary

PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION

RESTRUCTURING RESOLUTION NO. 1

This restructuring resolution (this "Restructuring Resolution") is adopted by Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation") pursuant to Act No. 4-2016 of the Legislature of Puerto Rico, approved February 16, 2016 (the "Act") to authorize and approve, among other things, (a) the issuance by the Corporation of Restructuring Bonds in an aggregate principal amount not to exceed the principal amounts hereinafter set forth (the Restructuring Bonds approved pursuant to this Restructuring Resolution are hereinafter defined as the "Bonds"); (b) the Approved Restructuring Costs to be paid through the issuance of the Bonds and recovered from authorized Transition Charges; (c) the creation of the Restructuring Property described in this Restructuring Resolution including, without limitation, the right to impose, bill and collect the Transition Charges described in this Restructuring Resolution, as adjusted from time to time in accordance with the Adjustment Mechanism adopted by this Restructuring Resolution; (d) the imposition, billing and collection of such Transition Charges from Customers as approved in this Restructuring Resolution; (e) the execution and delivery of an initial servicing agreement with Puerto Rico Electric Power Authority ("PREPA"), as the initial servicer, and of a trust agreement, a calculation agent agreement, a depository agreement and other agreements related to the Bonds; and (f) other related matters as required in accordance with the Act.

Capitalized terms used, but not defined, herein shall have the meanings given such terms in Chapter IV of the Act (the "Securitization Chapter").

STATUTORY OVERVIEW AND HISTORY

PREPA was created in 1941 as a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth") by Act No. 83 of the Legislature of Puerto Rico, approved May 2, 1941, as amended (the "Act"). PREPA supplies the great majority of the electric power consumed in the Commonwealth and owns all transmission and distribution facilities and most of the generating facilities that constitute Puerto Rico's electric power system. PREPA is one of the largest publicly-owned utilities in the United States.

Faced with a growing challenge to pay its obligations as they became due, in August 2014, PREPA entered into forbearance agreements with certain beneficial owners and insurers of PREPA revenue bonds ("PREPA Bonds"), banks that provide revolving lines of credit used to pay for fuel and other expenses and Government Development Bank for Puerto Rico ("GDB"). During the term of the forbearance agreements, PREPA engaged in substantive discussions with the forbearing creditors to negotiate the terms of a broad, consensual financial settlement. On January 27, 2016, PREPA entered into a restructuring support agreement (including the annexes, exhibits and schedules attached thereto and as it may be amended, restated or reinstated from time to time, the "RSA") with creditors (such creditors, the "Supporting Creditors") that sets forth the material terms of a financial settlement, which was predicated, in part, upon the establishment of the Corporation as an entity separate and distinct from PREPA and the issuance by the Corporation of the Bonds, in exchange for or to legally or economically defease PREPA

Bonds beneficially owned or insured by the parties to the RSA. Certain material terms of the RSA required action by the Legislative Assembly, including the enactment of the Act. Further, the Corporation was required to, and did, become a party to the RSA not later than twenty five days after passage of the Act.

In passing the Act, the Legislative Assembly allowed for the creation of the Corporation and the issuance of Bonds to help PREPA become financially sound and be able to meet its obligations to its stakeholders. Moreover, the legal protections set forth in the Act are intended to permit the Corporation to access the capital markets to fulfill the economic terms of the RSA. These legal protections include, *inter alia*, provisions which authorized (a) a formulaic adjustment mechanism, called an Adjustment Mechanism, to be applied by the Corporation (or by a Servicer on behalf of the Corporation) to adjust the Transition Charge, no less often than semi-annually, to ensure that Transition Charge revenues are sufficient to provide for the timely payment of the Bonds and related Ongoing Financing Costs, (b) provisions to make the Transition Charge Non-bypassable to Customers, and (c) the statutory agreements, covenants and pledges of the Commonwealth including, *inter alia*, providing that the Commonwealth shall not limit, alter, reduce, impair, postpone or terminate the rights conferred in the Act, any restructuring resolution and related agreements, including the requirements of the Securitization Chapter.

On February 16, 2016, the Legislative Assembly adopted the Act and the Governor signed the Act into law. As required by Article 35(c)(1) and (2) of the Act, for once a week for three successive weeks after the effective date of the Act, GDB published a notice of passage of the Act, which notice explained, among other things, the opportunity for interested parties to challenge its validity. [Placeholder for outcome.] As required by Article 35(c)(2) of the Act, notice of passage of the Act was also posted on the websites of the Corporation, GDB and PREPA, [and was delivered to those Interested Persons identified in the Securitization Chapter] and filed by PREPA on February 24, 2016 with the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board, each in accordance with the timelines set forth in the Securitization Chapter.

On March __, 2016, the Corporation authorized the filing of a petition (the "Petition") with the Puerto Rico Energy Commission ("PREC" or the "Commission") for approval of the calculation methodology for the Transition Charges, and the Adjustment Mechanism to be applied to adjust the Transition Charges from time to time, together with related matters, as required by Article 6.25A of Act No. 57-2014, as amended. On March __, 2016, the Corporation, PREPA, and Commission published on their respective websites a summary of the Petition prepared by the Corporation. On _____ __, 2016, the Petition was deemed to be complete (such date referred to as the "Corporation Petition Date").

On _____ __, 2016, PREC held public hearings with respect to the Petition [details to come] at which hearings the witnesses submitting testimony in support of the Petition appeared for questioning by the Commission on the subject matter of their testimonies. The Commission also permitted the public to submit written comments on the Petition. On _____, 2016, PREC issued Order No. __ (the "Restructuring Order") that, *inter alia*, approved the Petition and found that the calculation methodology for the Transition Charges and the Adjustment Mechanism related thereto complied with Article 6.25A of Act 57-2014, as

amended. As a result, pursuant to Article 35 (b)(i) of the Act, the Corporation is required to issue this Restructuring Resolution by [INSERT DATE WITHIN 5 DAYS OF RESTRUCTURING ORDER].

If the Bonds authorized by this Restructuring Resolution are approved and issued by the Corporation, PREPA, as the initial Servicer shall, on behalf of the Corporation, service, bill and collect from Customers the Transition Charges, as adjusted from time to time in accordance with the Adjustment Mechanism set forth in this Restructuring Resolution, until the principal of and interest on the Bonds and the related Ongoing Financing Costs have been paid in full.

FINDINGS OF FACT

The Corporation hereby makes the findings of fact listed below.

Issuance of Bonds by Corporation:

1. It is in the best interests of the Corporation and the Commonwealth to authorize this issuance of Bonds under the Act in furtherance of the provisions of the RSA (including as it may be amended), at one or more times, in one or more series, for the following authorized purposes under the Act:

   (i) One or more series of Bonds to be issued on the date (the "Closing Date") on which the Exchange Offer Bonds described in clause (i) (such bonds collectively referred to herein as the "Closing Date Bonds") are issued for the following purposes:

   (A) Bonds, in an initial aggregate principal amount not to exceed $4.97 billion (the "Exchange Offer Bonds"), to be issued to the beneficial owners of PREPA Bonds that are not insured PREPA Bonds ("Uninsured PREPA Bonds"), in exchange for such Uninsured PREPA Bonds (i) at an exchange ratio (principal to principal) of 85% and (ii) may also be issued in an amount equal to and in satisfaction of any accrued and unpaid interest owing on such Uninsured PREPA Bonds at the time of such exchange;

   (B) (i) Bonds, in an initial aggregate principal amount not to exceed $2.086 billion (the "Monoline Mirror Bonds"), to be deposited in an irrevocable escrow to solely legally or economically defease the PREPA Bonds insured by the monoline bond insurers (the "Insured PREPA Bonds") that have signed the RSA and are participating in the transactions set forth in Schedule II to Annex D to the RSA (the "Monoline Insurers"), and (ii) Bonds, in an initial aggregate principal amount not to exceed $750 million (the "Other Mirror Bonds" and together with the Monoline Mirror Bonds, the "Mirror Bonds") to be deposited in an irrevocable escrow to solely legally or economically defease the PREPA Bonds issued in 2016 (the "2016 PREPA Bonds");

(C) Bonds, in a principal amount not in excess of the sum of 6.25% of the Closing Date Bonds described in clauses (A), (B), (D), (E), (F) and (G) plus 6.25% of the Post-Closing Date Bonds, to fund or, in the case of (ii) to be provided in whole or in part as payment for, (i) one or more debt service reserve or operating funds or accounts to secure payment of all or a portion of the Bonds, and (ii) all Upfront Financing Costs incurred in connection with the issuance of all Closing Date Bonds or the Post-Closing Date Bonds, as the case may be; plus (iii) the costs of any payment to the IRS (as described in clause (f) of Finding of Fact 4 below);

(D) Bonds, in an initial aggregate principal amount not in excess of $50 million, to fund a deposit to the PREPA Self Insurance Fund described in Finding of Fact 4(g) below (Bonds issued for purposes described in this clause (D) and the preceding clause (C) are collectively referred to as "New Money Bonds");

(E) Bonds, in an initial aggregate principal amount not exceeding $2.6 billion ("Cash Offer Bonds"), for the purpose of funding the costs to refund, redeem or purchase, directly or indirectly, Uninsured PREPA Bonds with the goal of increasing the exchange offer participation levels;

(F) Bonds, in an initial aggregate principal amount not exceeding $625 million (the "Lender Bonds"), issued to the Supporting Creditors (i) in exchange for the extinguishment of the obligations due and owing under the Credit Agreements (the "Credit Agreements") between such Supporting Creditors and PREPA, at an exchange ratio (principal to principal) of 85% and (ii) to reimburse such Supporting Creditors for certain fees and expenses in an amount not to exceed $1 million; and

(G) Bonds, in a principal amount not exceeding $240 million, to be issued to restructure, refund, redeem, defease (legally or economically through the issuance of additional mirror bonds or otherwise) or purchase PREPA Bonds insured by Syncora Guarantee Inc. and/or an affiliate thereof ("Syncora"), as required to implement the economic terms of the RSA, as it may be amended (the "Closing Date Syncora Bonds").

(ii) One or more series of Bonds to be issued after the Closing Date (such bonds collectively referred to herein as the "Post-Closing Date Bonds") are issued for the following purposes:

(A) One or more series of Bonds, in an initial aggregate principal amount not to exceed $750 million to one or more holders of 2016 PREPA Bonds, at an exchange ratio of 100%, in voluntary exchange for such 2016 PREPA Bonds. If any 2016 PREPA Bonds are exchanged for Post-Closing Date Bonds, the corresponding Mirror Bonds will be cancelled;

(B) One or more series of Bonds in a principal amount not exceeding $240 million, to be issued to restructure, refund, redeem, defease (legally or economically through the issuance of mirror bonds or otherwise) or purchase PREPA Bonds insured by Syncora, as required to implement the economic terms of the RSA, as it may be amended (the "Post-Closing Date Syncora Bonds" and, together with the Closing Date Bonds, the "Syncora Bonds"); provided that the total principal amount of Syncora Bonds issued shall not exceed $240 million; and

(C) New Money Bonds with respect to Post-Closing Date Bonds, as described in and to the extent not previously issued pursuant to clause 1(i)(C) above to pay the Upfront Financing Costs described therein.

2. Post-Closing Date Bonds shall be payable, on a parity with all Closing Date Bonds, from, and secured, equally and ratably with all Closing Date Bonds, by, the Restructuring Property pledged to the payment of the Bonds in the Trust Agreement (as hereinafter defined).

3. Nothing in this Restructuring Resolution shall preclude the Corporation from authorizing additional "Restructuring Bonds" (in addition to the Bonds) secured by "Restructuring Property" (other than the Restructuring Property created pursuant to this Restructuring Resolution) under one or more "Restructuring Resolutions" (in addition to this Restructuring Resolution) so long as such issuance is consistent with the terms of the Act, the Trust Agreement securing any outstanding Bonds and the RSA.

Approved Restructuring Costs:

4. The Approved Restructuring Costs to be paid through the issuance of the Bonds and recovered through Transition Charges shall include the costs of (a) retiring the PREPA Bonds in exchange for the Exchange Offer Bonds or the 2016 PREPA Bonds in exchange for Post-Closing Date Bonds; (b) legally or economically defeasing Insured PREPA Bonds and 2016 PREPA Bonds through the issuance of Mirror Bonds and the payment of such Mirror Bonds; (c) restructuring, refunding, redeeming, defeasing (legally or economically through the issuance of additional mirror bonds or otherwise), or purchasing PREPA Bonds through the issuance of Syncora Bonds; (d) the retirement of the obligations due and owing by PREPA under the Credit Agreements through the issuance of the Lender Bonds; (e) funding or replenishing any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement, and to the extent permitted in the Trust Agreement, any Ancillary Agreement, including an additional reserve fund, to its required level, as provided in the Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary Agreement (as the case may be), to secure payment of all or a portion of the Bonds; (f) funding any payment to the Internal Revenue Service (the "IRS") in accordance with any PREPA agreement with the IRS under the voluntary closing agreement or similar program; (g) funding a deposit to the self-insurance fund (the "PREPA Self Insurance Fund"), established pursuant to the trust agreement, dated as of January 1, 1974, as amended, by and between PREPA and U.S. Bank National Association, as successor

trustee, in an amount not to exceed $50 million; (h) paying Financing Costs, including the Upfront Financing Costs, in connection with any issuance of Bonds and approved for recovery in this Restructuring Resolution; and (i) refunding, redeeming or purchasing Uninsured PREPA Bonds.

5. The Exchange Offer Bonds, the Monoline Mirror Bonds, the New Money Bonds which may be issued on the Closing Date, the Cash Offer Bonds and the Lender Bonds were all contemplated by the RSA, and, accordingly, the costs of legally or economically defeasing, exchanging for, refunding, redeeming, purchasing, funding, retiring or extinguishing, as applicable, Uninsured PREPA Bonds and Insured PREPA Bonds, a deposit to the PREPA Self Insurance Fund and retiring the obligations under the Credit Agreements may be included as Approved Restructuring Costs.

6. The 2016 PREPA Bonds do not exceed an aggregate principal amount of $535,000,000 and accordingly the costs of legally or economically defeasing, exchanging for, refunding, redeeming or purchasing 2016 PREPA Bonds may be included as Approved Restructuring Costs.

Terms of Bonds:

7. In no event are Bonds to be issued during the pendency of any action brought pursuant to Article 35(c), (d) or (f)(2) of the Act, nor later than five years from the date of adoption of this Restructuring Resolution.

8. The Bonds of any issue (i) may be issued in one or more tranches or series, at one or more times, (ii) may be issued as any combination of serial and term Bonds and as Bonds paying current interest ("Current Interest Bonds") and Bonds accreting interest for a period of no more than 4 ½ years to 5 ½ years after their issue date and paying cash interest thereafter ("Convertible Capital Appreciation Bonds" or "Convertible CABs"), (iii) may have (A) a scheduled maturity date or dates (including scheduled mandatory sinking fund redemption dates), which will be a date or dates by which such series or tranche is to be amortized in principal amounts set forth therein for such date or dates and with Transition Charges set at sufficient levels to generate receipts to enable such amortization on such date or dates, and (B) a legal maturity date or dates (including legal mandatory sinking fund redemption dates), which will be a date or dates by which such series or tranche must be amortized in principal amounts set forth therein in order to avoid a default under the transaction documents and which is expected to be two years after the related scheduled maturity date, provided that the legal maturity date for any series or tranche of the Bonds shall be no less than one year and no more than thirty-five years after the date of issuance of the Bonds, and (iv) shall have such other terms and details, consistent with this Restructuring Resolution and as contained in the applicable Trust Agreement as executed and delivered, subject to the following additional limitations for the Closing Date Bonds and the Post-Closing Date Bonds, respectively.

Closing Date Bonds:

(A) The terms of the Exchange Offer Bonds will result in the satisfaction of the Savings Test described in Finding of Fact 22, to be conclusively confirmed by the Designee Certificate of Determination and Approval in the form attached hereto as **Appendix 1** (the "Designee Certificate") to be submitted to the Secretary of the Board and to the Commission not later than three (3) business days following the pricing of the Bonds;

(B) The terms of the Monoline Mirror Bonds and the Other Mirror Bonds will mirror the economic terms (i.e., the principal amount, payment dates, interest rate (except as described in the proviso to this sentence) and maturity date and shall not accelerate as a result of acceleration of the Insured PREPA Bonds or 2016 PREPA Bonds) of the Insured PREPA Bonds and the 2016 PREPA Bonds, respectively, as described in the RSA (including as it may be amended); provided, however, subject to the agreement of the parties to the RSA, certain interest payments on the Monoline Mirror Bonds or Other Mirror Bonds, as applicable, may be subject to additional terms that provide for additional sources of payment or defer the timing of payment of such interest payments for the purpose of better matching expected Transition Charge revenues with debt service requirements;

(C) The interest rate or rates on the New Money Bonds will not exceed the maximum rate of interest permitted by applicable law as of the date hereof;

(D) The terms of the Cash Offer Bonds will result in the satisfaction of the Savings Test described in Finding of Fact 22, to be conclusively confirmed by the Designee Certificate;

(E) The issuance of New Money Bonds to fund the PREPA Self Insurance Fund will not have a material adverse impact on the pricing of the Exchange Offer Bonds or the Cash Offer Bonds, to be conclusively evidenced by the Designee Certificate; and

(F) The terms of the Syncora Bonds would be described in an amended RSA. To the extent the Savings Test described in Finding of Fact 22 applies to the Syncora Bonds, the terms of the Syncora Bonds will result in the satisfaction of the Savings Test, to be conclusively confirmed by the Designee Certificate.

Post-Closing Date Bonds:

(A) The interest rate or rates on any Post-Closing Date Bonds described in clause (ii) of Finding of Fact 1 will not exceed the maximum rate of interest permitted by applicable law as of the date hereof.

9. The final terms of the Closing Date Bonds, consistent with the terms of this Restructuring Resolution, shall be approved by the Corporation either solely by act of the Corporation Designee, as evidenced by the execution of the Designee Certificate, or in the discretion of the Board, through an award resolution (an "Award Resolution") which the Board may adopt to approve the final pricing and terms of the Closing Date Bonds. In either such case, the approval of the final terms of the Closing Date Bonds shall be conclusively evidenced by the execution and delivery by the Corporation Designee of the Designee Certificate and the applicable Trust Agreement. The final terms of the Post-Closing Date Bonds, consistent with the terms of this Restructuring Resolution, at the option of the Board, shall be approved by this Board in an Award Resolution adopted at the time the Board approves the final pricing and terms of the Post-Closing Date Bonds, and again will be conclusively evidenced by the execution and delivery by the Corporation Designee of the Designee Certificate and the applicable Trust Agreement or supplement thereto.

Upfront Financing Costs:

10. The issuance of any series of Bonds will require the payment of the Upfront Financing Costs described as follows (the "Upfront Financing Costs"), which costs are recoverable from the Bond proceeds or Transition Charges, as applicable:

    (i) expenses of the Corporation associated with the petition to and proceedings before the Commission;

    (ii) the funding of any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement, and to the extent permitted in the Trust Agreement, any Ancillary Agreement, including an additional reserve fund, to its required level, as provided in the Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary Agreement (as the case may be), to be held under the Trust Agreement securing the Bonds;

    (iii) fees and expenses associated with the structuring, marketing, and issuance of the Bonds, including without limitation

        (A) attorneys' fees and expenses and advisors' fees and expenses payable by the Corporation directly or indirectly;

        (B) fees and expenses associated with the issuance of surety bonds for deposit to one or more reserve funds or accounts established under the Trust Agreement by the Monoline Insurers (each such bond, a "Surety Bond");

        (C) fees and expenses of any broker-dealer engaged to assist in the tender and exchange of PREPA Bonds;

        (D) fees and expenses payable to underwriters in connection with the sale of the Bonds;

(E) administration fees and expenses and any cost related to obtaining a Restructuring Order;

(F) original issue discount;

(G) rating agency fees;

(H) Trustee (or similar fiduciary) fees and expenses (including attorneys' fees and expenses);

(I) the fees and expenses relating to the solicitation and engagement of any Depository or Depositories or other administrator or fiduciary (as described in Finding of Fact 52);

(J) accounting and auditing fees and expenses;

(K) the fees and expenses related to the solicitation and engagement of any Calculation Agent or other administrator or fiduciary (as described in Finding of Fact 40);

(L) printing and marketing expenses;

(M) compliance fees;

(N) filing or listing fees;

(O) fees and expenses of the Corporation's other consultants, if any;

(P) initial fees and expenses (or set-up) of the Servicer;

(Q) any fee or expense incurred to directly or indirectly facilitate the purchase of Uninsured PREPA Bonds, including any fees or expenses incurred to secure any commitments;

(R) placement fees and expenses; and

(S) any other cost approved by the Board as necessary or desirable for the accomplishment of the purposes of the Act.

Upfront Financing Costs include the reimbursement of PREPA or any other Person of amounts advanced for the payment of Upfront Financing Costs.

11. The Corporation has provided to the Commission in Attachment 2.01 to the Petition an estimate of the Upfront Financing Costs that are expected to be incurred in connection with the delivery of the Closing Date Bonds and the Post-Closing Date Bonds, based upon, in part, estimates from counsel, advisors, underwriters, rating agencies, the Trustee, accountants, printers, and other professionals and agents, and other factors in light of then-current information at the time of the submission of the Petition.

12. In the Restructuring Order, the Commission found and determined that the Upfront Financing Costs proposed to be recovered by the Corporation are consistent with Article 6.25A of Act 57-2014, as amended, and Chapter IV of the Act.

13. The precise amount of Upfront Financing Costs for the Closing Date Bonds and the Post-Closing Date Bonds cannot be ascertained with certainty until the respective Bonds have been priced and issued, and the final Upfront Financing Costs for the Closing Date Bonds should be subject to approval by the Corporation Designee or through an Award Resolution, in either case as conclusively evidenced in the Designee Certificate. If the total amount of Upfront Financing Costs exceed the estimate of total Upfront Financing Costs presented to this Board, such excess, as well as the final Upfront Financing Costs to be incurred for the Post-Closing Date Bonds, shall be subject to approval by this Board.

14. Upfront Financing Costs shall be paid from the proceeds of the New Money Bonds or the Cash Offer Bonds (as the case may be), provided that any Upfront Financing Costs approved for recovery (as described in Finding of Fact 10) that cannot be paid from the proceeds of the sale of the Bonds shall be recoverable as an Ongoing Financing Cost, as provided in the Designee Certificate or any Award Resolution of this Board (as applicable).

15. References in this Restructuring Resolution to the payment, funding or recovery of Upfront Financing Costs through the Closing Date, whether from Bond proceeds or otherwise, shall be deemed to include, without limitation, the payment of such Upfront Financing Costs by the delivery of New Money Bonds as payment of such Upfront Financing Costs as well as funding of such Upfront Financing Costs through any contributions or advances received from PREPA. Nothing in this Restructuring Resolution shall prevent the payment or funding of Upfront Financing Costs with a contribution or advance from PREPA.

Ongoing Financing Costs:

16. The terms of each issuance of Bonds may require the payment of the following Ongoing Financing Costs from the proceeds of the Transition Charges and any other moneys available under the Trust Agreement securing the Bond issuance (the "Ongoing Financing Costs") which costs are recoverable from the Transition Charges:

    (i) principal, interest and redemption premiums payable on the Bonds;

    (ii) any payment required under any bond insurance policy, surety bond, reimbursement agreement or any agreement entered into in connection therewith or other Ancillary Agreement, or any amount required to fund or replenish (or to reimburse a third party for replenishing) any debt service reserve fund or account or any other fund or account established under the Trust Agreement and, to the extent permitted by the Trust Agreement, any Basic Document (as hereinafter defined) or under any other financing document related to the Bonds, including an additional reserve fund;

(iii) any taxes and charges, including payments or contributions in lieu of taxes, franchise fees or license fees imposed on Transition Charge Revenues;

(iv) any cost related to administering the Corporation, the Bonds or the Restructuring Property, including the costs of calculating adjustments of Transition Charges and implementing the Adjustment Mechanism, all Servicing Fees and expenses, the fees and expenses of the Calculation Agent (hereafter defined) employed to verify the calculation of any adjustment to the Transition Charges, the costs of all Depositories (hereinafter defined) or other collection agents employed to assure the collection, segregation and remittance of Transition Charge Revenues to the Trustee, the costs of the Trustee and any other fiduciaries appointed to secure or facilitate payment of the Bonds, and all legal, accounting and other advisors' or consultants' fees and expenses incurred in connection with the foregoing;

(v) all rating agency fees and expenses incurred to obtain and/or maintain ratings on the Bonds;

(vi) any cost related to protecting the status of Restructuring Property and collecting Transition Charges, including any cost related to any judicial or similar proceedings that the Corporation or the Trustee or any owner of all or a portion of Restructuring Property deems necessary to enforce or collect Transition Charge Revenues or protect the Restructuring Property or any other costs referred to in Article 38(a) of the Act, in each case subject to the provisions of the Act;

(vii) any ongoing filing or listing fees for the Bonds;

(viii) the fees and expenses of any auditor;

(ix) without duplication, any indemnity payments required to be paid by the Corporation to the Trustee, any Servicer, Calculation Agent, or Depository, the underwriters, the broker-dealers, the parties to any Ancillary Agreements (including any Surety Bond or Surety Bond reimbursement agreement) or other persons pursuant to agreements entered into in connection with the Bonds;

(x) any indemnity or other payments or costs required to be paid to the Board or its individual directors, or officials, agents and employees of the Corporation as provided in Article 35(q) of the Act; and

(xi) any other cost related to issuing Bonds, administering and servicing Restructuring Property and Bonds payable under the Basic Documents (as described in Finding of Fact 62), including the payment of any Upfront Financing Costs not paid from the proceeds of the Bonds and any other cost approved in a Designee Certificate or approved by the Board as necessary or desirable for the accomplishment of the purposes of the Act.

17. Expenses corresponding to most categories of Ongoing Financing Costs will continue to be incurred while Bonds remain outstanding, and the total amount of most Ongoing Financing Costs will not be known until after this Restructuring Resolution is adopted,

e.g., the expected principal and interest payable on the Bonds will not be known until the Bonds are priced, certain Ongoing Financing Costs consisting of fees may be estimated at the time the Bonds are issued but will likely change over the life of the Bonds, the expenses will vary from year to year depending upon what services or activities are required to be performed in each year, and some possible Ongoing Financing Costs may not be known at the time of issuance of the Bonds, including the costs of funding or replenishing any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement, and to the extent permitted in the Trust Agreement, any Ancillary Agreement, including an additional reserve fund, to its required level, as provided in the Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary Agreement (as the case may be). Additionally, certain possible Ongoing Financing Costs depend upon contingencies that may never happen.

18. The Corporation has provided to the Commission in Attachment 2.02 to the Petition an estimate of the annual Ongoing Financing Costs to be incurred for the first annual period following the delivery of the Closing Date Bonds and the Post-Closing Date Bonds and during the life of such Bonds.

19. In the Restructuring Order, the Commission found and determined that the Ongoing Financing Costs proposed to be recovered by the Corporation are consistent with Article 6.25A of Act 57-2014, as amended, and Chapter IV of the Act.

20. The Corporation Designee will include in the Designee Certificate a final estimate of the Ongoing Financing Costs for the first annual period following issuance of the Closing Date Bonds or Post-Closing Date Bonds, as well as an estimate of the Ongoing Financing Costs for the term of such Bonds.

21. The Corporation will recover, from Transition Charge Revenues, all Ongoing Financing Costs as incurred by the Corporation, without limitation as to amount, and the Transition Charges shall be imposed and collected from all Customers until all such Ongoing Financing Costs are paid in full.

Required Statutory Savings; Customer Benefits:

22. Pursuant to Article 33(a)(3) of the Act, the Corporation may issue the Exchange Offer Bonds, the Cash Offer Bonds and Syncora Bonds (if issued in a manner such that the Savings Test would apply to such Syncora Bonds pursuant to the Act) only if, as a result of the issuance of such Bonds, the present value of the debt service in respect of all such Bonds is at least $725 million lower than the present value of the debt service of all of such PREPA Bonds refinanced by such issue of Bonds (calculated using the yield on such issue of Bonds then being issued as determined by the Corporation and using such other customary assumptions as the Corporation in consultation with its advisors shall determine) (the "Savings Test").

23. The Savings Test is not applicable to other Bonds to be issued on the Closing Date or to Post-Closing Date Bonds.

24. In the Petition, the Corporation has provided to the Commission evidence and calculations demonstrating that the issuance of the Exchange Offer Bonds, the Cash Offer Bonds and Syncora Bonds (if issued in a manner such that the Savings Test would apply to such Syncora Bonds pursuant to the Act) is anticipated to satisfy the Savings Test and will satisfy the Savings Test as conclusively evidenced by the Designee Certificate.

25. Compliance with the Savings Test shall be conclusively confirmed by the delivery of the Designee Certificate.

26. The issuance of the Bonds will result in Customer benefits, including cost savings (compared to the current present value of PREPA's avoided debt service revenue requirements).

Transition Charge Allocation Methodology and Adjustment Mechanism:

27. In the Petition, the Corporation has submitted a formulaic methodology for distributing the responsibility for Financing Costs among Customer classes and Customers, and for calculating and adjusting from time to time the Transition Charge (collectively, the "Adjustment Mechanism"), which is appended to this Restructuring Resolution as **Appendix 2** hereto, together with supporting evidence which:

    (i) determines the classes of Customers among which Ongoing Financing Costs are distributed;

    (ii) distributes the responsibility for the Ongoing Financing Costs among residential and non-residential Customers, and distributes such costs among such Customer classes based upon the most recent 12-month historical energy usage (kWh) for which data are available;

    (iii) calculates the Transition Charge for non-residential Customers based upon historical energy usage (kWh) data and calculates the Transition Charge for residential Customers on an equal per-service agreement basis;

    (iv) provides that delinquencies of any class of Customers will be distributed among all Customer classes as provided in Article 6.25A(e)(1)(v) of Act 57-2014, as amended; and

    (v) provides that estimated load served by net metering or estimated distributed generation ("behind the meter") will be included in its determination of energy usage in clauses (ii) and (iii) above, as described in Finding of Fact 28.

28. The Corporation has determined that estimated load served by net metering or estimated distributed generation ("behind the meter") should be included in the determination of energy usage under clauses 27(ii) and 27(iii) above by adjusting customer usage to reflect gross usage (without regard to net metered credits) and by estimating "behind the meter" usage. This "behind the meter" usage will be estimated as practicable. Initially the load will be estimated by eliminating any subtraction from load for the amount of electricity generated "behind the meter" and delivered to the grid. As it becomes practicable and

meter data measuring the output of the distributed generation becomes available, the load of such customers for these purposes will no longer exclude the output of the distributed generation not delivered to the grid. The Corporation has further determined that this approach will not render the resulting Transition Charges impracticable to administer and that the resulting Transition Charges will ensure the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds. PREPA can practically determine total load, including estimated load served by net metering and distributed generation, in the calculation of Transition Charges, as described above. If the estimated load served by net metering and distributed "behind the meter" generation were not included, a Customer could reduce its responsibility to pay Transition Charges, and the responsibility for those avoided charges would be transferred to other Customers. This would increase other Customers' Transition Charges and create an uneconomic incentive to bypass the PREPA system, increasing further the shift in the responsibility for Transition Charges. In contrast, including such estimated load in the distribution of costs among Customer classes and the calculation of individual Customers' Transition Charges will not impair the collection of Transition Charges or the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds.

29. The Corporation has determined that the distribution and calculation methodologies described in clauses (i) through (v) of Finding of Fact 27 are practicable to administer, and ensure the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds.

30. The Corporation has determined that the exclusion of net metered generation and the inclusion of estimated "behind the meter" load served by distributed generation in the energy usage set forth in Findings of Fact 27(ii) and 27(iii) above will not render the resulting Transition Charges impracticable to administer and that the resulting Transition Charges will ensure the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds.

31. The Adjustment Mechanism (a) has been approved by the Commission in the Restructuring Order, (b) is practical to administer and ensures the full and timely payment of (i) the Bonds in accordance with their terms and (ii) all other Ongoing Financing Costs, and (c) should be approved by the Corporation.

<u>Calculation and Adjustment of Transition Charges</u>:

32. The Corporation will apply, or cause the Servicer to apply, the Adjustment Mechanism to adjust the Transition Charge no less often than quarterly to ensure the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds.

33. The Corporation will deliver, or cause the Servicer to deliver, to the Commission, notice of the proposed adjustment to the Transition Charges (a "True-Up Adjustment Letter"), including the data and work papers used to calculate the Transition Charges, at least thirty (30) days prior to the effective date of each proposed adjustment, provided that the

information related to the initial Transition Charges with respect to any issuance of Bonds shall be provided to the Commission by the Corporate Designee (in the Designee Certificate or a True-Up Adjustment Letter) not later than three business days following the pricing or award of the Bonds and such initial Transition Charges shall be effective on the issuance date of the Bonds.

34. Each True-Up Adjustment Letter shall be substantially in the form attached hereto as Exhibit F to the Initial Servicing Agreement (approved pursuant to Finding of Fact 45).

35. The Commission's review of the initial Transition Charges or any adjustment to the Transition Charges shall be limited to verifying the mathematical accuracy of the calculation of the initial Transition Charges or subsequent Transition Charges resulting from the application of the Adjustment Mechanism (as the case may be).

36. Before issuing any order regarding the correction of a mathematical error, the Commission will provide a preliminary finding to the Servicer and any Calculation Agent. Any adjustment to correct the mathematical inaccuracy, if ordered by the Commission, shall be made by the Corporation (or the Servicer on its behalf) not later than the next succeeding application of the Adjustment Mechanism on which such adjustment can practically be implemented. In no event shall the provision of a preliminary finding or the implementation of a Commission order correcting any mathematical error result in the delay of the implementation of an adjustment to the Transition Charges from the effective date stated in the True-Up Adjustment Letter.

37. Any estimated over-collections or under-collections resulting from such mathematical inaccuracy shall be credited or added in connection with such succeeding application of the Adjustment Mechanism, but no Customer shall be entitled to a refund of Transition Charges or the retroactive application of the same by reason of mathematical inaccuracies corrected in periodic adjustments.

38. No adjustment of Transition Charges pursuant to the Adjustment Mechanism shall in any way affect the irrevocability of this Restructuring Resolution.

39. There shall be no cap on the Transition Charge calculated pursuant to the Adjustment Mechanism.

Calculation Agent:

40. The Corporation with the approval of the Trustee, or the Trustee, in each case as and to the extent provided in the Trust Agreement, is authorized pursuant to Article 35(i) of the Act to retain the services of a third party calculation agent unrelated to GDB or PREPA and acceptable to the Trustee, to confirm the calculation of the Transition Charges prepared by the Servicer. The use of a Calculation Agent will enhance the marketability of the Bonds and the Corporation Designee should be authorized to execute and deliver a calculation agent agreement (a "Calculation Agent Agreement"), substantially in form of **Appendix 3** hereto, with _____, as initial Calculation Agent, with such changes, omissions or alterations as the Corporate Designee shall approve with the advice of financing counsel to the Corporation, his or her execution of the same being

conclusive proof of the approval of such changes, omissions or alterations. In the event that the Calculation Agent should resign or be discharged, the Corporation with the approval of the Trustee, or the Trustee, in each case as and to the extent provided in the Trust Agreement, shall be authorized to take all necessary action to cause a new Calculation Agent to be appointed.

41. In the event of a dispute between the Servicer and the Calculation Agent, the Corporation, as and to the extent provided in any Trust Agreement, shall promptly appoint an independent third party expert to resolve the matter. In the event that the Corporation shall fail to appoint or retain a Calculation Agent acceptable to the Trustee (the initial Calculation Agent named in Finding of Fact 40 shall be deemed to be acceptable) or to appoint an expert to resolve any conflicts, the Trustee, as and to the extent provided in the Trust Agreement, should be authorized to appoint a Calculation Agent or expert. Any costs of the Calculation Agent (or any expert) shall be Ongoing Financing Costs and shall be recovered from Transition Charge Revenues.

Restructuring Property:

42. The Restructuring Property created by this Restructuring Resolution shall include this Restructuring Resolution and the property rights and interests created hereby, including the right, title, and interest in and to: (a) the right to create and receive Transition Charges in amounts sufficient to pay the Bonds and all related Ongoing Financing Costs in full and on a timely basis; (b) the Transition Charges, as adjusted from time to time in accordance with the Adjustment Mechanism, including any rights under the Servicing Agreement, the Calculation Agent Agreement, the Depository Agreement (as hereinafter defined) or other agreement assigned pursuant to the Trust Agreement; (c) all revenues, collections, claims, payments, moneys, or proceeds of or arising from the Transition Charges or constituting Transition Charges, regardless of whether such revenues, collections, claims, payments, moneys, or proceeds are imposed, billed, received, accrued, collected or maintained by PREPA, any other Servicer or by the Corporation, together with or commingled with other revenues, collections, claims, payments, money or proceeds; (d) all rights to obtain adjustments to the Transition Charges pursuant to the terms of the Adjustment Mechanism, the Restructuring Order and this Restructuring Resolution; and (e) all reserves, Surety Bonds, or other collateral accounts established in connection with the Bonds or the Restructuring Property or otherwise pledged to the payment of the Bonds under the Trust Agreement.

43. Upon the issuance of any series of Bonds, the Restructuring Property shall constitute a vested, presently existing property right in the Corporation, as initial owner, subject to the pledge of Restructuring Property pursuant to the Trust Agreement and subject to the transfer, sale, conveyance or assignment upon an event of default under the Trust Agreement, notwithstanding the fact that the value of the property right will depend on further acts that have not yet occurred, including Customers remaining or becoming connected to the Electric System Assets and taking or receiving electric service, the imposition and billing of Transition Charges, or the Servicer performing services. "Electric System Assets" shall mean the electric generation, transmission and distribution facilities (and other general property and equipment used in connection therewith),

whether now existing or hereafter acquired, owned or used by PREPA as of the effective date of this Act or thereafter acquired for use by PREPA, including any successor electric utility, in providing electric service to Customers, including any transmission and distribution service.

Servicing.

44. The Corporation is authorized pursuant to Article 35(i) of the Act to enter into a servicing agreement with PREPA, as the initial Servicer (the "Initial Servicer") to perform such duties of the Servicer as may be required or permitted by the Act, including to provide for the servicing, billing and collection of the Transition Charges.

45. The terms of the initial servicing agreement with PREPA, substantially in the form of **Appendix 4** hereto (the "Initial Servicing Agreement"), are consistent with the Act and enhance the marketability of the Bonds, and should be approved. Accordingly, the Corporation Designee should be authorized to execute and deliver the Initial Servicing Agreement, with such changes, omissions or alterations as the Corporate Designee shall approve upon the advice of financing counsel to the Corporation, other than changes to the Servicing Agreement which alter the fees payable to the Servicer, his or her execution of the same being conclusive proof of the approval of such changes, omissions or alterations.

46. The Servicing Agreement shall provide that the Corporation or the Trustee will have the ability to replace Servicer after an event of default under the Servicing Agreement. In the event that PREPA shall default in its obligation under the Initial Servicing Agreement, (i) the Corporation, at the direction of the Commission pursuant to an order in accordance with the Act based upon substantial evidence (but subject to the next sentence), or upon the direction of the Trustee, as and to the extent provided in the Trust Agreement, or (ii) upon the occurrence of an event of default under the Trust Agreement or an Ancillary Agreement, the Trustee, in either case, as and to the extent provided in the Trust Agreement, shall be authorized to replace PREPA as Servicer, and to direct the Corporation to enter into such other servicing, billing and collection agreements as the Corporation or the Trustee deems appropriate to ensure the timely and full payment of the Bonds and all Ongoing Financing Costs. As provided in paragraph (g) of Article 6.25A of Act 57-2014, as amended, the Commission's rights to replace the Servicer shall not diminish the rights of the Trustee, holders or beneficial owners of the Bonds (the "Bondholders") or any party to an Ancillary Agreement, to replace the Servicer under the terms of the Trust Agreement or any Ancillary Agreement. Accordingly, any action taken by the Corporation, at the direction of the Commission, with respect to the Servicer, including the replacement of the Servicer, is subject to the prior consent or contrary direction of the Trustee on behalf of or as directed by the Bondholders and/or parties to an Ancillary Agreement, in accordance with the terms of the Trust Agreement, the Servicing Agreement and any Ancillary Agreement.

47. The Corporation has submitted to the Commission an estimate, together with supporting documentation prepared by PREPA, of PREPA's costs to serve as Initial Servicer under the Initial Servicing Agreement.

48. In the Restructuring Order, the Commission has determined that the proposed initial annual servicing fee to be paid to PREPA, in the amount of 0.05% of the initial principal amount of the Bonds, to be increased on each anniversary date by the year-over-year percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U) (not seasonally adjusted) for the most recently completed twelve-month period for which such data is available, is necessary, reasonable and sufficient to compensate PREPA for the incremental cost of performing such servicing functions. Accordingly, the Corporation should approve the initial annual servicing fee.

49. In the event a successor Servicer must be appointed by the Corporation, or by the Trustee on behalf of the Bondholders in accordance with the terms of the Trust Agreement, the annual fee of a successor Servicer may not exceed 1% of the initial principal amount of all series of Bonds. Any fee in excess of such amount is subject to the prior approval of the Commission.

50. The fees and expenses of any Servicer (including any successor Servicer) shall be Ongoing Financing Costs (except for any set-up costs paid as Upfront Financing Costs) and shall be recovered from Transition Charge Revenues.

51. The Servicer shall be required to terminate service to each Customer that is delinquent in the payment of its Transition Charge on the same basis as termination of service is permitted for nonpayment of electric or other rates by PREPA, but none of the Corporation, the Trustee and the Bondholders may directly terminate service to any Customer.

Depositories.

52. The Corporation is authorized pursuant to Article 34 of the Act to enter into one or more depository, trust or escrow agreements with financial institutions or other Persons (each, a "Depository") providing for the escrowing and allocation of collections from Customers' bills between PREPA and the Corporation, as the Corporation, in consultation with such advisers as it may deem appropriate, determines enhances the marketability of the Bonds.

53. Any Depository shall be a bank organized under and subject to regulation by the laws of the United States or any state thereof (and licensed to operate in the Commonwealth) selected by the Corporation (except as provided in Finding of Fact 55) and not related to PREPA or the Commonwealth or under the control of PREPA or the Commonwealth.

54. The terms of the depository agreement with _____, substantially in the form of **Appendix 5** hereto (the "Depository Agreement"), by and among PREPA, the PREPA Bond trustee, the Corporation and the Trustee, are consistent with the Act and the RSA and are designed to enhance the marketability of the Bonds, and should be approved. Accordingly, the Corporation Designee should be authorized to execute and deliver the Depository Agreement, with such changes, omissions or alterations as the Corporation Designee shall approve upon the advice of financing counsel to the Corporation, his or

her execution of the same being conclusive proof of the approval of such changes, omissions or alterations.

55. In the event that the Depository should resign or be discharged, the Corporation and the Trustee, each as and to the extent provided in the Trust Agreement, shall be authorized to take all necessary action to cause a new Depository to be appointed.

56. The costs of the Depository shall be Ongoing Financing Costs and should be recovered from Transition Charge Revenues.

Trust Agreement

57. The Corporation will enter into a Trust Agreement (the "Trust Agreement"), substantially in the form of **Appendix 6** attached hereto, with a bank or trust company acceptable to the Corporation Designee (the "Trustee") pursuant to which the Closing Date Bonds and any Post-Closing Date Bonds may be issued and secured.

58. As provided in Article 35(m) of the Act, the Corporation, by its execution and delivery of a Trust Agreement, will pledge the Restructuring Property to secure the payment of Bonds, amounts payable to Financing Entities, and other Ongoing Financing Costs. While the Restructuring Property remains pledged to secure such payments, revenues from the collection of Transition Charges shall be applied solely to pay Ongoing Financing Costs.

59. Following the award or pricing of any issue of Bonds, consistent with Finding of Fact 1 of this Restructuring Resolution, the Corporation Designee should be authorized to execute and deliver the Trust Agreement, together with any supplements thereto consistent with the terms of the Trust Agreement, with such changes, omissions or alterations, consistent with terms of this Restructuring Resolution, as the Corporation Designee shall approve upon the advice of financing counsel to the Corporation, his or her execution of the same being conclusive proof of the approval of such changes, omissions or alterations.

Surety Bonds; Insurance Agreements.

60. The RSA contemplates that each series of the Bonds shall be secured by separate or a common debt service reserve funds or accounts in a manner to be set forth in the Trust Agreement, and certain portions of the debt service reserve requirement shall be provided through a Surety Bond provided by one or more of the Monoline Insurers. The Corporation, acting through its Corporation Designee, should be authorized to negotiate the terms of any such Surety Bond, consistent with the terms of the RSA, and to execute and deliver any commitments or agreements relating to securing such Surety Bonds. The terms of the Surety Bonds (or any related commitments or agreements) may provide that (a) prior to an acceleration of the Bonds, the payment of amounts due and owing under Surety Bonds shall be subordinated to debt service on the Bonds, and (b) and upon an acceleration of the Bonds, the payment of amounts due and owing under Surety Bonds shall be payable on parity with the principal of and interest on the Bonds.

61. The Corporation, acting through the Corporation Designee, should be authorized to establish such additional reserve or collateral accounts under the Trust Agreement (including, without limitation, any restricted accounts or subaccounts required to be established by the Trust Agreement, and to the extent permitted in the Trust Agreement, any Ancillary Agreement, including an additional reserve fund to provide sufficient reserves to account for miscalculations in the collection curve and other short term deficiencies in revenue collection), as shall enhance the marketability and/or credit rating of the Bonds or serve such other purpose as may be agreed to by the required parties under the RSA such as mitigating the risk of a draw on the debt service reserve fund.

Basic Documents:

62. In addition to the Trust Agreement, the Initial Servicing Agreement, the Depository Agreement(s), the Calculation Agent Agreement, and agreements with any Surety Bond provider, the Corporation will be required, in connection with the issuance of any issue of Bonds, to execute one or more of the following additional financing agreements (collectively with the foregoing, the "Basic Documents"):

- [Bond Purchase Agreement]
- [Tender Agent Agreement]
- Dealer/Manager Agreement
- Continuing Disclosure Agreement
- [Others]
- any other financing document related to the Bonds.

Award Resolution for Post-Closing Date Bonds.

63. The final terms of the issuance of Post-Closing Date Bonds, consistent with the terms of this Restructuring Resolution, will be determined by the Board at or about the time of pricing of such Post-Closing Date Bonds. At the time of the submission of the Award Resolution to this Board for approval, there will be filed with this Board by the Corporation Designee (i) a savings calculation consistent with the Act and Finding of Fact No. 22, (ii) an estimate of Upfront Financing Costs expected to be incurred, (iii) a recommendation of whether any Upfront Financing Costs should be paid as Ongoing Financing Costs, and (iv) an estimate of Ongoing Financing Costs for the initial year following issuance, it being understood that all Ongoing Financing Costs shall be recoverable from Transition Charge Revenues regardless of their amounts, as set forth in Finding of Fact 16.

Governing Law; Jurisdiction:

64. The Corporation deems it necessary for the issuance of the Bonds to include in this Restructuring Resolution an authorization to the irrevocable submission and waiver of

any objection by the Corporation to the nonexclusive, in personam jurisdiction and venue of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City and to the application of the laws of the State of New York, with respect to any claim related to the Bonds (including, without limitation, any claims arising under the Restructuring Resolution and the Basic Documents, including, to the extent permitted by law, the Initial Servicing Agreement).

65. The Corporation deems it necessary for the issuance of the Bonds to include in this Restructuring Resolution an authorization for the Corporation to include in the Trust Agreement, any Servicing Agreement, any Ancillary Agreement and any other Basic Documents a provision to the effect that such agreement will be governed by New York law as if each such agreement were executed in and to be performed entirely within the state of New York. Notwithstanding the foregoing, all matters of the constitutional and statutory law of the Commonwealth (including the Act) and this Restructuring Resolution, all rights of the Corporation or the Servicer against any Customer by virtue of the Act, and the effect of the judgments and decrees of the Commonwealth courts, shall in all events be governed by the law of the Commonwealth.

Commitments of the Corporation:

66. Resolution 19 of this Restructuring Resolution sets forth all commitments of the Corporation that are enforceable against the Corporation by the Commission under Article 6.25A of Act 57-2014, as amended.

Transition Charges Non-bypassable:

67. The Corporation has made the Transition Charges Non-bypassable to Customers in this Restructuring Resolution in accordance with Article 33(a)(2)(i) of the Act.

Corporation Designee

68. As the final terms of the Closing Date Bonds and Post-Closing Date Bonds, certain details ancillary thereto, including (without limitation) the mechanics of how the Mirror Bonds will serve to legally or economically defease the related PREPA Bonds, and the final form of the Basic Documents cannot be known as of the date of adoption of this Restructuring Resolution, and certain actions after the date of adoption of this Restructuring Resolution may require expedited approval or other action by the Corporation in order to accomplish the purposes of this Restructuring Resolution, the Corporation deems it reasonable to appoint the Chairperson and the Vice Chairperson of the Corporation, either of whom may act (each a "Corporation Designee"), on behalf of the Corporation, to approve the final terms of each issuance of Bonds, to execute and deliver the Designee Certificate related to such Bonds, to file with the Commission the True-Up Adjustment Letter with respect to the initial Transition Charges, to execute and deliver the Basic Documents and such other documents, certificates or agreements as are required under any of the Basic Documents or otherwise, and take such other actions as are necessary and appropriate to cause the issuance of the Bonds and the fulfillment of

any commitments to the Commission, all in a manner consistent with this Restructuring Resolution.

Corporation Designee

69. The Corporation acknowledges that the transactions contemplated by this Resolution are subject to the provisions of the RSA and nothing contained herein shall be construed as a waiver of any rights by any party to the RSA or any term thereof.

CONCLUSIONS OF LAW

The Corporation hereby makes the conclusions of law listed below.

Compliance with the Securitization Chapter:

1. The structure of the Bonds is consistent with the Securitization Chapter, and the Bonds are "Restructuring Bonds" under the Securitization Chapter.

2. The Approved Restructuring Costs are "Approved Restructuring Costs" under the Securitization Chapter. Without limiting the generality of the foregoing, the Upfront Financing Costs and Ongoing Financing Costs to be recovered from the proceeds of the Bonds or the Transition Charge Revenues are consistent with Article 6.25A of Act 57-2014, as amended, and the Securitization Chapter.

3. The Restructuring Property is "Restructuring Property" under the Securitization Chapter.

4. The Transition Charges are "Transition Charges" under the Securitization Chapter.

5. This Restructuring Resolution meets the requirements of a "Restructuring Resolution" under the Securitization Chapter. Without limiting the generality of the foregoing, the provisions of this Restructuring Resolution, including the calculation methodology for the Transition Charges and the Adjustment Mechanism related to the Bonds as described herein, are consistent with the criteria set forth in Article 6.25A(d) of Act 57-2014, as amended, and are sufficient for and provide for adequate protection of the full and timely payment of the Bonds in accordance with their terms and other Ongoing Financing Costs.

Restructuring Resolution:

6. As provided in Article 34 of the Act, this Restructuring Resolution, the Restructuring Property, the Adjustment Mechanism and all other obligations of the Corporation set forth in this Restructuring Resolution will be direct, explicit, irrevocable and unconditional upon issuance of the Bonds, legally enforceable against PREPA and the Corporation.

No Cap on Transition Charges:

7. Neither the Act nor this Restructuring Resolution imposes a cap on the Transition Charge calculated pursuant to the Adjustment Mechanism.

Irrevocability of Restructuring Resolution:

8. As provided in Article 35(h) of the Act, upon the issuance of the Bonds, this Restructuring Resolution, the related Transition Charges, including their Non-bypassability and the procedures for the Adjustment Mechanism shall be irrevocable, final, non-discretionary and effective without further action by the Corporation or any other Person. No adjustment of the Transition Charges pursuant to the Adjustment Mechanism or any other action or inaction whatsoever by the Corporation, Servicer or any other Person shall in any way affect the irrevocability of this Restructuring Resolution.

Non-bypassability:

9. As provided in Article 35(i) of the Act, for so long as the Bonds are outstanding, and the Approved Restructuring Costs (including any payments that have or are to become due under Ancillary Agreements) have not been paid in full, the Transition Charges authorized and imposed by the Act shall be obligatory, Non-bypassable and shall apply to all Customers.

10. As provided in Article 35(h) of the Act and Conclusion of Law 8, the Non-bypassability of the Transition Charges is irrevocable, final, non-discretionary and effective without further action by the Corporation or any other Person.

11. As provided in Article 31(19) of the Act, Non-bypassable ["*Inevitable*"] means that the Transition Charges shall be paid by all Customers, even if the Customer elects to purchase electricity in whole or in part from an alternative electric supplier.

Customers

12. Customer means any Person that is connected to or takes or receives electric service within the Commonwealth by means of the electric generation, transmission or distribution facilities constituting part of Electric System Assets whether or not those electric generation, transmission or distribution facilities are owned by PREPA. PREPA shall not be a Customer. Each municipality in the Commonwealth shall be a Customer to the extent that the dollar value of its usage of electric service (including in determining such dollar value of Transition Charges which would otherwise be imposed on such municipality and PREPA charges) in any fiscal year exceeds the dollar value owed by PREPA to such municipality as a contribution in lieu of taxes for such fiscal year. Electric System Assets shall mean the electric generation, transmission and distribution facilities (and other general property and equipment used in connection therewith), whether now existing or hereafter acquired, owned or used by PREPA as of the effective date of the Act or thereafter acquired for use by PREPA, including any successor electric utility, in providing electric service to Customers, including any transmission and distribution service. For purposes hereof, electric generation, transmission or distribution facilities (and other general property and equipment used in connection therewith) are deemed to be "acquired for use" by PREPA (or any successor electric utility) if they are used by PREPA (or any successor electric utility) even if they are not owned by PREPA

(or any successor electric utility) or even if they are leased by PREPA (or any successor electric utility) to a third party.

13. Customers include recipients of load served by net metering, purchase power or other distributed generation.

Adjustment Mechanism.

14. The Adjustment Mechanism is consistent with the requirements of the Securitization Chapter.

15. Pursuant to Article 34 of the Act, except for the requirements in the Securitization Chapter, the Transition Charges and the Adjustment Mechanism will not be subject to any other provision of law, including the provisions of Act No. 21, approved May 31, 1985, the Act or any other provision of law requiring or providing for the review (except by the Corporation as in Article 34 of the Act) or approval of rates of any governmental entity, or the holding of public hearings (except by the Commission as provided in subsection (b) of Article 35 of the Act) or notification of rate changes of any governmental entity, including the Legislative Assembly or the Commission. Neither the Commission nor any other governmental entity shall adopt any regulations, rules or procedures or take any other action that would delay or adversely affect the implementation of the Adjustment Mechanism or collection of Transition Charge Revenues.

16. Pursuant to Article 34 of the Act, the Commission's review of the initial Transition Charges or any adjustment of the Transition Charges shall be limited to verifying the mathematical accuracy of the calculation of the initial Transition Charges or subsequent Transition Charges resulting from the application of the Adjustment Mechanism (as the case may be). Before issuing any order regarding the correction of a mathematical error, the Commission will consult with the Servicer and any Calculation Agent to verify the Commission's calculations. Any adjustment to correct the mathematical inaccuracy, if ordered by the Commission, shall be made by the Corporation (or the Servicer on its behalf) not later than the next succeeding application of the Adjustment Mechanism on which such adjustment can practically be implemented. In no event shall such consultation process or the implementation of a Commission order correcting any error result in the delay of the implementation of an adjustment to the Transition Charges on the effective date stated in the True-Up Adjustment Letter. The adjustment of the Transition Charge shall not be subject to any approval or review except for the review for mathematical accuracy by the Commission described above.

17. The adjustment of the Transition Charges is a ministerial act of the Corporation and Servicer and should the Corporation or the Servicer fail in any respect with respect to their respective duties to establish or adjust the Transition Charges at any time, the Trustee, the Bondholders, the Corporation or the Servicer shall be entitled upon application or petition therefor, to a writ of mandamus requiring the Corporation or the Servicer, as the case may be, to establish or adjust the Transition Charges in accordance with this Restructuring Resolution.

Taxation of Restructuring Property and Bonds:

18. As provided in Article 35(o)(1) of the Act, neither the Restructuring Property, nor the Transition Charge and Transition Charge Revenues, regardless of whether the Corporation is the owner of the Restructuring Property, shall be subject to any fees, taxes, special ad valorem levies or assessments of any kind, including income taxes, franchise taxes, sales taxes or other taxes or payments or contributions in lieu of taxes.

19. As provided in Article 35(o)(2) of the Act, the Bonds and the income therefrom and all revenues, money, and other property pledged to pay or to secure the payment of such Bonds shall at all times be free from taxation; and this covenant may be included in the Bonds.

Indemnities:

20. Any indemnity payments required to be paid by the Corporation to PREPA, the Trustee, the underwriters or other persons pursuant to the Securitization Chapter or agreements entered into in connection with the sale of the Bonds will be Ongoing Financing Costs recoverable pursuant to this Restructuring Resolution and the Securitization Chapter.

Partial Payments:

21. As provided in Article 35(k)(1) of the Act, to the extent that any Customer makes a partial payment of a bill containing both Transition Charge and any other charges, such payment shall be allocated *pro rata* between the Transition Charges and the other charges.

Pledge of Restructuring Property:

22. As provided in Article 35(m) of the Act, the Corporation, by its execution and delivery of the Trust Agreement, pledges the Restructuring Property to secure the payment of the Bonds issued pursuant to the Trust Agreement, amounts payable to Financing Entities, and other Ongoing Financing Costs. While the Restructuring Property remains pledged to secure such payments, revenues from the collection of Transition Charges shall be applied solely to pay Ongoing Financing Costs.

Existence of Restructuring Property:

23. As provided in Article 31(28) of the Act (definition of "Restructuring Property" ["*Propiedad de Reestructuración*"]), upon the issuance of the Bonds, the Restructuring Property created pursuant to this Restructuring Resolution shall constitute a vested, presently existing property right in the Corporation, as initial owner, subject to any pledge of Restructuring Property pursuant to the Act, notwithstanding the fact that the value of the property right will depend on further acts that have not yet occurred, including Customers remaining or becoming connected to the Electric System Assets and taking or receiving electric service, the imposition and billing of Transition Charges, or the Servicer performing services.

24. As provided in Article 35(j)(1) of the Act, the Restructuring Property shall constitute an existing, present and continuing property right for all purposes whether or not the revenues and proceeds arising with respect thereto have accrued and notwithstanding the fact that the imposition and collection of Transition Charges will depend on further future acts, including: (a) PREPA delivering services, (b) the Servicer performing billing and collection functions of Transition Charges, and (c) the level of future consumption of such service. Restructuring Property shall exist whether or not Transition Charges have been imposed, billed, accrued or collected and notwithstanding the fact that the value or amount of the Restructuring Property is dependent on the future provision of service to Customers. Subject to applicable law and regulations, the timely payment in full of all Transition Charges shall be a condition of receiving service from PREPA.

25. As provided in Article 35(j)(2) of the Act, all Restructuring Property shall continue to exist until the Bonds and all Ongoing Financing Costs relating to the Bonds have been paid in full.

Statutory Lien:

26. As provided in Article 35(k)(2) of the Act, the Bonds and obligations of the Corporation under Ancillary Agreements, including any Surety Bond reimbursement agreement, shall be secured by a statutory lien on the Restructuring Property in favor of the Bondholders and the parties to such Ancillary Agreements. The lien shall automatically arise upon issuance of the Bonds without the need for any action or authorization by the Corporation or the Board. The lien shall be valid and binding from the time the Bonds or Ancillary Agreements, including any Surety Bond reimbursement agreement, are executed and delivered. The Restructuring Property shall be immediately subject to the lien, which shall be effective, binding, and enforceable against the Corporation, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those Persons have notice of the lien and without the need for any physical delivery, recordation, filing, or further act. The lien, although created by the Act and not by any security agreement, may be enforced by a Trustee or other fiduciary, and such other parties as provided for under the terms of the Trust Agreement for the owners or beneficial owners of Bonds and other secured parties.

27. As provided in Article 35(k)(2) of the Act, the statutory lien is a continuously perfected security interest and has priority over any other lien, created by law or otherwise, that may subsequently attach to the Restructuring Property or any proceeds thereof, unless the Bondholders have as specified in the Trust Agreement agreed in writing otherwise. The statutory lien is a lien on Transition Charges and all Transition Charge Revenues or other proceeds that are deposited in any deposit account or other account of the Servicer or other Person in which Transition Charge Revenues or other proceeds have been commingled with other funds. Without limiting the effectiveness of the statutory lien created by the Act, any other security interest that may apply to Transition Charge Revenues shall be considered cancelled when such revenues or proceeds are transferred to a segregated account for an assignee or a Financing Entity in compliance with the terms of any trust agreement. No application of the Adjustment Mechanism shall affect the validity, perfection, or priority of the statutory lien created by the Act. The Transition

Charge Revenues mingled with other funds subject to any lien shall be administered in a manner that allows for the identification within the Transition Charge Revenues and such other funds.

28. As provided in Article 35(k)(3) of the Act, the statutory lien or its priority shall not be affected or impaired by, among other things, the commingling of Transition Charge Revenues or other proceeds from Transition Charges with other amounts regardless of the Person holding such amounts.

No Conflicting Liens:

29. The Transition Charge Revenues are not subject to any lien or charge of Bondholders or other creditors of PREPA or of any other Person other than the lien or charge imposed by the Trust Agreement in favor of the Bondholders or under any Ancillary Agreement as and to extent provided therein.

Revenues Solely of the Corporation:

30. The Transition Charge Revenues are revenue and income of the Corporation and not of PREPA or any other Person and are not available resources of the Commonwealth nor do the Transition Charges constitute a tax and the right of the Corporation to impose and collect Transition Charges may not be revoked or rescinded.

31. As more fully provided in Article 35(i) of the Act, (i) as soon as possible after receipt, all Transition Charge Revenues and PREPA charges shall be paid or deposited to a special collection account at the Depository, and (ii) such revenues shall be distributed among, and remitted to, the Corporation or its assigns or pledgees and to PREPA or its assigns or pledgees on a daily basis in accordance with their respective interests.

32. As provided in Article 35(i) of the Act, under no circumstances shall the Transition Charges imposed or Restructuring Property created by the Corporation to secure the Bonds be deemed as raised by taxation, nor deemed to be PREPA or Commonwealth revenue nor be deemed received as a result of PREPA's ownership or operation of the Electric System Assets.

33. As provided in Article 35(i) of the Act, PREPA, in servicing and collecting any Transition Charges, shall be deemed to be acting solely as an agent of the Corporation and not as principal, any such Transition Charges to be received in trust for the exclusive benefit of the Corporation, the Bondholders and Persons entitled to receive payment therefrom for any Financing Costs. Transition Charges shall not lose their character as Transition Charges by virtue of any possession by PREPA.

Servicing.

34. As provided in Article 35(i) of the Act, the Corporation, PREPA and the Servicer (in case the latter is different from PREPA) shall have the following duties: (i) impose, adjust, bill and collect to all the Customers any applicable Transition Charges, including in each bill the applicable Transition Charge as a separate item; (ii) distribute pro rata between the

Corporation and PREPA the partial payments made by the customers as provided in subsection (k)(1) of Article 35 of the Act; (iii) take any actions permitted by the law to collect unpaid bills; (iv) exercise all the collection rights of the holders or pledgees of the Restructuring Property in benefit of such holders or pledgees; and (v) shall transfer any Transition Charge Revenues to the holders or pledgees of Restructuring Property.

35. As provided in Article 35(i) of the Act, PREPA, upon the Servicer's request, shall terminate or suspend service to non-paying Customers on the same basis as termination or suspension of service is permitted for nonpayment of electric or other rates by PREPA. Neither the Corporation, nor other holder of the Restructuring Property or the Trustee may directly suspend or terminate the electric service to any Customer.

36. As provided in Article 31(22) of the Act (definition of "Servicer" ["*Manejador*"]), the term Servicer shall be deemed to include any subservicer, backup servicer (including if it becomes a Servicer under a Servicing Agreement), replacement servicer or the successors of any of the foregoing, authorized to act as such under a Restructuring Resolution.

Successor Owners:

37. As provided in Article 35(l) of the Act, PREPA, any successor or assign of PREPA or any other Person with any operational control of any portion of the Electric System Assets, whether as owner, lessee, licensee or otherwise and any Servicer successor, shall be bound by the requirements of the Act and shall perform and satisfy all obligations imposed pursuant thereto in the same manner and to the same extent as did its predecessor, including the obligation to bill, adjust and enforce the payment of Transition Charges.

Commonwealth No Bankruptcy Covenant:

38. The Commonwealth has covenanted with the Bondholders and parties to any Ancillary Agreements in Article 41 of the Act that the Commonwealth will not limit or alter the provision of Article 41 of the Act that provides that prior to the date that is one year and one day after the Corporation no longer has any "Restructuring Bonds" outstanding, including the Bonds, or any Ancillary Agreement, including any Surety Bond reimbursement agreement, with payment obligations that have or may become due thereunder, the Corporation shall have no authority to file a petition for relief as a debtor under any chapter of the federal bankruptcy code or any other bankruptcy, insolvency, debt composition, moratorium, receiver or similar federal laws or any other bankruptcy, insolvency, debt composition, moratorium, receiver or similar federal laws or any Commonwealth bankruptcy, moratorium, debt adjustment, composition or similar laws permitting stay or delay of payment or discharge or reduction in amount owed on any "Restructuring Bonds", including the Bonds, as may, from time to time, be in effect, and no public officer, organization, entity or other Person shall authorize the Corporation to be or become a debtor under chapter 9 of the Federal Bankruptcy Act or similar federal law or any such Commonwealth law during such period. As provided in Article 41 of the Act, the Corporation is authorized and directed as agent of the Commonwealth to include

this covenant as an agreement of the Commonwealth in the Bonds and in any contract with the Bondholders or such Ancillary Agreement parties.

Commonwealth Non-Dilution Covenant:

39. Article 41 of the Act contains the covenant of the Commonwealth, made to the holders of any "Restructuring Bonds", including the Bonds, and with those Persons that enter into contracts with the Corporation, including parties to any Ancillary Agreement, including any Surety Bond reimbursement agreement, pursuant to the provisions of the Act, that after the issuance of the Bonds, the Commonwealth will not authorize the issuance of debt by any public corporation and governmental instrumentality of the Commonwealth or any other Person which indebtedness is secured by Restructuring Property or any other rights and interests in rates, charges, taxes or assessments that are separate from rates and charges of PREPA and that are imposed upon Customers to recover the ongoing financing costs of such debt, if upon the issuance of such debt the security for any "Restructuring Bonds", including the Bonds, or any Ancillary Agreements shall be materially impaired. It shall be presumed that such security shall not be materially impaired if upon the issuance of such debt, the credit ratings for the then-outstanding Bonds (without regard to any third-party credit enhancement) shall not have been reduced or withdrawn. As provided by Article 41 of the Act, the Corporation is authorized and directed as agent of the Commonwealth to include this covenant as an agreement of the Commonwealth in the Bonds and in any contract with the Bondholders or such Persons.

Setoff, Counterclaim or Defense:

40. As provided Article 35(k)(1) of the Act, the Restructuring Property, Transition Charges, Transition Charge Revenues, and the interests of a bondholder, Financing Entity or any other Person in Restructuring Property or in Transition Charge Revenues are not subject to set-off, counterclaim, surcharge or defense by a Servicer, any Customer, the Corporation, PREPA, holders of any other debt issued by PREPA (or any other creditors of PREPA) or any other Person or in connection with any default, bankruptcy, reorganization or other insolvency proceeding of any of the foregoing Persons.

Corporation:

41. The Corporation has been duly created by Article 32(a) of the Act.

Exercise of Remedies:

42. As provided in Article 35(j)(3) of the Act, if the Servicer defaults in the obligations contained in the Act or through a contract related to the Transition Charge Revenues' required remittances, the Corporation, the Trustee or the holder or pledgees of the Restructuring Property may resort to any court, including any federal court, to require an order of seizure and payment of the Transition Charge Revenues, or any other applicable remedy. If such court determines that such default existed, it shall issue the requested seizure and payment order. The order shall remain valid notwithstanding any bankruptcy, reorganization, or any other insolvency procedure with respect to the Servicer, the Corporation, PREPA or any other Person.

43. As provided in Article 38(a) of the Act, subject to the limitations contained in this Restructuring Resolution or the Trust Agreement, the Corporation or any other holder of Restructuring Property, or the applicable Trustee, (1) are authorized to hire consultants, attorneys and other Persons and enter into such agreements as the Corporation, other holder or Trustee deems necessary to require and collect payment of the Transition Charge Revenues or protect the Restructuring Property and include the cost thereof as a Financing Cost, and notwithstanding any other provision of law, and (2) are expressly permitted to (i) bring actions against any owner of the Electric System Assets, any Servicer, or any other Person authorized to bill or collect Transition Charges, any Customers or any other Person for failure to impose, bill, pay or collect any Transition Charges constituting part of the Restructuring Property then pledged as security for such Bonds, (ii) enforce any other provision of the Act or action taken by the Corporation in respect thereof, (iii) take any other action as the Corporation, other holder of Restructuring Property or the Trustee may deem necessary to enforce and collect the Transition Charge Revenues or (iv) protect the Restructuring Property in accordance with the terms of the Restructuring Resolution related thereto and the Bonds, regardless of whether an event default has occurred in respect of the Bonds.

44. As provided in Article 38(a) of the Act, no action may be brought by the Corporation, the Trustee or the party to any Ancillary Agreement or on their behalf (other than through PREPA or any successor Servicer) against any Customer for its failure to pay any Transition Charges so long as PREPA or any Servicer is complying with its obligations, pursuant to the Servicing Agreement, to collect charges (including Transition Charges) due from such Customer.

45. As provided in Article 31(13)(e) of the Act ("Financing Costs" ["*Costos de Financiamiento*"]), any cost related to protecting the status of Restructuring Property and collecting Transition Charges, including any cost related to any judicial or similar proceedings that the Corporation or the Trustee or any holder of all or a portion of Restructuring Property deems necessary to enforce or collect Transition Charge Revenues or protect the Restructuring Property or any other costs referred to in Article 38(a) of the Act is a Financing Cost approved for recovery in the Restructuring Resolution.

46. As provided in Article 38(b) of the Act, any court shall have jurisdiction over any actions for failure to bill, pay or collect any Transition Charges or for enforcement of any provision of the Act.

47. As provided in Article 38(c) of the Act, the Restructuring Property may be transferred, sold, conveyed or assigned (including by an action to foreclose on the Restructuring Property) to any Person after an event of default has occurred, subject to the terms of the Trust Agreement in case the same is still in effect regarding the Bonds.

48. Pursuant to Article 35(i) of the Act, neither the Corporation, nor any other holder of the Restructuring Property or the Trustee may directly suspend or terminate the electric service to any customer.

Additional Commonwealth Covenants:

49. As provided in Article 41 of the Act, the Commonwealth has covenanted, pledged and agreed with the holders of any "Restructuring Bonds", including the Bonds, issued under the Act and with those Persons that enter into other contracts with the Corporation, including parties to any Ancillary Agreement, pursuant to the provisions of the Act, that it shall not limit, alter, impair, postpone or terminate the rights conferred in the Act, any Restructuring Resolution and related agreements, including the requirements in Articles 34 and 35 as well as the Securitization Chapter, until any "Restructuring Bonds", including the Bonds, and the interest thereon are paid or legally defeased in accordance with their terms and such other contracts are fully performed and honored on the part of the Corporation. As provided by Article 41 of the Act, the Corporation is authorized and directed as agent of the Commonwealth to include this covenant as an agreement of the Commonwealth in the Bonds and in any contract with the Bondholders or such other Persons.

50. As provided in Article 41 of the Act, the Commonwealth has covenanted, pledged and agreed with the holders of any "Restructuring Bonds", including the Bonds, issued under the Act and with those Persons that enter into other contracts with the Corporation, pursuant to the provisions of the Act, that after the issuance of any "Restructuring Bonds", including the Bonds, neither the Commonwealth nor any agency, public corporation, municipality or instrumentality thereof (including the Commission) shall take or permit any action to limit, alter, reduce, impair, postpone or terminate the rights conferred in any Restructuring Resolution, including those relating to Transition Charges and the related Adjustment Mechanism, as the same may be adjusted from time to time pursuant to the Restructuring Resolution in a manner that impairs the rights or remedies of the Corporation or the holders of any "Restructuring Bonds", including the Bonds, parties to any Ancillary Agreement, including any Surety Bond reimbursement agreement, or any Financing Entity or the security for the "Restructuring Bonds", including the Bonds, or Ancillary Agreements, including any Surety Bond reimbursement agreement, or that impairs the Restructuring Property or the billing or collection of Transition Charge Revenues. Nor shall the amount of revenues arising with respect to Restructuring Property be subject in any way to limitation, alteration, reduction, impairment, postponement or termination by the Commonwealth or any agency, public corporation, municipality or instrumentality thereof except as contemplated by the Adjustment Mechanism. As provided by Article 41 of the Act, the Corporation is authorized and directed as agent of the Commonwealth to include this covenant as an agreement of the Commonwealth in the Bonds and in any contract with the Bondholders or such Ancillary Agreement parties.

Not Debt of the Commonwealth:

51. As provided in Article 35(q) of the Act, the Bonds shall not be a debt of the Commonwealth, nor shall they be payable from funds other than those of the Corporation; and such Bonds shall contain on the face thereof a statement to that effect.

Legal Investments:

52. As provided in Article 35(n) of the Act, the Bonds are securities in which all public officers and bodies of the Commonwealth and all public corporations, municipalities and instrumentalities, all insurance companies and associations and other Persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations including savings and loan associations, building and loan cooperatives, investment companies and other Persons carrying on a banking business, all administrators, conservators, guardians, executors, trustees and other fiduciaries, and all other Persons now or hereafter authorized to invest in bonds or in other obligations of the Commonwealth, may invest funds in their control or belonging to them. The Bonds may be deposited with and may be received by all public officers and bodies of the Commonwealth and all municipalities, public corporations and instrumentalities for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereafter be authorized.

Governing Law:

53. The Corporation may include in this Restructuring Resolution an authorization for the Corporation to include in the Trust Agreement, any Servicing Agreement, any Ancillary Agreement and any other Basic Document a provision to the effect that such agreement will be governed by New York law as if each such agreement were executed in and to be performed entirely within the state of New York. Notwithstanding the foregoing, all matters of the constitutional and statutory law of the Commonwealth (including the Act) and this Restructuring Resolution, all rights of the Corporation or the Servicer against any Customer by virtue of the Act, and the effect of the judgments and decrees of the Commonwealth courts, shall in all events be governed by the law of the Commonwealth.

54. The Corporation may irrevocably submit and waive any objection to the nonexclusive, in personam jurisdiction and venue of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, with respect to any claim related to the Bonds (including, without limitation, any claims arising under this Restructuring Resolution or under any Basic Document, including, to the extent permitted by law, the Initial Servicing Agreement). Notwithstanding the foregoing, any proceeding commenced and undertaken pursuant to the provisions of Articles 35(c) or 35(d) of the Act must be filed in the Superior Court, San Juan Part, and follow the procedures established therein.

Additional Restructuring Bonds:

55. The Corporation may issue one or more series of "Restructuring Bonds" in addition to the Bonds secured by "Restructuring Property" other than the Restructuring Property created pursuant to this Restructuring Resolution under one or more "Restructuring Resolutions" in addition to this Restructuring Resolution so long as such issuance is consistent with the terms of the Act, the Trust Agreement securing any outstanding Bonds and with the terms of the RSA.

Commission Approvals; Paramount Bondholder Rights:

56. As provided in Article 31(14) of the Act, the Restructuring Order is irrevocable and not subject to further review or amendment by the Commission.

57. Except as set forth in Finding of Fact 36 relating to verification of the mathematical accuracy of the Transition Charges, nothing in the Act shall authorize the Commission to approve, modify or alter any Transition Charge, or to approve, reduce, or alter any Upfront Financing Cost or Ongoing Financing Cost or interfere with the payment thereof.

58. Any successor Servicing Agreements will not be subject to review or approval by the Commission. Any Basic Document or agreement approved in this Restructuring Resolution shall be subject to change and completion without Commission approval, other than any change to the Servicing Agreement which materially alters the fees payable to PREPA, as the Initial Servicer.

59. Any projections, estimates or calculations provided in the Petition or included in any document supporting such Petition are in all cases non-binding and any failure to realize any projections or estimates shall not affect the Restructuring Resolution or Restructuring Order.

60. Article 4 of Law No. 114-2007, as amended, is consistent with and does not limit the ability to impose Transition Charges on net-metering or distributed generation Customers.

61. The Commission's rights to enforce the commitments of the Corporation to the Commission set forth in this Restructuring Resolution shall be limited to specific performance.

62. Nothing in Article 6.25A of Act 57-2014, as amended, authorizes the Commission to take any action (including replacement of the Servicer) which would impair rights of the Bondholders or which would be contrary to, or conflict with, the prior and paramount rights of Bondholders as provided in the Trust Agreement, including, but not limited to the rights of the Trustee or Bondholders to override an order of the Commission replacing the Servicer.

General

63. [Neither the Servicing Agreement, nor any obligation or duty of the Authority thereunder, is, nor may it be classified as, an enumerated obligation as defined in Act No. 21-2016 of the Legislature of Puerto Rico, enacted April 6, 2016.]

BE IT RESOLVED BY THE CORPORATION AS FOLLOWS:

1. RESOLVED, The Corporation authorizes and approves the issuance and sale of Bonds in the maximum principal amounts set forth in Finding of Fact 1, for the purposes described in this Restructuring Resolution. The final terms of the Bonds, consistent with the terms of this Restructuring Resolution, shall be approved by the Corporation Designee pursuant

to Finding of Fact 68 and Ordering Paragraph 14 below, or in the case of Closing Date Bonds or Post-Closing Date Bonds, by the Board pursuant to the Award Resolution and any Designee Certificate. In no event are Bonds to be issued during the pendency of any action brought pursuant to Article 35(c), (d) or (f)(2) of the Act.

2. RESOLVED, The Corporation authorizes and approves the recovery of the Approved Restructuring Costs described in this Restructuring Resolution through the issuance of the Bonds.

3. RESOLVED, The Corporation authorizes the creation of the Restructuring Property, as described in Findings of Fact 42 and 43 and hereby specifies that it will be created and vest in the Corporation upon the issuance of any Bonds.

4. RESOLVED, The Restructuring Property, as described in Findings of Fact 42 and 43, shall be pledged to, and shall be used solely for the purpose of, paying and securing the payment of the Bonds and other Ongoing Financing Costs.

5. RESOLVED, Regardless of whether the Corporation is the owner of the Restructuring Property, neither the Restructuring Property, the Transition Charges, nor the Transition Charge Revenues shall be subject to any fees, taxes, special ad valorem levies or assessments of any kind, including income taxes, franchise taxes, sales taxes or other taxes or payments or contributions in lieu of taxes. The Bonds, other Ongoing Financing Costs and the income therefrom and all revenues, money, and other property pledged to pay or to secure the payment of such Bonds and other Ongoing Financing Costs shall at all times be free from taxation; and this covenant shall be included in the Bonds.

6. RESOLVED, The Corporation authorizes and approves the recovery and payment of all Upfront Financing Costs described in this Restructuring Resolution from the proceeds of the New Money Bonds, the Cash Offer Bonds or Post-Closing Date Bonds or through delivery of New Money Bonds as payment or from an advance or contribution from PREPA, provided that, to the extent provided in the Designee Certificate or any Award Resolution), any Upfront Financing Costs in excess of available Bond proceeds not otherwise paid for, shall be paid as Ongoing Financing Costs from Transition Charges.

7. RESOLVED, The Corporation approves the recovery and payment of all Ongoing Financing Costs, regardless of the amount, from the collections of the Transition Charges as described in this Restructuring Resolution.

8. RESOLVED, The Corporation approves the calculation methodology for the Transition Charges and the Adjustment Mechanism described in Finding of Fact 27 and authorizes its use for the calculation and adjustment of the Transition Charges.

9. RESOLVED, The Corporation shall adjust, or shall cause the Servicer to adjust, the Transition Charges, no less often than quarterly, as described in Findings of Fact 32 through 39.

10. RESOLVED, There shall be no cap on the Transition Charge calculated pursuant to the Adjustment Mechanism.

11. RESOLVED, The Corporation authorizes the imposition, adjustment in accordance with the calculation methodology for the Transition Charges and the Adjustment Mechanism and the billing and collection of the Transition Charges to recover from Customers the principal and interest payable on the Bonds and the other Ongoing Financing Costs. The Transition Charges shall be in an amount sufficient at all times to provide for the full payment of principal of the Bonds at their scheduled maturity dates, the timely payment of interest on the Bonds and the timely payment and recovery of other Ongoing Financing Costs. The Transition Charges shall be separate from rates and charges of PREPA appearing as a separate line item on each Customer bill.

12. RESOLVED, Upon the issuance of the Bonds, this Restructuring Resolution and the Transition Charges, including their Non-bypassability and the Adjustment Mechanism described herein, shall be irrevocable, final, non-discretionary and effective without further action by the Corporation or any other Person.

13. RESOLVED, The Corporation Designee is hereby authorized and directed to file, not later than the third business day following the pricing of any issue of Bonds, the Designee Certificate with the Clerk of the Board and the Commission (for information purposes).

14. RESOLVED, The Corporation approves the forms of the Basic Documents and authorizes the Corporation Designee to execute and deliver the Basic Documents, with such changes, consistent with this Restructuring Resolution and any Award Resolution, as the Corporation Designee, upon the advice of its financing counsel, may approve, such approval to be conclusively evidenced by the execution of such Basic Documents by the Corporation Designee, as described in Finding of Fact 68. The execution of the Basic Documents by the Corporation Designee shall constitute the final and irrevocable approval of this Board of the terms of such Basic Documents and the Bonds, which approval shall not be subject to any further review or approval of the Corporation except as provided by the terms of such Basic Documents. Nothing herein shall prevent the Corporation from approving any amendments to the Basic Documents, or the execution of any other security or financing document not inconsistent with the terms of this Restructuring Resolution through an Award Resolution.

15. RESOLVED, The Corporation authorizes and approves the appointment of the Trustee, the Servicer, the Depository and the Calculation Agent.

16. RESOLVED, The Corporation is hereby authorized to contract with PREPA as Initial Servicer, for an initial annual servicing fee of 0.05% of the initial principal amount of the Bonds, to be increased on each anniversary date by the year-over-year percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U) (not seasonally adjusted) for the most recently completed twelve-month period for which such data is available. The Corporation or the Trustee is hereby authorized to contract with a successor Servicer for a servicing fee not exceeding 1% of the initial principal amount of all series of Bonds. Any fees of a Servicer shall be recovered from Transition Charge Revenues. Any subservicer, backup servicer (including if it becomes a Servicer under a Servicing Agreement), replacement servicer or the successors of any of the foregoing,

appointed by the Corporation under a Servicing Agreement shall be authorized to act as Servicer under this Restructuring Resolution.

17. RESOLVED, The Corporation shall cause the Servicer to file monthly with the Corporation, the Commission and the Trustee a report showing the billing and collection of Transition Charges, and remittances to the Trustee.

18. RESOLVED, In the event that the Depository or the Calculation Agent should resign or be discharged, the Corporation or the Trustee may, in accordance with the provisions of the Trust Agreement, take all necessary action to cause a new Depository or Calculation Agent to be appointed, as described in Findings of Fact 52 and 40, respectively. Any costs of the Depository or Calculation Agent shall be recovered from Transition Charge Revenues as an Ongoing Financing Cost.

19. RESOLVED: The Corporation makes the following commitments to the Commission, each of which commitments will be enforceable by the Commission solely by specific performance:

(i) Not later than ten (10) days following any issuance of Bonds, the Corporation shall file, or cause the Servicer to file, with the Commission, for informational purposes only, a report detailing the final terms of the Bonds, and setting forth a final estimate of the Upfront Financing Costs and the estimated Ongoing Financing Costs for the term of the Bonds. All or portions of such information may be provided in the Designee Certificate;

(ii) (A) the Corporation shall provide to the Commission a copy of any successor Servicing Agreement, for informational purposes only, and (B) the Corporation shall file, or cause the Servicer to file, with the Commission, all Servicer reports, including any notice of any proposed adjustment of the Transition Charge, at the same time as such notice is submitted to the Corporation (such report to show in detail all Ongoing Financing Costs which are being paid from Transition Charges on an ongoing basis);

(iii) any reports required to be filed with the Corporation by any Trustee for the Bonds shall also be filed with the Commission at the same time as such reports are filed with the Corporation;

(iv) (A) the Corporation and the Servicer, shall jointly submit a report to the Commission, not later than March 1 of each year, setting forth with respect to the prior calendar year, the outstanding principal amount of the Bonds, the amount paid on such Bonds in such calendar year and the Ongoing Financing Costs paid in such prior year; and (B) after final payment of the Bonds and any associated Financing Costs in full, the Transition Charge Revenues on deposit with, or thereafter received by, the Trustee will be credited back to Customers in a manner directed by the Commission, and the Corporation will issue such final accounting reports as directed by the Commission;

(v) each notice of a proposed adjustment to the Transition Charges, including the data or work papers used to calculate the Transition Charges, will be delivered and will take effect as described in Finding of Fact 33; and

(vi) the Corporation shall retain an independent auditor, subject to approval by the Commission, and the Corporation shall cause such auditor to deliver to the Corporation and to the Commission, no later than August 15 of each year, a report that shall include a verification that the Upfront Financing Costs and Ongoing Financing Costs paid from Transition Charge Revenues within the preceding calendar year to the date of such report are consistent with the Basic Documents. In addition, at the discretion of the Commission, the Corporation shall retain an independent entity (which may be the same auditor), subject to the approval of the Commission, which entity shall deliver to the Corporation and the Commission, no later than August 15 of each year, an assessment of the reasonableness of the costs listed in Article 31(13) (definition of "Financing Costs" ["*Costos de Financiamiento*"]) of the Act incurred in the preceding year.

20. RESOLVED, The Trustee, as and to the extent provided in the Trust Agreement, shall be entitled to enforce the obligations of the Depository under the Depository Agreement, the obligations of the Calculation Agent under the Calculation Agent Agreement, and the obligations of the Servicer under any Servicing Agreement, in each case, in accordance with the Trust Agreement.

21. RESOLVED, If a requisite number of Bondholders are entitled to act in lieu of the Trustee and on behalf of all Bondholders under the Trust Agreement or any other Basic Document (herein, the "Requisite Bondholders"), then the Requisite Bondholders shall be entitled to take all actions the Trustee would be entitled to take, as and to the extent provided under the Trust Agreement.

22. RESOLVED, The Corporation authorizes the Corporation Designee and the other directors and officers of the Corporation to take such further actions, including without limitation the execution of such agreements, certificates and documents, as they deem necessary or appropriate, to cause the issuance of the Bonds and the fulfillment of all commitments to the Commission, consistent with the terms of this Restructuring Resolution, as further described in Finding of Fact 68. All such prior actions of the Corporation Designee or any other trustee or officer of the Corporation are hereby ratified and approved.

23. RESOLVED, Neither the directors or officers of the Corporation nor any Person executing Bonds shall be liable personally thereon or be subject to any personal or corporate liability or accountability solely by reason of the issuance thereof. The Bonds shall not be a debt of the Commonwealth, nor shall they be payable out of any funds other than those of the Corporation; and the Bonds shall contain on the face thereof a statement to that effect.

24. RESOLVED, The Bonds shall be without recourse to the credit or any assets of the Corporation other than the Restructuring Property and any other collateral for the Bonds described in the Trust Agreement.

25. RESOLVED, This Restructuring Resolution shall not be interpreted to alter or limit the rights vested in PREPA to establish sufficient rates to pay and perform all of its obligations and contracts with its Bondholders and other creditors in accordance with their respective terms, nor to interfere with or diminish the lien upon PREPA revenues imposed under the Trust Agreement or other documents securing the PREPA Bonds and other obligations.

26. RESOLVED, With respect to any claim related to the Bonds (including claims arising under this Restructuring Resolution or under the Basic Documents and, to the extent permitted by law, the Initial Servicing Agreement), the Corporation hereby irrevocably submits and waives any objection to the non-exclusive, *in personam* jurisdiction and venue of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City and to the application of the laws of the State of New York, and agrees to maintain contacts with the State of New York sufficient to give the courts located therein personal jurisdiction over the Corporation. Notwithstanding the foregoing, any proceeding commenced and undertaken pursuant to the provisions of Articles 35(c) or 35(d) of the Act must be filed in the Superior Court, San Juan Part, and follow the procedures established therein.

27. RESOLVED, The Corporation shall include in the Trust Agreement, any Servicing Agreement, any Ancillary Agreement and any other Basic Document, a provision to the effect that such agreement will be governed by New York law as if such agreement were executed in and to be performed entirely within the state of New York. Notwithstanding the foregoing, all matters of the constitutional and statutory law of the Commonwealth (including the Act) and this Restructuring Resolution, all rights of the Corporation or the Servicer against any Customer by virtue of the Act and of the effect of the judgments and decrees of the Commonwealth courts, shall in all events be governed by the law of the Commonwealth.

28. RESOLVED, If an event of default with respect to the Bonds has occurred and is continuing, the transfer of the Restructuring Property to a third party as and to the extent provided in the Trust Agreement is hereby approved.

29. RESOLVED, This Restructuring Resolution may be amended prior to the issuance of any Bonds without the approval of the Commission or any other Person; provided, however, that any amendment affecting the calculation methodology for the initial Transition Charge or the Adjustment Mechanism related thereto shall be subject to the written approval of the President of the Commission or his or her designee.

30. RESOLVED, This Restructuring Resolution shall be effective upon its approval, and, on and after the date the Bonds are issued, shall not be subject to amendment and shall be irrevocable.

APPENDIX 1

CORPORATION DESIGNEE CERTIFICATION OF DETERMINATION

Pursuant to the Restructuring Resolution No. _____ (the "Restructuring Resolution") adopted by the Corporation on _____, 2016, _____, the Corporation Designee hereby reports and certifies to the Board and the Commission the final terms of the Bonds issued on _____, 20__ (the "Closing Date") in the aggregate principal amount of $_____ and other information required by the Restructuring Resolution. Any capitalized terms not defined in this Certificate shall have the meanings ascribed to them in the Restructuring Resolution.

PURPOSE:

This filing sets forth the following:

(a) Terms of Issuance, including principal amount, interest rate, and other terms and details of the Bonds, including the Exchange Offer Bonds, the Mirror Bonds, the New Money Bonds, the Cash Offer Bonds [and Syncora Bonds (if issued in a manner such that the Savings Test would apply to such Syncora Bonds pursuant to the Act)] and the Lender Bonds;

(b) A description of the PREPA Bonds which were exchanged for the Exchange Offer Bonds, the PREPA Bonds insured or held by the Monoline Insurers or holders of 2016 PREPA Bonds to be legally or economically defeased by the Mirror Bonds, the PREPA Bonds which were [defeased, redeemed, purchased] with the proceeds of the Cash Offer Bonds, [the PREPA Bonds which were restructured, refunded, redeemed, defeased or purchased through the issuance of Syncora Bonds] and the obligations under the Credit Agreements to be extinguished in exchange for the Lender Bonds;

(c) The application of the net proceeds from the sale of the New Money Bonds and the Cash Offer Bonds;

(d) The estimated Upfront Financing Costs to be paid with the proceeds of the New Money Bonds or through the delivery of Bonds in payment thereof;

(e) Estimated Ongoing Financing Costs for the first ____-month period following the Closing Date;

(f) Calculation of the expected savings from the issuance of the Exchange Offer Bonds, the Cash Offer Bonds [and the Syncora Bonds]; and

(g) The initial Transition Charges and their effective date (previously reported on _____, 20__ pursuant to the initial True Up Adjustment Letter), and the estimated Transition Charges over the life of the Bond issuance.

This Certificate is provided for information purposes only, except that the initial Transition Charges shall be subject to mathematical verification as provided in Finding of Fact 35 of the Restructuring Resolution.

(a) FINAL TERMS OF ISSUANCE:

All Bonds:

Total Amount Issued (Taxable):

Total Amount Issued (Non-Taxable):

Trustee: [*]

Sale Date: [*]

Closing Date:

Bond Ratings: [*]

Bonds by Type:

Exchange Offer Bonds:

Total Amount Issued (Taxable):	$[ ]
Total Amount Issued (Non-Taxable):	$[ ]
Bond Ratings:[*]	
Interest Rates, Scheduled and Legal Maturities, [Prices or Yields] Target Amortization Schedule: [*]	See Schedule A-1.
Call Provisions:[*]	
Payments to Holders:[*]	Semiannually, Beginning on [ ]
Required Reserve Level	$[ ]

Mirror Bonds

Total Amount Issued (Taxable):	$[ ]
Total Amount Issued (Non-Taxable):	$[ ]
Bond Ratings: [*]	

Interest Rates, Scheduled and Legal Maturities, [Prices or Yields] Target Amortization Schedule: [*]	See Schedule A-2.
Call Provisions:[*]	
Payments to Holders:[*]	Semiannually, Beginning on [ ]
Required Reserve Level	$[]

Cash Offer Bonds

Total Amount Issued (Taxable):	$[ ]
Total Amount Issued (Non-Taxable):	$[ ]
Bond Ratings: [*]	
Interest Rates, Scheduled and Legal Maturities, [Prices or Yields] Target Amortization Schedule: [*]	See Schedule A-3.
Call Provisions:[*]	
Payments to Holders:[*]	Semiannually, Beginning on [ ]
Required Reserve Level	$[]

New Money Bonds

Total Amount Issued (Taxable):	$[ ]
Total Amount Issued (Non-Taxable):	$[ ]
Bond Ratings: [*]	
Interest Rates, Scheduled and Legal Maturities, [Prices or Yields] Target Amortization Schedule: [*]	See Schedule A-3.
Call Provisions:[*]	
Payments to Holders:[*]	Semiannually, Beginning on [ ]

Required Reserve Level	$[]

Lender Bonds:

Total Amount Issued (Taxable):	$[ ]
Total Amount Issued (Non-Taxable):	$[ ]
Bond Ratings: [*]	
Interest Rates, Scheduled and Legal Maturities, [Prices or Yields] Target Amortization Schedule: [*]	See Schedule A-4.
Call Provisions:[*]	
Payments to Holders:[*]	Semiannually, Beginning on [ ]
Required Reserve Level:	$[]

Syncora Bonds:

Total Amount Issued (Taxable):	$[ ]
Total Amount Issued (Non-Taxable):	$[ ]
Bond Ratings: [*]	
Interest Rates, Scheduled and Legal Maturities, [Prices or Yields] Target Amortization Schedule: [*]	See Schedule A-4.
Call Provisions:[*]	
Payments to Holders:[*]	Semiannually, Beginning on [ ]
Required Reserve Level:	$[]

Each of the Bonds has a legal maturity no less than one year and no more than 35 years from the date of its issuance.

(b) DESCRIPTION OF RETIRED PREPA BONDS

A description of terms and debt service schedule on the PREPA Bonds to be exchanged for the Exchange Offer Bonds, the Insured PREPA Bonds or 2016 PREPA Bonds to be legally or economically defeased by the Mirror Bonds, the PREPA Bonds which were [defeased, redeemed, purchased] with the proceeds of the Cash Offer Bonds, the PREPA Bonds which were restructured, refunded, redeemed, defeased or purchased through the issuance of Syncora Bonds, and the obligations under the Credit Agreements to be extinguished in exchange for the Lender Bonds

[Schedules B-1 through B-___].

(c) APPLICATION OF PROCEEDS OF THE NEW MONEY BONDS AND CASH EXCHANGE BONDS

The proceeds from the sale of the New Money Bonds were applied as follows:

	AMOUNT
-Defeasance, redemption purchase of PREPA Bonds	
-Cost of Issuance Account (to pay Upfront Financing Costs-see attached Schedule D-1)	
-Deposit to Debt Service Reserve Funds {list subaccounts}	
-Deposit to PREPA Self Insurance Fund	
-IRS payment	

(d) ESTIMATED UPFRONT FINANCING COSTS

The estimated Upfront Financing Costs to be paid with the proceeds of the New Money Bonds or any New Money Bonds issued as payment of Upfront Financing Costs are set forth in Schedule D-1.

(e) ESTIMATED ONGOING FINANCING COSTS;

The estimated Ongoing Financing Costs for the Bonds (exclusive of debt service on the Bonds) for the initial period ending _____, 2017 are shown on Schedule E-1.

(f) EXPECTED SAVINGS:

The expected net present value savings, calculated using the assumptions set forth in the Petition and the Restructuring Resolution, including Schedule F thereto, based upon the scheduled payments on the Bonds specified in Schedules A-1 through A-___ hereto, the expected other Ongoing Financing Costs specified in Schedule E-___, and debt service schedule on the PREPA Bonds to be exchanged for the Exchange Offer Bonds specified in Schedule B-___, are shown below and calculated as shown in Schedule F-1[1]:

	Uninsured PREPA Bonds Debt Service	**Restructuring Bond Debt Service**	**Expected Savings**
Net Present Value	**$_____**	**$_____**	**$_____**

(g) INITIAL TRANSITION CHARGES:

The initial Transition Charges, calculated pursuant Appendix ____ to the Restructuring Resolution, are shown below:

Residential Customers: $_____ per service agreement

All other Customers: $_____-kWh.

The calculations are shown in the work papers attached to the Initial True-Up Adjustment Letter. As stated in the Initial True-Up Adjustment Letter, the initial Transition Charges will be effective on and after _____, until adjusted in accordance with the Restructuring Resolution.

BASIC DOCUMENTS:

Attached to this Certificate are the substantially final forms of the Basic Documents which have been or will be executed and delivered by the Corporation Designee at or about the time of delivery of the Bonds. Executed documents will be filed with the Clerk of the Board and with the Commission no later than ten (10) days following the closing.

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[1] To include Syncora Bonds as well if Savings Test applies.

Respectfully submitted:

By: _____
[Title]
Corporation Designee

SCHEDULE A-1

Interest Rates, Scheduled and Legal Maturities[2]

[2] So long as the related interest rate swap agreement remains in effect, the interest rate for Monoline Mirror Bonds that legally or economically defease variable rate Insured PREPA Bonds shall bear interest at the fixed rate payable by PREPA under the applicable interest rate swap agreement. In such case, the Monoline Mirror Bonds will secure both debt service on the related Insured PREPA Bonds and the applicable interest rate swap. If the related interest rate swap agreement expires or terminates, the interest rate for Monoline Mirror Bonds that legally or economically defease variable rate Insured PREPA Bonds shall be identical to the interest rate borne by such variable rate Insured PREPA Bonds.

SCHEDULE B-1

PREPA DEBT TO BE EXCHANGED AND RETIRED BY EXCHANGE OFFER BONDS

Description	Amount to be Retired	Total Outstanding Principal Amount	Current Maturity	Interest Rate

SCHEDULE B-2

PREPA DEBT TO BE LEGALLY OR ECONOMICALLY DEFEASED BY MIRROR BONDS

Description	Amount to be Defeased	Total Outstanding Principal Amount	Current Maturity	Interest Rate

SCHEDULE B-3

PREPA DEBT TO BE DEFEASED, REDEEMED, PURCHASED FROM THE PROCEEDS OF CASH OFFER BONDS

Description	Amount to be Defeased, Redeemed, Purchased	Total Outstanding Principal Amount	Current Maturity	Interest Rate

SCHEDULE B-4

CREDIT AGREEMENT DEBT
TO BE EXTINGUISHED/DEFEASED BY LENDER BONDS

Description	Amount to be Defeased	Total Outstanding Principal Amount	Current Maturity	Interest Rate

SCHEDULE B-5

SYNCORA INSURED PREPA BONDS TO BE DEFEASED, REDEEMED, PURCHASED FROM THE PROCEEDS OF CASH OFFER BONDS

Description	Amount to be Defeased, Redeemed, Purchased	Total Outstanding Principal Amount	Current Maturity	Interest Rate

SCHEDULE D

UPFRONT FINANCING COSTS:

The following shows the estimated Upfront Financing Costs (excluding Debt Service):

		AMOUNT
1	Accountant's / Auditor's Fees	
2	Legal Fees and Expenses	
	-- Issuer's Counsel (Sidley)	
	-- Local Counsel (PMA)	
	-- Regulatory Counsel (R3)	
	-- Underwriter's Counsel (Orrick)	
	-- Trustee's Counsel (TBD)	
	--[other]	
3	Printing & Filing Costs	
4	Advisor Fees	
	-- Restructuring Advisor (AlixPartners)	
	-- Restructuring Advisor (Millstein)	
	-- Municipal Advisor (PFM)	
	--[other]	
5	Rate Consultant Fees (Navigant)	
6	Rating Agency Fees	
7	Reserve Account Deposit	
8	Reserve Surety Premium	
9	Calculation Agent Set-Up Costs	
10	Servicer Set-up Costs	
11	Custodian / Depository Agent [Fees and Expenses]	
12	Information Agent (Bondcom) [Fees and Expenses]	
13	Trustee Fees	
14	Underwriting / Exchange Agent Fees (Bankers)	
15	Solicitation Agent Retail Fees	
16	Underwriting Expenses	
17	Miscellaneous / Other	
18	Original Issue Discount / Original Issue Premium	
19	[other]	
	Total estimated Upfront Financing Costs (Sum of Lines 1 through __)	

SCHEDULE E

ESTIMATED OTHER ONGOING FINANCING COSTS
(for period ending _____, 20___)

	ANNUAL AMOUNT
Servicing Fee (Paid to PREPA)	
Administration Fees and Expenses	
Directors Liability Insurance	
Surety Fees -- Quarterly Fees -- Annual Premium (c)	
Trustee Fees and Expenses	
Legal Fees	
Accounting Fees	
Calculation Agent Fee	
Custodian / Depository Agent Fee	
Rating Agency Fees	
Miscellaneous / Other	
TOTAL ESTIMATED OTHER ONGOING FINANCING COSTS	

The Ongoing Financing Costs detailed in the table above are authorized by the Restructuring Resolution and approved by the Corporation Designee.

Note: The amounts shown for each category of Ongoing Financing Costs on this attachment are the expected expenses for the first year following issuance of the Bonds/Post-Closing Date Bonds. Charges will be adjusted at least quarterly to reflect any changes in Ongoing Financing Costs through the Adjustment Mechanism described in the Restructuring Resolution.

SCHEDULE F

CALCULATION OF SAVINGS

APPENDIX 2

CALCULATION METHODOLOGY AND ADJUSTMENT MECHANISM

CALCULATION METHODOLOGY AND ADJUSTMENT MECHANISM TO ESTABLISH AND ADJUST THE TRANSITION CHARGE

The Corporation will, or will cause the Servicer on behalf of the Corporation to, calculate the initial Transition Charge and to adjust the Transition Charges in accordance with the following procedure. PREPA, as the initial Servicer pursuant to the Servicing Agreement, or any successor Servicer will make adjustments to the Transition Charges (a) quarterly, beginning no more than three (3) months from issuance of the Bonds and continuing until the Bonds and all Ongoing Financing Costs are paid or deemed paid in full, and (b) at any other time if the Servicer, the Calculation Agent, the Trustee or Requisite Bondholders (as and to the extent provided in the Trust Agreement) or any party to an Ancillary Agreement (as and to the extent provided in an Ancillary Agreement) determines that such adjustment is required to assure the timely payment of the principal of and interest on the Bonds and all other Ongoing Financing Costs. Such adjustments are referred to herein as Quarterly and Optional True-Up Adjustments, respectively, and, collectively, as "True-Up Adjustments." Capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to them in the Restructuring Resolution.

To initiate any True-Up Adjustment, the Servicer will make a preliminary calculation of the True-Up Adjustment and will prepare and submit to the Calculation Agent a draft request for adjustment (a "True-Up Letter"). The Calculation Agent will review the draft True-Up Letter, including the mathematical calculations related to the proposed True-Up Adjustment, and forward any corrections or modifications to the Servicer. The Servicer will then file the True-Up Letter, reflecting any such corrections or modifications, with the Corporation, the Commission and the Trustee, not later than 30 days prior to the proposed effective date of the adjustment set forth in the True-Up Letter (such effective date being referred to as the "True-Up Adjustment Date").

Each True-Up Adjustment will be designed (i) to correct for any over-collections or under-collections of Transition Charges through the proposed True-Up Adjustment Date and (ii) to ensure that expected Transition Charge Revenues remitted or to be remitted to the Trustee, after taking into account assumed charge-offs and payment delays, are adequate (A) to pay timely principal of (in accordance with the scheduled maturity date or dates (including scheduled mandatory sinking fund redemption dates)) and interest on the Bonds on each of the Payment Dates that occurs during the related Annual Calculation Period (defined below), (B) to fund or replenish any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund) to its required level, as provided in the Trust Agreement or the Ancillary Agreement (as the case may be), and (C) to make timely payment of all other Ongoing Financing Costs during the related Annual Calculation Period.

In estimating the expected receipts of Transition Charges for any period the Servicer will apply a "collection curve" reflecting the most recent 12-month history of collections for which data are available. In connection with each True-Up Adjustment filing, the Servicer will develop one collection curve reflecting payment history for all Customers (the "Composite Collection Curve"). A collection curve is data reflecting the timing of payments of outstanding bills during

a 12-month period, adjusted to assume that any Transition Charges which are not collected within 120 days of billing are written off. Each month's billings are divided into aging buckets based on the number of days for which such billings have been outstanding (e.g., 0 to 29 days, 30 to 59 days, 60 to 89 days, and 90 to 119 days outstanding). The aging buckets are then used to estimate the dollar amount of each month's billings collected within 30, 60, 90 and 120 days, as well as the dollar amount not collected within 120 days (amount written off) for the 12-month period. For such 12-month period, the collection curve is calculated by dividing each of the total dollar amount of billings collected within 30, 60, 90, and 120 days by the total dollar amount of billings collected within 120 days. The Composite Collection Curve will also be used to calculate the Days Sales Outstanding referred to in Annex 3 to the Servicing Agreement.

As used herein, unless otherwise defined, capitalized terms shall have the following meanings:

"Actual kWh Billed" means, for any period and for any Customer, Class or Classes, the gross kWh consumption, measured, as and to the extent provided in the Restructuring Resolution, without regard to any offset for net-metering and adjusted for estimated distributed generation usage. Usage of municipal Customers will be included only to the extent that the dollar value of such usage for electric service, including in determining such dollar value both Transition Charges which would otherwise be imposed on such municipality and PREPA charges, in any fiscal year exceeds the dollar value owed by PREPA to such municipality as a contribution in lieu of taxes for such fiscal year, as provided in the Act and the Restructuring Resolution.

"Aggregated Actual kWh Billed" means, for any period, the sum of the Actual kWh Billed for all Customers.

"Annual Calculation Period" means the 12-month period beginning on (but not including) a True-Up Adjustment Date and ending on (and including) a date which is 12-months later.

"Bond Payment Date" means each consecutive Bond payment date (whether for principal or interest) following a True-Up Adjustment Date. As an illustration, the "First Bond Payment Date" means the first Bond Payment Date following a True-Up Adjustment Date; the "Second Bond Payment Date" means the second Bond Payment Date following the True-Up Adjustment Date; etc.

"Class" means each of the Residential Customers, the Non-Residential Customers and the Government Customers, respectively, and, collectively, the "Classes." For the avoidance of doubt, the Non-Residential Customers and the Government Customers together constitute a single Class.

"Collection Period" means, for the purposes of any True-Up Adjustment, the period which commences on a True-Up Adjustment Date and which ends five (5) Business Days prior to a designated Bond Payment Date. As an illustration, the "First Collection Period" means the period which commences on a True-Up Adjustment Date and which ends five (5) Business Days prior to the First Bond Payment Date following such True-Up Adjustment Date; the "Second

Collection Period" means the period which commences on the same True-Up Adjustment Date and which ends five (5) Business Days prior to the Second Bond Payment Date following such True-Up Adjustment Date; etc.

"Government Customers" means any Customer that is an agency, public corporation, office, municipality, or instrumentality of the Commonwealth of Puerto Rico, or an agency, public corporation, office, department or instrumentality of the United States.

"Gross Billing Requirement" shall have the meaning set forth in clause (6) below.

"Net Revenue Requirement" shall have the meaning set forth in clause (5) below.

"Non-Residential and Government Customer Allocation" shall have the meaning set forth in clause (2) below.

"Non-Residential Customers" means the rate classes identified on Exhibit A to [__] as Non-Residential Customers, as such rate classes may be changed from time to time based upon Customer characteristics.

"Residential Customer Allocation" shall have the meaning set forth in clause (1) below.

"Residential Customers" means the rate classes identified on Exhibit A to [__] as Residential Customers, as such rate classes may be changed from time to time based upon Customer characteristics.

"Residential Service Agreement Count" means, as of the date of any calculation, the average number of Residential Service Agreements used for billing purposes during the previous 12-month period ending with the end of the most recently completed calendar quarter for which data are available.

"Residential Service Agreement Aggregate Count" means Residential Service Agreement Count times the number of billing cycles (or portions thereof) within a Collection Period.

The calculation methodology and adjustment mechanism to establish and adjust the Transition Charge shall be as follows:

(1) Divide the Aggregated Actual kWh Billed for the previous 12-month period ending with the end of the most recently completed calendar quarter for which data are available into the Actual kWh Billed to Residential Customers during that same 12-month period. The resulting percentage is the "Residential Customer Allocation."

(2) Divide the Aggregated Actual kWh Billed for the previous 12-month period ending with the end of the most recently completed calendar quarter for which data are available into the Actual kWh Billed for all Non-Residential Customers and Government Customers during the same 12-month period. The resulting percentage is the "Non-Residential and Government Customer Allocation."

(3) Project the Transition Charge Revenues expected to be held by the Trustee on the proposed True-Up Adjustment Date after payment of Ongoing Financing Costs due on or prior to such date (but excluding amounts held or to be held on such date by the Trustee in any debt service reserve fund or account, or in any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund), and add to that amount the Transition Charge Revenues expected to be received by the Trustee after the True-Up Adjustment Date and during the First Collection Period from bills rendered prior to the True-Up Adjustment Date based on the Transition Charges then or previously in effect.

(4) Calculate the sum of (a) principal of (in accordance with the scheduled maturity date or dates (including scheduled mandatory sinking fund redemption dates)) and interest on the Bonds when due and as accruing through and including the First Bond Payment Date, (b) any amount necessary or expected to be necessary to fund or replenish any debt service reserve fund or account, or any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund, to their required level, as and to the extent such funding or replenishment is required by the Trust Agreement or any Ancillary Agreement (as the case may be) on or prior to the First Bond Payment Date, and (c) all other Ongoing Financing Costs required to be paid or deposited on or prior to the First Bond Payment Date.

(5) Subtract the amount in clause (3) from the amount in clause (4) to determine the "Net Revenue Requirement" for the First Collection Period.

(6) Adjust (or gross up) the Net Revenue Requirement to give effect to the number of billing cycles, the Composite Collection Curve and the write-off assumption, to ensure that the Transition Charge Revenues expected to be remitted to the Trustee during the First Collection Period will satisfy the Net Revenue Requirement for the First Collection Period on a timely basis and will result in the Excess Funds Account held under the Trust Agreement to be zero by the First Bond Payment Date. The result will be the "Gross Billing Requirement" for the First Collection Period.

(7) Multiply the Gross Billing Requirement for the First Collection Period by the Residential Customer Allocation. The result will be the "Residential Gross Billing Requirement" for the First Collection Period.

(8) Multiply the Gross Billing Requirement for the First Collection Period by the Non-Residential and Government Customer Allocation. The result will be the "Non-Residential and Government Gross Billing Requirement" for the First Collection Period.

(9) Divide the Residential Gross Billing Requirement for the First Collection Period by the Residential Service Agreement Aggregate Count for First Collection Period to produce a $/per service agreement Transition Charge. Subject to clause (12) below, the result will be the first possible Transition Charge for each Residential Customer to be effective on the True-Up Adjustment Date.

(10) Divide the Non-Residential and Government Gross Billing Requirement for the First Collection Period by the Actual kWh Billed for Non-Residential Customers and Government Customers during the comparable period to the First Collection Period in the prior 12-month period for which data are available (i.e., the calendar dates one year prior to the calendar dates in the First Collection Period), to produce an estimated volumetric (per kWh) Transition Charge. Subject to clause (12) below, the result will be the first possible Transition Charge (per kWh) for all Non-Residential and Government Customers to be effective on the True-Up Adjustment Date.

(11) Repeat the calculations described in clauses (3) through (10), inclusive, to determine the Transition Charges necessary to satisfy the revenue requirement for each consecutive Collection Period which ends during the Annual Calculation Period, replacing "First Bond Payment Date" with "Second Bond Payment Date" and "First Collection Period" with "Second Collection Period," etc. through the Third and Fourth Collection Periods (if any), respectively.

(12) Compare the revenues produced by each set of Transition Charges resulting from the calculations above (i.e., one set for each Collection Period). The set of Transition Charges which is expected to produce the greatest revenue by the end of the First Collection Period will be the set of Transition Charges to be effective on the True-Up Adjustment Date.

The Corporation will adjust the Transition Charges for each Class as requested in each True-Up Letter, and such Transition Charges will be effective on the date specified in the True-Up Letter, so long as such effective date is at least 30 days after the filing with the Commission of such True-Up Letter, subject only to the correction of any mathematical errors by the Commission as set forth in the next sentence. Any adjustment to correct the mathematical inaccuracy, if ordered by the Commission, shall be made by the Servicer no later than the next succeeding True-Up Adjustment on which such adjustment can practically be made without delaying the effective date set forth in the True-Up Letter.

APPENDIX 3

FORM OF CALCULATION AGENT AGREEMENT

APPENDIX 4

FORM OF INITIAL SERVICING AGREEMENT

Attachment 1.00

Sidley Austin LLP
Draft of 4/6/16

PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION

as Issuer

AND

PUERTO RICO ELECTRIC POWER AUTHORITY

as Servicer

RESTRUCTURING PROPERTY SERVICING AGREEMENT

Dated as of [_____, 2016]

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Appendix A Definitions

This RESTRUCTURING PROPERTY SERVICING AGREEMENT, dated as of [_____, 2016], is between Puerto Rico Electric Power Authority Revitalization Corporation, a special purpose public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (the "Corporation"), as issuer of the Bonds (the "Issuer"), and Puerto Rico Electric Power Authority, a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico ("PREPA"), as servicer (the "Servicer").

RECITALS

WHEREAS the Servicer is willing to service the Restructuring Property created by the Restructuring Resolution and owned by the Issuer; and

WHEREAS the Issuer, in connection with ownership of Restructuring Property, desires to engage the Servicer to carry out the functions described herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. Capitalized terms used but not otherwise defined herein have the respective meanings assigned to them in Appendix A hereto, and if not defined therein, in the Trust Agreement.

Section 1.02 Other Definitional Provisions.

(a) "Agreement" means this Restructuring Property Servicing Agreement, together with all Exhibits, Schedules, Appendices and Annexes hereto, as the same may be amended, supplemented or otherwise modified from time to time as herein permitted.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) The words "hereof," "herein," "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section, Schedule, Exhibit, Appendix and Annex references contained in this Agreement are references to Sections, Schedules, Exhibits, Appendices and Annexes in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter forms of such terms.

ARTICLE II

APPOINTMENT AND AUTHORIZATION

Section 2.01 Appointment of Servicer; Acceptance of Appointment. The Issuer hereby appoints the Servicer, and the Servicer hereby accepts such appointment, to perform the Servicer's obligations pursuant to this Agreement on behalf of and for the benefit of the Issuer in accordance with the terms of this Agreement. This appointment and the Servicer's acceptance thereof may not be revoked except in accordance with the express terms of this Agreement.

Section 2.02 Authorization. Subject to the provisions of this Agreement and subject to any direction given in accordance with the Trust Agreement, with respect to all or any portion of the Restructuring Property, the Servicer is hereby authorized and empowered by the Issuer to:

(a) execute and deliver, on behalf of itself and/or the Issuer, as the case may be, any and all instruments, documents or notices, and

(b) on behalf of itself and/or the Issuer, as the case may be, make any filing and participate in proceedings of any kind with any governmental authorities, including with the Commission.

Subject to the provisions of this Agreement and subject to any direction given in accordance with the Trust Agreement, (i) the Issuer shall execute and deliver to the Servicer such documents as have been prepared by the Servicer for execution by the Issuer, and such other documents as may be in the Issuer's possession, as the Servicer may determine to be necessary or appropriate to enable it to carry out its servicing and administrative duties hereunder and (ii) upon the Servicer's written request, the Issuer shall furnish the Servicer with any powers of attorney or other documents necessary or appropriate to enable the Servicer to carry out its duties hereunder.

Section 2.03 Dominion and Control Over the Restructuring Property. Notwithstanding any other provision herein to the contrary, the Issuer shall have ownership, dominion and control over the Restructuring Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Issuer with respect to the Restructuring Property and the Restructuring Property Documentation. The Servicer shall not take any action with respect to the Restructuring Property that is not authorized by this Agreement or that impairs the rights of the Issuer, the Trustee, the Bondholders or the parties to the Ancillary Agreements in, or the rights of an owner of, the Restructuring Property.

ARTICLE III

BILLING SERVICES

Section 3.01 Duties of Servicer. The Servicer, as agent for the Issuer, shall have the following duties:

(a) Duties of Servicer Generally. The Servicer will manage, service, administer and make collections in respect of the Transition Charges. The Servicer's duties will be to and the Servicer shall:

(i) impose the Transition Charges on all Customers and adjust them as more fully set forth herein;

(ii) exercise all the collection rights of the holders or pledgees of the Restructuring Property for the benefit of such holders or pledgees as more fully set forth herein;

(iii) transfer any Transition Charge Revenues to the holders or pledgees of Restructuring Property as more fully set forth herein;

(iv) obtain meter reads, calculate electricity usage, maintain record of service agreements, calculate the periodic adjustments to the Transition Charges, bill the Transition Charges to the Customers as a separate line item on PREPA's bills and collect (from Customers and Third Party Billers, as applicable) all Transition Charge Collections, all in accordance with the Restructuring Resolution, the Trust Agreement and this Agreement;

(v) estimate the energy use of Customers for the purpose of calculating Transition Charges in a manner that includes load served by net metering or estimated distributed generation ("behind the meter") in accordance with the terms of the Restructuring Resolution and Annex 3 herein;

(vi) respond to inquiries by Customers, Third Party Billers, the Commission, the Trustee, the Bondholders, any party to an Ancillary Agreement or inquiries by any federal, local or other Commonwealth governmental authority, with respect to the Transition Charges;

(vii) deliver Bills to Customers and Third Party Billers, account for Transition Charge Collections, investigate and resolve delinquencies, process and deposit collections, make periodic remittances and furnish periodic reports to the Issuer, the Commission, the Calculation Agent, the Trustee and the Rating Agencies;

(viii) sell, as the agent for the Issuer, as its interest may appear, defaulted or written off accounts in accordance with the Servicer's usual and customary practices for accounts of Customers for Rates;

(ix) take action in connection with True-Up Adjustments as is set forth herein;

(x) take any action necessary to direct (a) all Customers that do not pay their Bills in person, and (b) Third Party Billers or any other Person that hold Transition Charge

Collections and PREPA Charges, to remit their payments or turn over all such Transition Charge Collections and PREPA Charges directly to the Depository [this may be Depositories] for deposit into the Allocation Account;

(xi) promptly, and in any event as soon as reasonably possible after receipt of the same, cause all Transition Charge Collections and all PREPA Charges not otherwise deposited with or paid to the Depository to be paid to the Depository for deposit into the Allocation Account held thereunder, as further provided in Sections 3.03 and 5.11;

(xii) include charges for the Transition Charges as separate line items on all Customer bills separate from all other PREPA Charges;

(xiii) take any actions permitted by the law to collect unpaid bills and terminate service to Customers who are delinquent in the payment of their Transition Charge on the same basis as termination of service is permitted for nonpayment of electric or other rates by PREPA, and which would otherwise be consistent with Best Efforts, but none of the Issuer, the Trustee, the Bondholders or any party to an Ancillary Agreement may directly terminate service to any Customer; and

(xiv) administer Transition Charge Revenues mingled with other funds of the Servicer in a manner that allows for the distinct identification of the Transition Charge Revenues and such other funds, respectively.

Without limiting the generality of this Section 3.01(a), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with, the duties and responsibilities set forth in Annex 3 which, among other things, relate to data acquisition, usage and bill calculation, billing, Customer service functions, collections, payment processing and remittance.

(b) Notification of Laws and Regulations. The Servicer shall promptly notify the Issuer, the Commission, the Trustee and the Rating Agencies in writing of any laws or Commission Regulations hereafter promulgated that have an adverse effect on the Servicer's ability to perform its duties under this Agreement.

(c) Other Information. Upon the request of the Issuer, the Commission, the Trustee, [the Administrator,] the Calculation Agent, any party to an Ancillary Agreement or any Rating Agency, the Servicer shall provide to the Issuer, the Commission, the Trustee, [the Administrator], such party to an Ancillary Agreement or the Rating Agencies, as the case may be, any financial information in respect of the Servicer, or any material information regarding the Restructuring Property, as may be necessary and permitted by law or as may be required by any other agreement, including the Trust Agreement, for the Issuer, the Commission, the Calculation Agent, [the Administrator,] the Trustee or the Rating Agencies to monitor the Servicer's performance hereunder. In addition, so long as any of the Bonds of any Tranche are outstanding, or the Issuer's obligations under any Ancillary Agreement have not been performed in full, the Servicer shall provide to the Issuer, the Commission, the Calculation Agent, [the Administrator], any party to an Ancillary Agreement and the Trustee, within a reasonable time after written request therefor, any information available to the Servicer or reasonably obtainable by the

Servicer that is necessary to perform their respective duties, to determine compliance by the Servicer with this Agreement, to calculate the Transition Charges, or perform the Adjustment Mechanism. To the extent permitted by the Trust Agreement, the Trustee shall be authorized to provide any information received under this Agreement to Bondholders.

Section 3.02 Collection of the Transition Charges.

(a) [Subject to Section 3.01(a)(x), the Servicer shall use Best Efforts to collect all amounts owed in respect of the Transition Charges as and when the same shall become due and shall follow such collection procedures as it applies with respect to collection activities that the Servicer conducts for itself or others, provided that such collection procedures shall be consistent with Best Efforts. The Servicer shall not change the amount of or reschedule the due date of any scheduled payment of the Transition Charges, except as contemplated in this Agreement and as permitted in the Trust Agreement or as required by law or Commission or court order as authorized under the law**;** provided, however, that the Servicer may take any of the foregoing actions to the extent that any such action taken would be in accordance with its customary billing and collection practices for Rates and treats the Transition Charges in the same manner as other PREPA charges, provided that such actions and practices are consistent with Best Efforts. The Servicer shall enforce the obligations of any Third Party Billers providing billing and collection services with respect to the Transition Charges and shall require that all such agreements with Third Party Billers provide for the right of the Trustee to enforce such obligations.]

(b) As specified in the Act, the Restructuring Resolution and the Trust Agreement, any amounts received from or on behalf of a Customer that represent a partial payment of a Bill containing both Transition Charges and PREPA Charges shall be allocated *pro rata* between the Transition Charges and PREPA Charges set forth on such Bill.

Section 3.03 Transfer of Customer Revenues to Trustee; Allocation and Transfer of Transition Charge Collections and PREPA Charge Collections.

(a) The parties recognize that the Customer Revenues must be allocated between PREPA and the Corporation in a manner which respects their respective interests. Accordingly, on each Business Day, commencing on the Business Day following the expiration of a period, which period shall commence on the issue date of the Bonds, consisting of the number of days set forth in the last sentence of definition of Days Sales Outstanding (the "Deposit Commencement Date"; each such day being referred to as a "Deposit Date"), the Servicer shall remit all Customer Revenues received by the Servicer to the Depository for deposit into the Allocation Account. Customer Revenues shall be remitted to the Depository by the Servicer as soon as possible following receipt, but in any event no more than two Business Days after receipt by the Servicer. Under no circumstance shall the Servicer act as the Depository in respect of the Transition Charges.

(b) On each Deposit Date, the Depository shall be required to inform the Servicer of any Customer Revenues received by it directly.

(c) On each Deposit Date, the Servicer (a) shall calculate, according to the procedures set forth in Annex 3, the Estimated Transition Charge Collections deemed to have been received

by the Servicer on behalf of the Issuer on such Deposit Date and for each day or days immediately preceding such Deposit Date which are not Business Days, and (b) not later than [9:00 a.m. New York time] on each Deposit Date, shall file with the Depository, the Trustee, the Calculation Agent and the Issuer a Daily Remittance Certificate showing the amount of Estimated Transition Charge Collections which the Depository is required to remit to the Collection Account on such date (*i.e.*, the Daily Remittance) and the remaining amount of the Customer Revenues which the Depository is required to remit to or for the account of PREPA.

(d) The Servicer shall also promptly, but no less frequently than once each Business Day, remit to the Trustee for deposit to the Collection Account any other proceeds of the Collateral that the Servicer may have received from time to time on behalf of the Issuer.

(e) The Servicer agrees and acknowledges that: (i) it shall be deemed to be acting solely as an agent of the Issuer and not as principal, (ii) it holds all Transition Charge Collections collected by it, and any other proceeds of the Collateral received by it, in trust for the exclusive benefit of the Trustee, the Bondholders and parties to Ancillary Agreements, as their interests may appear, (iii) it holds no interest in the Transition Charges or the Transition Charge Collections and (iv) all such collected or received amounts will be remitted to the Trustee for deposit to the Collection Account or to the Depository for deposit to the Allocation Account without any surcharge, fee, offset, charge or other deduction. The Servicer further agrees not to make any claim or assert any right to set-off to reduce any Transition Charge Collections collected by it or deposited into the Allocation Account or the Collection Account.

(f) Not later than fifteen days following each calendar quarter, commencing [xx 15, xxxx], the Servicer (a) shall calculate the amount, if any, by which the aggregate of the Estimated Transition Charge Collections were less than or exceeded Actual Transition Charge Collections deposited into the Allocation Account during the preceding calendar quarter, and (b) shall file with the Depository, the Trustee, the Calculation Agent, the parties to the Ancillary Agreements and the Issuer, and submit to the Commission for informational purposes only, a "Quarterly Reconciliation Certificate," substantially in the form attached as Exhibit B to this Servicing Agreement. If the certificate shows that a Remittance Shortfall exists, the Servicer shall direct the Depository to make a supplemental remittance from the Allocation Account to the Collection Account. If the certificate shows that an Excess Remittance exists, the Servicer shall cause such Excess Remittance to be corrected as soon as practicable (i) by directing the Depository, in one or more Daily Remittance Certificates, to reduce the amount of each Daily Remittance from the Allocation Account until the balance of such Excess Remittance has been reduced to zero, or (ii) only if and to the extent necessary, following two Business Days' prior written notice to the Trustee, by causing payment of the amount of such Excess Remittance to or for the account of PREPA from the General Subaccount or the Excess Funds Subaccount in the Collection Account.

(g) Transition Charge Collections received by the Servicer shall not lose their character as revenues of the Corporation by virtue of possession by the Servicer or any other party, including any Third Party Biller.

Section 3.04 [Servicing and Maintenance Standards. The Servicer shall, on behalf of the Issuer:

(a) manage, service, administer and make collections in respect of the Restructuring Property with reasonable care and in compliance with applicable law, including all applicable Commission Regulations, using the same degree of care and diligence that the Servicer exercises with respect to billing and collection activities that the Servicer conducts for itself and others, subject to paragraph (b) below;

(b) use Best Efforts to collect all Transition Charges;

(c) follow customary standards, policies and procedures in performing its duties as Servicer that are customary in the electric utility industry;

(d) enforce and maintain the rights of the Issuer, the Trustee, the parties to the Ancillary Agreements and the Bondholders in respect of the Restructuring Property, and the rights of an owner of the Restructuring Property in respect thereof, including, but not limited to, taking such action the Servicer may deem necessary or desirable to enforce collection of the Transition Charge, subject to paragraph (b) above;

(e) calculate the Transition Charges and Adjustment Mechanism in compliance with the Act and the Restructuring Resolution; and

(f) invoice Customers in accordance with the procedures set forth in Annex 3, except where the failure to comply with any of the foregoing would not adversely affect the rights of the Issuer, the Trustee, any party to an Ancillary Agreement or the Bondholders in respect of the Restructuring Property or the rights of an owner of the Restructuring Property in respect thereof. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of the Restructuring Property, which, in the Servicer's judgment, may include the taking of legal action pursuant to Section 3.10 or otherwise; provided, however, that the Servicer's customary and usual practices and procedures as they relate to the collection of Transition Charges shall be consistent with Best Efforts; and provided further that the Servicer shall not change its customary and usual practices and procedures in any manner which would [materially and] adversely affect the rights of the Issuer, the Trustee or any party to an Ancillary Agreement, or the Bondholders in respect of the Restructuring Property or the rights of an owner of the Restructuring Property in respect thereof, unless it shall have provided the Issuer, the Trustee, the parties to the Ancillary Agreements and the Rating Agencies with prior written notice describing such adverse change and the Rating Agency Condition shall have been satisfied.]

Section 3.05 Servicer's Reports and Certificates. The Servicer will provide to the Issuer, the Commission, the Calculation Agent, the parties to the Ancillary Agreements and the Trustee the statements and certificates specified in Annex 2. The Issuer shall file, or shall cause the Servicer to file, with the Commission and the Calculation Agent, any Servicer report, certificate or True-Up Letter at the same time as such report, certificate or True-Up Letter is submitted to the Corporation. Each Semiannual Servicer Certificate will show in detail all Ongoing Financing Costs which are being paid from Transition Charges on an ongoing basis.

Section 3.06 Annual Statement as to Compliance. The Servicer shall deliver to the Issuer, the Commission, the Trustee, the Calculation Agent, each party to an Ancillary

Agreement and each Rating Agency, and submit to the Commission for informational purposes only, on or before [_____] of each year beginning [_____, xxxx] to and including [_____] succeeding the Final Maturity Date of the Bonds or the final payment of any other Ongoing Financing Costs, whichever is later, an Officer's Certificate, substantially in the form of Exhibit E hereto, stating:

(a) that a review of the activities of the Servicer (including any party to which the Servicer has subcontracted services under this Agreement) during the preceding calendar year (or relevant portion thereof in the case of the first such Officer's Certificate) and of its performance under this Agreement has been made, and

(b) whether to the best of such officers' knowledge, based on such review, the Servicer has fulfilled all its obligations under this Agreement throughout such period and, if there has been a default in the fulfillment of any such obligation, describing each such default and its status.

Section 3.07 Annual Independent Registered Public Accountants' Report; Annual Assessment.

(a) The Servicer shall cause [INSERT NAME] or another firm of Independent Registered Public Accountants (which may provide other services to the Servicer or its affiliates) to prepare annually, and the Servicer shall deliver annually to the Issuer, the Trustee, the Calculation Agent, the Rating Agencies, and the Commission, on or before August 15 of each year, commencing with [2017] to and including the August 15 succeeding the date on which both (i) Final Maturity Date of the Bonds shall have occurred and (ii) all obligations under the Bonds and the Ancillary Agreements have been paid in full, a report addressed to the Servicer (the "Annual Accountant's Report"), which may be included as part of the Servicer's customary auditing activities, to the effect that such firm has performed certain procedures, agreed upon by the Servicer and such accountants, in connection with the Servicer's compliance with its obligations under this Agreement during the preceding twelve months ended [December 31] (or, in the case of the first Annual Accountant's Report to be delivered on or before [_____, 2017], the period of time from the date of this Agreement until [December 31, 2016]), identifying the results of such procedures and including any exceptions noted. The Annual Accountant's Report shall include a verification that the Upfront Financing Costs and Ongoing Financing Costs paid from the Transition Charge Revenues are consistent with the requirements of the Trust Agreement, the Restructuring Resolution and this Agreement. In the event such accounting firm requires the Trustee to agree or consent to the procedures performed by such firm, the Issuer shall direct the Trustee in writing to so agree; it being understood and agreed that the Trustee may deliver such letter of agreement or consent in conclusive reliance upon the direction of the Issuer, and the Trustee is not required to make any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures.

(b) The Annual Accountant's Report shall also indicate that the accounting firm providing such report is Independent of the Servicer, the Government Development Bank for Puerto Rico and the Commonwealth of Puerto Rico in accordance with the Code of Professional Ethics of the American Institute of Certified Public Accountants, as then in effect.

(c) At the direction of the Commission, the Servicer, on behalf of the Corporation, will retain an Independent entity (which may be the Independent registered public accountants preparing the annual audit) to prepare an assessment of the reasonableness of the Financing Costs incurred in the preceding year.

Section 3.08 Restructuring Property Documentation. To ensure uniform quality in servicing the Restructuring Property and to reduce administrative costs, the Servicer shall keep on file, in accordance with its customary procedures, all Restructuring Property Documentation, it being understood that the Servicer is acting solely as the servicing agent and custodian for the Issuer with respect to the Restructuring Property Documentation. Such Restructuring Property Documentation shall be open to the inspection of, and shall be provided up request of, the Issuer, the Trustee or any Person with rights to receive such Restructuring Property Documentation pursuant to the Trust Agreement or any Ancillary Agreement.

Section 3.09 Computer Records: Audits of Documentation.

(a) Safekeeping. The Servicer shall maintain accurate and complete accounts, records and computer systems pertaining to the Restructuring Property and the Restructuring Property Documentation in accordance with generally accepted accounting principles (GAAP) and in sufficient detail to permit reconciliation between Estimated Transition Charge Collections and Actual Transition Charges, whether remitted directly to the Depository by Customers or by the Servicer, so as to enable the Issuer to comply with this Agreement, the Depository Agreement, the Restructuring Resolution and the Trust Agreement. The Servicer shall conduct, or cause to be conducted, periodic audits of the Restructuring Property Documentation held by it under this Agreement and of the related accounts, records and computer systems, in such a manner as shall enable the Issuer, the Commission, the Trustee, the Depository and the Calculation Agent to verify the accuracy of the Servicer's record keeping. The Servicer shall promptly report to the Issuer, the Commission, the Calculation Agent, the Administrator and the Trustee any failure on the Servicer's part to hold the Restructuring Property Documentation and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by the Issuer or the Trustee of the Restructuring Property Documentation. The Issuer and the Trustee shall have the right to conduct any such review, and the Requisite Bondholders or any party to an Ancillary Agreement may initiate such review, as and to the extent set forth in the Trust Agreement and any Ancillary Agreement; provided, however, that the Servicer shall not pay for any costs related to such review unless it is in default under this Agreement. The Servicer's duties to hold the Restructuring Property Documentation on behalf of the Issuer set forth in Sections 3.08 and 3.09, to the extent such Restructuring Property Documentation has not been previously transferred to a successor Servicer, shall terminate three years after the earlier of the date on which (i) the Servicer is succeeded by a successor Servicer pursuant to the provisions of this Agreement and (ii) no Bonds of any Tranche are outstanding and no other Ongoing Financing Costs remain unpaid.

(b) Maintenance of and Access to Records. The Servicer shall maintain the Restructuring Property Documentation at [ADDRESS], or at such other office as shall be specified by the Servicer to the Issuer, the Commission, the Depository, the Calculation Agent, [the Administrator] and the Trustee by written notice not later than 30 days prior to any change

in location. The Servicer shall permit the Issuer, the Commission, the Calculation Agent, the Administrator and the Trustee or their respective duly authorized representatives, attorneys, agents or auditors at any time during normal business hours to inspect, audit and make copies of and abstracts from the Servicer's records regarding the Restructuring Property, the Transition Charges and the Restructuring Property Documentation, except that the failure of the Servicer to provide access to such information as a result of an obligation or applicable law (including Commission Regulations) prohibiting disclosure of information regarding Customers shall not constitute a breach of this Section 3.09(b); provided, however, that (i) such exception shall only apply to the specific information that violates the law and (ii) the Servicer shall provide access to such information or portion thereof that may be disclosed, including information redacted to protect privacy rights.

Section 3.10 Defending Restructuring Property Against Claims. The Servicer shall institute in its own name and the name of the Issuer, and maintain, any action or proceeding necessary to compel performance by the Commission or the Commonwealth of any of their obligations or duties under the Act, the Restructuring Resolution or the Restructuring Order with respect to the Restructuring Property, and the Servicer agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be necessary to block or overturn any attempts to cause a repeal of, modification of or supplement to the Act, the Restructuring Resolution, the Trust Agreement or the Restructuring Order, as the case may be, or the rights of holders of Restructuring Property that would be adverse to Bondholders. The costs of any such action reasonably allocated by the Servicer to the Restructuring Property shall be payable from Transition Charge Collections as an Ongoing Financing Cost in accordance with the Trust Agreement.

The Servicer's obligations pursuant to this Section 3.10 shall survive and continue notwithstanding the fact that the payment of Ongoing Financing Costs pursuant to the Trust Agreement may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations under this Section 3.10).

ARTICLE IV

SERVICES RELATED TO TRUE-UP ADJUSTMENTS

Section 4.01 True-Up Adjustments-General.

(a) The Servicer, on behalf of the Issuer, will cause the Transition Charges to be adjusted (i) quarterly, beginning in XX, XX, as described below (the "Quarterly True-Up Adjustments"), and (ii) at any other time if the Servicer, the Calculation Agent, the Trustee or the Requisite Bondholders (as and to the extent provided in the Trust Agreement) or any party to an Ancillary Agreement (as and to the extent provided in an Ancillary Agreement) determines that such adjustment is required to ensure the timely payment of the principal of and interest on the Bonds and all other Ongoing Financing Costs (the "Optional True-Up Adjustments" and together with the Quarterly True-Up Adjustments, the "True-Up Adjustments").

(b) To initiate any True-Up Adjustment, the Servicer will make a preliminary calculation of the True-Up Adjustment and will prepare and submit to the Calculation Agent a draft direction pursuant Section 4.02 or a request pursuant to Section 4.03 for adjustment (a "True-Up Letter"), which in either case shall specify the proposed effective date of the True-Up Adjustment (the "True-Up Adjustment Date"), and shall be provided to the Calculation Agent in the case of a Quarterly True-Up Adjustment at the time specified in Section 4.02 and in the case of an Optional True-Up Adjustment [__] days prior to the True-Up Adjustment Date. Each True-Up Letter will be substantially in the form of Exhibit F hereto. The Issuer will cause the Calculation Agent to review the draft True-Up Letter, including the proposed True-Up Adjustment, and to provide the Servicer with any corrections or modifications, which shall be within the time specified in Section 4.02 with respect to a Quarterly True-Up Adjustment, so that the Servicer can file the True-Up Letter, as corrected and confirmed, with the Issuer, the Commission and the Trustee not later than the Quarterly Filing Date in the case of a Quarterly True-Up Adjustment or 30 days prior to the True-Up Adjustment Date in the case of an Optional True-Up Adjustment. The Issuer shall also cause the Trustee to provide to the Servicer, the parties to the Ancillary Agreements and the Calculation Agent any information required to prepare and verify the accuracy of the True-Up Letter. Concurrently with the filing of any True-Up Letter with the Commission, the Servicer shall provide a copy of the True-Up Letter to the Issuer, the Calculation Agent, the Commission, the Trustee, the parties to the Ancillary Agreements, the Rating Agencies, and any other party that has filed with the Secretary of the Issuer a request to receive a copy of such filing.

(c) The Servicer shall ensure that each True-Up Adjustment will be designed (i) to correct for any over-collections or under-collections of Transition Charges through the proposed True-Up Adjustment Date and (ii) to ensure that expected Transition Charge Revenues remitted or to be remitted to the Trustee, after taking into account assumed charge-offs and payment delays, are adequate (A) to pay timely principal of (in accordance with the Expected Amortization Schedule) and interest on the Bonds on the Payment Dates that occur during the related Annual Calculation Period, (B) to fund or replenish any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary Agreement, as an additional reserve fund to its required level, as provided in the Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary Agreement (as the case may be), no later than the corresponding date or dates specified in the True-Up Letter, and (C) to make timely payment of all other Ongoing Financing Costs during the related Annual Collection Period.

(d) If the Commission determines, in consultation with the Calculation Agent, that the calculation of any adjustment to the Transition Charges is mathematically inaccurate, then, promptly upon receipt of notice of such determination from the Commission, the Servicer, on behalf of the Corporation, shall use Best Efforts to correct the True-Up Adjustment calculations and submit the corrected True-Up Letter to the Issuer and the Calculation Agent for review. If the Servicer, in consultation with the Issuer and the Calculation Agent, determines that the True-Up Letter can be corrected and filed with the Commission not later than the True-Up Adjustment Date, the Servicer shall proceed to make such corrected True-Up Letter filing with the Commission (so long as such corrected charge is effective upon filing). Otherwise, the Servicer shall take the corrections into account not later than the next succeeding True-Up Adjustment

filing with the Commission on which such adjustment can practically be made without delaying the effective date set forth in the True-Up Letter.

Section 4.02 Quarterly True-Up Adjustments. The Servicer, on behalf of the Issuer, shall file a True-Up Letter for a Quarterly True-Up Adjustment with the Commission not later than ____, _____, _____, and _____ of each year (each a "Quarterly Filing Date"). Each True-Up Letter shall specify the applicable True-Up Adjustment Date, which shall be not earlier than 30 days, nor later than 45 days following the corresponding Quarterly Filing Date. Not later than 60 days prior to each Quarterly Filing Date, the Servicer shall prepare and file with the Issuer, the Trustee and the Calculation Agent a proposed, completed True-Up Letter for review. Not later than 10 days prior to the Quarterly Filing Date, the Issuer shall provide, or shall cause the Calculation Agent to provide, the Servicer with any comments and corrections to the proposed form of the True-Up Letter.

Section 4.03 Optional True-Up Adjustments. The Servicer, on behalf of the Issuer, shall file a True-Up Letter at any time if (1) the Servicer, on its own volition, determines, or (2) the Calculation Agent, on behalf of the Issuer, determines, or (3) the Servicer is otherwise advised by the Commission or the Calculation Agent, or (4) if the Servicer is in default under this Agreement, the Trustee or any party to an Ancillary Agreement determines in any of the preceding instances that such Optional True-Up Adjustment is required to ensure the timely payment of the principal of and interest on the Bonds and all other Ongoing Financing Costs. If the Calculation Agent requests the Servicer to initiate an Optional True-Up Adjustment, it shall give the Servicer, as well as the Issuer and the Trustee notice of such request. Upon receipt of such request, or on its own volition, the Servicer shall prepare and file with the Issuer, the Trustee and the Calculation Agent a proposed, completed True-Up Letter for review, which shall specify a True-Up Adjustment Date not earlier than 30 days after the date that the True-Up Letter is filed with the Corporation and the Commission. The Issuer, the Trustee and the Calculation Agent shall promptly review the True-Up Letter, and provide any comments within five Business Days of receipt. The Servicer shall file the True-Up Letter, as reviewed, with the Commission not later than 30 days prior to the True-Up Adjustment Date set forth in the True-Up Letter.

ARTICLE V

THE SERVICER

Section 5.01 Representations and Warranties of Servicer. The Servicer makes the following representations and warranties, as of the Closing Date, upon which the Issuer has and will rely in entering into this Agreement, relating to the servicing of the Restructuring Property. The representations and warranties shall survive the execution and delivery of this Agreement and the pledge thereof to the Trustee pursuant to the Trust Agreement.

(a) Organization. The Servicer is a duly organized public corporation and governmental instrumentality of the Commonwealth, established and existing by virtue of Act No. 83 of the Legislative Assembly of Puerto Rico, approved May 2, 1941, as amended, reenacted and supplemented, with the requisite power and authority to own its properties as such properties are currently owned and to conduct its business as such business is now conducted by

it, to service the Restructuring Property and to hold the Restructuring Property and Restructuring Property Documentation as custodian.

(b) Power and Authority. The Servicer has the requisite power and authority to execute and deliver this Agreement and to carry out its terms; and the execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of the Servicer.

(c) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Servicer, enforceable against the Servicer in accordance with its terms.

(d) No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof do not: (i) conflict with or result in any breach of any of the terms and provisions of, nor constitute (with or without notice or lapse of time) a default under, the bylaws of the Servicer, the PREPA Trust Agreement, the Amended and Restated Restructuring Support Agreement, dated as of January 27, 2016, by and among the Servicer and the Supporting Creditors (as therein defined), as the same may be amended, modified or supplemented as therein permitted (the "Restructuring Support Agreement"), or any other material indenture, agreement or other instrument to which the Servicer is a party or by which it is bound or to which it or any of its property or other assets are otherwise subject; (ii) result in the creation or imposition of any Lien upon any of the Servicer's properties pursuant to the terms of the PREPA Trust Agreement and Restructuring Support Agreement and any such other indenture, agreement or other instrument; or (iii) violate any existing law or any existing order, rule or regulation applicable to the Servicer of any federal, state (to the best of its knowledge and after due inquiry) or Commonwealth court or regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties or other assets.

(e) Approvals. No approval, authorization, consent, order or other action of, or registration or other filing with, any federal, state (to the best of the Servicer's knowledge and after due inquiry) or Commonwealth court, regulatory body including the Commission, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Servicer of this Agreement, the performance by the Servicer of the transactions contemplated hereby or the fulfillment by the Servicer of the terms hereof, except those that have been obtained or made and those that the Servicer is required to make in the future pursuant to Article III or IV hereof.

(f) No Proceedings. There are no proceedings pending and, to the Servicer's knowledge, there are no proceedings threatened and no investigations pending or threatened, before any federal, state or Commonwealth court, regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties or other assets involving or relating to the Servicer, the Commission or the Issuer or, to the Servicer's knowledge, any other Person (nor to the knowledge of the Servicer is there any basis therefor): (i) asserting the invalidity of this Agreement; (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement; or (iii) seeking any determination or ruling that might materially adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability against the Servicer of, this Agreement.

(g) Reports and Certificates. Each report and certificate delivered by the Servicer to the Issuer, the Calculation Agent, the Depository or the Commission, with respect to the Transition Charges, Estimated Transition Charge Collections, Transition Charge Revenues or True-Up Adjustments, will constitute a representation and warranty by the Servicer that each such report or certificate, as the case may be, is true and correct in all material respects; but to the extent any such report or certificate is based in part upon or contains estimates, assumptions, forecasts or other predictions of future events, the representation and warranty of the Servicer with respect thereto will be limited to the representation and warranty that such estimates are made in good faith and such assumptions, forecasts or other predictions of future events are reasonable based upon historical performance (and in either case are based on facts known to the Servicer on the date such report or certificate is delivered).

(h) No Sovereign Immunity. Under existing law, the Servicer is not entitled to raise the defense of sovereign immunity in connection with any legal proceeding relating to this Agreement.

Section 5.02 Indemnities of Servicer.

(a) The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer under this Agreement.

(b) The Servicer shall indemnify the Issuer, the Calculation Agent, the Depository, the Trustee (for itself and on behalf of the Bondholders), and the Bondholders and each of their respective trustees, members, managers, officers, directors, employees and agents for, and defend and hold harmless each such Person (each, an "Indemnified Person") from and against, any and all Losses that may be imposed upon, incurred by or asserted against any such Person as a result of:

(i) the Servicer's willful misconduct or negligence in the performance of its duties or observance of its covenants under this Agreement or the Servicer's reckless disregard of its obligations and duties under this Agreement;

(ii) the Servicer's breach of any of its representations or warranties in this Agreement;

(iii) litigation and related expenses relating to its status and obligations as Servicer; and

(iv) litigation and related expenses relating to or arising out of any negligent act by Third Party Billers employed or used by the Servicer to perform any of its obligations under this Agreement;

provided, however, that the Servicer shall not be liable to an Indemnified Person (i) for any Losses resulting from the willful misconduct or gross negligence of such Indemnified Person pursuant to this Section 5.02, or (ii) resulting from a breach of a representation, warranty, covenant or agreement made by such Indemnified Person in any of the Basic Documents that gives rise to the Servicer's breach; and provided, further, however, if the indemnification provided for in this Section 5.02 is unavailable to an Indemnified Person in respect of any

Losses, for any reason, then the Servicer, to the extent permitted under applicable law, in lieu of indemnifying such Indemnified Person hereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such Losses in such proportion as is appropriate to reflect the relative fault of the Servicer on the one hand and of the Indemnified Person on the other. Amounts payable by PREPA to an Indemnified Person on account of Losses pursuant to this Section 5.02 shall be payable [as set forth in the PREPA Trust Agreement].

Promptly after receipt by an Indemnified Person of notice of its involvement in any action, proceeding or investigation, such Indemnified Person shall, if a claim for indemnification in respect thereof is to be made against the Servicer under this Section 5.02, notify the Servicer in writing of such involvement. Failure by an Indemnified Person to so notify the Servicer shall relieve the Servicer from the obligation to indemnify and hold harmless such Indemnified Person under this Section 5.02 only to the extent of the actual prejudice suffered by the Servicer as a result of such failure. With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this Section 5.02, the Servicer shall be entitled to assume the defense of any such action, proceeding or investigation. Upon assumption by the Servicer of the defense of any such action, proceeding or investigation, the Indemnified Person shall have the right to participate in such action or proceeding and to retain its own counsel (including local counsel), and the Servicer shall bear the reasonable fees, costs and expenses of such separate counsel. Unless a Servicer Default has occurred and is continuing, the Indemnified Person shall not settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this Section 5.02 (whether or not the Servicer is an actual or potential party to such claim or action) unless the Servicer agrees in writing to such settlement, compromise or consent and such settlement, compromise or consent includes an unconditional release of the Servicer from all liability arising out of such claim, action, suit or proceeding. The Servicer shall not settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this Section 5.02 (whether or not the Servicer is an actual or potential party to such claim or action) unless the Indemnified Person agrees in writing to such settlement, compromise or consent.

(c) The Servicer shall indemnify the Trustee and its officers, directors and agents for, and defend and hold harmless each such Person from and against, any and all Losses that may be imposed upon, incurred by or asserted against any such Person as a result of the acceptance or performance of the trusts and duties contained herein and in the Trust Agreement, except to the extent that any such Loss is due to the willful misconduct, bad faith or gross negligence of such Person; provided, however, that the indemnity under this Section 5.02(c) is extended to the Trustee solely in its individual capacity and not for the benefit of the Bondholders or any other Person. Such amounts with respect to the Trustee shall be deposited and distributed in accordance with the Trust Agreement.

(d) The Servicer's indemnification obligations under Section 5.02(b)-(c) for events occurring prior to the removal or resignation of the Trustee or the termination of this Agreement shall survive the resignation or removal of the Trustee or the termination of this Agreement and shall include reasonable costs, fees and expenses of investigation and litigation (including the Issuer's and the Trustee's reasonable attorneys' fees and expenses).

(e) Except to the extent expressly provided for in the Basic Documents (including the Servicer's claims with respect to the Servicing Fees), the Servicer hereby releases and discharges the Issuer (including its trustees, officers, employees and agents, if any), the Trustee (including its officers, directors and agents) and the Bondholders (including their respective trustees, officers, employees and agents, if any) (collectively, the "Released Parties") from any and all actions, claims and demands whatsoever, which the Servicer shall or may have against any such Person relating to the Restructuring Property or the Servicer's activities with respect thereto other than any actions, claims and demands arising out of the willful misconduct, bad faith or gross negligence of the Released Parties.

(f) The Servicer will not indemnify any Person for any loss, damages, liability, obligation, claim, action, suit or payment resulting solely from a downgrade in the ratings on the Bonds or for any consequential damages, including any loss of market value of the Bonds, resulting [solely] from any downgrade of the ratings on the Bonds.

(g) Notwithstanding the indemnification provisions contained in any agreements entered into by the Servicer with any Third Party Billers, the Servicer shall not be relieved of its obligations to indemnify each Indemnified Person as provided in this Section 5.02.

Section 5.03 Merger or Consolidation of, or Assumption of the Obligations of, Servicer. Any Person (a) into which the Servicer may be merged or consolidated, (b) that may result from any merger or consolidation to which the Servicer shall be a party or (c) that may succeed to a substantial portion of the Electric System Assets of the Servicer, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Servicer under this Agreement, shall be the successor to the Servicer under this Agreement without the execution or filing of any document or any further act by any of the parties to this Agreement; provided, however, that (i) immediately after giving effect to such transaction, no representation or warranty made pursuant to Section 5.01 shall have been breached and no Servicer Default and no event which, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, and the Rating Agency Condition shall have been satisfied, (ii) the Servicer shall have delivered to the Issuer and the Trustee an Officer's Certificate stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and that all conditions precedent provided for in this Agreement relating to such transaction have been complied with, (iii) the Servicer shall have delivered to the Issuer and the Trustee an Opinion of Counsel either (A) stating that, in the opinion of such counsel, all statutory filings to be made by the Servicer, including filings with the Commission pursuant to the Act and any filings under the applicable UCC, that are necessary fully to preserve and protect the interests in the Restructuring Property of the Issuer, the Trustee, the Bondholders or any Person with any such interest in the Restructuring Property have been executed and filed and reciting the details of such filings or (B) stating that, in the opinion of such counsel, no such action is necessary to preserve and protect such interests, (iv) the Servicer shall have delivered to the Issuer, the Commission and the Trustee an opinion of Bond Counsel (as selected by, and in form and substance reasonably satisfactory to, the Servicer, and which may be based on a ruling from the Internal Revenue Service) to the effect that, for federal income tax purposes, such consolidation or merger or assumption of the obligations will not adversely affect the exclusion of interest on the Bonds for federal income tax purposes, and (v) a copy of the agreement of assumption shall have been delivered to the Commission.

The Servicer shall not consummate any transaction referred to in subclauses (a), (b) or (c) above except upon execution of the above-described agreement of assumption and compliance with subclauses (i), (ii), (iii), (iv) and (v) above. When any Person acquires the a substantial portion of the Electric System Assets of the Servicer, and becomes the successor to the Servicer in accordance with the terms of this Section 5.03, then upon satisfaction of all of the other conditions of this Section 5.03, such successor Servicer shall be the Servicer for all purposes hereunder; provided, however, that the Servicer covenants and agrees with the Issuer and the Trustee that it will, on an ongoing basis, cooperate with the successor Servicer and provide whatever information is, and take whatever actions are, necessary to assist the successor Servicer in performing its obligations hereunder.

Section 5.04 Assignment. If permissible under Section 5.06, the Servicer may assign any or all of its obligations hereunder to any successor if either (i) the Rating Agency Condition and any other condition specified in the Restructuring Resolution or the Trust Agreement have been satisfied or (ii) the Servicer is replaced by a successor pursuant to Section 5.03 hereof. In either such case, a copy of any servicing agreement or agreement of assumption shall be promptly delivered to the Commission upon execution by the applicable parties.

Section 5.05 Limitation on Liability of Servicer and Others. The Servicer shall not be liable to the Issuer, the Calculation Agent, the Depository or the Trustee, except as provided under this Agreement, for any action taken or for refraining from the taking of any action pursuant to this Agreement or for errors in judgment; provided, however, that this provision shall not protect the Servicer against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or negligence in the performance of its duties or by reason of reckless disregard of its obligations and duties under this Agreement. The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Trustee or on any document of any kind, *prima facie* properly executed and submitted by any Person, respecting any matters arising under this Agreement. Except as provided in this Agreement, the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action incidental to its duties to service the Restructuring Property in accordance with this Agreement or related to its obligation to pay indemnification, and that in its reasonable opinion may cause it to incur any expense or liability for which it has not been reasonably indemnified.

Section 5.06 PREPA Not to Resign as Servicer. Subject to the provisions of Sections 5.03 and 5.04, PREPA shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement except upon a determination that PREPA's performance of its duties under this Agreement shall no longer be permissible under applicable law. Notice of any such determination permitting the resignation of PREPA shall be communicated to the Issuer, the Commission, the Depository, the Calculation Agent, the Trustee and each Rating Agency at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time), and any such determination shall be evidenced by an Opinion of Counsel to such effect delivered to the Issuer, the Commission, the Calculation Agent, the Depository and the Trustee concurrently with or promptly after such notice. No such resignation shall become effective until a successor Servicer has assumed the servicing obligations and duties hereunder of the Servicer in accordance with Section 6.04.

Section 5.07 Servicing Fee. The Issuer agrees to pay the Servicer an annual servicing fee (the "Servicing Fee") for all obligations to be performed by the Servicer under this Agreement. For so long as PREPA is the Servicer, the initial Servicing Fee shall be 0.05% of the initial principal amount of the Bonds. Such Servicing Fee shall be increased on each anniversary date by the year-over-year percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U) (not seasonally adjusted) for the most recently completed twelve-month period for which such data are available. The foregoing fee constitutes a fair and reasonable price for the obligations to be performed by the Servicer and approximates (but is not less than) the estimated incremental cost of performing the services required by this Agreement exclusive of the expenses payable under Section 5.08. If a successor Servicer is not affiliated with the owner of the Electric System Assets or not performing similar services with respect to the base rates of the owner of the Electric System Assets, the Servicing Fee shall be an amount agreed upon by the Issuer and the successor Servicer, provided that any Servicing Fee in excess of [1.00]% of the aggregate initial principal amount of the Bonds shall be subject to the prior written approval of the Issuer (so long as the Issuer is not in default under the Trust Agreement) and the Commission, and prior written notice to the Trustee and each of the Rating Agencies.

Section 5.08 Servicer Expenses. Except as otherwise expressly provided herein and to the extent not included in the calculation of the Servicing Fee, the Issuer shall pay all reasonable [third party] expenses incurred by the Servicer in connection with its activities hereunder (including any fees to and disbursements by accountants, counsel, or any other Person, and any expenses incurred in connection with reports to Bondholders, subject to the priorities set forth in Section [8.02(e)] of the Trust Agreement).

Section 5.09 Subservicing. The Servicer may at any time contract with a subservicer to perform all or any portion of its obligations as Servicer hereunder; provided, however, that the Rating Agency Condition shall have been satisfied in connection therewith; and provided further that the Servicer shall remain obligated and be liable to the Issuer, the Depository, the Calculation Agent, the Trustee, the Bondholders, the parties to the Ancillary Agreements and any owner of the Restructuring Property for the servicing and administering of the Restructuring Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such subservicer and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Restructuring Property. The fees and expenses of the subservicer shall be as agreed between the Servicer and its subservicer from time to time, and none of the Issuer, the Trustee, the Bondholders, the parties to the Ancillary Agreements or the owner of Restructuring Property shall have any responsibility therefor. Any such appointment shall not constitute a Servicer resignation under Section 5.06. In addition to the foregoing, the Issuer may, upon being advised by its consultants, appoint one or more subservicers or co-servicers, if the Issuer determines that such appointment is likely to (i) prevent or delay an imminent negative ratings action by any Rating Agency, (ii) facilitate a reversal of any such negative ratings action, or (iii) result in a positive ratings action by any Rating Agency. The Issuer may also appoint one or more back-up servicers.

Section 5.10 Servicer Advances. PREPA, in its capacity as Servicer hereunder, shall have the option to make advances to the Issuer, upon request by the Issuer or the Trustee, with respect to Transition Charge Revenues, provided that such advances are made on an arm's length

basis. The parties agree that Estimated Transition Charge Collections represent a good faith estimate of actual collections of Transition Charges received by the Servicer and do not represent an advance or borrowing by the Servicer.

Section 5.11 Remittances. As soon as possible but no later than the second Business Day following receipt by the Servicer, the Servicer shall cause all Customer Revenues, including without limitation all Transition Charge Collections (from whatever source), to be deposited into the Allocation Account held by the Depository. As provided in Section 3.03 hereof, the Servicer shall cause the Depository to remit the Daily Remittances to the Trustee for deposit into the Collection Account.

In the event of any change of account or change of the Depository or the Trustee or any other institution affecting the remittances of Transition Charges, the Issuer shall provide written notice thereof to the Servicer by the earlier of: (A) five Business Days from the effective date of such change, and (B) five Business Days prior to the next applicable Deposit Date.

Section 5.12 Protection of Title. The Servicer shall execute and file such filings and cause to be executed and filed such filings, all in such manner and in such places as may be required by law fully to preserve, maintain and protect the interests of the Issuer, the Trustee, the Bondholders or any owner of the Restructuring Property in the Restructuring Property, as their interests may appear, including all filings, if any, required under the UCC or the Act relating to the security interest granted by the Issuer to the Trustee and the Bondholders in the Restructuring Property and the liens granted for the benefit of the Trustee under the Depository Agreement. The Servicer shall deliver (or cause to be delivered) to the Issuer, the Commission and the Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The costs of any such action reasonably allocated by the Servicer to the Restructuring Property shall be payable from Transition Charge Collections as an Ongoing Financing Cost in accordance with the Trust Agreement. The Servicer's obligations pursuant to this Section 5.12 shall survive and continue notwithstanding the fact that the payment of Ongoing Financing Costs pursuant to the Trust Agreement may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations under this Section 5.12).

Section 5.13 Tax-Exempt Bonds. The Servicer shall comply with the tax certificates to be executed and delivered by it in connection with the issuance of the Bonds and with letters of instruction, if any, delivered by Bond Counsel in connection with the issuance of the Bonds, as such tax certificates and letters may be amended from time to time. Notwithstanding anything else in this Agreement to the contrary, the covenants of this Section 5.13 shall survive the payment, redemption or defeasance of the Bonds and the termination of this Agreement.

Section 5.14 Compliance with Article 33 of the Act. The Issuer and the Servicer each agree to comply with the provisions of Article 33 of the Act so as to maintain the separateness of the Issuer and the Servicer, including the following:

(a) Pursuant to Article 33(e) of the Act, each of the Issuer and the Servicer shall maintain its books, financial records and accounts (including inter-entity transaction accounts) in a manner so as to identify separately the assets and liabilities of each such entity from those of

any other Person; each shall observe all applicable corporate procedures and formalities, including, where applicable, the holding of regular periodic and special meetings of governing bodies, the recording and maintenance of minutes of such meetings, and the recording and maintenance of resolutions, if any, adopted at such meetings; and all transactions and agreements between and among the Issuer, the Servicer and any Person will reflect the separate legal existence of each entity and shall be formally documented in writing. The Issuer shall not enter into any transaction with an affiliate of the Servicer, the Issuer, Government Development Bank for Puerto Rico or the Commonwealth, except on terms similar to those available to unaffiliated Persons in an arm's length transaction.

(b) Pursuant to Article 33(f) of the Act, the Issuer and the Servicer shall each have separate annual financial statements, prepared in accordance with generally accepted accounting principles, that reflect the separate assets and liabilities of each such entity and all transactions and transfers of funds involving each such entity, and each shall pay or bear the cost of the preparation of its own financial statements regardless of whether such public accounting firm prepares or audits the financial statements of the Issuer or the Servicer.

(c) Pursuant to Article 33(g) of the Act, the Issuer and the Servicer shall pay their respective liabilities and losses from their own respective separate assets. In furtherance of the foregoing, the Issuer shall compensate all employees, consultants, independent contractors and agents from its own funds for services provided to it by such employees, consultants, independent contractors and agents. The Issuer shall maintain sufficient employees in light of its contemplated business purpose.

(d) Pursuant to Article 33(h) of the Act, each of the Issuer and the Servicer shall maintain its assets, funds and liabilities separate and apart from the assets, funds and liabilities of any other Person, and will conduct all business between either the Issuer or the Servicer and third parties in their own name separate and distinct from the other. Both entities shall correct any known misunderstanding regarding its separate identity.

(e) Pursuant to Article 33(i) of the Act, neither the assets nor the creditworthiness of the Servicer shall be held out as being available for the payment of any liability of the Issuer, and vice versa. Assets shall not be transferred between the Servicer and the Issuer inconsistently with the Act or with the intent to hinder or defraud creditors.

(f) Pursuant to Article 33(j) of the Act, the Servicer in its papers and the statements of its officials shall refer to the Issuer as a separate and distinct legal entity; and shall take no action that is inconsistent with the Act or that would give any of its creditors cause to believe either that any such obligations incurred by the Servicer are also obligations of the Issuer, or that the Servicer were not or would not continue to remain an entity separate and distinct from the Issuer.

Section 5.15 [Standard of Performance for Collections. Any requirement in this Agreement that the Servicer act in accordance with its customary practices, procedures or standard of care as applied to the collection of Transition Charges shall be understood to also require the Servicer to use its Best Efforts, whether or not such additional requirement is explicitly stated.]

Section 5.16 Servicer's Obligations Under the Act. The Servicer shall comply with all of its obligations under the Act.

ARTICLE VI

DEFAULT

Section 6.01 Servicer Default. If any one of the following events (each a "Servicer Default") shall occur and be continuing:

(a) any failure by the Servicer to cause all Customer Revenues, including all Transition Charge Collections (from whatever source), received by the Servicer to be deposited into the Allocation Account as provided in Sections 3.03 and 5.11 or any failure by the Servicer to cause the Depository to transfer to the Trustee any required Daily Remittance and cause other amounts received from Collateral to be deposited to the Collection Account pursuant to Sections 3.03 and Section 5.11 hereof that shall continue unremedied for a period of five (5) Business Days after written notice of such failure is received by the Servicer from the Issuer, the Trustee or any party to an Ancillary Agreement; or

(b) any failure of the Servicer to provide information to the Calculation Agent in connection with the verification of a True-Up Adjustment [or a Quarterly Reconciliation Certificate] within five Business Days unless such period is impracticable and a larger period, not exceeding 10 Business Days has been requested by the Servicer after written notice thereof from the Calculation Agent, the Issuer, the Trustee or any party to an Ancillary Agreement; or

(c) any failure by the Servicer duly to observe or perform in any material respect any other covenant or agreement of the Servicer set forth in this Agreement, and continues unremedied for a period of 30 days after written notice of such failure has been given to the Servicer by the Issuer, the Commission, the Depository, the Calculation Agent, the Administrator, the Trustee or any party to an Ancillary Agreement or after discovery of such failure by an officer of the Servicer;

(d) any representation or warranty made by the Servicer in this Agreement proves to have been incorrect when made, which has an adverse effect on the Issuer or the Bondholders, or the rights of the Issuer, Bondholders or parties to Ancillary Agreements in the Restructuring Property, and which adverse effect continues unremedied for a period of 45 days after the date on which written notice thereof has been given to the Servicer by the Issuer, the Commission, the Trustee or any party to an Ancillary Agreement or after discovery of such failure by an officer of the Servicer, as the case may be; or

(e) an Insolvency Event occurs with respect to the Servicer;

then, and in each and every case, so long as the Servicer Default shall be continuing, either the Issuer or the Trustee may, or, upon the written direction of the Commission acting in accordance with the Act, Restructuring Order and Restructuring Resolution, shall by notice then given in writing to the Servicer (and to the Trustee if given by the Bondholders or a party to such Ancillary Agreement) (a "Termination Notice") terminate all the rights and obligations of the Servicer under this Agreement (other than the Servicer's indemnification obligations set forth in

Section 5.02 hereof and the Servicer's obligation under Section 6.04 to continue performing its functions as Servicer until a successor Servicer is appointed, which obligations shall remain ongoing). In the event of any conflict between the direction of the Commission and the designation of the Trustee, the holders of the Bonds or a party to any Ancillary Agreement, the designation of the Trustee, holders or such party, as the case may be, shall control. In addition upon a Servicer Default, the Issuer and the Trustee may as against the Servicer:

(A) apply to any court of competent jurisdiction for an order of seizure or sequestration and payment of revenues arising with respect to the Restructuring Property or any other applicable remedy;

(B) seek a writ of mandamus as specified in Section 7.03 hereof;

(C) resort to any court, including any federal court, to require, an order of seizure and payment of the Transition Charge Revenues, or any other applicable remedy. If such court determines that such Servicer Default exists, it shall issue the requested seizure and payment order. The order shall remain valid notwithstanding any bankruptcy, reorganization, or any other insolvency procedure with respect to the Servicer, the Issuer, PREPA or any other Person; or

(D) exercise the remedies set forth in Section 7.04 hereof.

In addition, any party to an Ancillary Agreement may seek a writ of mandamus as specified in Section 7.03 hereof. Nothing in this Section 6.01 shall permit the Issuer or the Trustee to directly initiate or maintain any action to suspend or terminate the electric service of any Customer.

On or after the receipt by the Servicer of a Termination Notice, all authority and power of the Servicer under this Agreement, whether with respect to the Restructuring Property, the Transition Charges or otherwise, shall, upon appointment of a successor Servicer pursuant to Section 6.04, without further action, pass to and be vested in such successor Servicer and, without limitation, the Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of the Restructuring Property Documentation and related documents, or otherwise. The predecessor Servicer shall cooperate with the successor Servicer, the Trustee, the Issuer and the Depository in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the successor Servicer for administration by it of all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the Restructuring Property or the Transition Charges. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the Restructuring Property Documentation to the successor Servicer. All reasonable costs and expenses (including attorneys' fees and expenses) incurred in connection with transferring the Restructuring Property Documentation to the successor Servicer and amending this Agreement to reflect such succession as Servicer pursuant to this Section 6.01 shall be paid

by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses.

Section 6.02 Notice of Servicer Default. The Servicer shall deliver to the Issuer, the Commission, the Trustee, the Calculation Agent, the Depository and each Rating Agency, promptly after having obtained knowledge thereof, but in no event later than five Business Days thereafter, written notice in an Officer's Certificate of any event or circumstance which with the giving of notice or passage of time, or both, would become a Servicer Default under Section 6.01.

Section 6.03 Waiver of Past Defaults. The Trustee, with the consent of the Requisite Bondholders and the party (other than the Trustee) to each Ancillary Agreement, may waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences. The Servicer shall provide notice of any such waivers to the Commission and each Rating Agency, promptly after its receipt thereof from the Trustee. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon. Any waiver by the Trustee shall be effective, regardless of any prior instruction or order of the Commission to the contrary effect.

Section 6.04 Appointment of Successor.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 6.01 or the Servicer's resignation in accordance with the terms of this Agreement, the Servicer shall continue to perform its functions as Servicer under this Agreement, and shall be entitled to receive the requisite portion of the Servicing Fee and reimbursement of expenses as provided herein, until a successor Servicer is qualified and has assumed in writing the obligations of the Servicer hereunder as described below. In the event of the Servicer's removal or resignation hereunder, the Issuer, at the direction of the Commission, subject to the prior consent or contrary direction of the Trustee, or the Trustee, shall designate a successor Servicer, provided that if the Issuer is in default on its obligation under the Trust Agreement, either the Commission, subject to the prior consent or contrary direction of the Trustee, or the Trustee shall appoint a successor Servicer; provided further that in the event of any conflict between the direction of the Commission and the direction of the Trustee, the direction of the Trustee shall control. If within 30 days after the delivery of the Termination Notice, a new Servicer has not accepted such appointment, the Trustee may petition a court of competent jurisdiction to appoint a successor Servicer under this Agreement. If within 60 days after the delivery of the Termination Notice, a new Servicer has not accepted such appointment and the Trustee has not petitioned a court of competent jurisdiction in accordance with the immediately preceding sentence, a party to any Ancillary Agreement in respect of which an Ancillary Agreement Event has occurred and is continuing and/or the Requisite Bondholders may petition a court of competent jurisdiction to appoint a successor Servicer under this Agreement. A Person shall qualify as a successor Servicer only if (i) such Person is not prohibited from performing the duties of the Servicer pursuant to the Act, the Restructuring Resolution, the Trust Agreement and this Agreement, (ii) the Rating Agency Condition has been satisfied and (iii) such Person enters into a servicing agreement with the Issuer having substantially the same provisions as this Agreement.

(b) Upon appointment, the successor Servicer shall be the successor in all respects to the predecessor Servicer under this Agreement and shall be subject to all the responsibilities, duties and liabilities arising thereafter relating thereto placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

(c) The successor Servicer may resign only in accordance with Section 5.06 of this Agreement.

(d) The Issuer shall provide to the Commission a copy of any successor Servicing Agreement for informational purposes.

Section 6.05 Cooperation with Successor. The Servicer covenants and agrees with the Issuer and the Trustee that it will, on an ongoing basis, cooperate with the successor Servicer and provide whatever information is, and take whatever actions are, necessary to assist the successor Servicer in performing its obligations hereunder and under any successor servicing agreement.

ARTICLE VII

THIRD PARTY BENEFICIARY PROVISIONS

Section 7.01 Trustee, Bondholders, parties to Ancillary Agreements Third Party Beneficiaries. The Trustee, the Bondholders and parties to Ancillary Agreements are express and intended third party beneficiaries under this Agreement. The Trustee, or a party to any Ancillary Agreement shall be entitled to enforce this Agreement against the Servicer, as and to the extent provided herein or the Trust Agreement, to the same extent as if the Trustee and such parties were parties hereto. Nothing expressed in or to be implied from this Agreement is intended to give, or shall be construed to give, any Person, other than the parties hereto and their permitted successors and assigns hereunder, the Trustee, the Bondholders, parties to Ancillary Agreements and their respective permitted successors and assigns, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement or under or by virtue of any provision herein.

Section 7.02 Commission Action. Any action taken by the Issuer, at the direction of the Commission or otherwise, with respect to the Servicer, including the replacement of the Servicer, is subject to the prior consent of or contrary direction of the Trustee on behalf of the Bondholders or as directed by Requisite Bondholders and/or parties to an Ancillary Agreement, in accordance with the terms of the Trust Agreement.

Section 7.03 Mandamus. The adjustment of the Transition Charges is a ministerial act of the Servicer and should the Servicer fail in any respect with respect to its duties to establish or adjust the Transition Charges at any time, the Trustee, a party to any Ancillary Agreement or the Issuer shall be entitled, upon application or petition therefor, to a writ of mandamus requiring the Servicer to establish or adjust the Transition Charges in accordance with this Agreement and the Restructuring Resolution.

Section 7.04 Rights and Remedies. As and to the extent as provided in the Trust Agreement or any Ancillary Agreement, as the case may be, any owner of Restructuring

Property, the Trustee, or any party to any Ancillary Agreement may exercise any rights and remedies provided in such Trust Agreement and Ancillary Agreement and, as to the Trustee and any owner of the Restructuring Property, any rights and remedies provided in the Act.

Section 7.05 Actions in Lieu of the Trustee. The Requisite Bondholders or the parties to the Ancillary Agreement, as applicable, may act in lieu of the Trustee under this Agreement, as and to the extent permitted under the Act, the Trust Agreement and the Ancillary Agreements.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01 Amendment.

(a) This Agreement may be amended by the Servicer and the Issuer, with the consent of the Trustee and the satisfaction of the Rating Agency Condition, provided that any such amendment is not prohibited by the Act or the Restructuring Resolution. Promptly after the execution of any such amendment or consent, the Issuer shall furnish written notification of the substance of such amendment or consent to each of the Rating Agencies and to the Commission.

Prior to the execution of any amendment to this Agreement, the Issuer and the Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement and the Opinion of Counsel referred to in Section 5.06. The Issuer and the Trustee may, but shall not be obligated to, enter into any such amendment which affects their own rights, duties or immunities under this Agreement or otherwise.

(b) The Servicer shall promptly provide each of the Rating Agencies and the Commission with a copy of any amendment to this Agreement or of any successor Servicer Agreement.

(c) Notwithstanding the foregoing, no amendment or modification of this Agreement shall be effective without the prior written consent of each party to Ancillary Agreements that is materially adversely affected by such amendment or modification.

Section 8.02 Notices. Unless otherwise specifically provided herein, all notices, directions, consents and waivers required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice, direction, consent or waiver may be given by United States mail, reputable overnight courier service, facsimile transmission or electronic mail (confirmed by telephone, United States mail or reputable overnight courier service in the case of notice by facsimile transmission or electronic mail) or any other customary means of communication, and any such notice, direction, consent or waiver shall be effective when delivered or transmitted, or if mailed, five days after deposit in the United States mail with proper postage for ordinary mail prepaid:

(a) if to the Servicer, to:

Puerto Rico Electric Power Authority
[P.O. Box 364267
San Juan, Puerto Rico 00936-4267]
Attention: [Office of the General Counsel]
Telephone: (___) _____
Telecopy: (___) _____
Email: _____

(b) if to the Issuer, to:

Puerto Rico Electric Power Authority Revitalization Corporation
_____
_____
_____
Attention: _____
Telephone: (___) _____
Telecopy: (___) _____
Email: _____

(c) if to the Trustee, to:

_____
_____
Attention: _____
Telephone: (___) _____
Telecopy: (___)_____
Email: _____

(d) if to the Commission, to:

Puerto Rico Energy Commission
_____
_____
Attention: _____
Telephone: (___) _____
Telecopy: (___)_____
Email: _____

(e) if to Moody's, to:

Moody's Investors Service, Inc.
7 World Trade Center, 250 Greenwich Street, 25th Floor,
New York, New York 10007
Attention: ABS/RMBS Monitoring Department
E-mail: ServicerReports@moodys.com

(f) if to Standard & Poor's, to:

Standard & Poor's Ratings Services
55 Water Street
New York, New York 10041
Attention: Structured Credit Surveillance
E-mail: servicer-report@standardandpoors.com
Telephone: (212) 438-8991

(g) if to Fitch, to:

Fitch Ratings
33 Whitehall Street
New York, New York 10004
Attention: ABS Surveillance
Email: surveillance-abs-other@fitchratings.com
Telephone: (212) 908-0500

(h) if to the Calculation Agent:

(i) if to the Depository:

(j) as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

Section 8.03 Limitations on Rights of Others. The provisions of this Agreement are solely for the benefit of the Servicer, the Issuer, the Commission, the Depository, the Calculation Agent, the parties to the Ancillary Agreements, the Bondholders, the Trustee, any party to an Ancillary Agreement and the other Persons expressly referred to herein and such Persons shall have the right to enforce the relevant provisions of this Agreement, except that the Bondholders shall be entitled to enforce their rights against the Servicer under this Agreement solely through a cause of action brought for their benefit by the Trustee or as set forth in the Trust Agreement. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Restructuring Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 8.04 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.05 Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of any executed signature page of this Agreement by facsimile or email transmission shall be effective as delivery of a manually executed counterpart hereof.

Section 8.06 Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 8.07 Governing Law. This Agreement shall be construed in accordance with the substantive laws of the State of New York, applied as if this Agreement were executed in New York and to be performed entirely within New York, without giving effect to its conflict of law or other principles that would cause the application of the laws of another jurisdiction. Notwithstanding the foregoing, all matters of the constitutional and statutory law of the Commonwealth of Puerto Rico (including the Act) and the Restructuring Resolution, all rights of the Issuer or the Servicer against any Customer by virtue of the Act and of the effect of the judgments and decrees of the Commonwealth courts, shall in all events be governed by the law of the Commonwealth of Puerto Rico. To the extent permitted by law, the Servicer hereby submits to, and waives any objection to, venue in any federal or state court located in the Borough of Manhattan, City of New York, New York.

Section 8.08 Collateral Assignment to Trustee. The Servicer hereby acknowledges the grant of a security interest and collateral assignment by the Issuer pursuant to the Trust Agreement of all of the Issuer's rights hereunder to the Trustee for the benefit of the Bondholders and the Trustee, and the parties to any Ancillary Agreement. The Trustee shall succeed to all of the Issuer's rights in the manner set forth in the Trust Agreement.

Section 8.09 Nonpetition Covenant. Notwithstanding any prior termination of this Agreement or the Trust Agreement, but subject to the right of a court of competent jurisdiction to order the sequestration and payment of revenues arising with respect to the Restructuring Property and notwithstanding any bankruptcy, reorganization or other insolvency proceedings with respect to any person or entity permitted pursuant to Section 41 of the Act, the Servicer shall not, prior to the date which is one year and one day after no Bonds are outstanding or any Ancillary Agreement with payment obligations that have or may become due thereunder are owing by the Issuer, petition or otherwise invoke or cause the Issuer to invoke the process of any court or governmental authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any federal or Commonwealth bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or, to the fullest extent permitted by law, ordering the winding up or liquidation of the affairs of the Issuer.

Section 8.10 Termination. This Agreement shall terminate when all Bonds have been retired, redeemed, defeased or paid or deemed paid in full and all other Ongoing Financing Costs have been paid in full and the Servicer has disposed of all remaining Transition Charges in the manner required by the Restructuring Resolution and the Trust Agreement; provided, however, that this Section 8.10 shall not apply to those rights and/or obligations set forth in this Agreement that expressly survive the termination of this Agreement. Termination pursuant to this Section 8.10 or otherwise provided herein shall be without prejudice to any rights of the Issuer, the Trustee, the Bondholders, any party to an Ancillary Agreement, the Servicer or any other Person which may have accrued through the date of termination hereunder.

Section 8.11 Rule 17g-5 Compliance. The Servicer agrees that any notice, report, request for satisfaction of the Rating Agency Condition, document or other information provided by the Servicer to any Rating Agency under this Agreement or any other Basic Document to which it is a party for the purposes of determining the initial credit rating of the Bonds or undertaking credit rating surveillance of the Bonds with any Rating Agency, shall be, substantially concurrently, posted by the Servicer on the 17g-5 Website.

Section 8.12 Continuing Disclosure Under Rule l5c2-12. The Servicer shall prepare and provide to the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access system ("EMMA"), in the format prescribed by the Municipal Securities Rulemaking Board, the reports, certificates and notices required of it under the Continuing Disclosure Agreement.

Section 8.13 No Set-off, Counterclaim or Defense. The Restructuring Property, Transition Charges, Transition Charge Revenues, and the interests of a Bondholder, any party to an Ancillary Agreement, Financing Entity or any other Person in Restructuring Property or in Transition Charge Revenues are not subject to set-off, counterclaim, surcharge or defense by the Servicer, the Issuer, PREPA, holders of any other debt issued by PREPA (or any other creditors of PREPA) or in connection with any default, bankruptcy, reorganization or other insolvency proceeding of any of the foregoing Persons.

Section 8.14 Third Party Billers.

(a) If at any time in the future the Commonwealth takes any action to amend the Act, or the Commission takes any action to adopt, supplement or amend Commission Regulations, in either case, to permit the billing and/or collecting of Transition Charges by Third Party Billers, the Servicer, for the benefit of the Bondholders, shall take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be necessary to (A) if the Servicer, any party to an Ancillary Agreement, the Trustee or Requisite Bondholders reasonably believe that such action could result in a downgrade of the Bonds or is otherwise contrary to the Act or the Restructuring Resolution, block or overturn such action of the Commonwealth or the Commission, as the case may be, including by asserting that such action violates the Commonwealth Pledge (as defined in the Trust Agreement); and (B) if such challenge or opposition fails, compel performance by the Commission or the Commonwealth, as the case may be, of their obligations and duties under the Act or the Restructuring Resolution, as applicable, with respect to Third Party Billers, including but not limited to ensuring that the implementation of any such amendment, supplement, rule or regulation does not result in a downgrade in the credit ratings assigned to the Bonds and otherwise conforms with the matters referenced in Annex 1 hereto;

(i) the Servicer, for the benefit of the Bondholders, will take reasonable steps to monitor on an ongoing basis proceedings in the legislature of the Commonwealth and at the Commission for proposed legislation, rules, regulations or other initiatives that could reasonably result in the taking by the Commonwealth or the Commission of any action referenced in this paragraph (a); and

(ii) the costs of any action taken by, and the obligations of, the Servicer under this Section shall be treated in the same manner as expenses under Section 5.08.

(b) Should the laws of the Commonwealth be changed to permit the billing and/or collecting of Rates and Transition Charges by Third Party Billers, the Servicer shall, using the same degree of care and diligence that it exercises with respect to payments owed to it for its own account, implement such procedures and policies as would be necessary to properly enforce the obligations of each Third Party Biller to remit Rates and Transition Charges, in accordance with the terms and provisions of the Restructuring Resolution.

IN WITNESS WHEREOF, the parties hereto have caused this Restructuring Property Servicing Agreement to be duly executed by their respective officers as of the day and year first above written.

PUERTO RICO ELECTRIC POWER
AUTHORITY REVITALIZATION
CORPORATION, as Issuer

By:_____
Name:
Title:

PUERTO RICO ELECTRIC POWER
AUTHORITY, as Servicer

By:_____
Name:
Title:

Acknowledgement of Section 7.01 hereof.

[TRUSTEE], as Trustee under
the Trust Agreement

By:_____
Name:
Title:

ANNEX 2

CERTIFICATES AND ADJUSTMENTS

The Servicer agrees to comply with the following with respect to the Issuer:

SECTION 1. Definitions. Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Restructuring Property Servicing Agreement dated as of [_____, 2016], between the Issuer and PREPA, as Servicer (the "Servicing Agreement").

SECTION 2. Monthly Servicer Certificates. On or before the [15th] Business Day following the end of each calendar month, commencing with [_____ 2016], the Servicer will deliver to the Depository, the Issuer, the Administrator, the Calculation Agent, the Trustee each Rating Agency, and, for informational purposes, the Commission a monthly certificate in substantially the form of Exhibit C hereto (the "Monthly Servicer Certificate") showing: (a) the total amount of Customer Revenues deposited into the Allocation Account, either by the Servicer, directly by Customers or otherwise, during the month and through the end of the current Collection Period (b) the Estimated Transition Charge Collections transferred to the Collection Account during the month and through the end of the current Collection Period, (c) the PREPA Charges transferred to PREPA during the month and through the end of the current Collection Period and (d) the amount of any transfers or reductions in respect of Excess Remittances or the Remittance Shortfalls required pursuant to Section 3.03(f) of the Servicing Agreement.

SECTION 3. Semiannual Servicer Certificates. At least one Business Day before each Payment Date, the Servicer shall provide the Issuer, the Trustee, [the Administrator], each Rating Agency, the Calculation Agent and, for informational purposes, the Commission, with a certificate in substantially the form of Exhibit D hereto (the "Semiannual Servicer Certificate") showing, *inter alia*, the amounts to be paid to Bondholders on such Payment Date, the amounts to be paid with respect to other Ongoing Financing Costs (in reasonable detail) on or following such Payment Date, and all transfers required to be made into the various funds and accounts held under the Trust Agreement.

SECTION 4. Annual Statement of Compliance. The Servicer shall provide the Certificate of Compliance required by Section 3.06 of the Servicing Agreement in substantially the form of Exhibit E hereto to the Issuer, the Trustee, the Administrator, each Rating Agency, the Calculation Agent and, for informational purposes, the Commission.

SECTION 5. Post-Issuance Report. If the estimates of Upfront Financing Costs or Ongoing Financing Costs need to be updated from the information provided in the Designee Certificate, the Servicer shall prepare, on behalf of the Issuer, and deliver to the Commission, the Issuer [and the Administrator] a post-issuance report, which shall update such information in a revised form of the Designee Certificate, not later than ten (10) days following the issuance date of the Bonds. This updated certificate shall be provided to the Commission for informational purposes only.

SECTION 6. Annual Report to Commission. The Servicer shall prepare and provide on behalf of itself and the Issuer a joint report to the Commission, in substantially the form of Exhibit G hereto, not later than March 1 of each year, setting forth with respect to the prior calendar year, the outstanding principal amount of the Bonds at the close of such calendar year [(taking into account any principal payment made on such Bonds on or about January 1 immediately succeeding such calendar year close),] the amount paid on such Bonds in respect of such calendar year, the Ongoing Financing Costs (in detail) paid in such prior year and the remaining Ongoing Financing Costs payable in the current year.

SECTION 7. Final Accounting Report. Not later than 120 days following final payment of the Bonds and any associated Financing Costs, the Servicer shall prepare and provide to the Commission a final accounting report showing the Transition Charge Revenues on deposit with the Trustee and the method, approved by the Commission, by which such charges will be credited back to Customers.

ANNEX 3

SERVICING PROCEDURES

The Servicer agrees to comply with the following servicing procedures:

SECTION 1. Definitions.

(a) Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Restructuring Property Servicing Agreement, dated as of [_____, 2016], between the Issuer and PREPA, as Servicer (the "Servicing Agreement").

(b) Whenever used in this Annex 3, the following words and phrases shall have the following meanings:

"Applicable MDMA" means, with respect to each Customer, the meter data management agent or other person providing meter reading services for that Customer's account.

"Applicable Third Party" means, with respect to each Customer, the Third Party Biller, if any, providing billing or metering services to that Customer.

"Billed Charges" means the amounts of Transition Charges billed to Customers, whether billed directly to such Customers by the Servicer or indirectly through a Third Party Biller pursuant to Consolidated Third Party Billing.

"Bills" means each of the regular monthly bills, summary bills and other bills issued to Customers for Rates provided by the Servicer or by a Third Party Biller.

["Budget Payment Plan" means a levelized payment plan offered by PREPA, which, if elected by a Customer, provides for level monthly Bill charges to such Customer. For residential Customers, this charge is calculated by calculating actual electricity usage for the previous 12 months, multiplying that usage by the applicable rates and adding non-usage sensitive charges and dividing this amount by twelve. The number which results from this calculation is charged to the residential Customer each month. In the twelfth month, PREPA bills the residential Customer for actual use in that month, adjusted for any excess or deficit the Customer has paid PREPA over the prior eleven months. If the Customer owes PREPA [$4] or more over the normal budget amount, that Customer has the option repaying the full amount in the twelfth month, or spreading the amount of this deficit in equal installments over the first four months of the Customer's next budget year. The procedure is similar for small industrial and commercial Customers.][Note: Conform to PREPA's Budget Payment Plan.]

"Charge Effective Date" means the date on which the initial Transition Charge goes into effect as provided in this Agreement.

"Closing Bill" means the final bill issued to a Customer at the time service is terminated.

"Consolidated Third Party Billing" means the billing option available to Customers served by a Third Party Biller pursuant to which such Third Party Biller will be responsible for

billing and collecting all charges to Customers electing such billing option, including the Transition Charges, and will become obligated to the Servicer for the Billed Charges, all in accordance with applicable Commission Regulations and the Restructuring Order.

"Days Sales Outstanding" means the average number of days that monthly Bills to Customers remain outstanding during the calendar year immediately preceding the calculation of projected lags in collection of Billed Charges pursuant to Annex 1 of the Servicing Agreement. The initial Days Sales Outstanding shall be ___ days until updated pursuant to this Annex 3.

"Servicer Policies and Practices" means, with respect to the Servicer's duties under this Annex 3, the policies and practices applicable to such duties that the Servicer (or its sub-servicer) follows with respect to the Rates.

SECTION 2. Data Acquisition.

(a) Installation and Maintenance of Meters. Except to the extent that a Third Party Biller is responsible for such services, the Servicer shall use commercially reasonable efforts to cause to be installed, replaced and maintained meters in such places and in such condition as will enable the Servicer to obtain usage measurements for each Customer approximately every 30 days or as provided in the applicable Rate tariff.

(b) Meter Reading. At least once each Billing Period, the Servicer shall obtain usage measurements from the Applicable MDMA for each Customer; provided, however, that the Servicer may determine any Customer's usage on the basis of estimates.

(c) Cost of Metering. The Issuer shall not be obligated to pay any costs associated with the metering duties set forth in this Section 2, including, but not limited to, the costs of installing, replacing and maintaining meters, nor shall the Issuer be entitled to any credit against the Servicing Fee for any cost savings realized by the Servicer or any Third Party Biller as a result of new metering and/or billing technologies.

SECTION 3. Usage and Bill Calculation.

The Servicer shall obtain each Customer's usage (which may be based on data obtained from such Customer's meter read or on usage estimates determined in accordance with applicable Commission Regulations) at least once each Billing Period and shall determine therefrom the amount of the Transition Charges to be included on such Customer's Bill in accordance with the Restructuring Resolution and this Agreement.

The obligations of the Servicer include adjusting the estimate of energy use of Customers for the purpose of calculating Transition Charges in a manner that (a) includes load served by net metering by adjusting customer usage to reflect gross usage (without regard to net metered credits) and (b) adjusts customer usage to include estimated distributed generation ("behind the meter") usage. To estimate "behind the meter" use, the Servicer shall [(i) exclude by subtraction for electricity generated behind the meter and delivered to the PREPA's electrical grid,] and (ii) if and to the extent the gross output of such generation is metered or otherwise measured, take such data into account in calculating total customer load.

SECTION 4. Billing.

The Servicer shall implement the Transition Charges as of the Transition Charges Effective Date and shall thereafter bill each Customer or the Applicable Third Party for the each Customer's outstanding current and past due charges relating to the Transition Charges, accruing until all payments of principal of and interest on the Bonds and all other Ongoing Financing Costs have been paid in accordance with the Trust Agreement, all in accordance with the following:

(a) Frequency of Bills; Billing Practices. In accordance with the Servicer's then-existing Servicer Policies and Practices, as such Servicer Policies and Practices may be modified from time to time, the Servicer shall generate and issue a Bill to each Customer, or, in the case of a Customer who has elected Consolidated Third Party Billing, to an Applicable Third Party, for such Customer's Rates and Transition Charges as a general practice once approximately every 30 days or such other time period as allowed by the Commission, at the same time, with the same frequency and on the same Bill as that containing Rates to such Customer or Third Party Biller, as the case may be. In the event that the Servicer makes any material modification to these practices, it shall notify the Issuer, the Trustee, the parties to the Ancillary Agreements, the Depository and the Rating Agencies as soon as practicable, and in no event later than 60 Business Days after such modification goes into effect; provided, however, that the Servicer may not make any modification that will adversely affect the Bondholders.

(b) Format.

(i) Pursuant to the Restructuring Resolution, each Bill will identify the Transition Charges included in such Bill as a separate line item, and will include a statement, by means of a footnote or otherwise, to the effect that the Transition Charges belong to the Issuer.

(ii) In the case of each Customer that has elected Consolidated Third Party Billing, the Servicer shall deliver to the Applicable Third Party itemized charges for such Customer including the amount of such Customer's Rates and text identifying the Issuer as the owner of such Charge.

(c) Delivery. The Servicer shall deliver all Bills to Customers

(i) by United States mail in such class or classes as are consistent with the Servicer Policies and Practices followed by the Servicer with respect to the Rates or

(ii) by any other means, whether electronic or otherwise, that the Servicer may from time to time uses to bill the Rates to Customers. In the case of Customers that have elected Consolidated Third Party Billing, the Servicer shall deliver all Bills to the applicable Third Party Billers by such means as are prescribed by applicable Commission Regulations, or if not prescribed by applicable Commission Regulations, by such means as are mutually agreed upon by the Servicer and the Applicable Third Party and are consistent with Commission Regulations. The Servicer or a Third Party Biller, as applicable, shall pay from its own funds all costs of issuance and delivery of all Bills, including but not limited to printing and postage costs as the same may increase or decrease from time to time.

SECTION 5. Customer Service Functions.

The Servicer shall handle all Customer inquiries and other Customer service matters according to the same procedures it uses to service Customers with respect to the Rates.

SECTION 6. Collections; Payment Processing; Remittances.

(a) Collection Efforts, Policies, Procedures.

(i) The Servicer shall use Best Efforts to collect all Billed Charges from Customers and Third Party Billers as and when the same become due and shall follow such collection procedures as it follows with respect to the Rates, including, as follows:

(A) The Servicer shall prepare and deliver overdue notices to Customers and Third Party Billers in accordance with applicable Commission Regulations and the Servicer Policies and Practices.

(B) The Servicer shall apply late payment charges to outstanding Customer and Third Party Biller balances on the same basis as it applies late charges on its Rates.

(C) The Servicer shall deliver verbal and written final call notices in accordance with [applicable Commission Regulations and] Servicer Policies and Practices.

(D) The Servicer shall adhere to and carry out disconnection policies in accordance with the Act, other applicable law and Commission Regulations and Servicer Policies and Practices.

(E) The Servicer may employ the assistance of collections agents in accordance with [applicable Commission Regulations and] Servicer Policies and Practices.

(F) The Servicer shall apply Customer and Third Party Biller deposits, Customers' letters of credit and Customer posted surety bonds to the payment of delinquent accounts in accordance with applicable Commission Regulations and Servicer Policies and Practices and according to the priorities set forth in Section 6(b)(ii), (iii) and (iv) of this Annex 3.

(G) The Servicer shall promptly take all necessary action in accordance with applicable Commission Regulations to terminate billing of Rates by Third Party Billers whose payments are delinquent and to collect the Billed Charges directly from the applicable Customers.

(H) The Servicer shall make use of any intercept provisions for non-payment of electric or other rates by any public agency, municipality, public corporation or other governmental entity or Governmental Authority that is applicable to non-payment of electric or other rates charged by the Servicer, to the extent such intercept provisions are permitted under applicable laws, orders and regulations.

(ii) The Servicer shall impose late charges for any Transition Charges on the same basis as it imposes late charges for its Rates. The Servicer shall not waive any late payment

charge or any other fee or charge relating to delinquent payments, if any, or waive, vary or modify any terms of payment of any amounts payable by a Customer, in each case unless such waiver or action:

(A) would be in accordance with the Servicer's customary practices or those of any successor Servicer with respect to other Customer Charges that it services for itself and for others;

(B) would not materially adversely affect the rights of the Bondholders; and

(C) would comply with applicable law; provided, however, that notwithstanding anything in the Servicing Agreement, including this Annex 3, to the contrary, the Servicer is authorized to write off any Billed Charges in accordance with its Servicer Policies and Practices that remain outstanding for more than 120 days and shall for the purpose of any True-Up Adjustment calculation, assume that any delinquency after 120 days is written off and uncollectible.

(iii) The Servicer shall accept payment from Customers in respect of Billed Charges in such forms, by such methods and at such times and places as it accepts payment of the Rates. The Servicer shall accept payment from Third Party Billers in respect of Billed Charges in such forms, by such methods and at such times and places as the Servicer and each Third Party Biller shall mutually agree in accordance with applicable Commission Regulations.

(iv) The Servicer shall terminate service to non-paying Customers on the same basis as termination of service is permitted for nonpayment of electric or other rates by PREPA.

(b) Payment Processing; Allocation; Priority of Payments.

(i) The Servicer shall post all payments received to Customer accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than two Business Days after receipt.

(ii) Subject to clause (iii) below, the Servicer shall apply payments received to each Customer's or Third Party Biller's account in the same proportion that the Transition Charges contained in the outstanding Bill to such Customer or Third Party Biller bears to any other charges contained in such Bill.

(iii) Any amounts collected by the Servicer that represent partial payments of the total Bill to a Customer or Third Party Biller shall be allocated *pro rata* in accordance with Section 3.02(b) of the Servicing Agreement.

(iv) The Servicer shall cause all over-payments to be deposited into the Allocation Account and shall allocate such funds in accordance with clauses (ii) and (iii).

(v) [For Customers on a Budget Payment Plan, the Servicer shall treat Transition Charge Collections received from such Customers as if such Customers had been billed for the Transition Charges in the absence of the Budget Payment Plan. Partial payment of a Budget

Payment Plan payment shall be allocated according to clause (iii) above, and overpayment of a Budget Payment Plan payment shall be allocated according to clause (iv) above.]

(c) Accounts; Records.

(i) The Servicer shall maintain accounts and records as to the Restructuring Property accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between payments or recoveries with respect to the Restructuring Property and the amounts from time to time remitted to the Collection Account in respect of the Restructuring Property.

(ii) The Servicer shall maintain accounts and records as to Third Party Billers performing Consolidated Third Party Billing for Customers accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between payments or recoveries with respect to the Restructuring Property and amounts owed by such Customers in respect of the Transition Charges.

(d) Calculation of Daily Remittances, Excess Remittances and Remittance Shortfalls.

1. For purposes of calculating the Daily Remittance, (i) all Billed Charges shall be estimated to be collected the same number of days after billing as is equal to the Days Sales Outstanding then in effect (or, if such day is not a Business Day, on the next Business Day) and (ii) the Servicer will, on each Business Day, cause the Depository to remit to the Trustee for deposit into the Collection Account an amount equal to the product of the Billed Charges estimated to be collected on such Business Day multiplied by the difference of one hundred percent and [the percentage of projected uncollectibles used by the Servicer to calculate the most recent True-Up Adjustment pursuant to Annex 1 of the Servicing Agreement [and in the case of the first calculation, the percentage of projected uncollectibles identified in the initial True-Up Letter or Designee Certificate]. Such product shall constitute the amount of Estimated Transition Charge Collections for such Business Day.

2. Pursuant to Section 3.03(f) of the Servicing Agreement, not later than fifteen days following each calendar quarter, commencing [xx 15, xxxx], the Servicer (a) shall calculate the amount, if any, by which Estimated Transition Charge Collections were less than or exceeded Actual Transition Charge Collections deposited into the Allocation Account, and (b) shall file with the Depository, the Trustee, the Calculation Agent and the Issuer a Quarterly Reconciliation Certificate, substantially in the form attached as Exhibit B to the Servicing Agreement. The calculations made in the Quarterly Reconciliation Certificate shall be confirmed to the Depository by the Calculation Agent prior to delivery to the parties, as evidenced by the signature of the Calculation Agent. Actual Transition Charge Collections will be calculated using actual data, including actual electricity consumption, actual uncollectibles and actual lags in collection

for the Reconciliation Period. If Third Party Billers are authorized to bill, collect and remit Rates and Transition Charges, the Servicer shall be allowed to use the reimbursement or credit of any Excess Remittance to reimburse or credit any Third Party Billers for the excess of their remittances over actual Transition Charge Collections received by such Third Party Billers in accordance with the terms of Commission Regulations.

3. Prior to the filing for any Quarterly True-Up Adjustment, the Servicer shall update the Days Sales Outstanding, the projected lags in collection of Billed Charges and the projected uncollectibles to more accurately calculate such True-Up Adjustment and the Daily Remittances for the next Reconciliation Period.

4. The Servicer's calculations of collections, updates of the Days Sales Outstanding, the projected lags in collection of billed Transition Charges, the projected uncollectibles and any changes in procedures used to calculate the Estimated Transition Charge Collections pursuant to this Section 6(d) shall be made in good faith, and in the case of any update pursuant to Section 6(d)(3) above, in a manner reasonably intended to provide estimates and calculations that are at least as accurate as those that were provided on the Closing Date utilizing the initial procedures for calculation Estimated Transition Charge Collections and reconciling such collections with actual receipts.

(e) Remittances.

1. The Servicer shall make or cause payments to be made to the Collection Account or the Allocation Account in accordance with Section 3.03 and this Annex 3 of the Servicing Agreement.

2. In the event of any change of account or change of the Depository or the Trustee or any other institution affecting the remittances of Transition Charges, the Issuer shall provide written notice thereof to the Servicer by the earlier of:

   (A) five Business Days from the effective date of such change, and

   (B) five Business Days prior to the next applicable Deposit Date.

EXHIBIT A

FORM OF DAILY REMITTANCE CERTIFICATE

Puerto Rico Electric Power Authority Revitalization Corporation Restructuring Bonds

Pursuant to the Restructuring Property Servicing Agreement, dated as of [_____, 2016] (the "Servicing Agreement"), between PUERTO RICO ELECTRIC POWER AUTHORITY, as Servicer (the "Servicer"), and PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, as Issuer of the Bonds (the "Issuer"), the undersigned on behalf of the Servicer does hereby certify, for _____, 20___ (the "Business Day"), as follows:

Any capitalized terms not defined in this Certificate shall have the respective meanings ascribed to them in the Servicing Agreement.

(a) Total Customer Revenues on deposit in the Allocation Account: $

(b) Estimated Transition Charge Collections to be remitted to the Collection Account: $

(Billed Charges estimated to be collected on such Business Day x (100% - the projected percentage of uncollectibles used by Servicer to calculate most recent adjustment pursuant to the Adjustment Mechanism))

(c) Remaining Customer Revenues to be remitted to PREPA : $

(d) [Other Proceeds of Collateral (if any) to be remitted to the Collection Account: $]

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Daily Remittance Certificate this _____ day of _____, 20____.

[Name of Entity]

By _____
Name:
Title:

EXHIBIT B

FORM OF QUARTERLY RECONCILIATION CERTIFICATE

Puerto Rico Electric Power Authority Revitalization Corporation Restructuring Bonds

Pursuant to the Restructuring Property Servicing Agreement, dated as of [_____, 2016] (the "Servicing Agreement"), between PUERTO RICO ELECTRIC POWER AUTHORITY, as Servicer, and PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, as Issuer, the undersigned does hereby certify, for the quarter ended _____, 20__, as follows:

Any capitalized terms not defined in this Certificate shall have the respective meanings ascribed to them in the Servicing Agreement.

(a) Actual Transition Charge Collections deposited into Allocation Account during the preceding calendar quarter: $

(b) Estimated Transition Charge Collections remitted to Collection Account during the preceding calendar quarter: $

(c) Difference between (a) – (b): $

(d) Total Excess Remittance: $

(e) Total Remittance Shortfall: $

The calculations made herein were confirmed by the Calculation Agent prior to delivery of this Quarterly Reconciliation Certificate.

[Add instructions to Trustee and Depository regarding how Excess Remittance or Remittance or shortfall will be remedied.]

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Quarterly Reconciliation Certificate this _____ day of _____, 20_____.

[Name of Entity]

By _____
Name:
Title:

Confirmed by

[Name of Calculation Agent]

By _____
Name:
Title:

EXHIBIT C

FORM OF MONTHLY SERVICER CERTIFICATE

Puerto Rico Electric Power Authority Revitalization Corporation Restructuring Bonds

Servicer: Puerto Rico Electric Power Authority

Pursuant to the Restructuring Property Servicing Agreement, dated as of [_____, 2016] (the "Servicing Agreement"), between PUERTO RICO ELECTRIC POWER AUTHORITY, as Servicer, and PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, as Issuer, the undersigned does hereby certify to the Issuer, the Commission and the Trustee as follows, in each case with respect to the preceding calendar month ([MONTH], 20___):

Capitalized terms used herein shall have the respective meanings given to them in the Servicing Agreement, or if not defined in the Servicing Agreement, in the Trust Agreement. References herein to certain sections and subsections are references to the respective sections of the Servicing Agreement or the Trust Agreement, as the context indicates.

Current Collection Period: [_____] through [_____]

Next Bond Payment Date: [_____]

Date of Certification [_____]

Cut-Off Date (not more than ten days prior to the Date of Certification): [_____]

(a) Deposits of Customer Revenues in Allocation Account

- through Month: $_____

-through Collection Period: $_____

(b) Estimated Transition Charge Collections transferred into the Collection Account:

- through Month: $_____

-through Collection Period: $_____

(c) PREPA Charge remitted to PREPA:

- through Month: $_____

-through Collection Period: $_____

(d) Any Excess Remittances or Remittance Shortfalls during Collection Period:

-Total Remittance Shortfall instructed to be transferred to Collection Account during Collection Period: $

-Total Excess Remittance instructed to be deducted from future Daily Remittances during Collection Period: $

-Total Excess Remittance to be paid or transferred from the Collection Account or Excess Funds Subaccount during Collection Period: $

(i) [To the undersigned's knowledge, the Servicer has fulfilled its obligations in all material respects under Section 3.03 of the Servicing Agreement throughout the current Collection Period [, except _____].]

In WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer Certificate this _____ day of _____, 20____.

[Name of Entity]

By _____
Name:
Title:

EXHIBIT D

FORM OF SEMIANNUAL SERVICER CERTIFICATE

Puerto Rico Electric Power Authority Revitalization Corporation Restructuring Bonds

Pursuant to the Restructuring Property Servicing Agreement, dated as of [_____, 2016] (the "Servicing Agreement"), between PUERTO RICO ELECTRIC POWER AUTHORITY, as Servicer, and PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, as Issuer, the undersigned does hereby certify, for the _____, 20__ Payment Date (the "Current Payment Date"), as follows:

Capitalized terms used herein shall have the respective meanings given to them in the Servicing Agreement, or if not defined in the Servicing Agreement, in the Trust Agreement. References herein to certain sections and subsections are references to the respective sections of the Servicing Agreement or the Trust Agreement, as the context indicates.

Current Payment Date: [_____]

Date of Certificate: [_____]

Cut-Off Date (not more than three days prior to the date hereof): [_____]:

(a) Available Amounts on Deposit in Collection Account (including Excess Funds Subaccount) as of Cut-Off Date: $

(b) Actual or Estimated Remittances from the [Cut-Off Date?] through the Servicer Business Day preceding Current Payment Date: $

(c) Total Amounts Available to Trustee for Payment of Bonds and Other Ongoing Financing Costs: $

(d) Allocation of Available Amounts as of Current Payment Date allocable to payment of principal and interest on Bonds on Current Payment Date:

Principal

Aggregate

Total

Interest

Aggregate

Total

(e) Outstanding Amount of Bonds prior to, and after giving effect to the payment on the Current Payment Date and the difference, if any, between the Outstanding Amount

specified in the Expected Amortization Schedule (after giving effect to payments to be made on such Payment Date set forth above) and the Principal Balance to be Outstanding (following payment on Current Payment Date):

Principal Balance Outstanding (as of the date of this certification):

Total

Principal Balance to be Outstanding (following payment on Current Payment Date):

Total

(f) Difference between (e) above and Outstanding Amount specified in the Expected Amortization Schedule:

Total

(g) All other transfers to be made on the Current Payment Date, including amounts to be paid to the Trustee and to the Servicer pursuant to [Section 8.02(e)] of the Trust Agreement:

Ongoing Financing Costs:

Trustee Fees and Expenses:
Servicer Fees and Expenses:
Calculation Agent Fees and Expenses:
Depository Fees and Expenses:
Administration Fees and Expenses:
Rating Agency Fees:
Accounting Fees:
Legal Fees
Surety Bond Issuers Fees and Expenses
Directors Liability Insurance
Miscellaneous/Other
Funding of Reserve Subaccount (to required amount):

Total:

(h) Estimated amounts on deposit in the Reserve Subaccount and Excess Funds Subaccount after giving effect to the foregoing payments:

Reserve Subaccount

Total:

Excess Funds Subaccount

Total:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Semiannual Servicer Certificate this ___ day of _____, 20__.

[Name of Entity]

By _____
Name:
Title:

EXHIBIT E

CERTIFICATE OF COMPLIANCE

Puerto Rico Electric Power Authority Revitalization Corporation Restructuring Bonds

Pursuant to the Restructuring Property Servicing Agreement, dated as of [_____, 2016] (the "Servicing Agreement"), between PUERTO RICO ELECTRIC POWER AUTHORITY, as Servicer, and PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, as Issuer, the undersigned does hereby certify, for the _____, 20_ Payment Date (the "Current Payment Date"), as follows:

The undersigned is the duly elected and acting [_____] of [_____] and:

1. A review of the activities of the Servicer and any of its subcontractors and of its performance under the Servicing Agreement during the twelve months ended [_____], [20__] has been made under the supervision of the undersigned pursuant to Section 3.06 of the Servicing Agreement; and

2. To the undersigned's knowledge, based on such review, the Servicer has fulfilled its obligations in all material respects under the Servicing Agreement throughout the twelve months ended [_____], [20__], except _____.

Executed as of this _____ day of _____, 20__.

_____
Name:
Title:

EXHIBIT F

TRUE-UP LETTER

[name and address of Commission]

Pursuant to Article 6.25A of Act 57-2014, enacted May 27, 2014, as amended ("Article 6.25A"), the Restructuring Resolution adopted by PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION (the "Issuer") on XX, 20XX (the "Restructuring Resolution"), and the Restructuring Property Servicing Agreement, dated as of [_____, 2016] (the "Servicing Agreement"), between PUERTO RICO ELECTRIC POWER AUTHORITY ("PREPA"), as Servicer, and the Issuer, the undersigned, as Servicer, does hereby provide notice of an adjustment to the Transition Charges to take effect on the True-Up Adjustment Date specified below (which is more than 30-days from the date of this True-Up Letter). Capitalized terms used herein, unless otherwise defined herein, shall have the respective meanings given to them in the Servicing Agreement.

True-Up Adjustment Date:

Pursuant to the Article 6.25A and the Restructuring Resolution, the review by the Puerto Rico Energy Commission (the "Commission") of the Transition Charges is limited to verifying the mathematical accuracy of the calculation of the Transition Charges resulting from the application of the Adjustment Mechanism. If the Commission determines that the calculation of the adjustment to the Transition Charges is mathematically inaccurate, the Commission will notify the Issuer and PREPA in writing not later than [__ Business Days after the date of this letter] of any adjustment necessary to correct such mathematical inaccuracy, and such correction ordered by the Commission shall be made by the Issuer not later than the next succeeding application of the Adjustment Mechanism.

The table below shows the current assumptions for variables used in the adjustment to the Transition Charge.

Input Values For Transition Charge
First Collection period: from _____, _____ to _____, _____
Second Collection period: from _____, _____ to _____, _____

Recoverable kWh Billed to all Customers during twelve month period ending: -Recoverable kWh Billed to Residential Customers: -Recoverable kWh Billed to Non-Residential and Government Customers Residential Customer Allocation (%): Non-Residential and Government Customer Allocation (%): (See Schedule 1)	
Net Revenue Requirements for: -- Residential Customers: -- Non-Residential and Government Customers (See Schedule 2)	
Residential Charge-Off Factor: Non-Residential Charge-Off Factor: Governmental Charge-Off Factor: (See Schedule 3)	
Forecasted Non-Residential and Government Customers kWh Usage --First Collection Period: --Second Collection Period: (See Schedule 4)	
Forecasted Residential Service Agreement Count: (See Schedule 5)	
Transition Charge per kWh (Non-Residential and Government Customers): Transition Charge per service agreement (Residential Customers): (See Schedule 6)	

The work papers showing the calculation of the Transition Charges are attached as Exhibit A.

Executed as of this _____ day of _____, 20__

By:_____
Name:
Title:

EXHIBIT G

FORM OF ANNUAL REPORT TO COMMISSION

Puerto Rico Electric Power Authority Revitalization Corporation Restructuring Bonds

Pursuant to the Restructuring Property Servicing Agreement, dated as of [_____, 2016], (the "Servicing Agreement"), between PUERTO RICO ELECTRIC POWER AUTHORITY, as Servicer (the "Servicer"), and PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, as Issuer of the Bonds (the "Issuer"), and Restructuring Resolution No. _____ adopted by the Issuer on _____, 2016 (the "Restructuring Resolution"), the undersigned on behalf of the Issuer and the Servicer do hereby certify, as follows:

Any capitalized terms not defined in this Certificate shall have the respective meanings ascribed to them in the Servicing Agreement and the Restructuring Resolution, as the case may be.

They are the duly elected and acting [____] of the Issuer and [_____] of the Servicer, respectively, and further, with respect to the prior calendar year:

1. The outstanding principal amount of the Bonds is as follows:

Exchange Offer Bonds: $

Mirror Bonds: $

Cash Offer Bonds: $

New Money Bonds: $

Lender Bonds: $

Post Closing Date Bonds: $

All Bonds: $

2. The amount paid on the Bonds in such calendar year is as follows:

Exchange Offer Bonds: $

Mirror Bonds: $

Cash Offer Bonds: $

New Money Bonds: $

Lender Bonds: $

Post Closing Date Bonds: $

All Bonds: $

3. The remaining Ongoing Financing Costs payable in such calendar year is as follows [see attached schedule]:

Executed as of this _____ day of _____, __.

PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, as Issuer

By: _____
Name:
Title:

PUERTO RICO ELECTRIC POWER AUTHORITY, as Servicer

By: _____
Name:
Title:

SCHEDULE 1

EXPECTED AMORTIZATION SCHEDULE

OUTSTANDING PRINCIPAL BALANCE PER TRANCHE

APPENDIX A

DEFINITIONS

Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"Act" means the Revitalization Act, Law No. 4-2016, enacted on February 16, 2016, as amended to the date hereof.

"Actual Transition Charge Collections" means the Transition Charge Collections that have been collected from Customers and deposited into the Allocation Account (whether directly by Customers or by the Servicer) during the applicable period.

"Adjustment Mechanism" means the formulaic adjustment mechanism applied to Transition Charges contained in a Restructuring Resolution, as approved in a Restructuring Order pursuant to Article 35 of the Act and Section 6.25A of Act 57-2014, enacted May 27, 2014, as amended, to be applied by the Servicer, on behalf of the Issuer, periodically, but not less often than quarterly, to ensure the collection of Transition Charge Revenues sufficient to provide for the timely payment of Ongoing Financing Costs. The establishment and adjustment of the Transition Charges made by the Servicer, on behalf of the Issuer, in relation to the Adjustment Mechanism shall not be subject to legislative or any other governmental review or approval, except as provided in Article 34 of the Act regarding the review by the Commission to correct mathematical errors made by the Issuer, and Article 6.25A of Act 57-2014, enacted May 27, 2014, as amended, and Article 35(b) of the Act with respect to the approval of the Adjustment Mechanism in the Restructuring Resolution through the issuance of the Restructuring Order. The Adjustment Mechanism is attached as Annex 1 hereto.

"Administration Agreement" means the administration agreement, dated as of _____, 20__, by and between _____ and the Issuer relating to the provisions of administration services by PREPA to the Issuer.

"Administrator" means _____, as administrator under the Administration Agreement, or any successor thereto.

"Allocation Account" means the deposit account or accounts designated by the Issuer from time to time and controlled by a Depository, into which [all] Customer Revenues are required to be deposited pursuant to Section 3.03 of the Servicing Agreement. Initially, the Allocation Account shall refer to the clearing account that has been established by the Issuer with [DEPOSITORY].

"Ancillary Agreement" means any bond insurance agreement or policy, letter of credit, reserve account, surety bond, swap arrangement, hedging arrangement, liquidity or credit support arrangement or other arrangement designed to promote the credit quality and marketability of Bonds or to mitigate the risk of a change in interest rates.

"Ancillary Agreement Event" means, with respect to any Ancillary Agreement that was entered into in order to satisfy all or part of any Required Debt Service Reserve Level with

respect to any Debt Service Reserve Subaccount, that either (i) the Corporation has failed to reimburse or otherwise pay within any applicable grace period for the occurrence of an Ancillary Agreement Event resulting from this clause (i) that is set forth in such Ancillary Agreement a party to such Ancillary Agreement when due, or (ii) the Corporation has failed to fund with cash the applicable Debt Service Reserve Subaccount in accordance with the schedule for the replacement of such Ancillary Agreement that is set forth in such Ancillary Agreement.

"Annual Accountant's Report" has the meaning set forth in Section 3.07 of the Servicing Agreement.

"Annual Calculation Period" means the 12-month period beginning on (but not including) a True-Up Adjustment Date and ending on (and including) a date which is 12 months later.

"Basic Documents" means the Basic Documents as defined in the Restructuring Resolution.

"Best Efforts" means [reasonable best efforts consistent with customary electric utility practices in the United States.]

"Billing Month" means a calendar month during which the Transition Charges are billed to Customers.

"Billing Period" means the period during which the electric transmission and distribution services reflected on a Customer's Bill were received by such Customer. [Note: Needs to be updated for Puerto Rico to reflect full service.]

"Bills" means each of the regular monthly bills, summary bills and other bills issued to Customers for Rates provided by the Servicer or by a Third Party Biller.

"Board" means the board of directors of the Issuer established pursuant to the Act.

"Bondholder" or "Holder" means any Person in whose name a Bond is registered on the registration books maintained by the Issuer or the Trustee under the Trust Agreement or, if the Person in whose name a Bond is registered on such registration books is a securities depository, the beneficial owner.

"Bond Balance" means, as of any date, the aggregate Outstanding Amount of all Bonds on such date.

"Bond Counsel" means a firm of attorneys with nationally recognized expertise regarding the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes, which counsel shall be reasonably acceptable to the party receiving such opinion(s) of counsel.

"Bonds" means, to the extent issued, the Closing Date Bonds and Post Closing Date Bonds, as defined in the Restructuring Resolution.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in New York, New York or in San Juan, Puerto Rico, are authorized or obligated by law, regulation or executive order to remain closed.

"Calculation Agent" means a third-party calculation agent appointed and retained by or with the approval of the Trustee to confirm the Servicer's calculation of the Transition Charges and the application of the Adjustment Mechanism. The initial Calculation Agent shall be _____.

"Certificate of Compliance" means the certificate referred to in Section 3.06 of this Agreement.

"CILT" means Contributions In Lieu of Taxes determined in accordance with the Act.

"Closing Date" means [_____, 2016].

"Collateral" has the meaning specified in Section [1.01] of the Trust Agreement.

"Collection Account" means the account established and maintained by the Trustee in accordance with Section [8.02(a)] of the Trust Agreement and any subaccounts contained therein.

"Collection Period" means the period from and including the first day of a calendar month to but excluding the first day of the next calendar month.

"Commission" means the Puerto Rico Energy Commission established by Act No. 57 of the Legislative Assembly of Puerto Rico, approved on May 27, 2014, as amended, or any successor thereto.

"Commission Regulations" means all regulations, rules, tariffs and laws applicable to Rates and promulgated by the Commission.

"Commonwealth" means Commonwealth of Puerto Rico.

"Continuing Disclosure Agreement" means _____.

"Court" has the meaning given to it in Article 32 of the Act.

"Customer" means any Person that is connected to or takes or receives electric service within the Commonwealth by means of the electric generation, transmission or distribution facilities constituting part of Electric System Assets, whether or not those electric generation, transmission or distribution facilities are owned by PREPA. PREPA shall not be a Customer. Each municipality in the Commonwealth shall be a Customer to the extent that the dollar value of its usage of electric service (including in determining such dollar value of Transition Charges which would otherwise be imposed on such municipality and PREPA Charges) in any fiscal year exceeds the dollar value owed by PREPA to such municipality as a CILT for such fiscal year.

"Customer Revenues" means all payments made by or on behalf of Customers, including, without limitation, all Rates and all Transition Charges.

"Daily Remittance" means each remittance of Estimated Transition Charge Collections or Actual Transition Charge Collections required to be remitted by the Depository to the Trustee pursuant to Section 3.03 of the Servicing Agreement.

"Daily Remittance Certificate" means the daily remittance certificate, substantially in the form attached as Exhibit A to this Agreement.

"Days Sales Outstanding" shall have the meaning set forth in Annex 3.

"Debt Service Payment Default" means that an event of default has occurred with respect to the Bonds as a result of the failure of the Corporation to pay interest on or principal of the Bonds when due.

"Deposit Commencement Date" has the meaning set forth in Section 3.03 of the Servicing Agreement.

"Deposit Date" has the meaning set forth in Section 3.03 of the Servicing Agreement.

"Depository" means a third-party collection agent and financial institution reasonably acceptable to the Servicer and the Issuer that is (i) organized under and subject to the regulations and laws of the United States or any state and licensed to operate in the Commonwealth, (ii) neither affiliated with PREPA, the Commonwealth or its instrumentalities, public corporations, or municipalities, nor located in the Commonwealth, and (iii) holds its accounts, including the Allocation Account, in New York, New York pursuant to the Trust Agreement and the Depository Agreement. PREPA is expressly prohibited from acting as Depository. Initially, the Depository shall be _____.

"Depository Agreement" means the depository agreement by and among [TO COME].

"Designee Certificate" has the meaning set forth in the Restructuring Resolution.

"Electric System Assets" means the electric generation, transmission and distribution facilities (and other general property and equipment used in connection therewith), whether now existing or hereafter acquired, used or acquired for use by PREPA as of the effective date of the Act or thereafter used or acquired for use by it, including any successor electric utility, in providing electric service to Customers, including any transmission and distribution service.

"EMMA" has the meaning specified in Section 8.12 of the Servicing Agreement.

"Estimated Transition Charge Collections" means the estimated Transition Charge Collections calculated as provided in Annex 3 of this Agreement and required to be remitted on a daily basis to the Trustee pursuant to Section 3.03(b) of this Agreement.

"Estimated PREPA Collections" means estimated PREPA Charges required to be remitted on a daily basis to the PREPA Trustee pursuant to Section 3.03(b) of this Agreement.

"Excess Remittance" means the amount, if any, calculated for a particular Reconciliation Period, by which Estimated Transition Charge Collections remitted to the Collection Account during such Reconciliation Period exceed Actual Transition Charge Collections received during such Reconciliation Period.

"Excess Funds Subaccount" means any residual or excess funds subaccount of the Collection Account other than the Reserve Subaccount.

"Expected Amortization Schedule" means the Expected Amortization Schedule attached to this Agreement.

"Expected Final Payment Date" means the Payment Date on which all of the Bonds are scheduled to be paid in full.

"Final Maturity Date" means, with respect to any Tranche of Bonds, the date by which all principal and interest on that Tranche is required to be paid, as specified in the Trust Agreement.

"Financing Costs" has the meaning assigned to that term in the Restructuring Resolution and the Act; provided, however, that Financing Costs shall not include any amount, if any, that may be required to be paid by the Servicer (i) in settlement of, or as the result of a judgment against the Servicer arising from, any action with respect to the matters set forth in Section 5.02(b)(i), (ii), (iii) or (iv) hereof, or (ii) in the case of any judgment against the Servicer arising from any such action, any attorneys' fees or other expenses of the Servicer in connection therewith.

"Fitch" means Fitch, Inc. or its successor.

"Governmental Authority" means any nation or government, any federal, state, local or other political subdivision thereof and any court, administrative agency, or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative function of government.

"Independent" has the meaning specified in Section [1.01] of the Trust Agreement.

"Independent Registered Public Accountants" means [TO COME].

"Initial Restructuring Resolution" means the Restructuring Resolution adopted by the Issuer on _____, 2016.

"Insolvency Event" means, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable federal, Commonwealth or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such Person of a voluntary case under any applicable federal, Commonwealth or state bankruptcy, insolvency or other similar law now or

hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due.

"Interested Person" means (a) the trustee representing the holders of PREPA's outstanding bonds, (b) the securities depositary, if any, at which any of such bonds shall be deposited, (c) any holders of PREPA's outstanding debt obligations or any Person that provides credit or liquidity support, including financial guaranty insurance, to any or all of such obligations, (d) any financial institution to which PREPA is indebted (other than through the securities depositary) or is otherwise obligated, (e) the Secretary of Justice of the Commonwealth of Puerto Rico, (f) any Customer, (g) any vendor of PREPA that is not a Customer of PREPA as defined in this law, (h) any Person who has filed with the secretary of the Board and PREPA a request to receive the notice set forth in Article 35 of the Act, (i) any Person who would otherwise be entitled to receive notice with respect to the adjustment of PREPA rates and charges and (j) any other Person interested in the matters raised in the proceedings provided for in Article 35 of the Act.

"Investment Company Act" means the Investment Company Act of 1940, as amended.

"Issuer" means Puerto Rico Electric Power Authority Revitalization Corporation, a special purpose public corporation and a governmental instrumentality of the Commonwealth, created pursuant to Article 30 of the Act.

"Lien" has the meaning specified in Section [1.01] of the Trust Agreement.

"Losses" means collectively, any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever.

"Monthly Servicer Certificate" has the meaning assigned to that term in Annex 2 of this Agreement.

"Moody's" means Moody's Investors Service Inc. or its successor.

"Officer's Certificate" means a certificate of the Servicer signed by a Responsible Officer.

"Ongoing Financing Costs" has the meaning assigned to that term in Restructuring Resolution and the Act; provided, however, that Ongoing Financing Costs shall not include any amount, if any, that may be required to be paid by the Servicer in settlement of, or as the result of a judgment against the Servicer arising from, any action with respect to the matters set forth in Section 5.02(b)(i), (ii), (iii) or (iv) hereof, or, in the case of any judgment against the Servicer arising from any such action, any attorneys' fees or other expenses of the Servicer in connection therewith.

"Opinion of Counsel" means one or more written opinions of Bond Counsel, which counsel shall be reasonably acceptable to the party receiving such opinion(s) of counsel.

"Optional True-up" has the meaning assigned to that term in Annex 1.

"Outstanding" has the meaning specified in Section [1.01] of the Trust Agreement.

"Outstanding Amount" has the meaning specified in Section [1.01] of the Trust Agreement.

"Payment Date" means, with respect to any Tranche of Bonds, each dates specified in the Trust Agreement for the payment of interest on the Bonds; or if any such date is not a Business Day, the next Business Day.

"Person" means any natural or juridical person, including any local agency, or any individual, firm, partnership, joint venture, trust, joint stock company, association or public or private corporation, municipality, organized or existing under the laws of the Commonwealth, the United States of America or any state, any agency or instrumentality of the United States, or any combination of the above.

"PREPA" means Puerto Rico Electric Power Authority, a public corporation and governmental instrumentality established and existing by virtue of Act No. 83 of the Legislative Assembly of Puerto Rico, approved May 2, 1941, as amended, and any successor or successors thereto, including successors referred to in Article 35 of the Act.

"PREPA Charges" means all charges on a Customer Bill other than Transition Charges.

"PREPA Bond Trustee" means U.S. Bank National Association, as trustee with respect to the PREPA Bonds (together with any successors and assigns), under the PREPA Trust Agreement.

"PREPA Trust Agreement" means the Trust Agreement, dated as of January 1, 1974, as amended, between PREPA and the PREPA Bond Trustee.

"Principal Balance" means, as of any Payment Date, the sum of the respective outstanding principal amounts of the Bonds.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Projected Principal Balance" means, as of any Payment Date, the sum of the respective projected outstanding principal amounts of the Bonds for such Payment Date set forth in the Expected Amortization Schedule.

"Quarterly Reconciliation Certificate" has the meaning specified in Section 3.03 of this Agreement.

"Rates" means the rates and charges for electric generation, transmission and distribution services in the Service Area. "Rates" do not include Transition Charges.

"Rating Agency" means, [as of any date,] any rating agency rating at the time of issuance thereof at the request of the Issuer, any Tranche of Bonds. If no such organization or successor is any longer in existence, "Rating Agency" shall be a nationally recognized statistical rating organization [or other comparable Person designated by the Issuer], notice of which designation shall be given to the Trustee, the Commission and the Servicer.

"Rating Agency Condition" means, with respect to any action, not less than ten Business Days' prior written notification by the Issuer to each Rating Agency of such action, and written confirmation from each of [Standard & Poor's and Moody's] to the Servicer, the Trustee and the Issuer that such action will not result in a suspension, reduction or withdrawal of the then current rating by such Rating Agency of any Tranche of Bonds and that prior to the taking of the proposed action no other Rating Agency shall have provided written notice to the Issuer that such action has resulted or would result in the suspension, reduction or withdrawal of the then current rating of any Tranche of Bonds; provided, however, that if prior to the relevant action, any of the Bonds [are not rated by a Rating Agency or] have a rating from a Rating Agency below the rating assigned by such Rating Agency as of the date of the issuance of such Bonds, then the Rating Agency Condition shall only be deemed satisfied with respect to such Rating Agency with the written consent of the Requisite Bondholders. If within such ten Business Day period, any Rating Agency (other than Standard & Poor's) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (i) the Issuer shall be required to obtain confirmation [in writing] that such Rating Agency has received the Rating Agency Condition notification as provided above in this definition, and if it has, promptly request the related Rating Agency Condition written confirmation and (ii) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five Business Days following such Issuer request in clause (i) above, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency if waived in writing by the Requisite Bondholders. For the purposes of this definition, any confirmation, request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency's right to review or consent). If the [any] ratings on the Bonds are below investment-grade [(or if the Bonds are not rated by any Rating Agency)], the Rating Agency Condition requirement shall also include the written consent of the Trustee to the relevant action in the manner provided in the Trust Agreement.

"Reconciliation Period" means the twelve-month period ending the last day of the Collection Period preceding the calculation of Remittance Shortfalls or Excess Remittances under Section 3.03(f) this Agreement. The initial Reconciliation Period shall commence on the Closing Date and may be less than twelve months.

"Remittance" means each transfer hereunder of Estimated Transition Charge Collections or Remittance Shortfalls from the Allocation Account to the Collection Account.

"Remittance Shortfall" means the amount, if any, calculated for a particular Reconciliation Period, by which Actual Transition Charge Collections during such Reconciliation Period exceed all Estimated Transition Charge Collections remitted to the Collection Account during such Reconciliation Period.

"Required Debt Service Reserve Level" has the meaning specified in Section [1.01] of the Trust Agreement.

"Required Reserve Level" has the meaning specified in Section [1.01] of the Trust Agreement.

"Requisite Bondholders" means Bondholders who, legally or beneficially own at least the percentage of the aggregate principal amount (and/or of the aggregate accreted value, in the case of Bonds on which, by their terms, interest is to be paid, if at all, less frequently than semiannually) of Bonds necessary to approve or consent, to give direction or to take action under the Trust Agreement, as such percentage is specified in the Trust Agreement.

"Reserve Subaccount" has the meaning specified in Section [1.01] of the Trust Agreement.

"Responsible Officer" means the chief executive officer, the president, any vice president, the treasurer, any assistant treasurer, the secretary, any assistant secretary, the controller or the director of finance or any equivalent position of the Servicer.

"Restructuring Order" means the Restructuring Order approving the calculation methodology for the Transition Charges and the Adjustment Mechanism related thereto, as provided in the Act. The "Restructuring Order" shall be irrevocable and will not be subject to further review or amendment by the Commission.

"Restructuring Property" means the Restructuring Property as defined in the Restructuring Resolution.

"Restructuring Property Documentation" means all documents relating to Restructuring Property, including copies of the Restructuring Resolution, Restructuring Order and all documents filed with the Commission in connection with any True-Up Letter.

"Restructuring Resolution" means an Issuer resolution adopted in accordance with the Act, which resolution creates Restructuring Property, approves the imposition and collection of Transition Charges and the financing of Approved Restructuring Costs through the issuance of Bonds and which resolution contains the related Adjustment Mechanism, all as provided in Articles 34 and 35 of the Act.

"Retirement of the Bonds" means the day on which the final payment is made to the Trustee in respect of the last outstanding Bond.

"Rule 15c2-12" or the "Rule" means Rule 15c2-12 of the SEC under the Securities Exchange Act of 1934, as amended.

"Scheduled Maturity Date" has the meaning specified in Section [1.01] of the Trust Agreement.

"SEC" means the U.S. Securities and Exchange Commission.

"Semiannual Servicer Certificate" has the meaning assigned to that term in Annex 2 to this Agreement.

"Service Area" means the geographical area within which PREPA provided electric delivery services as of _____, 20___.

"Servicer" means PREPA, as the servicer of the Restructuring Property, or each successor (in the same capacity) pursuant to Section 5.03 or 6.04 of this Agreement.

"Servicer Default" means an event specified in Section 6.01 of this Agreement.

"Servicing Agreement" means this Agreement between the Issuer and the Servicer providing for the administering and servicing of Restructuring Property, as the same may be amended from time to time by the parties hereto in a manner not prohibited by the Act.

"Servicing Fee" has the meaning set forth in Section 5.07 of this Agreement.

"17g-5 Website" has the meaning specified in Section [1.01] of the Trust Agreement.

"Standard & Poor's" means Standard & Poor's, a division of Standard & Poor's Financial Services LLC or its successor.

"Termination Notice" has the meaning assigned to that term in Section 6.01 of this Agreement.

"Third Party Biller" means any Person authorized to bill or collect Transition Charges other than the Issuer, PREPA or, if different, a Servicer.

"Tranche" or "Tranche of Bonds" has the meaning specified in Section [1.01] of the Trust Agreement.

"Transition Charge Collections" means the payments of the Transition Charges by or on behalf of Customers.

"Transition Charge Revenues" means all money received or to be received, directly or indirectly, on account of the Transition Charges, and all proceeds of the investment thereof.

"Transition Charges" means those rates and charges that are separate from rates and charges of PREPA and that are imposed pursuant to a Restructuring Resolution on Customers to recover the Ongoing Financing Costs, and shall include a *pro rata* share of any late payment fee imposed in respect of any past-due bill for electric service.

"True-Up Adjustment" means each adjustment to the Transition Charges made in accordance with Annex 1 of this Agreement.

"True-Up Adjustment Date" means the date specified in a True-Up Letter on which the adjusted Transition Charge described in such True-Up Letter shall take effect.

"True-Up Letter" means the filing to be made with the Commission by the Servicer on behalf of the Issuer to set or adjust the Transition Charges, including the Designee Certificate. The form of the True-Up Letter is attached as Exhibit F hereto.

"Trust Agreement" means the Trust Agreement, dated as of [_____, 2016], between the Issuer and the Trustee, as the same may be amended and supplemented from time to time as provided therein, establishing the rights and responsibilities of the Issuer and of the beneficial owners of Bonds issued thereunder and secured thereby.

"Trustee" has the meaning specified in Section [___] of the Trust Agreement.

"Upfront Financing Costs" has the meaning assigned to that term in the Restructuring Resolution and the Act.

"Written Notice", "written notice" or "notice in writing" means notice in writing which may be delivered by hand or first-class mail or other recognized method of delivery and also means electronic transmission.

APPENDIX 5

FORM OF DEPOSITORY AGREEMENT

APPENDIX 6

FORM OF TRUST AGREEMENT

BOND REVENUE REQUIREMENT INFORMATION

Attachment 2.01.....Estimated Upfront Financing Costs

Attachment 2.02.....Estimated Ongoing Financing Costs

Attachment 2.03.....Estimated Principal and Interest Payments

Attachment 2.04.....Estimated Surety Replacement Schedule

Estimated Upfront Financing Costs:

The following table shows estimated Upfront Financing Costs and is subject to material change:

Description	Amount
Upfront (Non-Deposit) Costs	
Accountant's / Auditor's Fees (a)	$ 250,000
Legal Fees and Expenses	
Issuer's Counsel (Sidley)	2,500,000
Local Counsel (PMA)	1,050,000
Regulatory Counsel (R3)	750,000
Underwriter's Counsel (Orrick)	1,200,000
SPV Petition Support (Quinones & Arbona)	100,000
Trustee's Counsel (TBD)	25,000
Printing & Filing Costs (b)	50,000
Advisor Fees	
Restructuring Advisor (Millstein)	2,480,000
Municipal Advisor (PFM)	1,000,000
Rate Consultant Fees (Navigant)	255,000
Search Firm Fees	200,000
Rating Agency Fees (c)	1,314,500
Reserve Surety Premium (d)	8,877,775
Calculation Agent Set-Up Costs	150,000
Servicer Set-up Costs	1,651,119
Custodian / Depository Agent	25,000
Information Agent (Bondcom)	140,500
Trustee Fees	25,000
Underwriting / Exchange Agent Fees (e)	16,000,000
Solicitation Agent Retail Fees	5,000,000
Underwriting Expenses (f)	875,000
Miscellaneous / Other (g)	750,000
Contingency (h)	1,106
Subtotal	**44,670,000**
Upfront Deposits	
Reserve Account Deposit (i)	79,655,000
Total Upfront Financing Costs	**$ 124,325,000**

Notes:

(a) For PREPA's auditor's review of offering documents and agreed upon procedures letter.

(b) OS and Exchange document printing.

(c) Assumes ratings from Moody's and S&P. Based upon current fee schedules. applied to issuance amounts which change from time to time.

(d) Annual premium equal to 2% of the outstanding surety balance, as defined in the RSA. Assumes premium is paid in advance of each period and covers premium due for first annual period only.

(e) Including takedown and other fees to syndicate.

(f) Expenses not inclusive of underwriter's counsel fees.

(g) Unforeseen expenses, if any.

(h) Adjusts total to round to nearest $5,000.

(i) The portion of the DSRF required to be cash funded.

Estimated Ongoing Financing Costs:

The following table shows estimated annual Ongoing Financing Costs (excluding principal and interest) and is subject to material change:

Description	Amount
Ongoing Costs	
Servicing Fee (Paid to PREPA) (a)	$ 3,423,186
Administration Fees and Expenses	400,000
Directors Liability Insurance	1,000,000
Trustee Fees and Expenses	50,000
Legal Fees	75,000
Accounting Fees	100,000
Calculation Agent Fee	200,000
Custodian / Depository Agent Fee	50,000
Rating Agency Fees (b)	75,000
Miscellaneous / Other (c)	25,000
Subtotal	**5,398,186**
Other Ongoing Fees	
Monoline Quarterly Fees (d)	5,000,000
Reserve Surety Premium (e)	8,877,775
Total Ongoing Financing Costs	**$ 19,275,961**

Notes:

(a) Assumes PREPA acts as servicer and earns an annual servicing fee equal to 0.05% of initial issuance amount, adjusted overtime for inflation.

(b) Based upon current scheduled fee levels.

(c) Unforeseen expenses, if any.

(d) Quarterly premium of $1.25mm due to Monolines, capped at $7mm, as defined in the RSA.

(e) Ongoing annual premium equal to 2% of the outstanding surety balance, as defined in the RSA. Assumes premium is paid in advance of each period and is not in addition to the upfront premium included in Attachment 2.01. Premium to decrease overtime based on decreasing surety balance outlined in Attachment 2.04.

(f) Excludes reserve replenishment or surety replacement (*see* Attachment 2.04).

Estimates of Principal and Interest

Estimates are based on Minimum Participation Projected SPV Debt Service assuming a 6/30/2016 close and current knowledge of Lender Bond and Capital Appreciation Bond elections, and are subject to material change.

Estimates of Principal and Interest

FY 2017 - FY 2026				FY 2027 - FY 2036				FY 2037 - FY 2041			
Date	Principal	Interest	Debt Service	Date	Principal	Interest	Debt Service	Date	Principal	Interest	Debt Service
9/30/16	–	–	–	9/30/26	–	($1)	($1)	9/30/36	–	–	–
12/31/16	–	–	–	12/31/26	(72)	(119)	(191)	12/31/36	(159)	(44)	(203)
3/31/17	–	–	–	3/31/27	–	(1)	(1)	3/31/37	–	–	–
6/30/17	(140)	(235)	(375)	6/30/27	(181)	(117)	(298)	6/30/37	(163)	(40)	(203)
9/30/17	–	(3)	(3)	9/30/27	–	(1)	(1)	9/30/37	–	–	–
12/31/17	(32)	(140)	(171)	12/31/27	(76)	(113)	(189)	12/31/37	(167)	(36)	(203)
3/31/18	–	(3)	(3)	3/31/28	–	(1)	(1)	3/31/38	–	–	–
6/30/18	(99)	(138)	(237)	6/30/28	(148)	(111)	(259)	6/30/38	(171)	(32)	(203)
9/30/18	–	(3)	(3)	9/30/28	–	(0)	(0)	9/30/38	–	–	–
12/31/18	–	(135)	(135)	12/31/28	(80)	(108)	(188)	12/31/38	(175)	(28)	(203)
3/31/19	–	(3)	(3)	3/31/29	–	(0)	(0)	3/31/39	–	–	–
6/30/19	(260)	(135)	(396)	6/30/29	(191)	(106)	(297)	6/30/39	(179)	(24)	(203)
9/30/19	–	(3)	(3)	9/30/29	–	–	–	9/30/39	–	–	–
12/31/19	(39)	(126)	(165)	12/31/29	(112)	(102)	(214)	12/31/39	(184)	(19)	(203)
3/31/20	–	(3)	(3)	3/31/30	–	–	–	3/31/40	–	–	–
6/30/20	(155)	(124)	(279)	6/30/30	(227)	(99)	(326)	6/30/40	(189)	(14)	(203)
9/30/20	–	(3)	(3)	9/30/30	–	–	–	9/30/40	–	–	–
12/31/20	(35)	(119)	(154)	12/31/30	(118)	(94)	(212)	12/31/40	(193)	(10)	(203)
3/31/21	–	(3)	(3)	3/31/31	–	–	–	3/31/41	–	–	–
6/30/21	(157)	(117)	(274)	6/30/31	(199)	(91)	(289)	6/30/41	(198)	(5)	(203)
9/30/21	–	(3)	(3)	9/30/31	–	–	–				
12/31/21	(71)	(154)	(225)	12/31/31	(124)	(86)	(209)				
3/31/22	–	(3)	(3)	3/31/32	–	–	–				
6/30/22	(199)	(152)	(351)	6/30/32	(209)	(82)	(291)				
9/30/22	–	(3)	(3)	9/30/32	–	–	–				
12/31/22	(59)	(147)	(206)	12/31/32	(130)	(77)	(207)				
3/31/23	–	(3)	(3)	3/31/33	–	–	–				
6/30/23	(258)	(145)	(403)	6/30/33	(218)	(74)	(292)				
9/30/23	–	(3)	(3)	9/30/33	–	–	–				
12/31/23	(62)	(139)	(201)	12/31/33	(137)	(68)	(205)				
3/31/24	–	(3)	(3)	3/31/34	–	–	–				
6/30/24	(261)	(137)	(399)	6/30/34	(181)	(65)	(246)				
9/30/24	–	(3)	(3)	9/30/34	–	–	–				
12/31/24	(66)	(131)	(197)	12/31/34	(144)	(60)	(204)				
3/31/25	–	(3)	(3)	3/31/35	–	–	–				
6/30/25	(215)	(129)	(344)	6/30/35	(190)	(57)	(247)				
9/30/25	–	(2)	(2)	9/30/35	–	–	–				
12/31/25	(69)	(125)	(194)	12/31/35	(151)	(52)	(203)				
3/31/26	–	(2)	(2)	3/31/36	–	–	–				
6/30/26	(210)	(123)	(333)	6/30/36	(155)	(48)	(203)				

Values are in $Millions.

Footnotes:

Note: Estimated principal and interest payments for the Bonds. Does not include principal or interest obligations of PREPA not legally or economically defeased by Bonds.

Estimated Surety Replacement Schedule

Estimated Surety Replacement Schedule	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24	6/30/25	6/30/26	6/30/27	6/30/28
Surety Replacement	–	–	$49	$49	$49	$49	$49	$49	$49	$49	$49	–

Values are in $Millions.

Footnotes:

Note: Includes certain assumptions regarding Ad Hoc holdings and other events authorized by the Restructuring Resolution that could affect the ultimate size of surety to be provided by monoline insurers. Also assumes the SPV does not tender for insured PREPA Revenue Bonds with new Securitization Bonds following the Clear Market Period, which would extend the Surety replacement schedule. Excludes any potential reserve replenishment.

INFORMATION RELATING TO TRANSITION CHARGES AND SAVINGS

Attachment 3.01.....Present Value ("PV") Savings Test

Attachment 3.02.....Estimation of how the Transition Charge will change over its life, and estimated ratio of total Transition Charges to total charges to Customers, by Class.

Attachment 3.03.....Comparison of Debt and Debt Service

PV Savings Test

PV Savings Test	
PV of Restructuring Bond Debt Service	$4,343
PV of Refinanced Bond Debt Service	$5,210
PV Savings Test ($)	**$867**
PV Savings Test (%)	**83.4%**

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY17-26	FY27-36	FY37-43	Total
Restructuring Bonds														
Principal														
Ad Hoc Group	–	–	–	–	–	($73)	($77)	($80)	($85)	($89)	($403)	($1,508)	($1,170)	($3,081)
Participating Non-Forbearing Bonds	–	–	–	–	–	(36)	(38)	(40)	(42)	(44)	(200)	(724)	(547)	(1,471)
Total Principal	–	–	–	–	–	($109)	($115)	($120)	($127)	($133)	($604)	($2,232)	($1,717)	($4,552)
Interest														
Ad Hoc Group	($75)	($75)	($75)	($75)	($75)	($157)	($153)	($149)	($145)	($141)	($1,117)	($1,058)	($171)	($2,347)
Participating Non-Forbearing Bonds	(70)	(70)	(70)	(70)	(70)	(69)	(68)	(66)	(64)	(62)	(678)	(463)	(74)	(1,215)
Total Interest	($145)	($145)	($145)	($145)	($145)	($226)	($221)	($215)	($209)	($202)	($1,796)	($1,521)	($245)	($3,562)
Debt Service														
Ad Hoc Group	($75)	($75)	($75)	($75)	($75)	($230)	($230)	($230)	($230)	($230)	($1,521)	($2,566)	($1,341)	($5,428)
Participating Non-Forbearing Bonds	(70)	(70)	(70)	(70)	(70)	(106)	(106)	(106)	(106)	(106)	(879)	(1,187)	(621)	(2,687)
Total Restructuring Bond Debt Service	**($145)**	**($145)**	**($145)**	**($145)**	**($145)**	**($335)**	**($335)**	**($335)**	**($335)**	**($335)**	**($2,399)**	**($3,753)**	**($1,962)**	**($8,115)**
Refinanced Bonds														
Principal														
Ad Hoc Group	($16)	($76)	($48)	($67)	($84)	($123)	($72)	($82)	($117)	($128)	($813)	($1,424)	($966)	($3,203)
Participating Non-Forbearing Bonds	(61)	(47)	(47)	(66)	(59)	(38)	(36)	(39)	(42)	(52)	(487)	(705)	(539)	(1,731)
Total Principal	($77)	($124)	($94)	($132)	($143)	($161)	($108)	($121)	($159)	($180)	($1,300)	($2,130)	($1,504)	($4,934)
Interest														
Ad Hoc Group	($168)	($167)	($164)	($161)	($159)	($155)	($149)	($145)	($141)	($135)	($1,543)	($940)	($193)	($2,676)
Participating Non-Forbearing Bonds	(86)	(84)	(81)	(79)	(76)	(73)	(71)	(70)	(68)	(66)	(753)	(469)	(99)	(1,321)
Total Interest	($254)	($251)	($245)	($241)	($235)	($228)	($220)	($214)	($208)	($200)	($2,297)	($1,408)	($292)	($3,997)
Debt Service														
Ad Hoc Group	($184)	($244)	($211)	($228)	($243)	($278)	($220)	($227)	($258)	($262)	($2,356)	($2,364)	($1,159)	($5,879)
Participating Non-Forbearing Bonds	(147)	(131)	(128)	(145)	(135)	(111)	(107)	(109)	(110)	(118)	(1,240)	(1,174)	(637)	(3,052)
Total Refinanced Bond Debt Service	**($331)**	**($375)**	**($340)**	**($373)**	**($379)**	**($389)**	**($327)**	**($336)**	**($367)**	**($380)**	**($3,596)**	**($3,538)**	**($1,796)**	**($8,930)**

Footnotes:

Note: All dollar values are in millions.

Note: Analysis assumes illustrative 4.75% discount rate, and makes certain participation assumptions. Actual values may differ, but will continue to meet the Savings Test as defined by the Revitalization Act.

Note: Analysis assumes first payment on Restructuring Bonds is made on 7/1/2017, covering all interest accrued in FY 2017. Thereafter, all payments will be made semiannually.

Note: "For the avoidance of doubt, any Restructuring Bonds issued to pay expenses incident to the initial issuance of such Restructuring Bonds for such purpose or to defease PREPA Revenue Bonds shall not be subject to, or included in, the above calculation." PRA, Art. 33(a)(3).

Note: Analysis assumes 4.75% and 5.50% interest rate on Current Interest Bonds and Convertible Capital Appreciation Bonds, respectively, based on the Ad Hoc Agreement. Convertible Capital Appreciation Bond elections are based on information provided by the Ad Hoc Group.

Attachment 3.02
Puerto Rico Electric Power Authority Revitalization Corporation
Estimation of how the Transition Charge will change over its life, and estimated ratio of total Transition Charges to total charges to Customers, by Class.

Line No.	True-Up Adjustment Period	Period Beginning	Period Ending	Average Monthly Revenue per Customer - FY 2014	Proposed Residential Transition Charge - $/Service Agreement	Transition Charge % of 2014 Monthly Revenues	Average Revenue per Non-Residential kWh - FY 2014	Proposed Transition Charge - $/kWh	Transition Charge % of 2014 Average Revenue per kWh
1	TUA Period 1	6/30/2016	9/30/2016	$ 99.34	$11.98	12.1%	$ 0.26418	$0.03055	11.6%
2	TUA Period 2	9/30/2016	12/31/2016	$ 99.34	$11.79	11.9%	$ 0.26418	$0.03060	11.6%
3	TUA Period 3	12/31/2016	3/31/2017	$ 99.34	$11.36	11.4%	$ 0.26418	$0.03007	11.4%
4	TUA Period 4	3/31/2017	6/30/2017	$ 99.34	$12.26	12.3%	$ 0.26418	$0.03127	11.8%
5	TUA Period 5	6/30/2017	9/30/2017	$ 99.34	$11.28	11.4%	$ 0.26418	$0.02876	10.9%
6	TUA Period 6	9/30/2017	12/31/2017	$ 99.34	$11.06	11.1%	$ 0.26418	$0.02870	10.9%
7	TUA Period 7	12/31/2017	3/31/2018	$ 99.34	$10.66	10.7%	$ 0.26418	$0.02821	10.7%
8	TUA Period 8	3/31/2018	6/30/2018	$ 99.34	$11.50	11.6%	$ 0.26418	$0.02932	11.1%
9	TUA Period 9	6/30/2018	9/30/2018	$ 99.34	$16.52	16.6%	$ 0.26418	$0.04213	15.9%
10	TUA Period 10	9/30/2018	12/31/2018	$ 99.34	$16.22	16.3%	$ 0.26418	$0.04209	15.9%
11	TUA Period 11	12/31/2018	3/31/2019	$ 99.34	$15.62	15.7%	$ 0.26418	$0.04137	15.7%
12	TUA Period 12	3/31/2019	6/30/2019	$ 99.34	$16.87	17.0%	$ 0.26418	$0.04301	16.3%
13	TUA Period 13	6/30/2019	9/30/2019	$ 99.34	$13.07	13.2%	$ 0.26418	$0.03332	12.6%
14	TUA Period 14	9/30/2019	12/31/2019	$ 99.34	$12.80	12.9%	$ 0.26418	$0.03322	12.6%
15	TUA Period 15	12/31/2019	3/31/2020	$ 99.34	$12.34	12.4%	$ 0.26418	$0.03266	12.4%
16	TUA Period 16	3/31/2020	6/30/2020	$ 99.34	$13.31	13.4%	$ 0.26418	$0.03395	12.9%
17	TUA Period 17	6/30/2020	9/30/2020	$ 99.34	$13.09	13.2%	$ 0.26418	$0.03337	12.6%
18	TUA Period 18	9/30/2020	12/31/2020	$ 99.34	$12.84	12.9%	$ 0.26418	$0.03331	12.6%
19	TUA Period 19	12/31/2020	3/31/2021	$ 99.34	$12.37	12.5%	$ 0.26418	$0.03274	12.4%
20	TUA Period 20	3/31/2021	6/30/2021	$ 99.34	$13.34	13.4%	$ 0.26418	$0.03403	12.9%
21	TUA Period 21	6/30/2021	9/30/2021	$ 99.34	$17.54	17.7%	$ 0.26418	$0.04471	16.9%
22	TUA Period 22	9/30/2021	12/31/2021	$ 99.34	$17.21	17.3%	$ 0.26418	$0.04466	16.9%
23	TUA Period 23	12/31/2021	3/31/2022	$ 99.34	$16.58	16.7%	$ 0.26418	$0.04390	16.6%
24	TUA Period 24	3/31/2022	6/30/2022	$ 99.34	$17.90	18.0%	$ 0.26418	$0.04564	17.3%
25	TUA Period 25	6/30/2022	9/30/2022	$ 99.34	$17.86	18.0%	$ 0.26418	$0.04554	17.2%
26	TUA Period 26	9/30/2022	12/31/2022	$ 99.34	$17.51	17.6%	$ 0.26418	$0.04545	17.2%
27	TUA Period 27	12/31/2022	3/31/2023	$ 99.34	$16.88	17.0%	$ 0.26418	$0.04468	16.9%
28	TUA Period 28	3/31/2023	6/30/2023	$ 99.34	$18.21	18.3%	$ 0.26418	$0.04644	17.6%
29	TUA Period 29	6/30/2023	9/30/2023	$ 99.34	$17.51	17.6%	$ 0.26418	$0.04464	16.9%
30	TUA Period 30	9/30/2023	12/31/2023	$ 99.34	$17.17	17.3%	$ 0.26418	$0.04455	16.9%
31	TUA Period 31	12/31/2023	3/31/2024	$ 99.34	$16.54	16.6%	$ 0.26418	$0.04380	16.6%
32	TUA Period 32	3/31/2024	6/30/2024	$ 99.34	$17.86	18.0%	$ 0.26418	$0.04554	17.2%
33	TUA Period 33	6/30/2024	9/30/2024	$ 99.34	$15.74	15.8%	$ 0.26418	$0.04013	15.2%
34	TUA Period 34	9/30/2024	12/31/2024	$ 99.34	$15.43	15.5%	$ 0.26418	$0.04004	15.2%
35	TUA Period 35	12/31/2024	3/31/2025	$ 99.34	$14.86	15.0%	$ 0.26418	$0.03936	14.9%
36	TUA Period 36	3/31/2025	6/30/2025	$ 99.34	$16.05	16.2%	$ 0.26418	$0.04091	15.5%
37	TUA Period 37	6/30/2025	9/30/2025	$ 99.34	$15.50	15.6%	$ 0.26418	$0.03953	15.0%
38	TUA Period 38	9/30/2025	12/31/2025	$ 99.34	$15.20	15.3%	$ 0.26418	$0.03945	14.9%
39	TUA Period 39	12/31/2025	3/31/2026	$ 99.34	$14.64	14.7%	$ 0.26418	$0.03877	14.7%
40	TUA Period 40	3/31/2026	6/30/2026	$ 99.34	$15.81	15.9%	$ 0.26418	$0.04032	15.3%
41	TUA Period 41	6/30/2026	9/30/2026	$ 99.34	$14.34	14.4%	$ 0.26418	$0.03655	13.8%
42	TUA Period 42	9/30/2026	12/31/2026	$ 99.34	$14.05	14.1%	$ 0.26418	$0.03646	13.8%
43	TUA Period 43	12/31/2026	3/31/2027	$ 99.34	$13.54	13.6%	$ 0.26418	$0.03585	13.6%
44	TUA Period 44	3/31/2027	6/30/2027	$ 99.34	$14.61	14.7%	$ 0.26418	$0.03726	14.1%
45	TUA Period 45	6/30/2027	9/30/2027	$ 99.34	$11.75	11.8%	$ 0.26418	$0.02995	11.3%
46	TUA Period 46	9/30/2027	12/31/2027	$ 99.34	$11.51	11.6%	$ 0.26418	$0.02988	11.3%
47	TUA Period 47	12/31/2027	3/31/2028	$ 99.34	$11.09	11.2%	$ 0.26418	$0.02937	11.1%
48	TUA Period 48	3/31/2028	6/30/2028	$ 99.34	$11.97	12.0%	$ 0.26418	$0.03053	11.6%
49	TUA Period 49	6/30/2028	9/30/2028	$ 99.34	$13.22	13.3%	$ 0.26418	$0.03371	12.8%
50	TUA Period 50	9/30/2028	12/31/2028	$ 99.34	$12.97	13.1%	$ 0.26418	$0.03365	12.7%

Attachment 3.02
Puerto Rico Electric Power Authority Revitalization Corporation
Estimation of how the Transition Charge will change over its life, and estimated ratio of total Transition Charges to total charges to Customers, by Class.

Line No.	True-Up Adjustment Period	Period Beginning	Period Ending	Average Monthly Revenue per Customer - FY 2014	Proposed Residential Transition Charge - $/Service Agreement	Transition Charge % of 2014 Monthly Revenues	Average Revenue per Non-Residential kWh - FY 2014	Proposed Transition Charge - $/kWh	Transition Charge % of 2014 Average Revenue per kWh
51	TUA Period 51	12/31/2028	3/31/2029	$ 99.34	$12.49	12.6%	$ 0.26418	$0.03308	12.5%
52	TUA Period 52	3/31/2029	6/30/2029	$ 99.34	$13.49	13.6%	$ 0.26418	$0.03440	13.0%
53	TUA Period 53	6/30/2029	9/30/2029	$ 99.34	$14.65	14.7%	$ 0.26418	$0.03735	14.1%
54	TUA Period 54	9/30/2029	12/31/2029	$ 99.34	$14.37	14.5%	$ 0.26418	$0.03729	14.1%
55	TUA Period 55	12/31/2029	3/31/2030	$ 99.34	$13.85	13.9%	$ 0.26418	$0.03666	13.9%
56	TUA Period 56	3/31/2030	6/30/2030	$ 99.34	$14.95	15.0%	$ 0.26418	$0.03811	14.4%
57	TUA Period 57	6/30/2030	9/30/2030	$ 99.34	$13.24	13.3%	$ 0.26418	$0.03376	12.8%
58	TUA Period 58	9/30/2030	12/31/2030	$ 99.34	$12.98	13.1%	$ 0.26418	$0.03369	12.8%
59	TUA Period 59	12/31/2030	3/31/2031	$ 99.34	$12.51	12.6%	$ 0.26418	$0.03312	12.5%
60	TUA Period 60	3/31/2031	6/30/2031	$ 99.34	$13.50	13.6%	$ 0.26418	$0.03442	13.0%
61	TUA Period 61	6/30/2031	9/30/2031	$ 99.34	$13.46	13.5%	$ 0.26418	$0.03431	13.0%
62	TUA Period 62	9/30/2031	12/31/2031	$ 99.34	$13.20	13.3%	$ 0.26418	$0.03425	13.0%
63	TUA Period 63	12/31/2031	3/31/2032	$ 99.34	$12.71	12.8%	$ 0.26418	$0.03366	12.7%
64	TUA Period 64	3/31/2032	6/30/2032	$ 99.34	$13.73	13.8%	$ 0.26418	$0.03500	13.2%
65	TUA Period 65	6/30/2032	9/30/2032	$ 99.34	$13.39	13.5%	$ 0.26418	$0.03415	12.9%
66	TUA Period 66	9/30/2032	12/31/2032	$ 99.34	$13.13	13.2%	$ 0.26418	$0.03408	12.9%
67	TUA Period 67	12/31/2032	3/31/2033	$ 99.34	$12.65	12.7%	$ 0.26418	$0.03350	12.7%
68	TUA Period 68	3/31/2033	6/30/2033	$ 99.34	$13.66	13.8%	$ 0.26418	$0.03484	13.2%
69	TUA Period 69	6/30/2033	9/30/2033	$ 99.34	$11.94	12.0%	$ 0.26418	$0.03043	11.5%
70	TUA Period 70	9/30/2033	12/31/2033	$ 99.34	$11.70	11.8%	$ 0.26418	$0.03036	11.5%
71	TUA Period 71	12/31/2033	3/31/2034	$ 99.34	$11.27	11.3%	$ 0.26418	$0.02985	11.3%
72	TUA Period 72	3/31/2034	6/30/2034	$ 99.34	$12.17	12.3%	$ 0.26418	$0.03103	11.7%
73	TUA Period 73	6/30/2034	9/30/2034	$ 99.34	$12.16	12.2%	$ 0.26418	$0.03100	11.7%
74	TUA Period 74	9/30/2034	12/31/2034	$ 99.34	$11.92	12.0%	$ 0.26418	$0.03094	11.7%
75	TUA Period 75	12/31/2034	3/31/2035	$ 99.34	$11.49	11.6%	$ 0.26418	$0.03042	11.5%
76	TUA Period 76	3/31/2035	6/30/2035	$ 99.34	$12.40	12.5%	$ 0.26418	$0.03161	12.0%
77	TUA Period 77	6/30/2035	9/30/2035	$ 99.34	$10.75	10.8%	$ 0.26418	$0.02741	10.4%
78	TUA Period 78	9/30/2035	12/31/2035	$ 99.34	$10.54	10.6%	$ 0.26418	$0.02734	10.3%
79	TUA Period 79	12/31/2035	3/31/2036	$ 99.34	$10.70	10.8%	$ 0.26418	$0.02729	10.3%
80	TUA Period 80	3/31/2036	6/30/2036	$ 99.34	$10.84	10.9%	$ 0.26418	$0.02696	10.2%
81	TUA Period 81	6/30/2036	9/30/2036	$ 99.34	$10.96	11.0%	$ 0.26418	$0.02794	10.6%
82	TUA Period 82	9/30/2036	12/31/2036	$ 99.34	$10.75	10.8%	$ 0.26418	$0.02789	10.6%
83	TUA Period 83	12/31/2036	3/31/2037	$ 99.34	$10.79	10.9%	$ 0.26418	$0.02752	10.4%
84	TUA Period 84	3/31/2037	6/30/2037	$ 99.34	$10.80	10.9%	$ 0.26418	$0.02753	10.4%
85	TUA Period 85	6/30/2037	9/30/2037	$ 99.34	$10.99	11.1%	$ 0.26418	$0.02801	10.6%
86	TUA Period 86	9/30/2037	12/31/2037	$ 99.34	$10.77	10.8%	$ 0.26418	$0.02796	10.6%
87	TUA Period 87	12/31/2037	3/31/2038	$ 99.34	$10.81	10.9%	$ 0.26418	$0.02755	10.4%
88	TUA Period 88	3/31/2038	6/30/2038	$ 99.34	$10.85	10.9%	$ 0.26418	$0.02768	10.5%
89	TUA Period 89	6/30/2038	9/30/2038	$ 99.34	$10.98	11.1%	$ 0.26418	$0.02800	10.6%
90	TUA Period 90	9/30/2038	12/31/2038	$ 99.34	$10.77	10.8%	$ 0.26418	$0.02795	10.6%
91	TUA Period 91	12/31/2038	3/31/2039	$ 99.34	$10.81	10.9%	$ 0.26418	$0.02755	10.4%
92	TUA Period 92	3/31/2039	6/30/2039	$ 99.34	$10.84	10.9%	$ 0.26418	$0.02765	10.5%
93	TUA Period 93	6/30/2039	9/30/2039	$ 99.34	$10.99	11.1%	$ 0.26418	$0.02801	10.6%
94	TUA Period 94	9/30/2039	12/31/2039	$ 99.34	$10.78	10.9%	$ 0.26418	$0.02796	10.6%
95	TUA Period 95	12/31/2039	3/31/2040	$ 99.34	$10.81	10.9%	$ 0.26418	$0.02756	10.4%
96	TUA Period 96	3/31/2040	6/30/2040	$ 99.34	$10.85	10.9%	$ 0.26418	$0.02766	10.5%
97	TUA Period 97	6/30/2040	9/30/2040	$ 99.34	$10.99	11.1%	$ 0.26418	$0.02802	10.6%
98	TUA Period 98	9/30/2040	12/31/2040	$ 99.34	$10.78	10.9%	$ 0.26418	$0.02797	10.6%
99	TUA Period 99	12/31/2040	3/31/2041	$ 99.34	$10.39	10.5%	$ 0.26418	$0.02750	10.4%
100	TUA Period 100	3/31/2041	6/30/2041	$ 99.34	$11.20	11.3%	$ 0.26418	$0.02857	10.8%

Summary

- The analysis below compares the SPV's proposed debt service profile with PREPA's existing obligations for bonds that would participate in the securitization transaction.
- The securitization structure alleviates the need for PREPA to charge for 120% of its debt service to ensure its obligations are covered; as a result, the debt service savings shown below understate the full impact to rate payers.
- This analysis includes assumptions that are subject to material change.
- All dollar values are in millions.

Benefits of Restructuring[a]

	Status Quo[b]	Restructured Scenario	Savings ($)	Avg. Annual kWh Savings[c]	Savings (%)
Beginning Affected Principal Balance as of 7/1/2016	$7,921	$6,846	$1,075	NM	*13.6%*
5-Year Debt Service (FY 2017 - FY 2021)	3,553	2,428	1,126	1.36¢	*31.7%*
10-Year Debt Service (FY 2017 - FY 2026)	7,252	5,595	1,657	1.00¢	*22.8%*
Maximum Annual Debt Service (FY 2017+)	752	673	79	0.48¢	*10.5%*
Average Annual Debt Service over Life (FY 2017+)	435	405	30	0.18¢	*6.8%*

Footnotes:

Note: Fees included in the debt service numbers under the Restructured Scenario include an inflation adjustment for the Servicing Fee. The Servicing Fee is assumed to be escalated after each fiscal year based on the lagged percentage increase in the prior calendar year's CPI-U over CY2015. Inflation projections per EIA DOE 2015 Annual Energy Outlook.

(a) Analysis excludes the impact of bonds to remain at PREPA under the restructuring transaction.

(b) Represents hypothetical status quo for bonds to be exchanged or defeased into securitization and/or mirror bonds at transaction close. Includes hypothetical refinancing in status quo to replenish the debt service reserve and SIF as well as to reduce July 1 funding needs. The illustrative status quo refinancing bond pays 12% interest and mortgage style amortization over 10 years.

(c) Represents average annual per kWh savings compared to status quo over specified time period. Maximum and average annual debt service savings calculated as savings over average annual kWh of demand. kWh estimates based on PREPA historical information, as provided by Navigant.

Principal Balance as of 7/1/2016

Principal Balance as of 7/1/2016[a]

Status Quo Principal Balance[b]	
Uninsured Principal[c]	$4,934
Insured Principal	2,086
2016A & 2016B[d]	–
Refinancing[e]	901
Total Status Quo Principal	**$7,921**
Restructured Principal Balance	
Securitization Bonds[f]	$4,194
Mirror Bonds[g]	2,086
Exchanging Securitization	$6,280
Cost of Issuance	45
2016A, 2016B and Assumed 2016C[h]	392
SIF Securitization	50
DSRF Securitization	80
New Money Securitization	567
Total Restructured Principal	**$6,846**

Footnotes:

(a) Analysis excludes the impact of bonds to remain at PREPA under the restructuring transaction.

(b) Represents hypothetical status quo for bonds to be exchanged or defeased into securitization and/or mirror bonds at transaction close. Includes hypothetical refinancing in status quo to replenish the debt service reserve and Self Insurance Fund ("SIF") as well as to reduce July 1 funding needs. The illustrative status quo refinancing bond pays 12% interest and mortgage style amortization over 10 years.

(c) Includes non-forbearing amounts assumed to participate in the exchange.

(d) 2016A & 2016B to come due in July 2016 upon termination of the RSA.

(e) Hypothetical status quo includes refinancing to replenish debt service reserve and SIF as well as to reduce July 1 funding needs.

(f) Excludes principal balance related to cost of issuance. Assumed CAB balances shown at issuance (without accretion).

(g) Excludes mirror bonds associated with 2016A, 2016B and assumed 2016C.

(h) Includes 2016A, 2016B and assumed 2016C financing. Assumed 2016C assumes a six-year term-out at a 10% interest rate. Amortization reflects a modified version of the fuel line amortization schedule designed to provide more level debt service. Terms of assumed 2016C subject to material change.

July 1, 2016 Funding Needs

- The PREPA restructuring provides a framework that could be used to address the significant funding requirements on July 1.
- PREPA will be unable to pay its debt service obligations and replenish its debt service reserve and SIF through its existing cash balances; without access to the capital markets, PREPA would have no way to meet its near-term liquidity needs.
- The restructuring transactions provide a framework through which PREPA could relend its July 1 payments, finance the SIF and alleviate the need to replenish the debt service reserve.
- For purposes of comparison, the hypothetical status quo assumes PREPA finances its debt service reserve, SIF requirements and a portion of its July 1 payments over 10 years at Puerto Rico's maximum lawful interest rate of 12%.

July 1, 2016 Funding Needs[a]

	Status Quo[b]	Restructured Scenario
Existing Affected Debt Service	$321	$321
Debt Service Associated with 2016A & 2016B[c]	114	3
Debt Service Reserve[d]	348	–
SIF	50	50
July 1, 2016 Funding Needs, Gross of Refinancing & Assumed 2016C	**$833**	**$374**
Less: Proceeds from Refinancing & Assumed 2016C[e]	(892)	(331)
Plus: Incremental Reserve Requirement due to Refinancing	102	–
July 1, 2016 Funding Needs, Net of Refinancing & Assumed 2016C	**$43**	**$43**

Footnotes:

(a) Analysis excludes the impact of bonds & other obligations to remain at PREPA under a restructuring transaction.

(b) Represents hypothetical status quo for bonds to be exchanged or defeased into securitization and/or mirror bonds at transaction close. Includes hypothetical refinancing in status quo to replenish debt service reserve and SIF requirements as well as to reduce July 1 funding needs.

(c) 2016A & 2016B to mature upon expiration of the RSA.

(d) Debt service reserve in restructured scenario to be provided for with sureties and securitization issuance.

(e) Hypothetical status quo includes refinancing to replenish debt service and SIF as well as to reduce July 1 funding needs. Shown net of costs of issuance. Restructured scenario includes proceeds from assumed 2016C and SIF securitization.

Status Quo Debt Service

- The table below shows the Status Quo debt service obligations for the bonds that would be exchanged or defeased through securitization bonds under the restructuring transaction
- The analysis includes the cost to replenish the SIF and the debt service reserve fund associated with the Affected Bonds as well as to reduce July 1 funding needs if no restructuring were to take place
- These costs are assumed to be financed and amortized over 10 years at an illustrative 12% interest rate, representing Puerto Rico's constitutional yield cap
- The analysis does not include debt service associated with obligations that will remain at PREPA after the transaction closes (i.e., fuel lines, bonds insured by Syncora and other bonds owned by holders who are not assumed to participate in the transaction)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	27-36	37-43	Total
Status Quo Debt Service														
Principal														
Uninsured Bonds	($20)	($77)	($124)	($94)	($132)	($143)	($161)	($108)	($121)	($159)	($180)	($2,130)	($1,504)	($4,954)
Insured Bonds	(130)	(98)	(67)	(149)	(117)	(122)	(127)	(197)	(197)	(148)	(139)	(726)	(0)	(2,217)
2016A & 2016B[a]	(111)	–	–	–	–	–	–	–	–	–	–	–	–	(111)
Total Principal	**($262)**	**($175)**	**($191)**	**($243)**	**($249)**	**($265)**	**($288)**	**($304)**	**($319)**	**($307)**	**($319)**	**($2,856)**	**($1,504)**	**($7,281)**
Interest														
Uninsured Bonds	($172)	($254)	($251)	($245)	($241)	($235)	($228)	($220)	($214)	($208)	($200)	($1,408)	($292)	($4,169)
Insured Bonds	(59)	(49)	(97)	(94)	(87)	(81)	(75)	(68)	(59)	(49)	(42)	(163)	(0)	(923)
2016A & 2016B[a]	(3)	–	–	–	–	–	–	–	–	–	–	–	–	(3)
Total Interest	**($234)**	**($303)**	**($348)**	**($339)**	**($327)**	**($316)**	**($303)**	**($288)**	**($273)**	**($257)**	**($243)**	**($1,571)**	**($292)**	**($5,095)**
Debt Service														
Uninsured Bonds	($192)	($331)	($375)	($340)	($373)	($379)	($389)	($327)	($336)	($367)	($380)	($3,538)	($1,796)	($9,122)
Insured Bonds	(190)	(146)	(164)	(243)	(203)	(202)	(202)	(265)	(256)	(197)	(182)	(889)	(0)	(3,140)
2016A & 2016B[a]	(114)	–	–	–	–	–	–	–	–	–	–	–	–	(114)
Total Debt Service excl. SIF, Reserve & Refinancing	**($496)**	**($478)**	**($539)**	**($583)**	**($576)**	**($581)**	**($591)**	**($593)**	**($592)**	**($564)**	**($561)**	**($4,427)**	**($1,796)**	**($12,376)**
Less: Debt Service Reserve Requirement & SIF[b]	(500)	–	–	–	–	–	–	–	–	–	–	–	–	(500)
Total Debt Service incl. SIF & Reserve, excl. Refinancing	**($996)**	**($478)**	**($539)**	**($583)**	**($576)**	**($581)**	**($591)**	**($593)**	**($592)**	**($564)**	**($561)**	**($4,427)**	**($1,796)**	**($12,876)**
Plus: Proceeds from Refinancing[c]	892	–	–	–	–	–	–	–	–	–	–	–	–	892
Less: Refinancing Principal[d]	–	(51)	(58)	(64)	(72)	(81)	(91)	(101)	(114)	(127)	(142)	–	–	(901)
Less: Refinancing Interest[d]	–	(108)	(102)	(95)	(87)	(79)	(69)	(58)	(46)	(32)	(17)	–	–	(694)
Total Debt Service incl. Refinancing	**($103)**	**($637)**	**($698)**	**($742)**	**($736)**	**($740)**	**($750)**	**($752)**	**($751)**	**($724)**	**($721)**	**($4,427)**	**($1,796)**	**($13,579)**

Footnotes:

Note: January 2016 interest shown net of 2016A & 2016B, but July amounts assumed to be paid in full as regularly scheduled.

Note: Excludes any debt service coverage.

(a) Represents 2016A & 2016B, which would mature upon expiration of the RSA.

(b) Represents the required replenishment of PREPA's debt service reserve for bonds that would otherwise be exchanged or defeased under the restructuring transaction. Also includes $50mm replenishment of the SIF and incremental reserve requirement due to refinancing.

(c) Represents proceeds from refinancing net of costs of issuance.

(d) Hypothetical status quo scenario includes refinancing to replenish debt service reserve and SIF as well as to reduce July 1 funding needs. Refinancing assumed to be amortized over 10 years at an illustrative 12% yield, representing the constitutional cap.

Restructured Debt Service

- The table below shows the debt service profile for the SPV after giving effect to the transaction
- The analysis also includes the effect of fees and other costs associated with the transaction

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	27-36	37-43	Total
Restructured Debt Service														
Principal														
Affected Legacy Bonds[a]	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securitization Bonds[b]	–	–	–	–	–	–	(111)	(116)	(122)	(128)	(135)	(2,254)	(1,732)	(4,597)
Mirror Bonds	–	(98)	(67)	(149)	(117)	(122)	(127)	(197)	(197)	(148)	(139)	(726)	(0)	(2,086)
2016A, 2016B & Assumed 2016C[c]	–	(42)	(63)	(111)	(77)	(70)	(28)	–	–	–	–	–	–	(392)
SIF Securitization	–	–	–	–	–	–	(2)	(2)	(2)	(2)	(2)	(24)	(17)	(50)
DSRF Securitization	–	–	–	–	–	–	(2)	(3)	(3)	(3)	(3)	(39)	(27)	(80)
Total Principal	**–**	**($140)**	**($130)**	**($260)**	**($194)**	**($192)**	**($270)**	**($317)**	**($324)**	**($281)**	**($279)**	**($3,043)**	**($1,777)**	**($7,205)**
Interest														
Affected Legacy Bonds[a]	($101)	–	–	–	–	–	–	–	–	–	–	–	–	($101)
Securitization Bonds[b]	–	(147)	(147)	(147)	(147)	(147)	(228)	(223)	(217)	(211)	(204)	(1,534)	(247)	(3,598)
Mirror Bonds	–	(49)	(97)	(94)	(87)	(81)	(75)	(68)	(59)	(49)	(42)	(163)	(0)	(864)
2016A, 2016B & Assumed 2016C[c]	(3)	(34)	(33)	(29)	(16)	(8)	(2)	–	–	–	–	–	–	(124)
SIF Securitization	–	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(15)	(2)	(40)
DSRF Securitization	–	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(3)	(3)	(23)	(4)	(64)
Total Interest	**($103)**	**($235)**	**($283)**	**($276)**	**($255)**	**($242)**	**($311)**	**($297)**	**($281)**	**($265)**	**($252)**	**($1,736)**	**($253)**	**($4,790)**
Debt Service														
Affected Legacy Bonds[a]	($101)	–	–	–	–	–	–	–	–	–	–	–	–	($101)
Securitization Bonds[b]	–	(147)	(147)	(147)	(147)	(147)	(339)	(339)	(339)	(339)	(339)	(3,788)	(1,980)	(8,195)
Mirror Bonds	–	(146)	(164)	(243)	(203)	(202)	(202)	(265)	(256)	(197)	(182)	(889)	(0)	(2,950)
2016A, 2016B & Assumed 2016C[c]	(3)	(76)	(97)	(140)	(93)	(78)	(30)	–	–	–	–	–	–	(516)
SIF Securitization	–	(2)	(2)	(2)	(2)	(2)	(4)	(4)	(4)	(4)	(4)	(39)	(20)	(90)
DSRF Securitization	–	(4)	(4)	(4)	(4)	(4)	(6)	(6)	(6)	(6)	(6)	(62)	(31)	(143)
Total Debt Service excl. Surety Replacement & Fees	**($103)**	**($375)**	**($413)**	**($536)**	**($449)**	**($433)**	**($581)**	**($614)**	**($605)**	**($546)**	**($530)**	**($4,778)**	**($2,030)**	**($11,995)**
Plus: Surety Replacement & Fees														
Surety Replacement	–	–	–	($49)	($49)	($49)	($49)	($49)	($49)	($49)	($49)	($49)	–	($444)
Annual Surety Premium	–	(9)	(9)	(8)	(7)	(6)	(5)	(4)	(3)	(2)	(1)	(0)	–	(53)
Quarterly Fee	–	(5)	(2)	–	–	–	–	–	–	–	–	–	–	(7)
Other Annual Fees[d]	–	(5)	(5)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(65)	(37)	(159)
Total Surety Replacement & Fees	**–**	**($19)**	**($16)**	**($63)**	**($62)**	**($61)**	**($60)**	**($59)**	**($58)**	**($57)**	**($56)**	**($115)**	**($37)**	**($663)**
Total Debt Service incl. Surety Replacement & Fees	**($103)**	**($394)**	**($430)**	**($599)**	**($511)**	**($494)**	**($641)**	**($673)**	**($663)**	**($603)**	**($587)**	**($4,893)**	**($2,067)**	**($12,658)**
Total Debt Service Savings Compared to Status Quo	**–**	**$243**	**$268**	**$144**	**$225**	**$246**	**$110**	**$79**	**$88**	**$121**	**$134**	**($466)**	**($270)**	**$920**
Total Debt Service Savings (per kWh)	**–**	**1.47¢**	**1.62¢**	**0.87¢**	**1.36¢**	**1.49¢**	**0.66¢**	**0.48¢**	**0.53¢**	**0.73¢**	**0.81¢**	**NA**	**NA**	**NA**

Footnotes:

Note: 2016 principal and interest shown net of 2016A, 2016B and assumed 2016C.

Note: Due to amount of time required to implement the securitization charge, securitization bonds and assumed 2016C assumed to have a "long first interest payment" in July 2017, consisting of all amounts accrued up to that point from close of transaction. Other mirror bond payments assumed to be paid from PREPA during that time and are not included in the above analysis.

(a) Represents pre-transaction debt service on amounts to be exchanged/defeased into securitization and/or mirror bonds at close.

(b) Includes estimated costs of issuance at close.

(c) Represents debt service on 2016A, 2016B and assumed 2016C, the par amounts of which are assumed to be exchanged/defeased into securitization and/or mirror bonds at close. 2016A & 2016B to come due as a bullet maturity in 2019. Assumed 2016C assumes six-year term-out at a 10% interest rate. Amortization reflects a modified version of the fuel line amortization schedule designed to provide more level debt service. Terms of assumed 2016C subject to material change.

(d) Represents estimates for ongoing financing costs including servicing fees, administrative expenses and calculation agent fees (among other items). Amounts are subject to material change. Includes an inflation adjustment for certain fees. Servicing fee to be escalated after each fiscal year based on the lagged percentage increase in the prior calendar year's CPI-U over CY2015. Inflation projections per EIA DOE 2015 Annual Energy Outlook.

Base Case Assumptions:

- Debt service structure as per the "Structure" tab in the attached spreadsheet
- Semiannual true-ups (1 month delay between True-Up Calculation Date and True-Up Effective Date)
- Reserve Fund: 4.5% of Initial Par Amount
- General Customers Collection Curve and Charge-Offs:

General
Collections as % Billed Amount Received within

0-30 Days	30.7%
31-60 Days	53.3%
61-90 Days	11.3%
91-120 Days	2.6%
Charge-Off	2.2%
	100.0%

- Government Customers Charge-Offs: 100%

Indicative 'AA' Stress:

- Usage (Residential customer counts and Other customer kWh usage) declines 50% over 4 years, then remains at the reduced level
- Usage projections adjust once per year
- All other assumptions same as base case

Puerto Rico Electric Power Authority

Base Structure

Aggregate Debt Service

Year	Principal	Interest	Total
7/1/2016	0	0	0
1/1/2017	0	187,285,930	187,285,930
7/1/2017	0	124,857,287	124,857,287
1/1/2018	0	124,857,287	124,857,287
7/1/2018	0	124,857,287	124,857,287
1/1/2019	0	124,857,287	124,857,287
7/1/2019	0	124,857,287	124,857,287
1/1/2020	0	124,857,287	124,857,287
7/1/2020	0	124,857,287	124,857,287
1/1/2021	75,750,000	165,903,937	241,653,937
7/1/2021	77,415,000	164,247,999	241,662,999
1/1/2022	140,745,000	162,555,549	303,300,549
7/1/2022	142,465,000	160,825,943	303,290,943
1/1/2023	180,585,000	155,948,128	336,533,128
7/1/2023	182,385,000	154,141,971	336,526,971
1/1/2024	182,400,000	147,589,971	329,989,971
7/1/2024	184,290,000	145,703,746	329,993,746
1/1/2025	164,010,000	139,110,481	303,120,481
7/1/2025	165,985,000	137,140,563	303,125,563
1/1/2026	159,890,000	131,717,651	291,607,651
7/1/2026	161,955,000	129,660,419	291,615,419
1/1/2027	147,480,000	124,558,938	272,038,938
7/1/2027	149,640,000	122,410,413	272,050,413
1/1/2028	137,140,000	117,991,786	255,131,786
7/1/2028	139,380,000	115,747,798	255,127,798
1/1/2029	160,890,000	111,896,656	272,786,656
7/1/2029	163,240,000	109,553,225	272,793,225
1/1/2030	166,825,000	104,560,319	271,385,319
7/1/2030	169,270,000	102,112,725	271,382,725
1/1/2031	154,880,000	96,786,881	251,666,881
7/1/2031	157,440,000	94,230,719	251,670,719
1/1/2032	162,075,000	89,617,850	251,692,850
7/1/2032	164,740,000	86,948,156	251,688,156
1/1/2033	169,610,000	82,113,131	251,723,131
7/1/2033	172,395,000	79,324,844	251,719,844
1/1/2034	153,420,000	74,370,863	227,790,863
7/1/2034	156,330,000	71,458,688	227,788,688
1/1/2035	160,405,000	67,409,756	227,814,756
7/1/2035	163,445,000	64,368,306	227,813,306
1/1/2036	145,025,000	60,129,494	205,154,494
7/1/2036	148,195,000	56,952,806	205,147,806
1/1/2037	151,445,000	53,706,456	205,151,456
7/1/2037	154,760,000	50,388,700	205,148,700
1/1/2038	158,160,000	46,998,081	205,158,081
7/1/2038	161,620,000	43,532,744	205,152,744
1/1/2039	165,165,000	39,991,363	205,156,363
7/1/2039	168,780,000	36,372,050	205,152,050
1/1/2040	172,485,000	32,673,269	205,158,269
7/1/2040	176,255,000	28,893,044	205,148,044
1/1/2041	180,120,000	25,029,919	205,149,919
7/1/2041	184,070,000	21,081,825	205,151,825
1/1/2042	188,105,000	17,046,869	205,151,869
7/1/2042	192,230,000	12,923,188	205,153,188
1/1/2043	196,440,000	8,708,788	205,148,788
7/1/2043	200,750,000	4,401,794	205,151,794
Total	7,410,085,000	5,110,124,737	12,520,209,737

Convertible CABs

Year	Principal	Accretion	Principal @ 7/1/2020	Interest	Total
7/1/2016	0	0	0	0	0
1/1/2017	0	0	0	0	0
7/1/2017	0	0	0	0	0
1/1/2018	0	0	0	0	0
7/1/2018	0	0	0	0	0
1/1/2019	0	0	0	0	0
7/1/2019	0	0	0	0	0
1/1/2020	0	0	0	0	0
7/1/2020	0	0	0	0	0
1/1/2021	17,295,719	3,819,281	21,115,000	41,046,650	62,161,650
7/1/2021	17,709,374	3,910,626	21,620,000	40,545,169	62,165,169
1/1/2022	18,127,126	4,002,874	22,130,000	40,031,694	62,161,694
7/1/2022	18,557,164	4,097,836	22,655,000	39,506,106	62,161,106
1/1/2023	18,999,488	4,195,512	23,195,000	38,968,050	62,163,050
7/1/2023	19,450,004	4,294,996	23,745,000	38,417,169	62,162,169
1/1/2024	19,912,807	4,397,193	24,310,000	37,853,225	62,163,225
7/1/2024	20,383,801	4,501,199	24,885,000	37,275,863	62,160,863
1/1/2025	20,871,178	4,608,822	25,480,000	36,684,844	62,164,844
7/1/2025	21,366,745	4,718,255	26,085,000	36,079,694	62,164,694
1/1/2026	21,870,504	4,829,496	26,700,000	35,460,175	62,160,175
7/1/2026	22,390,645	4,944,355	27,335,000	34,826,050	62,161,050
1/1/2027	22,923,073	5,061,927	27,985,000	34,176,844	62,161,844
7/1/2027	23,467,788	5,182,212	28,650,000	33,512,200	62,162,200
1/1/2028	24,024,790	5,305,210	29,330,000	32,831,763	62,161,763
7/1/2028	24,598,174	5,431,826	30,030,000	32,135,175	62,165,175
1/1/2029	25,179,749	5,560,251	30,740,000	31,421,963	62,161,963
7/1/2029	25,777,706	5,692,294	31,470,000	30,691,888	62,161,888
1/1/2030	26,392,046	5,827,954	32,220,000	29,944,475	62,164,475
7/1/2030	27,018,673	5,966,327	32,985,000	29,179,250	62,164,250
1/1/2031	27,657,587	6,107,413	33,765,000	28,395,856	62,160,856
7/1/2031	28,316,978	6,253,022	34,570,000	27,593,938	62,163,938
1/1/2032	28,988,657	6,401,343	35,390,000	26,772,900	62,162,900
7/1/2032	29,676,718	6,553,282	36,230,000	25,932,388	62,162,388
1/1/2033	30,381,161	6,708,839	37,090,000	25,071,925	62,161,925
7/1/2033	31,101,986	6,868,014	37,970,000	24,191,038	62,161,038
1/1/2034	31,843,290	7,031,710	38,875,000	23,289,250	62,164,250
7/1/2034	32,596,880	7,198,120	39,795,000	22,365,969	62,160,969
1/1/2035	33,370,949	7,369,051	40,740,000	21,420,838	62,160,838
7/1/2035	34,165,495	7,544,505	41,710,000	20,453,263	62,163,263
1/1/2036	34,976,424	7,723,576	42,700,000	19,462,650	62,162,650
7/1/2036	35,807,831	7,907,169	43,715,000	18,448,525	62,163,525
1/1/2037	36,655,620	8,094,380	44,750,000	17,410,294	62,160,294
7/1/2037	37,527,983	8,287,017	45,815,000	16,347,481	62,162,481
1/1/2038	38,420,824	8,484,176	46,905,000	15,259,375	62,164,375
7/1/2038	39,330,047	8,684,953	48,015,000	14,145,381	62,160,381
1/1/2039	40,267,939	8,892,061	49,160,000	13,005,025	62,165,025
7/1/2039	41,222,214	9,102,786	50,325,000	11,837,475	62,162,475
1/1/2040	42,201,062	9,318,938	51,520,000	10,642,256	62,162,256
7/1/2040	43,204,484	9,540,516	52,745,000	9,418,656	62,163,656
1/1/2041	44,228,384	9,766,616	53,995,000	8,165,963	62,160,963
7/1/2041	45,280,954	9,999,046	55,280,000	6,883,581	62,163,581
1/1/2042	46,354,001	10,235,999	56,590,000	5,570,681	62,160,681
7/1/2042	47,455,717	10,479,283	57,935,000	4,226,669	62,161,669
1/1/2043	48,582,007	10,727,993	59,310,000	2,850,713	62,160,713
7/1/2043	49,736,966	10,983,034	60,720,000	1,442,100	62,162,100
Total	1,415,668,714	312,611,286	1,728,280,000	1,131,192,431	2,859,472,431

Current Interest Bonds

Year	Principal	Interest	Total
7/1/2016	0	0	0
1/1/2017	0	187,285,930	187,285,930
7/1/2017	0	124,857,287	124,857,287
1/1/2018	0	124,857,287	124,857,287
7/1/2018	0	124,857,287	124,857,287
1/1/2019	0	124,857,287	124,857,287
7/1/2019	0	124,857,287	124,857,287
1/1/2020	0	124,857,287	124,857,287
7/1/2020	0	124,857,287	124,857,287
1/1/2021	54,635,000	124,857,287	179,492,287
7/1/2021	55,795,000	123,702,831	179,497,831
1/1/2022	118,615,000	122,523,856	241,138,856
7/1/2022	119,810,000	121,319,837	241,129,837
1/1/2023	157,390,000	116,980,078	274,370,078
7/1/2023	158,640,000	115,724,803	274,364,803
1/1/2024	158,090,000	109,736,746	267,826,746
7/1/2024	159,405,000	108,427,884	267,832,884
1/1/2025	138,530,000	102,425,638	240,955,638
7/1/2025	139,900,000	101,060,869	240,960,869
1/1/2026	133,190,000	96,257,476	229,447,476
7/1/2026	134,620,000	94,834,369	229,454,369
1/1/2027	119,495,000	90,382,094	209,877,094
7/1/2027	120,990,000	88,898,213	209,888,213
1/1/2028	107,810,000	85,160,023	192,970,023
7/1/2028	109,350,000	83,612,623	192,962,623
1/1/2029	130,150,000	80,474,694	210,624,694
7/1/2029	131,770,000	78,861,338	210,631,338
1/1/2030	134,605,000	74,615,844	209,220,844
7/1/2030	136,285,000	72,933,475	209,218,475
1/1/2031	121,115,000	68,391,025	189,506,025
7/1/2031	122,870,000	66,636,781	189,506,781
1/1/2032	126,685,000	62,844,950	189,529,950
7/1/2032	128,510,000	61,015,769	189,525,769
1/1/2033	132,520,000	57,041,206	189,561,206
7/1/2033	134,425,000	55,133,806	189,558,806
1/1/2034	114,545,000	51,081,613	165,626,613
7/1/2034	116,535,000	49,092,719	165,627,719
1/1/2035	119,665,000	45,988,919	165,653,919
7/1/2035	121,735,000	43,915,044	165,650,044
1/1/2036	102,325,000	40,666,844	142,991,844
7/1/2036	104,480,000	38,504,281	142,984,281
1/1/2037	106,695,000	36,296,163	142,991,163
7/1/2037	108,945,000	34,041,219	142,986,219
1/1/2038	111,255,000	31,738,706	142,993,706
7/1/2038	113,605,000	29,387,363	142,992,363
1/1/2039	116,005,000	26,986,338	142,991,338
7/1/2039	118,455,000	24,534,575	142,989,575
1/1/2040	120,965,000	22,031,013	142,996,013
7/1/2040	123,510,000	19,474,388	142,984,388
1/1/2041	126,125,000	16,863,956	142,988,956
7/1/2041	128,790,000	14,198,244	142,988,244
1/1/2042	131,515,000	11,476,188	142,991,188
7/1/2042	134,295,000	8,696,519	142,991,519
1/1/2043	137,130,000	5,858,075	142,988,075
7/1/2043	140,030,000	2,959,694	142,989,694
Total	5,681,805,000	3,978,932,306	9,660,737,306

PREPA Deal Model

Summary of Cash Flows

Period Ending	Projected Residential Customer Count	Actual Residential Customer Count	Projected Other Customer kWh Usage	Actual Other Customer kWh Usage	Residential Charge ($/Account)	Residential Charge (% of Customer Bill)[1]	Other Customer Charge ($/kWh)	Ending Reserve Account Balance ($m)	Principal Balance ($m)	Interest Payment ($m)	Principal Payment ($m)	Ongoing Financing Fees ($m)
1-Jul-16	7,968,760	7,968,760	4,678,624	4,678,624	$ 5.62	5.6%	$ 0.018	$ 333.45	$ 7,410.09	$ -	$ -	$ 2.35
1-Jan-17	7,971,041	7,971,041	4,985,099	4,985,099	6.07	6.0%	0.020	333.45	7,410.09	187.29	-	2.35
1-Jul-17	7,973,283	7,973,283	4,631,870	4,631,870	6.09	6.0%	0.020	333.45	7,410.09	124.86	-	2.35
1-Jan-18	7,975,497	7,975,497	4,935,719	4,935,719	6.28	6.2%	0.021	333.45	7,410.09	124.86	-	2.35
1-Jul-18	7,977,675	7,977,675	4,584,369	4,584,369	6.11	6.1%	0.021	333.45	7,410.09	124.86	-	2.35
1-Jan-19	7,979,827	7,979,827	4,885,627	4,885,627	6.35	6.3%	0.021	333.45	7,410.09	124.86	-	2.35
1-Jul-19	7,981,945	7,981,945	4,558,553	4,558,553	6.19	6.1%	0.021	333.45	7,410.09	124.86	-	2.35
1-Jan-20	7,984,038	7,984,038	4,858,568	4,858,568	6.42	6.4%	0.021	333.45	7,410.09	124.86	-	2.35
1-Jul-20	7,986,098	7,986,098	4,514,090	4,514,090	9.86	9.8%	0.032	333.45	7,410.09	124.86	-	2.35
1-Jan-21	7,988,135	7,988,135	4,811,542	4,811,542	11.49	11.4%	0.037	333.45	7,334.34	165.90	75.75	2.35
1-Jul-21	7,988,996	7,988,996	4,484,278	4,484,278	13.77	13.6%	0.044	333.45	7,256.92	164.25	77.42	2.35
1-Jan-22	7,989,016	7,989,016	4,779,998	4,779,998	15.01	14.9%	0.049	333.45	7,116.18	162.56	140.75	2.35
1-Jul-22	7,989,035	7,989,035	4,455,263	4,455,263	16.17	16.0%	0.052	333.45	6,973.71	160.83	142.47	2.35
1-Jan-23	7,989,054	7,989,054	4,749,240	4,749,240	17.02	16.9%	0.055	333.45	6,793.13	155.95	180.59	2.35
1-Jul-23	7,989,073	7,989,073	4,450,094	4,450,094	16.53	16.4%	0.056	333.45	6,610.74	154.14	182.39	2.35
1-Jan-24	7,989,092	7,989,092	4,743,857	4,743,857	16.95	16.8%	0.055	333.45	6,428.34	147.59	182.40	2.35
1-Jul-24	7,989,110	7,989,110	4,446,739	4,446,739	16.46	16.3%	0.056	333.45	6,244.05	145.70	184.29	2.35
1-Jan-25	7,989,128	7,989,128	4,740,379	4,740,379	15.35	15.2%	0.050	333.45	6,080.04	139.11	164.01	2.35
1-Jul-25	7,989,146	7,989,146	4,444,348	4,444,348	14.90	14.8%	0.051	333.45	5,914.06	137.14	165.99	2.35
1-Jan-26	7,989,164	7,989,164	4,737,915	4,737,915	14.94	14.8%	0.049	333.45	5,754.17	131.72	159.89	2.35
1-Jul-26	7,989,181	7,989,181	4,442,051	4,442,051	14.51	14.4%	0.050	333.45	5,592.21	129.66	161.96	2.35
1-Jan-27	7,989,198	7,989,198	4,735,537	4,735,537	13.83	13.7%	0.045	333.45	5,444.73	124.56	147.48	2.35
1-Jul-27	7,989,214	7,989,214	4,440,152	4,440,152	13.43	13.3%	0.046	333.45	5,295.09	122.41	149.64	2.35
1-Jan-28	7,989,231	7,989,231	4,733,579	4,733,579	13.01	12.9%	0.042	333.45	5,157.95	117.99	137.14	2.35
1-Jul-28	7,989,247	7,989,247	4,438,574	4,438,574	13.47	13.3%	0.044	333.45	5,018.57	115.75	139.38	2.35
1-Jan-29	7,989,263	7,989,263	4,731,950	4,731,950	13.96	13.8%	0.046	333.45	4,857.68	111.90	160.89	2.35
1-Jul-29	7,989,278	7,989,278	4,437,271	4,437,271	13.55	13.4%	0.047	333.45	4,694.44	109.55	163.24	2.35
1-Jan-30	7,989,293	7,989,293	4,730,608	4,730,608	13.95	13.8%	0.046	333.45	4,527.62	104.56	166.83	2.35
1-Jul-30	7,989,308	7,989,308	4,436,265	4,436,265	13.54	13.4%	0.047	333.45	4,358.35	102.11	169.27	2.35
1-Jan-31	7,989,323	7,989,323	4,729,576	4,729,576	12.75	12.6%	0.042	333.45	4,203.47	96.79	154.88	2.35
1-Jul-31	7,989,337	7,989,337	4,435,442	4,435,442	12.37	12.2%	0.043	333.45	4,046.03	94.23	157.44	2.35
1-Jan-32	7,989,352	7,989,352	4,728,743	4,728,743	12.96	12.8%	0.043	333.45	3,883.95	89.62	162.08	2.35
1-Jul-32	7,989,365	7,989,365	4,434,586	4,434,586	12.57	12.4%	0.043	333.45	3,719.21	86.95	164.74	2.35
1-Jan-33	7,989,379	7,989,379	4,727,867	4,727,867	12.90	12.8%	0.042	333.45	3,549.60	82.11	169.61	2.35
1-Jul-33	7,989,392	7,989,392	4,433,968	4,433,968	12.52	12.4%	0.043	333.45	3,377.21	79.32	172.40	2.35
1-Jan-34	7,989,405	7,989,405	4,727,249	4,727,249	11.46	11.3%	0.038	333.45	3,223.79	74.37	153.42	2.35
1-Jul-34	7,989,418	7,989,418	4,433,589	4,433,589	11.12	11.0%	0.039	333.45	3,067.46	71.46	156.33	2.35
1-Jan-35	7,989,430	7,989,430	4,726,888	4,726,888	11.71	11.6%	0.039	333.45	2,907.05	67.41	160.41	2.35
1-Jul-35	7,989,442	7,989,442	4,433,513	4,433,513	11.37	11.3%	0.039	333.45	2,743.61	64.37	163.45	2.35
1-Jan-36	7,989,454	7,989,454	4,726,844	4,726,844	10.29	10.2%	0.034	333.45	2,598.58	60.13	145.03	2.35
1-Jul-36	7,989,466	7,989,466	4,433,513	4,433,513	10.30	10.2%	0.034	333.45	2,450.39	56.95	148.20	2.35
1-Jan-37	7,989,477	7,989,477	4,726,844	4,726,844	10.54	10.4%	0.035	333.45	2,298.94	53.71	151.45	2.35
1-Jul-37	7,989,488	7,989,488	4,433,513	4,433,513	10.24	10.1%	0.036	333.45	2,144.18	50.39	154.76	2.35
1-Jan-38	7,989,498	7,989,498	4,726,844	4,726,844	10.49	10.4%	0.035	333.45	1,986.02	47.00	158.16	2.35
1-Jul-38	7,989,509	7,989,509	4,433,513	4,433,513	10.19	10.1%	0.035	333.45	1,824.40	43.53	161.62	2.35
1-Jan-39	7,989,519	7,989,519	4,726,844	4,726,844	10.50	10.4%	0.035	333.45	1,659.24	39.99	165.17	2.35
1-Jul-39	7,989,529	7,989,529	4,433,513	4,433,513	10.20	10.1%	0.035	333.45	1,490.46	36.37	168.78	2.35

PREPA Deal Model

Summary of Cash Flows

Period Ending	Projected Residential Customer Count	Actual Residential Customer Count	Projected Other Customer kWh Usage	Actual Other Customer kWh Usage	Residential Charge ($/Account)	Residential Charge (% of Customer Bill)[1]	Other Customer Charge ($/kWh)	Ending Reserve Account Balance ($m)	Principal Balance ($m)	Interest Payment ($m)	Principal Payment ($m)	Ongoing Financing Fees ($m)
1-Jan-40	7,989,538	7,989,538	4,726,844	4,726,844	10.50	10.4%	0.035	333.45	1,317.97	32.67	172.49	2.35
1-Jul-40	7,989,548	7,989,548	4,433,513	4,433,513	10.20	10.1%	0.035	333.45	1,141.72	28.89	176.26	2.35
1-Jan-41	7,989,557	7,989,557	4,726,844	4,726,844	10.50	10.4%	0.035	333.45	961.59	25.03	180.12	2.35
1-Jul-41	7,989,565	7,989,565	4,433,513	4,433,513	10.20	10.1%	0.035	333.45	777.52	21.08	184.07	2.35
1-Jan-42	7,989,574	7,989,574	4,726,844	4,726,844	10.50	10.4%	0.035	333.45	589.42	17.05	188.11	2.35
1-Jul-42	7,989,582	7,989,582	4,433,513	4,433,513	10.20	10.1%	0.035	333.45	397.19	12.92	192.23	2.35
1-Jan-43	7,989,590	7,989,590	4,726,844	4,726,844	10.50	10.4%	0.035	333.45	200.75	8.71	196.44	2.35
1-Jul-43	7,989,597	7,989,597	4,433,513	4,433,513	10.20	10.1%	0.035	333.45	-	4.40	200.75	2.35
Total / Average	439,306,657	439,306,657	253,696,435	253,696,435	$ 11.60	11.5%	$ 0.039			$ 5,110.12	$ 7,410.09	$ 129.39

[1] Reflects Residential Charge as percentage of the average Residential Customer Bill ($101 / month, based on monthly data from Jul-2010 to Jun-2015 provided by PREPA).

PREPA Deal Model

Sources and Uses ($ millions)

	1-Dec-15	1-Jan-16	1-Feb-16	1-Mar-16	1-Apr-16	1-May-16	1-Jun-16	1-Jul-16	1-Aug-16	1-Sep-16	1-Oct-16	1-Nov-16	1-Dec-16	1-Jan-17	1-Feb-17	1-Mar-17	1-Apr-17	1-May-17
Collections	-	-	$5.52	$15.13	$17.67	$18.86	$18.87	$18.98	$19.73	$20.86	$21.10	$21.21	$21.06	$20.65	$20.05	$19.39	$19.81	$20.56
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	-	-	-	-	-	-	-	-	-	$168.99	-	-	-	-
Total	-	-	$5.52	$15.13	$17.67	$18.86	$18.87	$18.98	$19.73	$20.86	$21.10	$21.21	$21.06	$189.64	$20.05	$19.39	$19.81	$20.56
Expenses	-	-	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-
Debt Service Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	$187.29	-	-	-	-
Debt Service Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	-	-	$5.52	$15.13	$17.67	$18.86	$18.87	$16.62	$19.73	$20.86	$21.10	$21.21	$21.06	-	$20.05	$19.39	$19.81	$20.56
Total	-	-	$5.52	$15.13	$17.67	$18.86	$18.87	$18.98	$19.73	$20.86	$21.10	$21.21	$21.06	$189.64	$20.05	$19.39	$19.81	$20.56

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Collections	-	$199.00	$250.22	$254.38	$254.52	$391.14	$544.52	$639.04	$666.34	$641.78	$595.60	$570.07	$530.65	$531.90	$547.51	$530.90	$503.85	$508.90
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	$0.00	-	-	$0.00	-	-	$0.00	-	-
From Collections Account	-	-	$275.51	$211.84	$211.85	$200.56	$404.94	$508.97	$566.08	$553.57	$510.37	$489.97	$458.11	$428.20	$458.68	$455.88	$424.26	$422.85
Total	-	$199.00	$525.73	$466.22	$466.37	$591.70	$949.45	$1,148.00	$1,232.42	$1,195.36	$1,105.97	$1,060.04	$988.76	$960.10	$1,006.18	$986.78	$928.11	$931.76
Expenses	-	$2.35	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71
Debt Service Interest	-	-	$312.14	$249.71	$249.71	$249.71	$330.15	$323.38	$310.09	$293.29	$276.25	$261.38	$246.97	$233.74	$221.45	$206.67	$191.02	$176.57
Debt Service Principal	-	-	-	-	-	-	$153.17	$283.21	$362.97	$366.69	$330.00	$321.85	$297.12	$276.52	$324.13	$336.10	$312.32	$326.82
To Reserve Account	-	-	-	-	-	-	-	-	-	$0.00	-	-	$0.00	-	-	$0.00	-	-
To Collections Account	-	$196.64	$208.88	$211.80	$211.95	$337.28	$461.43	$536.71	$554.65	$530.67	$495.02	$472.11	$439.97	$445.14	$455.90	$439.30	$420.06	$423.67
Total	-	$199.00	$525.73	$466.22	$466.37	$591.70	$949.45	$1,148.00	$1,232.42	$1,195.36	$1,105.97	$1,060.04	$988.76	$960.10	$1,006.18	$986.78	$928.11	$931.76

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jun-17	1-Jul-17	1-Aug-17	1-Sep-17	1-Oct-17	1-Nov-17	1-Dec-17	1-Jan-18	1-Feb-18	1-Mar-18	1-Apr-18	1-May-18	1-Jun-18	1-Jul-18	1-Aug-18	1-Sep-18	1-Oct-18	1-Nov-18	1-Dec-18
Collections	$20.57	$20.68	$21.14	$21.74	$21.87	$21.96	$21.81	$21.38	$20.68	$19.89	$20.30	$21.07	$21.08	$21.20	$21.49	$21.77	$21.84	$21.91	$21.76
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	$106.53	-	-	-	-	-	$105.83	-	-	-	-	-	$106.01	-	-	-	-	-
Total	$20.57	$127.21	$21.14	$21.74	$21.87	$21.96	$21.81	$127.21	$20.68	$19.89	$20.30	$21.07	$21.08	$127.21	$21.49	$21.77	$21.84	$21.91	$21.76
Expenses	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	$124.86	-	-	-	-	-	$124.86	-	-	-	-	-	$124.86	-	-	-	-	-
Debt Service Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$20.57	-	$21.14	$21.74	$21.87	$21.96	$21.81	-	$20.68	$19.89	$20.30	$21.07	$21.08	-	$21.49	$21.77	$21.84	$21.91	$21.76
Total	$20.57	$127.21	$21.14	$21.74	$21.87	$21.96	$21.81	$127.21	$20.68	$19.89	$20.30	$21.07	$21.08	$127.21	$21.49	$21.77	$21.84	$21.91	$21.76

	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Collections	$487.88	$455.23	$442.22	$410.00	$415.93	$414.85	$415.04	$415.00	$415.01	$415.01	$203.12
Interest Income	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	$423.17	$384.74	$383.04	$347.03	$345.30	$345.63	$345.57	$345.58	$345.57	$345.57	$380.26
Total	$911.05	$839.97	$825.26	$757.03	$761.23	$760.47	$760.61	$760.58	$760.58	$760.58	$583.38
Expenses	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71
Debt Service Interest	$161.44	$145.83	$131.78	$117.08	$104.10	$90.53	$76.36	$61.57	$46.11	$29.97	$13.11
Debt Service Principal	$342.01	$309.75	$323.85	$293.22	$306.21	$319.78	$333.95	$348.74	$364.19	$380.34	$397.19
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$402.91	$379.68	$364.93	$342.03	$346.23	$345.46	$345.60	$345.57	$345.57	$345.57	$168.38
Total	$911.05	$839.97	$825.26	$757.03	$761.23	$760.47	$760.61	$760.58	$760.58	$760.58	$583.38

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jan-19	1-Feb-19	1-Mar-19	1-Apr-19	1-May-19	1-Jun-19	1-Jul-19	1-Aug-19	1-Sep-19	1-Oct-19	1-Nov-19	1-Dec-19	1-Jan-20	1-Feb-20	1-Mar-20	1-Apr-20	1-May-20	1-Jun-20	1-Jul-20	1-Aug-20
Collections	$21.34	$20.66	$19.91	$20.32	$21.10	$21.11	$21.23	$21.51	$21.78	$21.85	$21.92	$21.78	$21.36	$23.97	$28.96	$30.85	$32.31	$32.33	$32.50	$34.61
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	$105.87	-	-	-	-	-	$105.98	-	-	-	-	-	$105.85	-	-	-	-	-	$94.71	-
Total	$127.21	$20.66	$19.91	$20.32	$21.10	$21.11	$127.21	$21.51	$21.78	$21.85	$21.92	$21.78	$127.21	$23.97	$28.96	$30.85	$32.31	$32.33	$127.21	$34.61
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-
Debt Service Interest	$124.86	-	-	-	-	-	$124.86	-	-	-	-	-	$124.86	-	-	-	-	-	$124.86	-
Debt Service Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	-	$20.66	$19.91	$20.32	$21.10	$21.11	-	$21.51	$21.78	$21.85	$21.92	$21.78	-	$23.97	$28.96	$30.85	$32.31	$32.33	-	$34.61
Total	$127.21	$20.66	$19.91	$20.32	$21.10	$21.11	$127.21	$21.51	$21.78	$21.85	$21.92	$21.78	$127.21	$23.97	$28.96	$30.85	$32.31	$32.33	$127.21	$34.61

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Sep-20	1-Oct-20	1-Nov-20	1-Dec-20	1-Jan-21	1-Feb-21	1-Mar-21	1-Apr-21	1-May-21	1-Jun-21	1-Jul-21	1-Aug-21	1-Sep-21	1-Oct-21	1-Nov-21	1-Dec-21	1-Jan-22	1-Feb-22	1-Mar-22	1-Apr-22
Collections	$37.95	$38.67	$38.94	$38.69	$37.94	$38.91	$41.39	$43.07	$44.88	$44.90	$45.15	$47.00	$49.80	$50.42	$50.69	$50.37	$49.39	$48.95	$49.23	$50.64
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	$206.07	-	-	-	-	-	$198.87	-	-	-	-	-	$256.26	-	-	-
Total	$37.95	$38.67	$38.94	$38.69	$244.01	$38.91	$41.39	$43.07	$44.88	$44.90	$244.02	$47.00	$49.80	$50.42	$50.69	$50.37	$305.65	$48.95	$49.23	$50.64
Expenses	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-
Debt Service Interest	-	-	-	-	$165.90	-	-	-	-	-	$164.25	-	-	-	-	-	$162.56	-	-	-
Debt Service Principal	-	-	-	-	$75.75	-	-	-	-	-	$77.42	-	-	-	-	-	$140.75	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$37.95	$38.67	$38.94	$38.69	-	$38.91	$41.39	$43.07	$44.88	$44.90	-	$47.00	$49.80	$50.42	$50.69	$50.37	-	$48.95	$49.23	$50.64
Total	$37.95	$38.67	$38.94	$38.69	$244.01	$38.91	$41.39	$43.07	$44.88	$44.90	$244.02	$47.00	$49.80	$50.42	$50.69	$50.37	$305.65	$48.95	$49.23	$50.64

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-May-22	1-Jun-22	1-Jul-22	1-Aug-22	1-Sep-22	1-Oct-22	1-Nov-22	1-Dec-22	1-Jan-23	1-Feb-23	1-Mar-23	1-Apr-23	1-May-23	1-Jun-23	1-Jul-23	1-Aug-23	1-Sep-23	1-Oct-23	1-Nov-23	1-Dec-23
Collections	$52.62	$52.65	$52.94	$54.47	$56.63	$57.12	$57.38	$57.02	$55.91	$54.18	$52.34	$53.41	$55.44	$55.47	$55.78	$56.34	$56.78	$56.90	$57.07	$56.72
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	$252.70	-	-	-	-	-	$282.98	-	-	-	-	-	$283.10	-	-	-	-	-
Total	$52.62	$52.65	$305.64	$54.47	$56.63	$57.12	$57.38	$57.02	$338.89	$54.18	$52.34	$53.41	$55.44	$55.47	$338.88	$56.34	$56.78	$56.90	$57.07	$56.72
Expenses	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	-	$160.83	-	-	-	-	-	$155.95	-	-	-	-	-	$154.14	-	-	-	-	-
Debt Service Principal	-	-	$142.47	-	-	-	-	-	$180.59	-	-	-	-	-	$182.39	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$52.62	$52.65	-	$54.47	$56.63	$57.12	$57.38	$57.02	-	$54.18	$52.34	$53.41	$55.44	$55.47	-	$56.34	$56.78	$56.90	$57.07	$56.72
Total	$52.62	$52.65	$305.64	$54.47	$56.63	$57.12	$57.38	$57.02	$338.89	$54.18	$52.34	$53.41	$55.44	$55.47	$338.88	$56.34	$56.78	$56.90	$57.07	$56.72

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jan-24	1-Feb-24	1-Mar-24	1-Apr-24	1-May-24	1-Jun-24	1-Jul-24	1-Aug-24	1-Sep-24	1-Oct-24	1-Nov-24	1-Dec-24	1-Jan-25	1-Feb-25	1-Mar-25	1-Apr-25	1-May-25	1-Jun-25	1-Jul-25	1-Aug-25
Collections	$55.61	$53.90	$52.08	$53.14	$55.16	$55.19	$55.50	$54.45	$52.10	$51.64	$51.66	$51.34	$50.34	$48.78	$47.14	$48.10	$49.93	$49.96	$50.24	$50.40
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	$0.00	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	$276.73	-	-	-	-	-	$276.84	-	-	-	-	-	$255.14	-	-	-	-	-	$255.24	-
Total	$332.34	$53.90	$52.08	$53.14	$55.16	$55.19	$332.35	$54.45	$52.10	$51.64	$51.66	$51.34	$305.47	$48.78	$47.14	$48.10	$49.93	$49.96	$305.48	$50.40
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-
Debt Service Interest	$147.59	-	-	-	-	-	$145.70	-	-	-	-	-	$139.11	-	-	-	-	-	$137.14	-
Debt Service Principal	$182.40	-	-	-	-	-	$184.29	-	-	-	-	-	$164.01	-	-	-	-	-	$165.99	-
To Reserve Account	-	-	-	-	-	-	-	$0.00	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	-	$53.90	$52.08	$53.14	$55.16	$55.19	-	$54.45	$52.10	$51.64	$51.66	$51.34	-	$48.78	$47.14	$48.10	$49.93	$49.96	-	$50.40
Total	$332.34	$53.90	$52.08	$53.14	$55.16	$55.19	$332.35	$54.45	$52.10	$51.64	$51.66	$51.34	$305.47	$48.78	$47.14	$48.10	$49.93	$49.96	$305.48	$50.40

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Sep-25	1-Oct-25	1-Nov-25	1-Dec-25	1-Jan-26	1-Feb-26	1-Mar-26	1-Apr-26	1-May-26	1-Jun-26	1-Jul-26	1-Aug-26	1-Sep-26	1-Oct-26	1-Nov-26	1-Dec-26	1-Jan-27	1-Feb-27	1-Mar-27	1-Apr-27
Collections	$50.20	$50.18	$50.31	$50.00	$49.02	$47.51	$45.92	$46.85	$48.63	$48.66	$48.93	$48.33	$46.82	$46.53	$46.57	$46.29	$45.38	$43.98	$42.51	$43.37
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	$244.94	-	-	-	-	-	$245.03	-	-	-	-	-	$229.01	-	-	-
Total	$50.20	$50.18	$50.31	$50.00	$293.96	$47.51	$45.92	$46.85	$48.63	$48.66	$293.97	$48.33	$46.82	$46.53	$46.57	$46.29	$274.39	$43.98	$42.51	$43.37
Expenses	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-
Debt Service Interest	-	-	-	-	$131.72	-	-	-	-	-	$129.66	-	-	-	-	-	$124.56	-	-	-
Debt Service Principal	-	-	-	-	$159.89	-	-	-	-	-	$161.96	-	-	-	-	-	$147.48	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$50.20	$50.18	$50.31	$50.00	-	$47.51	$45.92	$46.85	$48.63	$48.66	-	$48.33	$46.82	$46.53	$46.57	$46.29	-	$43.98	$42.51	$43.37
Total	$50.20	$50.18	$50.31	$50.00	$293.96	$47.51	$45.92	$46.85	$48.63	$48.66	$293.97	$48.33	$46.82	$46.53	$46.57	$46.29	$274.39	$43.98	$42.51	$43.37

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-May-27	1-Jun-27	1-Jul-27	1-Aug-27	1-Sep-27	1-Oct-27	1-Nov-27	1-Dec-27	1-Jan-28	1-Feb-28	1-Mar-28	1-Apr-28	1-May-28	1-Jun-28	1-Jul-28	1-Aug-28	1-Sep-28	1-Oct-28	1-Nov-28	1-Dec-28
Collections	$45.02	$45.05	$45.30	$44.96	$43.94	$43.75	$43.82	$43.55	$42.70	$41.82	$41.20	$42.19	$43.80	$43.83	$44.07	$45.12	$46.52	$46.85	$47.05	$46.76
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	$0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	$229.10	-	-	-	-	-	$214.78	-	-	-	-	-	$213.41	-	-	-	-	-
Total	$45.02	$45.05	$274.40	$44.96	$43.94	$43.75	$43.82	$43.55	$257.48	$41.82	$41.20	$42.19	$43.80	$43.83	$257.48	$45.12	$46.52	$46.85	$47.05	$46.76
Expenses	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	-	$122.41	-	-	-	-	-	$117.99	-	-	-	-	-	$115.75	-	-	-	-	-
Debt Service Principal	-	-	$149.64	-	-	-	-	-	$137.14	-	-	-	-	-	$139.38	-	-	-	-	-
To Reserve Account	-	-	-	$0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$45.02	$45.05	-	$44.96	$43.94	$43.75	$43.82	$43.55	-	$41.82	$41.20	$42.19	$43.80	$43.83	-	$45.12	$46.52	$46.85	$47.05	$46.76
Total	$45.02	$45.05	$274.40	$44.96	$43.94	$43.75	$43.82	$43.55	$257.48	$41.82	$41.20	$42.19	$43.80	$43.83	$257.48	$45.12	$46.52	$46.85	$47.05	$46.76

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jan-29	1-Feb-29	1-Mar-29	1-Apr-29	1-May-29	1-Jun-29	1-Jul-29	1-Aug-29	1-Sep-29	1-Oct-29	1-Nov-29	1-Dec-29	1-Jan-30	1-Feb-30	1-Mar-30	1-Apr-30	1-May-30	1-Jun-30	1-Jul-30	1-Aug-30
Collections	$45.84	$44.42	$42.94	$43.81	$45.48	$45.51	$45.76	$46.29	$46.76	$46.89	$47.04	$46.75	$45.84	$44.42	$42.93	$43.81	$45.48	$45.51	$45.76	$45.03
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	$0.00	-
From Collections Account	$229.30	-	-	-	-	-	$229.38	-	-	-	-	-	$227.90	-	-	-	-	-	$227.98	-
Total	$275.14	$44.42	$42.94	$43.81	$45.48	$45.51	$275.15	$46.29	$46.76	$46.89	$47.04	$46.75	$273.74	$44.42	$42.93	$43.81	$45.48	$45.51	$273.74	$45.03
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-
Debt Service Interest	$111.90	-	-	-	-	-	$109.55	-	-	-	-	-	$104.56	-	-	-	-	-	$102.11	-
Debt Service Principal	$160.89	-	-	-	-	-	$163.24	-	-	-	-	-	$166.83	-	-	-	-	-	$169.27	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	$0.00
To Collections Account	-	$44.42	$42.94	$43.81	$45.48	$45.51	-	$46.29	$46.76	$46.89	$47.04	$46.75	-	$44.42	$42.93	$43.81	$45.48	$45.51	-	$45.03
Total	$275.14	$44.42	$42.94	$43.81	$45.48	$45.51	$275.15	$46.29	$46.76	$46.89	$47.04	$46.75	$273.74	$44.42	$42.93	$43.81	$45.48	$45.51	$273.74	$45.03

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Sep-30	1-Oct-30	1-Nov-30	1-Dec-30	1-Jan-31	1-Feb-31	1-Mar-31	1-Apr-31	1-May-31	1-Jun-31	1-Jul-31	1-Aug-31	1-Sep-31	1-Oct-31	1-Nov-31	1-Dec-31	1-Jan-32	1-Feb-32	1-Mar-32	1-Apr-32
Collections	$43.33	$43.00	$43.03	$42.77	$41.93	$40.63	$39.27	$40.07	$41.60	$41.62	$41.86	$42.57	$43.41	$43.61	$43.77	$43.51	$42.65	$41.33	$39.95	$40.76
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	$212.09	-	-	-	-	-	$212.17	-	-	-	-	-	$211.39	-	-	-
Total	$43.33	$43.00	$43.03	$42.77	$254.02	$40.63	$39.27	$40.07	$41.60	$41.62	$254.02	$42.57	$43.41	$43.61	$43.77	$43.51	$254.05	$41.33	$39.95	$40.76
Expenses	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-
Debt Service Interest	-	-	-	-	$96.79	-	-	-	-	-	$94.23	-	-	-	-	-	$89.62	-	-	-
Debt Service Principal	-	-	-	-	$154.88	-	-	-	-	-	$157.44	-	-	-	-	-	$162.08	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$43.33	$43.00	$43.03	$42.77	-	$40.63	$39.27	$40.07	$41.60	$41.62	-	$42.57	$43.41	$43.61	$43.77	$43.51	-	$41.33	$39.95	$40.76
Total	$43.33	$43.00	$43.03	$42.77	$254.02	$40.63	$39.27	$40.07	$41.60	$41.62	$254.02	$42.57	$43.41	$43.61	$43.77	$43.51	$254.05	$41.33	$39.95	$40.76

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-May-32	1-Jun-32	1-Jul-32	1-Aug-32	1-Sep-32	1-Oct-32	1-Nov-32	1-Dec-32	1-Jan-33	1-Feb-33	1-Mar-33	1-Apr-33	1-May-33	1-Jun-33	1-Jul-33	1-Aug-33	1-Sep-33	1-Oct-33	1-Nov-33	1-Dec-33
Collections	$42.32	$42.35	$42.58	$43.03	$43.40	$43.51	$43.64	$43.38	$42.53	$41.20	$39.83	$40.64	$42.19	$42.22	$42.45	$41.43	$39.24	$38.80	$38.80	$38.56
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	$211.46	-	-	-	-	-	$211.55	-	-	-	-	-	$211.62	-	-	-	-	-
Total	$42.32	$42.35	$254.04	$43.03	$43.40	$43.51	$43.64	$43.38	$254.08	$41.20	$39.83	$40.64	$42.19	$42.22	$254.07	$41.43	$39.24	$38.80	$38.80	$38.56
Expenses	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	-	$86.95	-	-	-	-	-	$82.11	-	-	-	-	-	$79.32	-	-	-	-	-
Debt Service Principal	-	-	$164.74	-	-	-	-	-	$169.61	-	-	-	-	-	$172.40	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$42.32	$42.35	-	$43.03	$43.40	$43.51	$43.64	$43.38	-	$41.20	$39.83	$40.64	$42.19	$42.22	-	$41.43	$39.24	$38.80	$38.80	$38.56
Total	$42.32	$42.35	$254.04	$43.03	$43.40	$43.51	$43.64	$43.38	$254.08	$41.20	$39.83	$40.64	$42.19	$42.22	$254.07	$41.43	$39.24	$38.80	$38.80	$38.56

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jan-34	1-Feb-34	1-Mar-34	1-Apr-34	1-May-34	1-Jun-34	1-Jul-34	1-Aug-34	1-Sep-34	1-Oct-34	1-Nov-34	1-Dec-34	1-Jan-35	1-Feb-35	1-Mar-35	1-Apr-35	1-May-35	1-Jun-35	1-Jul-35	1-Aug-35
Collections	$37.80	$36.63	$35.41	$36.12	$37.51	$37.53	$37.74	$38.46	$39.33	$39.54	$39.69	$39.46	$38.68	$37.47	$36.22	$36.96	$38.38	$38.40	$38.61	$37.57
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	$192.34	-	-	-	-	-	$192.40	-	-	-	-	-	$191.49	-	-	-	-	-	$191.55	-
Total	$230.14	$36.63	$35.41	$36.12	$37.51	$37.53	$230.14	$38.46	$39.33	$39.54	$39.69	$39.46	$230.17	$37.47	$36.22	$36.96	$38.38	$38.40	$230.17	$37.57
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-
Debt Service Interest	$74.37	-	-	-	-	-	$71.46	-	-	-	-	-	$67.41	-	-	-	-	-	$64.37	-
Debt Service Principal	$153.42	-	-	-	-	-	$156.33	-	-	-	-	-	$160.41	-	-	-	-	-	$163.45	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	-	$36.63	$35.41	$36.12	$37.51	$37.53	-	$38.46	$39.33	$39.54	$39.69	$39.46	-	$37.47	$36.22	$36.96	$38.38	$38.40	-	$37.57
Total	$230.14	$36.63	$35.41	$36.12	$37.51	$37.53	$230.14	$38.46	$39.33	$39.54	$39.69	$39.46	$230.17	$37.47	$36.22	$36.96	$38.38	$38.40	$230.17	$37.57

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Sep-35	1-Oct-35	1-Nov-35	1-Dec-35	1-Jan-36	1-Feb-36	1-Mar-36	1-Apr-36	1-May-36	1-Jun-36	1-Jul-36	1-Aug-36	1-Sep-36	1-Oct-36	1-Nov-36	1-Dec-36	1-Jan-37	1-Feb-37	1-Mar-37	1-Apr-37
Collections	$35.37	$34.93	$34.92	$34.71	$34.02	$32.97	$31.89	$32.53	$33.75	$33.77	$33.95	$34.62	$35.46	$35.66	$35.80	$35.58	$34.88	$33.79	$32.66	$33.33
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	$173.48	-	-	-	-	-	$173.55	-	-	-	-	-	$172.63	-	-	-
Total	$35.37	$34.93	$34.92	$34.71	$207.51	$32.97	$31.89	$32.53	$33.75	$33.77	$207.50	$34.62	$35.46	$35.66	$35.80	$35.58	$207.50	$33.79	$32.66	$33.33
Expenses	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-
Debt Service Interest	-	-	-	-	$60.13	-	-	-	-	-	$56.95	-	-	-	-	-	$53.71	-	-	-
Debt Service Principal	-	-	-	-	$145.03	-	-	-	-	-	$148.20	-	-	-	-	-	$151.45	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$35.37	$34.93	$34.92	$34.71	-	$32.97	$31.89	$32.53	$33.75	$33.77	-	$34.62	$35.46	$35.66	$35.80	$35.58	-	$33.79	$32.66	$33.33
Total	$35.37	$34.93	$34.92	$34.71	$207.51	$32.97	$31.89	$32.53	$33.75	$33.77	$207.50	$34.62	$35.46	$35.66	$35.80	$35.58	$207.50	$33.79	$32.66	$33.33

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-May-37	1-Jun-37	1-Jul-37	1-Aug-37	1-Sep-37	1-Oct-37	1-Nov-37	1-Dec-37	1-Jan-38	1-Feb-38	1-Mar-38	1-Apr-38	1-May-38	1-Jun-38	1-Jul-38	1-Aug-38	1-Sep-38	1-Oct-38	1-Nov-38	1-Dec-38
Collections	$34.61	$34.63	$34.82	$35.17	$35.45	$35.53	$35.64	$35.42	$34.72	$33.64	$32.52	$33.18	$34.45	$34.47	$34.67	$35.08	$35.45	$35.55	$35.66	$35.45
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	$172.68	-	-	-	-	-	$172.79	-	-	-	-	-	$172.84	-	-	-	-	-
Total	$34.61	$34.63	$207.50	$35.17	$35.45	$35.53	$35.64	$35.42	$207.51	$33.64	$32.52	$33.18	$34.45	$34.47	$207.51	$35.08	$35.45	$35.55	$35.66	$35.45
Expenses	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	-	$50.39	-	-	-	-	-	$47.00	-	-	-	-	-	$43.53	-	-	-	-	-
Debt Service Principal	-	-	$154.76	-	-	-	-	-	$158.16	-	-	-	-	-	$161.62	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$34.61	$34.63	-	$35.17	$35.45	$35.53	$35.64	$35.42	-	$33.64	$32.52	$33.18	$34.45	$34.47	-	$35.08	$35.45	$35.55	$35.66	$35.45
Total	$34.61	$34.63	$207.50	$35.17	$35.45	$35.53	$35.64	$35.42	$207.51	$33.64	$32.52	$33.18	$34.45	$34.47	$207.51	$35.08	$35.45	$35.55	$35.66	$35.45

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jan-39	1-Feb-39	1-Mar-39	1-Apr-39	1-May-39	1-Jun-39	1-Jul-39	1-Aug-39	1-Sep-39	1-Oct-39	1-Nov-39	1-Dec-39	1-Jan-40	1-Feb-40	1-Mar-40	1-Apr-40	1-May-40	1-Jun-40	1-Jul-40	1-Aug-40
Collections	$34.75	$33.67	$32.54	$33.21	$34.48	$34.50	$34.70	$35.09	$35.45	$35.55	$35.66	$35.45	$34.75	$33.66	$32.54	$33.20	$34.48	$34.50	$34.69	$35.09
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	$172.76	-	-	-	-	-	$172.81	-	-	-	-	-	$172.77	-	-	-	-	-	$172.81	-
Total	$207.51	$33.67	$32.54	$33.21	$34.48	$34.50	$207.50	$35.09	$35.45	$35.55	$35.66	$35.45	$207.51	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50	$35.09
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-
Debt Service Interest	$39.99	-	-	-	-	-	$36.37	-	-	-	-	-	$32.67	-	-	-	-	-	$28.89	-
Debt Service Principal	$165.17	-	-	-	-	-	$168.78	-	-	-	-	-	$172.49	-	-	-	-	-	$176.26	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	-	$33.67	$32.54	$33.21	$34.48	$34.50	-	$35.09	$35.45	$35.55	$35.66	$35.45	-	$33.66	$32.54	$33.20	$34.48	$34.50	-	$35.09
Total	$207.51	$33.67	$32.54	$33.21	$34.48	$34.50	$207.50	$35.09	$35.45	$35.55	$35.66	$35.45	$207.51	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50	$35.09

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Sep-40	1-Oct-40	1-Nov-40	1-Dec-40	1-Jan-41	1-Feb-41	1-Mar-41	1-Apr-41	1-May-41	1-Jun-41	1-Jul-41	1-Aug-41	1-Sep-41	1-Oct-41	1-Nov-41	1-Dec-41	1-Jan-42	1-Feb-42	1-Mar-42	1-Apr-42
Collections	$35.45	$35.55	$35.66	$35.45	$34.75	$33.66	$32.54	$33.20	$34.48	$34.50	$34.69	$35.09	$35.45	$35.55	$35.66	$35.45	$34.75	$33.66	$32.54	$33.20
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	$172.76	-	-	-	-	-	$172.81	-	-	-	-	-	$172.76	-	-	-
Total	$35.45	$35.55	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50	$35.09	$35.45	$35.55	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20
Expenses	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-
Debt Service Interest	-	-	-	-	$25.03	-	-	-	-	-	$21.08	-	-	-	-	-	$17.05	-	-	-
Debt Service Principal	-	-	-	-	$180.12	-	-	-	-	-	$184.07	-	-	-	-	-	$188.11	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$35.45	$35.55	$35.66	$35.45	-	$33.66	$32.54	$33.20	$34.48	$34.50	-	$35.09	$35.45	$35.55	$35.66	$35.45	-	$33.66	$32.54	$33.20
Total	$35.45	$35.55	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50	$35.09	$35.45	$35.55	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-May-42	1-Jun-42	1-Jul-42	1-Aug-42	1-Sep-42	1-Oct-42	1-Nov-42	1-Dec-42	1-Jan-43	1-Feb-43	1-Mar-43	1-Apr-43	1-May-43	1-Jun-43	1-Jul-43
Collections	$34.48	$34.50	$34.69	$35.09	$35.45	$35.55	$35.66	$35.45	$34.75	$33.66	$32.54	$33.20	$34.48	$34.50	-
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	$172.81	-	-	-	-	-	$172.76	-	-	-	-	-	$207.50
Total	$34.48	$34.50	$207.51	$35.09	$35.45	$35.55	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50
Expenses	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35
Debt Service Interest	-	-	$12.92	-	-	-	-	-	$8.71	-	-	-	-	-	$4.40
Debt Service Principal	-	-	$192.23	-	-	-	-	-	$196.44	-	-	-	-	-	$200.75
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$34.48	$34.50	-	$35.09	$35.45	$35.55	$35.66	$35.45	-	$33.66	$32.54	$33.20	$34.48	$34.50	-
Total	$34.48	$34.50	$207.51	$35.09	$35.45	$35.55	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Summary of Cash Flows

Period Ending	Projected Residential Customer Count[1]	Actual Residential Customer Count	Projected Other Customer kWh Usage[1]	Actual Other Customer kWh Usage	Residential Charge ($/Account)	Residential Charge (% of Customer Bill)[2]	Other Customer Charge ($/kWh)	Ending Reserve Account Balance ($m)	Principal Balance ($m)	Interest Payment ($m)	Principal Payment ($m)	Ongoing Financing Fees ($m)
1-Jul-16	7,968,760	7,678,221	4,678,624	4,504,145	$ 5.62	5.6%	$ 0.018	$ 333.45	$ 7,410.09	$ -	$ -	$ 2.35
1-Jan-17	7,804,958	7,182,228	4,886,710	4,493,600	6.61	6.5%	0.021	333.45	7,410.09	187.29	-	2.35
1-Jul-17	6,976,622	6,685,919	4,052,887	3,880,154	7.22	7.1%	0.025	330.63	7,410.09	124.86	-	2.35
1-Jan-18	6,812,385	6,189,307	4,221,393	3,832,126	7.87	7.8%	0.026	330.99	7,410.09	124.86	-	2.35
1-Jul-18	5,983,256	5,692,393	3,438,277	3,267,318	8.86	8.8%	0.031	330.02	7,410.09	124.86	-	2.35
1-Jan-19	5,818,605	5,195,189	3,567,909	3,182,534	9.40	9.3%	0.031	330.59	7,410.09	124.86	-	2.35
1-Jul-19	4,988,715	4,697,696	2,849,095	2,679,101	10.87	10.8%	0.037	329.29	7,410.09	124.86	-	2.35
1-Jan-20	4,823,671	4,199,926	2,940,882	2,557,589	11.66	11.5%	0.038	329.24	7,410.09	124.86	-	2.35
1-Jul-20	3,993,049	3,993,049	2,257,045	2,257,045	20.33	20.1%	0.066	333.45	7,410.09	124.86	-	2.35
1-Jan-21	3,994,068	3,994,068	2,405,771	2,405,771	23.25	23.0%	0.075	333.45	7,334.34	165.90	75.75	2.35
1-Jul-21	3,994,498	3,994,498	2,242,139	2,242,139	27.65	27.4%	0.089	333.45	7,256.92	164.25	77.42	2.35
1-Jan-22	3,994,508	3,994,508	2,389,999	2,389,999	30.07	29.8%	0.097	333.45	7,116.18	162.56	140.75	2.35
1-Jul-22	3,994,517	3,994,517	2,227,632	2,227,632	32.36	32.0%	0.105	333.45	6,973.71	160.83	142.47	2.35
1-Jan-23	3,994,527	3,994,527	2,374,620	2,374,620	34.06	33.7%	0.111	333.45	6,793.13	155.95	180.59	2.35
1-Jul-23	3,994,537	3,994,537	2,225,047	2,225,047	33.06	32.7%	0.113	333.45	6,610.74	154.14	182.39	2.35
1-Jan-24	3,994,546	3,994,546	2,371,929	2,371,929	33.89	33.6%	0.110	333.45	6,428.34	147.59	182.40	2.35
1-Jul-24	3,994,555	3,994,555	2,223,369	2,223,369	32.91	32.6%	0.112	333.45	6,244.05	145.70	184.29	2.35
1-Jan-25	3,994,564	3,994,564	2,370,190	2,370,190	30.69	30.4%	0.100	333.45	6,080.04	139.11	164.01	2.35
1-Jul-25	3,994,573	3,994,573	2,222,174	2,222,174	29.80	29.5%	0.102	333.45	5,914.06	137.14	165.99	2.35
1-Jan-26	3,994,582	3,994,582	2,368,957	2,368,957	29.89	29.6%	0.097	333.45	5,754.17	131.72	159.89	2.35
1-Jul-26	3,994,590	3,994,590	2,221,026	2,221,026	29.02	28.7%	0.099	333.45	5,592.21	129.66	161.96	2.35
1-Jan-27	3,994,599	3,994,599	2,367,769	2,367,769	27.66	27.4%	0.090	333.45	5,444.73	124.56	147.48	2.35
1-Jul-27	3,994,607	3,994,607	2,220,076	2,220,076	26.85	26.6%	0.092	333.45	5,295.09	122.41	149.64	2.35
1-Jan-28	3,994,615	3,994,615	2,366,789	2,366,789	26.02	25.8%	0.085	333.45	5,157.95	117.99	137.14	2.35
1-Jul-28	3,994,623	3,994,623	2,219,287	2,219,287	26.93	26.7%	0.088	333.45	5,018.57	115.75	139.38	2.35
1-Jan-29	3,994,631	3,994,631	2,365,975	2,365,975	27.91	27.6%	0.091	333.45	4,857.68	111.90	160.89	2.35
1-Jul-29	3,994,639	3,994,639	2,218,635	2,218,635	27.10	26.8%	0.093	333.45	4,694.44	109.55	163.24	2.35
1-Jan-30	3,994,647	3,994,647	2,365,304	2,365,304	27.89	27.6%	0.091	333.45	4,527.62	104.56	166.83	2.35
1-Jul-30	3,994,654	3,994,654	2,218,133	2,218,133	27.07	26.8%	0.093	333.45	4,358.35	102.11	169.27	2.35
1-Jan-31	3,994,662	3,994,662	2,364,788	2,364,788	25.49	25.2%	0.084	333.45	4,203.47	96.79	154.88	2.35
1-Jul-31	3,994,669	3,994,669	2,217,721	2,217,721	24.74	24.5%	0.085	333.45	4,046.03	94.23	157.44	2.35
1-Jan-32	3,994,676	3,994,676	2,364,372	2,364,372	25.91	25.7%	0.085	333.45	3,883.95	89.62	162.08	2.35
1-Jul-32	3,994,683	3,994,683	2,217,293	2,217,293	25.15	24.9%	0.087	333.45	3,719.21	86.95	164.74	2.35
1-Jan-33	3,994,689	3,994,689	2,363,934	2,363,934	25.81	25.6%	0.085	333.45	3,549.60	82.11	169.61	2.35
1-Jul-33	3,994,696	3,994,696	2,216,984	2,216,984	25.05	24.8%	0.087	333.45	3,377.21	79.32	172.40	2.35
1-Jan-34	3,994,703	3,994,703	2,363,624	2,363,624	22.92	22.7%	0.075	333.45	3,223.79	74.37	153.42	2.35
1-Jul-34	3,994,709	3,994,709	2,216,795	2,216,795	22.24	22.0%	0.077	333.45	3,067.46	71.46	156.33	2.35
1-Jan-35	3,994,715	3,994,715	2,363,444	2,363,444	23.42	23.2%	0.077	333.45	2,907.05	67.41	160.41	2.35
1-Jul-35	3,994,721	3,994,721	2,216,757	2,216,757	22.73	22.5%	0.079	333.45	2,743.61	64.37	163.45	2.35
1-Jan-36	3,994,727	3,994,727	2,363,422	2,363,422	20.58	20.4%	0.068	333.45	2,598.58	60.13	145.03	2.35
1-Jul-36	3,994,733	3,994,733	2,216,757	2,216,757	20.59	20.4%	0.068	333.45	2,450.39	56.95	148.20	2.35
1-Jan-37	3,994,738	3,994,738	2,363,422	2,363,422	21.08	20.9%	0.070	333.45	2,298.94	53.71	151.45	2.35
1-Jul-37	3,994,744	3,994,744	2,216,757	2,216,757	20.47	20.3%	0.071	333.45	2,144.18	50.39	154.76	2.35
1-Jan-38	3,994,749	3,994,749	2,363,422	2,363,422	20.99	20.8%	0.069	333.45	1,986.02	47.00	158.16	2.35
1-Jul-38	3,994,754	3,994,754	2,216,757	2,216,757	20.38	20.2%	0.071	333.45	1,824.40	43.53	161.62	2.35
1-Jan-39	3,994,759	3,994,759	2,363,422	2,363,422	21.00	20.8%	0.070	333.45	1,659.24	39.99	165.17	2.35

PREPA Deal Model

Summary of Cash Flows

Period Ending	Projected Residential Customer Count[1]	Actual Residential Customer Count	Projected Other Customer kWh Usage[1]	Actual Other Customer kWh Usage	Residential Charge ($/Account)	Residential Charge (% of Customer Bill)[2]	Other Customer Charge ($/kWh)	Ending Reserve Account Balance ($m)	Principal Balance ($m)	Interest Payment ($m)	Principal Payment ($m)	Ongoing Financing Fees ($m)
1-Jul-39	3,994,764	3,994,764	2,216,757	2,216,757	20.39	20.2%	0.071	333.45	1,490.46	36.37	168.78	2.35
1-Jan-40	3,994,769	3,994,769	2,363,422	2,363,422	21.00	20.8%	0.070	333.45	1,317.97	32.67	172.49	2.35
1-Jul-40	3,994,774	3,994,774	2,216,757	2,216,757	20.39	20.2%	0.071	333.45	1,141.72	28.89	176.26	2.35
1-Jan-41	3,994,778	3,994,778	2,363,422	2,363,422	21.00	20.8%	0.070	333.45	961.59	25.03	180.12	2.35
1-Jul-41	3,994,783	3,994,783	2,216,757	2,216,757	20.39	20.2%	0.071	333.45	777.52	21.08	184.07	2.35
1-Jan-42	3,994,787	3,994,787	2,363,422	2,363,422	21.00	20.8%	0.070	333.45	589.42	17.05	188.11	2.35
1-Jul-42	3,994,791	3,994,791	2,216,757	2,216,757	20.39	20.2%	0.071	333.45	397.19	12.92	192.23	2.35
1-Jan-43	3,994,795	3,994,795	2,363,422	2,363,422	21.00	20.8%	0.070	333.45	200.75	8.71	196.44	2.35
1-Jul-43	3,994,799	3,994,799	2,216,757	2,216,757	20.39	20.2%	0.071	333.45	-	4.40	200.75	2.35
Total / Average	238,924,269	235,268,174	138,424,780	136,185,570	$ 22.67	22.4%	$ 0.076			$ 5,110.12	$ 7,410.09	$ 129.39

[1] In the Stress Case, projections adjust annually in reaction to the unexpected declines in customer count and usage volume.

[2] Reflects Residential Charge as percentage of the average Residential Customer Bill ($101 / month, based on monthly data from Jul-2010 to Jun-2015 provided by PREPA).

PREPA Deal Model

Sources and Uses ($ millions)

	1-Dec-15	1-Jan-16	1-Feb-16	1-Mar-16	1-Apr-16	1-May-16	1-Jun-16	1-Jul-16	1-Aug-16	1-Sep-16	1-Oct-16	1-Nov-16	1-Dec-16	1-Jan-17	1-Feb-17	1-Mar-17	1-Apr-17	1-May-17	1-Jun-17
Collections	-	-	$5.46	$14.92	$17.26	$18.24	$18.05	$17.96	$19.00	$20.75	$20.94	$20.86	$20.47	$19.84	$19.74	$20.12	$20.60	$21.20	$20.95
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	-	-	-	-	-	-	-	-	-	$169.80	-	-	-	-	-
Total	-	-	$5.46	$14.92	$17.26	$18.24	$18.05	$17.96	$19.00	$20.75	$20.94	$20.86	$20.47	$189.64	$19.74	$20.12	$20.60	$21.20	$20.95
Expenses	-	-	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	$187.29	-	-	-	-	-
Debt Service Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	-	-	$5.46	$14.92	$17.26	$18.24	$18.05	$15.61	$19.00	$20.75	$20.94	$20.86	$20.47	-	$19.74	$20.12	$20.60	$21.20	$20.95
Total	-	-	$5.46	$14.92	$17.26	$18.24	$18.05	$17.96	$19.00	$20.75	$20.94	$20.86	$20.47	$189.64	$19.74	$20.12	$20.60	$21.20	$20.95

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Collections	-	$193.92	$250.03	$254.02	$253.07	$395.68	$546.63	$639.39	$666.42	$641.77	$595.60	$570.07	$530.65	$531.90	$547.51	$530.90	$503.85	$508.90	$487.88
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	$2.83	$5.90	$7.03	$4.22	-	-	$0.00	$0.00	-	-	$0.00	-	-	$0.00	$0.00	-	-
From Collections Account	-	-	$273.37	$206.83	$206.12	$197.00	$404.33	$508.87	$566.06	$553.58	$510.37	$489.97	$458.11	$428.20	$458.68	$455.88	$424.26	$422.85	$423.17
Total	-	$193.92	$526.23	$466.74	$466.22	$596.90	$950.96	$1,148.25	$1,232.47	$1,195.34	$1,105.97	$1,060.04	$988.76	$960.10	$1,006.18	$986.78	$928.11	$931.76	$911.05
Expenses	-	$2.35	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71
Debt Service Interest	-	-	$312.14	$249.71	$249.71	$249.71	$330.15	$323.38	$310.09	$293.29	$276.25	$261.38	$246.97	$233.74	$221.45	$206.67	$191.02	$176.57	$161.44
Debt Service Principal	-	-	-	-	-	-	$153.17	$283.21	$362.97	$366.69	$330.00	$321.85	$297.12	$276.52	$324.13	$336.10	$312.32	$326.82	$342.01
To Reserve Account	-	-	$2.83	$5.90	$7.03	$4.22	-	-	$0.00	$0.00	-	-	$0.00	-	-	$0.00	$0.00	-	-
To Collections Account	-	$191.56	$206.55	$206.43	$204.78	$338.26	$462.94	$536.96	$554.71	$530.66	$495.02	$472.11	$439.97	$445.14	$455.90	$439.30	$420.06	$423.67	$402.91
Total	-	$193.92	$526.23	$466.74	$466.22	$596.90	$950.96	$1,148.25	$1,232.47	$1,195.34	$1,105.97	$1,060.04	$988.76	$960.10	$1,006.18	$986.78	$928.11	$931.76	$911.05

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jul-17	1-Aug-17	1-Sep-17	1-Oct-17	1-Nov-17	1-Dec-17	1-Jan-18	1-Feb-18	1-Mar-18	1-Apr-18	1-May-18	1-Jun-18	1-Jul-18	1-Aug-18	1-Sep-18	1-Oct-18	1-Nov-18	1-Dec-18	1-Jan-19	1-Feb-19
Collections	$20.81	$21.14	$21.68	$21.58	$21.40	$20.96	$20.28	$20.27	$20.84	$21.33	$21.92	$21.61	$21.42	$21.49	$21.63	$21.41	$21.15	$20.68	$19.95	$20.08
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	$2.83	-	-	-	-	-	$2.46	-	-	-	-	-	$3.43	-	-	-	-	-	$2.87	-
From Collections Account	$103.57	-	-	-	-	-	$104.47	-	-	-	-	-	$102.36	-	-	-	-	-	$104.39	-
Total	$127.21	$21.14	$21.68	$21.58	$21.40	$20.96	$127.21	$20.27	$20.84	$21.33	$21.92	$21.61	$127.21	$21.49	$21.63	$21.41	$21.15	$20.68	$127.21	$20.08
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-
Debt Service Interest	$124.86	-	-	-	-	-	$124.86	-	-	-	-	-	$124.86	-	-	-	-	-	$124.86	-
Debt Service Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Reserve Account	-	$2.83	-	-	-	-	-	$2.46	-	-	-	-	-	$3.43	-	-	-	-	-	$2.87
To Collections Account	-	$18.31	$21.68	$21.58	$21.40	$20.96	-	$17.80	$20.84	$21.33	$21.92	$21.61	-	$18.06	$21.63	$21.41	$21.15	$20.68	-	$17.21
Total	$127.21	$21.14	$21.68	$21.58	$21.40	$20.96	$127.21	$20.27	$20.84	$21.33	$21.92	$21.61	$127.21	$21.49	$21.63	$21.41	$21.15	$20.68	$127.21	$20.08

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Collections	$455.23	$442.22	$410.00	$415.93	$414.85	$415.04	$415.00	$415.01	$415.01	$203.12
Interest Income	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-
From Collections Account	$384.74	$383.04	$347.03	$345.30	$345.63	$345.57	$345.58	$345.57	$345.57	$380.26
Total	$839.97	$825.26	$757.03	$761.23	$760.47	$760.61	$760.58	$760.58	$760.58	$583.38
Expenses	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71	$4.71
Debt Service Interest	$145.83	$131.78	$117.08	$104.10	$90.53	$76.36	$61.57	$46.11	$29.97	$13.11
Debt Service Principal	$309.75	$323.85	$293.22	$306.21	$319.78	$333.95	$348.74	$364.19	$380.34	$397.19
To Reserve Account	-	-	-	-	-	-	-	-	-	-
To Collections Account	$379.68	$364.93	$342.03	$346.23	$345.46	$345.60	$345.57	$345.57	$345.57	$168.38
Total	$839.97	$825.26	$757.03	$761.23	$760.47	$760.61	$760.58	$760.58	$760.58	$583.38

PREPA Deal Model

Sources and Uses ($ millions)

	1-Mar-19	1-Apr-19	1-May-19	1-Jun-19	1-Jul-19	1-Aug-19	1-Sep-19	1-Oct-19	1-Nov-19	1-Dec-19	1-Jan-20	1-Feb-20	1-Mar-20	1-Apr-20	1-May-20	1-Jun-20	1-Jul-20	1-Aug-20	1-Sep-20	1-Oct-20
Collections	$20.93	$21.42	$21.96	$21.58	$21.32	$21.40	$21.61	$21.34	$21.02	$20.47	$19.67	$22.96	$29.50	$31.75	$33.33	$33.35	$33.53	$35.46	$38.47	$39.13
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	$4.16	-	-	-	-	-	$4.22	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	$101.73	-	-	-	-	-	$103.32	-	-	-	-	-	$93.68	-	-	-
Total	$20.93	$21.42	$21.96	$21.58	$127.21	$21.40	$21.61	$21.34	$21.02	$20.47	$127.21	$22.96	$29.50	$31.75	$33.33	$33.35	$127.21	$35.46	$38.47	$39.13
Expenses	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-
Debt Service Interest	-	-	-	-	$124.86	-	-	-	-	-	$124.86	-	-	-	-	-	$124.86	-	-	-
Debt Service Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Reserve Account	-	-	-	-	-	$4.16	-	-	-	-	-	$4.22	-	-	-	-	-	-	-	-
To Collections Account	$20.93	$21.42	$21.96	$21.58	-	$17.24	$21.61	$21.34	$21.02	$20.47	-	$18.75	$29.50	$31.75	$33.33	$33.35	-	$35.46	$38.47	$39.13
Total	$20.93	$21.42	$21.96	$21.58	$127.21	$21.40	$21.61	$21.34	$21.02	$20.47	$127.21	$22.96	$29.50	$31.75	$33.33	$33.35	$127.21	$35.46	$38.47	$39.13

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Nov-20	1-Dec-20	1-Jan-21	1-Feb-21	1-Mar-21	1-Apr-21	1-May-21	1-Jun-21	1-Jul-21	1-Aug-21	1-Sep-21	1-Oct-21	1-Nov-21	1-Dec-21	1-Jan-22	1-Feb-22	1-Mar-22	1-Apr-22	1-May-22	1-Jun-22
Collections	$39.39	$39.14	$38.37	$39.26	$41.59	$43.24	$45.05	$45.07	$45.32	$47.15	$49.89	$50.49	$50.76	$50.44	$49.46	$49.01	$49.26	$50.67	$52.65	$52.68
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	$205.63	-	-	-	-	-	$198.70	-	-	-	-	-	$256.19	-	-	-	-	-
Total	$39.39	$39.14	$244.01	$39.26	$41.59	$43.24	$45.05	$45.07	$244.02	$47.15	$49.89	$50.49	$50.76	$50.44	$305.65	$49.01	$49.26	$50.67	$52.65	$52.68
Expenses	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	-	$165.90	-	-	-	-	-	$164.25	-	-	-	-	-	$162.56	-	-	-	-	-
Debt Service Principal	-	-	$75.75	-	-	-	-	-	$77.42	-	-	-	-	-	$140.75	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$39.39	$39.14	-	$39.26	$41.59	$43.24	$45.05	$45.07	-	$47.15	$49.89	$50.49	$50.76	$50.44	-	$49.01	$49.26	$50.67	$52.65	$52.68
Total	$39.39	$39.14	$244.01	$39.26	$41.59	$43.24	$45.05	$45.07	$244.02	$47.15	$49.89	$50.49	$50.76	$50.44	$305.65	$49.01	$49.26	$50.67	$52.65	$52.68

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jul-22	1-Aug-22	1-Sep-22	1-Oct-22	1-Nov-22	1-Dec-22	1-Jan-23	1-Feb-23	1-Mar-23	1-Apr-23	1-May-23	1-Jun-23	1-Jul-23	1-Aug-23	1-Sep-23	1-Oct-23	1-Nov-23	1-Dec-23	1-Jan-24	1-Feb-24
Collections	$52.97	$54.50	$56.64	$57.13	$57.39	$57.03	$55.92	$54.19	$52.35	$53.42	$55.45	$55.48	$55.79	$56.35	$56.78	$56.90	$57.07	$56.72	$55.61	$53.89
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	$0.00	-	-	-	-	-	-	-
From Collections Account	$252.67	-	-	-	-	-	$282.97	-	-	-	-	-	$283.09	-	-	-	-	-	$276.73	-
Total	$305.64	$54.50	$56.64	$57.13	$57.39	$57.03	$338.89	$54.19	$52.35	$53.42	$55.45	$55.48	$338.88	$56.35	$56.78	$56.90	$57.07	$56.72	$332.34	$53.89
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-
Debt Service Interest	$160.83	-	-	-	-	-	$155.95	-	-	-	-	-	$154.14	-	-	-	-	-	$147.59	-
Debt Service Principal	$142.47	-	-	-	-	-	$180.59	-	-	-	-	-	$182.39	-	-	-	-	-	$182.40	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	$0.00	-	-	-	-	-	-
To Collections Account	-	$54.50	$56.64	$57.13	$57.39	$57.03	-	$54.19	$52.35	$53.42	$55.45	$55.48	-	$56.35	$56.78	$56.90	$57.07	$56.72	-	$53.89
Total	$305.64	$54.50	$56.64	$57.13	$57.39	$57.03	$338.89	$54.19	$52.35	$53.42	$55.45	$55.48	$338.88	$56.35	$56.78	$56.90	$57.07	$56.72	$332.34	$53.89

Collections
Interest Income
From Reserve Account
From Collections Account
Total

Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Mar-24	1-Apr-24	1-May-24	1-Jun-24	1-Jul-24	1-Aug-24	1-Sep-24	1-Oct-24	1-Nov-24	1-Dec-24	1-Jan-25	1-Feb-25	1-Mar-25	1-Apr-25	1-May-25	1-Jun-25	1-Jul-25	1-Aug-25	1-Sep-25	1-Oct-25
Collections	$52.08	$53.14	$55.16	$55.19	$55.50	$54.45	$52.10	$51.64	$51.66	$51.34	$50.34	$48.78	$47.14	$48.10	$49.93	$49.96	$50.24	$50.40	$50.20	$50.18
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	$0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	$276.85	-	-	-	-	-	$255.14	-	-	-	-	-	$255.24	-	-	-
Total	$52.08	$53.14	$55.16	$55.19	$332.35	$54.45	$52.10	$51.64	$51.66	$51.34	$305.47	$48.78	$47.14	$48.10	$49.93	$49.96	$305.48	$50.40	$50.20	$50.18
Expenses	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-
Debt Service Interest	-	-	-	-	$145.70	-	-	-	-	-	$139.11	-	-	-	-	-	$137.14	-	-	-
Debt Service Principal	-	-	-	-	$184.29	-	-	-	-	-	$164.01	-	-	-	-	-	$165.99	-	-	-
To Reserve Account	-	-	-	-	-	$0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$52.08	$53.14	$55.16	$55.19	-	$54.45	$52.10	$51.64	$51.66	$51.34	-	$48.78	$47.14	$48.10	$49.93	$49.96	-	$50.40	$50.20	$50.18
Total	$52.08	$53.14	$55.16	$55.19	$332.35	$54.45	$52.10	$51.64	$51.66	$51.34	$305.47	$48.78	$47.14	$48.10	$49.93	$49.96	$305.48	$50.40	$50.20	$50.18

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Nov-25	1-Dec-25	1-Jan-26	1-Feb-26	1-Mar-26	1-Apr-26	1-May-26	1-Jun-26	1-Jul-26	1-Aug-26	1-Sep-26	1-Oct-26	1-Nov-26	1-Dec-26	1-Jan-27	1-Feb-27	1-Mar-27	1-Apr-27	1-May-27	1-Jun-27
Collections	$50.31	$50.00	$49.02	$47.51	$45.92	$46.85	$48.63	$48.66	$48.93	$48.33	$46.82	$46.53	$46.57	$46.29	$45.38	$43.98	$42.51	$43.37	$45.02	$45.05
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	$244.94	-	-	-	-	-	$245.04	-	-	-	-	-	$229.01	-	-	-	-	-
Total	$50.31	$50.00	$293.96	$47.51	$45.92	$46.85	$48.63	$48.66	$293.97	$48.33	$46.82	$46.53	$46.57	$46.29	$274.39	$43.98	$42.51	$43.37	$45.02	$45.05
Expenses	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	-	$131.72	-	-	-	-	-	$129.66	-	-	-	-	-	$124.56	-	-	-	-	-
Debt Service Principal	-	-	$159.89	-	-	-	-	-	$161.96	-	-	-	-	-	$147.48	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$50.31	$50.00	-	$47.51	$45.92	$46.85	$48.63	$48.66	-	$48.33	$46.82	$46.53	$46.57	$46.29	-	$43.98	$42.51	$43.37	$45.02	$45.05
Total	$50.31	$50.00	$293.96	$47.51	$45.92	$46.85	$48.63	$48.66	$293.97	$48.33	$46.82	$46.53	$46.57	$46.29	$274.39	$43.98	$42.51	$43.37	$45.02	$45.05

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jul-27	1-Aug-27	1-Sep-27	1-Oct-27	1-Nov-27	1-Dec-27	1-Jan-28	1-Feb-28	1-Mar-28	1-Apr-28	1-May-28	1-Jun-28	1-Jul-28	1-Aug-28	1-Sep-28	1-Oct-28	1-Nov-28	1-Dec-28	1-Jan-29	1-Feb-29
Collections	$45.30	$44.96	$43.94	$43.75	$43.82	$43.55	$42.70	$41.82	$41.20	$42.19	$43.80	$43.83	$44.07	$45.12	$46.52	$46.85	$47.05	$46.76	$45.84	$44.42
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	$0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	$229.10	-	-	-	-	-	$214.78	-	-	-	-	-	$213.41	-	-	-	-	-	$229.30	-
Total	$274.40	$44.96	$43.94	$43.75	$43.82	$43.55	$257.48	$41.82	$41.20	$42.19	$43.80	$43.83	$257.48	$45.12	$46.52	$46.85	$47.05	$46.76	$275.14	$44.42
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-
Debt Service Interest	$122.41	-	-	-	-	-	$117.99	-	-	-	-	-	$115.75	-	-	-	-	-	$111.90	-
Debt Service Principal	$149.64	-	-	-	-	-	$137.14	-	-	-	-	-	$139.38	-	-	-	-	-	$160.89	-
To Reserve Account	-	$0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	-	$44.96	$43.94	$43.75	$43.82	$43.55	-	$41.82	$41.20	$42.19	$43.80	$43.83	-	$45.12	$46.52	$46.85	$47.05	$46.76	-	$44.42
Total	$274.40	$44.96	$43.94	$43.75	$43.82	$43.55	$257.48	$41.82	$41.20	$42.19	$43.80	$43.83	$257.48	$45.12	$46.52	$46.85	$47.05	$46.76	$275.14	$44.42

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Mar-29	1-Apr-29	1-May-29	1-Jun-29	1-Jul-29	1-Aug-29	1-Sep-29	1-Oct-29	1-Nov-29	1-Dec-29	1-Jan-30	1-Feb-30	1-Mar-30	1-Apr-30	1-May-30	1-Jun-30	1-Jul-30	1-Aug-30	1-Sep-30	1-Oct-30
Collections	$42.94	$43.81	$45.48	$45.51	$45.76	$46.29	$46.76	$46.89	$47.04	$46.75	$45.84	$44.42	$42.93	$43.81	$45.48	$45.51	$45.76	$45.03	$43.33	$43.00
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	$0.00	-	-	-
From Collections Account	-	-	-	-	$229.38	-	-	-	-	-	$227.90	-	-	-	-	-	$227.98	-	-	-
Total	$42.94	$43.81	$45.48	$45.51	$275.15	$46.29	$46.76	$46.89	$47.04	$46.75	$273.74	$44.42	$42.93	$43.81	$45.48	$45.51	$273.74	$45.03	$43.33	$43.00
Expenses	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-
Debt Service Interest	-	-	-	-	$109.55	-	-	-	-	-	$104.56	-	-	-	-	-	$102.11	-	-	-
Debt Service Principal	-	-	-	-	$163.24	-	-	-	-	-	$166.83	-	-	-	-	-	$169.27	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	$0.00	-	-
To Collections Account	$42.94	$43.81	$45.48	$45.51	-	$46.29	$46.76	$46.89	$47.04	$46.75	-	$44.42	$42.93	$43.81	$45.48	$45.51	-	$45.03	$43.33	$43.00
Total	$42.94	$43.81	$45.48	$45.51	$275.15	$46.29	$46.76	$46.89	$47.04	$46.75	$273.74	$44.42	$42.93	$43.81	$45.48	$45.51	$273.74	$45.03	$43.33	$43.00

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Nov-30	1-Dec-30	1-Jan-31	1-Feb-31	1-Mar-31	1-Apr-31	1-May-31	1-Jun-31	1-Jul-31	1-Aug-31	1-Sep-31	1-Oct-31	1-Nov-31	1-Dec-31	1-Jan-32	1-Feb-32	1-Mar-32	1-Apr-32	1-May-32	1-Jun-32
Collections	$43.03	$42.77	$41.93	$40.63	$39.27	$40.07	$41.60	$41.62	$41.86	$42.57	$43.41	$43.61	$43.77	$43.51	$42.65	$41.33	$39.95	$40.76	$42.32	$42.35
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	$0.00	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	$212.09	-	-	-	-	-	$212.17	-	-	-	-	-	$211.39	-	-	-	-	-
Total	$43.03	$42.77	$254.02	$40.63	$39.27	$40.07	$41.60	$41.62	$254.02	$42.57	$43.41	$43.61	$43.77	$43.51	$254.05	$41.33	$39.95	$40.76	$42.32	$42.35
Expenses	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	-	$96.79	-	-	-	-	-	$94.23	-	-	-	-	-	$89.62	-	-	-	-	-
Debt Service Principal	-	-	$154.88	-	-	-	-	-	$157.44	-	-	-	-	-	$162.08	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	$0.00	-	-	-	-	-	-	-	-	-	-
To Collections Account	$43.03	$42.77	-	$40.63	$39.27	$40.07	$41.60	$41.62	-	$42.57	$43.41	$43.61	$43.77	$43.51	-	$41.33	$39.95	$40.76	$42.32	$42.35
Total	$43.03	$42.77	$254.02	$40.63	$39.27	$40.07	$41.60	$41.62	$254.02	$42.57	$43.41	$43.61	$43.77	$43.51	$254.05	$41.33	$39.95	$40.76	$42.32	$42.35

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jul-32	1-Aug-32	1-Sep-32	1-Oct-32	1-Nov-32	1-Dec-32	1-Jan-33	1-Feb-33	1-Mar-33	1-Apr-33	1-May-33	1-Jun-33	1-Jul-33	1-Aug-33	1-Sep-33	1-Oct-33	1-Nov-33	1-Dec-33	1-Jan-34	1-Feb-34
Collections	$42.58	$43.03	$43.40	$43.51	$43.64	$43.38	$42.53	$41.20	$39.83	$40.64	$42.19	$42.22	$42.45	$41.43	$39.24	$38.80	$38.80	$38.56	$37.80	$36.63
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	$211.46	-	-	-	-	-	$211.55	-	-	-	-	-	$211.62	-	-	-	-	-	$192.34	-
Total	$254.04	$43.03	$43.40	$43.51	$43.64	$43.38	$254.08	$41.20	$39.83	$40.64	$42.19	$42.22	$254.07	$41.43	$39.24	$38.80	$38.80	$38.56	$230.14	$36.63
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-
Debt Service Interest	$86.95	-	-	-	-	-	$82.11	-	-	-	-	-	$79.32	-	-	-	-	-	$74.37	-
Debt Service Principal	$164.74	-	-	-	-	-	$169.61	-	-	-	-	-	$172.40	-	-	-	-	-	$153.42	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	-	$43.03	$43.40	$43.51	$43.64	$43.38	-	$41.20	$39.83	$40.64	$42.19	$42.22	-	$41.43	$39.24	$38.80	$38.80	$38.56	-	$36.63
Total	$254.04	$43.03	$43.40	$43.51	$43.64	$43.38	$254.08	$41.20	$39.83	$40.64	$42.19	$42.22	$254.07	$41.43	$39.24	$38.80	$38.80	$38.56	$230.14	$36.63

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Mar-34	1-Apr-34	1-May-34	1-Jun-34	1-Jul-34	1-Aug-34	1-Sep-34	1-Oct-34	1-Nov-34	1-Dec-34	1-Jan-35	1-Feb-35	1-Mar-35	1-Apr-35	1-May-35	1-Jun-35	1-Jul-35	1-Aug-35	1-Sep-35	1-Oct-35
Collections	$35.41	$36.12	$37.51	$37.53	$37.74	$38.46	$39.33	$39.54	$39.69	$39.46	$38.68	$37.47	$36.22	$36.96	$38.38	$38.40	$38.61	$37.57	$35.37	$34.93
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	$192.40	-	-	-	-	-	$191.49	-	-	-	-	-	$191.55	-	-	-
Total	$35.41	$36.12	$37.51	$37.53	$230.14	$38.46	$39.33	$39.54	$39.69	$39.46	$230.17	$37.47	$36.22	$36.96	$38.38	$38.40	$230.17	$37.57	$35.37	$34.93
Expenses	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-
Debt Service Interest	-	-	-	-	$71.46	-	-	-	-	-	$67.41	-	-	-	-	-	$64.37	-	-	-
Debt Service Principal	-	-	-	-	$156.33	-	-	-	-	-	$160.41	-	-	-	-	-	$163.45	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$35.41	$36.12	$37.51	$37.53	-	$38.46	$39.33	$39.54	$39.69	$39.46	-	$37.47	$36.22	$36.96	$38.38	$38.40	-	$37.57	$35.37	$34.93
Total	$35.41	$36.12	$37.51	$37.53	$230.14	$38.46	$39.33	$39.54	$39.69	$39.46	$230.17	$37.47	$36.22	$36.96	$38.38	$38.40	$230.17	$37.57	$35.37	$34.93

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Nov-35	1-Dec-35	1-Jan-36	1-Feb-36	1-Mar-36	1-Apr-36	1-May-36	1-Jun-36	1-Jul-36	1-Aug-36	1-Sep-36	1-Oct-36	1-Nov-36	1-Dec-36	1-Jan-37	1-Feb-37	1-Mar-37	1-Apr-37	1-May-37	1-Jun-37
Collections	$34.92	$34.71	$34.02	$32.97	$31.89	$32.53	$33.75	$33.77	$33.95	$34.62	$35.46	$35.66	$35.80	$35.58	$34.88	$33.79	$32.66	$33.33	$34.61	$34.63
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	$173.48	-	-	-	-	-	$173.55	-	-	-	-	-	$172.63	-	-	-	-	-
Total	$34.92	$34.71	$207.51	$32.97	$31.89	$32.53	$33.75	$33.77	$207.50	$34.62	$35.46	$35.66	$35.80	$35.58	$207.50	$33.79	$32.66	$33.33	$34.61	$34.63
Expenses	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	-	$60.13	-	-	-	-	-	$56.95	-	-	-	-	-	$53.71	-	-	-	-	-
Debt Service Principal	-	-	$145.03	-	-	-	-	-	$148.20	-	-	-	-	-	$151.45	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$34.92	$34.71	-	$32.97	$31.89	$32.53	$33.75	$33.77	-	$34.62	$35.46	$35.66	$35.80	$35.58	-	$33.79	$32.66	$33.33	$34.61	$34.63
Total	$34.92	$34.71	$207.51	$32.97	$31.89	$32.53	$33.75	$33.77	$207.50	$34.62	$35.46	$35.66	$35.80	$35.58	$207.50	$33.79	$32.66	$33.33	$34.61	$34.63

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jul-37	1-Aug-37	1-Sep-37	1-Oct-37	1-Nov-37	1-Dec-37	1-Jan-38	1-Feb-38	1-Mar-38	1-Apr-38	1-May-38	1-Jun-38	1-Jul-38	1-Aug-38	1-Sep-38	1-Oct-38	1-Nov-38	1-Dec-38	1-Jan-39	1-Feb-39
Collections	$34.82	$35.17	$35.45	$35.53	$35.64	$35.42	$34.72	$33.64	$32.52	$33.18	$34.45	$34.47	$34.67	$35.08	$35.45	$35.55	$35.66	$35.45	$34.75	$33.67
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	$172.68	-	-	-	-	-	$172.79	-	-	-	-	-	$172.84	-	-	-	-	-	$172.76	-
Total	$207.50	$35.17	$35.45	$35.53	$35.64	$35.42	$207.51	$33.64	$32.52	$33.18	$34.45	$34.47	$207.51	$35.08	$35.45	$35.55	$35.66	$35.45	$207.51	$33.67
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-
Debt Service Interest	$50.39	-	-	-	-	-	$47.00	-	-	-	-	-	$43.53	-	-	-	-	-	$39.99	-
Debt Service Principal	$154.76	-	-	-	-	-	$158.16	-	-	-	-	-	$161.62	-	-	-	-	-	$165.17	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	-	$35.17	$35.45	$35.53	$35.64	$35.42	-	$33.64	$32.52	$33.18	$34.45	$34.47	-	$35.08	$35.45	$35.55	$35.66	$35.45	-	$33.67
Total	$207.50	$35.17	$35.45	$35.53	$35.64	$35.42	$207.51	$33.64	$32.52	$33.18	$34.45	$34.47	$207.51	$35.08	$35.45	$35.55	$35.66	$35.45	$207.51	$33.67

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Mar-39	1-Apr-39	1-May-39	1-Jun-39	1-Jul-39	1-Aug-39	1-Sep-39	1-Oct-39	1-Nov-39	1-Dec-39	1-Jan-40	1-Feb-40	1-Mar-40	1-Apr-40	1-May-40	1-Jun-40	1-Jul-40	1-Aug-40	1-Sep-40	1-Oct-40
Collections	$32.54	$33.21	$34.48	$34.50	$34.70	$35.09	$35.45	$35.55	$35.66	$35.45	$34.75	$33.66	$32.54	$33.20	$34.48	$34.50	$34.69	$35.09	$35.45	$35.55
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	-	-	$172.81	-	-	-	-	-	$172.77	-	-	-	-	-	$172.81	-	-	-
Total	$32.54	$33.21	$34.48	$34.50	$207.50	$35.09	$35.45	$35.55	$35.66	$35.45	$207.51	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50	$35.09	$35.45	$35.55
Expenses	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-
Debt Service Interest	-	-	-	-	$36.37	-	-	-	-	-	$32.67	-	-	-	-	-	$28.89	-	-	-
Debt Service Principal	-	-	-	-	$168.78	-	-	-	-	-	$172.49	-	-	-	-	-	$176.26	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$32.54	$33.21	$34.48	$34.50	-	$35.09	$35.45	$35.55	$35.66	$35.45	-	$33.66	$32.54	$33.20	$34.48	$34.50	-	$35.09	$35.45	$35.55
Total	$32.54	$33.21	$34.48	$34.50	$207.50	$35.09	$35.45	$35.55	$35.66	$35.45	$207.51	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50	$35.09	$35.45	$35.55

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Nov-40	1-Dec-40	1-Jan-41	1-Feb-41	1-Mar-41	1-Apr-41	1-May-41	1-Jun-41	1-Jul-41	1-Aug-41	1-Sep-41	1-Oct-41	1-Nov-41	1-Dec-41	1-Jan-42	1-Feb-42	1-Mar-42	1-Apr-42	1-May-42	1-Jun-42
Collections	$35.66	$35.45	$34.75	$33.66	$32.54	$33.20	$34.48	$34.50	$34.69	$35.09	$35.45	$35.55	$35.66	$35.45	$34.75	$33.66	$32.54	$33.20	$34.48	$34.50
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	-	-	$172.76	-	-	-	-	-	$172.81	-	-	-	-	-	$172.76	-	-	-	-	-
Total	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50	$35.09	$35.45	$35.55	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20	$34.48	$34.50
Expenses	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-
Debt Service Interest	-	-	$25.03	-	-	-	-	-	$21.08	-	-	-	-	-	$17.05	-	-	-	-	-
Debt Service Principal	-	-	$180.12	-	-	-	-	-	$184.07	-	-	-	-	-	$188.11	-	-	-	-	-
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	$35.66	$35.45	-	$33.66	$32.54	$33.20	$34.48	$34.50	-	$35.09	$35.45	$35.55	$35.66	$35.45	-	$33.66	$32.54	$33.20	$34.48	$34.50
Total	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50	$35.09	$35.45	$35.55	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20	$34.48	$34.50

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

PREPA Deal Model

Sources and Uses ($ millions)

	1-Jul-42	1-Aug-42	1-Sep-42	1-Oct-42	1-Nov-42	1-Dec-42	1-Jan-43	1-Feb-43	1-Mar-43	1-Apr-43	1-May-43	1-Jun-43	1-Jul-43
Collections	$34.69	$35.09	$35.45	$35.55	$35.66	$35.45	$34.75	$33.66	$32.54	$33.20	$34.48	$34.50	-
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-
From Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-
From Collections Account	$172.81	-	-	-	-	-	$172.76	-	-	-	-	-	$207.50
Total	$207.51	$35.09	$35.45	$35.55	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50
Expenses	$2.35	-	-	-	-	-	$2.35	-	-	-	-	-	$2.35
Debt Service Interest	$12.92	-	-	-	-	-	$8.71	-	-	-	-	-	$4.40
Debt Service Principal	$192.23	-	-	-	-	-	$196.44	-	-	-	-	-	$200.75
To Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-	-
To Collections Account	-	$35.09	$35.45	$35.55	$35.66	$35.45	-	$33.66	$32.54	$33.20	$34.48	$34.50	-
Total	$207.51	$35.09	$35.45	$35.55	$35.66	$35.45	$207.50	$33.66	$32.54	$33.20	$34.48	$34.50	$207.50

Collections
Interest Income
From Reserve Account
From Collections Account
Total
Expenses
Debt Service Interest
Debt Service Principal
To Reserve Account
To Collections Account
Total

FY 2015 - Consumption excluding Municipalities (CILT*) by Customer Class

month/year	Residential	Non-Residential	Total
Jul-14	591,487,928	901,304,874	1,492,792,802
Aug-14	574,779,398	899,272,479	1,474,051,877
Sep-14	536,779,629	902,456,940	1,439,236,569
Oct-14	560,246,376	913,849,305	1,474,095,681
Nov-14	526,858,127	876,293,957	1,403,152,084
Dec-14	484,714,673	832,378,640	1,317,093,313
Jan-15	483,927,903	770,927,458	1,254,855,361
Feb-15	426,687,032	738,783,577	1,165,470,609
Mar-15	478,730,811	867,862,137	1,346,592,948
Apr-15	473,851,600	800,998,086	1,274,849,686
May-15	568,660,514	898,847,471	1,467,507,985
Jun-15	542,817,685	867,264,288	1,410,081,973
FY 2015	**6,249,541,676**	**10,270,239,212**	**16,519,780,888**

Report on Transition Charges

Prepared for:

Puerto Rico Electric Power Authority Revitalization Corporation

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DISCLAIMER

This report (the "report") was prepared for the Puerto Rico Electric Power Authority Revitalization Corporation ("Corporation") by Navigant Consulting, Inc. ("Navigant"). The report was prepared solely for the purposes of the Corporation's Transition Charge filing before the Puerto Rico Energy Commission and may not be used for any other purpose. Use of this report by any third party outside of the Corporation's Transition Charge filing is prohibited. Use of this report should not, and does not, absolve the third party from using due diligence in verifying the report's contents. Any use which a third party makes of this report, or any reliance on it, is the responsibility of the third party. Navigant extends no warranty to any third party.

EXECUTIVE SUMMARY

Navigant Consulting, Inc. (Navigant) was engaged by Puerto Rico Electric Power Authority Revitalization Corporation, a special purpose public corporation and a governmental instrumentality of the Commonwealth of Puerto Rico (the Corporation), to review certain matters relating to the restructuring of certain indebtedness of the Puerto Rico Electric Power Authority (PREPA) and to provide a report for filing with the Puerto Rico Energy Commission under Act 57-2014, Article 6.25A. – Rate Determination and Review of the Transition Charges and Adjustment Mechanism. This report is delivered pursuant to that engagement.

Navigant is an independent, global professional consulting firm with recognized expertise in financing public electric utilities. As required by Article 6.25A (e)(3), we have reviewed and include in this report the historical energy (kWh) usage as provided by PREPA. We also include a projection of Ongoing Financing Costs as prepared by Millstein & Co and our projection of Transition Charges during the term of the Restructuring Bonds and the material assumptions on which our calculations and this report is based.

Based upon the foregoing, and subject to the assumptions and further discussion in this report, we have concluded that the projected Transition Charges have been calculated in accordance with the clauses specified in Article 6.25A (e)(3), as applicable, and in accordance with the assumptions indicated, and that the Transition Charge mechanism, including the Adjustment Mechanism, is designed to generate sufficient revenue to provide for the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds if fully and properly implemented with necessary oversight from the Servicer and the Regulator.

1. INTRODUCTION

Navigant was engaged by Puerto Rico Electric Power Authority Revitalization Corporation, a special purpose public corporation and a governmental instrumentality of the Commonwealth of Puerto Rico (the Corporation), to review certain matters relating to the restructuring of certain indebtedness of the Puerto Rico Electric Power Authority (PREPA) and to provide a report for filing with the Puerto Rico Energy Commission under Act 57-2014, Article 6.25A – Rate Determination and Review of the Transition Charges and Adjustment Mechanism. This report is delivered pursuant to that engagement.

The Corporation proposes to issue Restructuring Bonds in order to restructure certain PREPA indebtedness and to establish a secure mechanism to provide for repayment. This mechanism involves the development and collection of Transition Charges from PREPA customers. The Transition Charges will be used to pay the Restructuring Bonds according to their terms and Ongoing Financing Costs. The Transition Charges will be collected from all customers pursuant to rider

This report was prepared pursuant to the Act 57-2014, Article 6.25A(e)(3) requirement that the Corporation provide a report prepared by an "independent financial consultant with recognized expertise in financing public electric utilities" that concludes, among other things, that the Transition Charges are designed in a manner that is consistent with the Act and ensures the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds.

Navigant is an independent, global professional consulting firm with recognized expertise in financing public electric utilities. Information regarding Navigant is contained in Appendix A.

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2. SCOPE OF REPORT

This report is provided pursuant to the Act 57-2014, Article 6.25A(e)(3) requirement that the Corporation provide a report prepared by an "independent financial consultant with recognized expertise in financing public electric utilities" setting forth the following:

A. Historical energy (kWh) usage;

B. A projection of Ongoing Financing Costs and Transition Charges during the term of the Restructuring Bonds;

C. Any other material assumptions used in the report; and

D. A conclusion that:

   i. the Transition Charges have been calculated in a matter consistent Article 6.25A(e)(1)(ii),(iii),(iv)and (vi); and

   ii. that such Transition Charges have been calculated in accordance with the assumptions included in this report, and will ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds.

Consistent with the requirement in the Act, this report focuses on the design of the Transition charges, including the Adjustment Mechanism, to determine whether: 1) the requirements of clauses (ii),(iii),(iv)and (vi) of Article 6.25A(e)(3) are satisfied; and 2) the calculation methodology for the Transition Charges and Adjustment mechanism will generate sufficient revenue to provide for the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds. To make this conclusion, we verify: 1) the design and calculation methodology contained in the Restructuring Resolution; and 2) compare the projections of revenues from the Transition Charge calculation methodology along with projections of Ongoing Financing Costs to make our conclusion. This report is not focused on actual outcomes that can be affected by extrinsic factors that go beyond the design and calculation of the Transition Charges, such as the proper implementation of the methodology, legal challenges, oversight from the Servicer and the Regulator, and any other factor that could affect PREPA's ability to operate as a utility (e.g. weather, economic conditions, etc.).

3. HISTORICAL ENERGY USAGE DATA

The following table details the most recent 12-months of actual historical energy data for PREPA customers, excluding the amount consumed by municipalities that is not paid for and considered a subsidy. The Transition Charge will be calculated using data for most recently completed calendar quarter for which data is available.

Table 1 Historical Energy Consumption excluding Municipalities (CILT*) by Customer Class (kWh)

Month/Year	Residential	Non-Residential	Total
Jul-14	591,487,928	901,304,874	1,492,792,802
Aug-14	574,779,398	899,272,479	1,474,051,877
Sep-14	536,779,629	902,456,940	1,439,236,569
Oct-14	560,246,376	913,849,305	1,474,095,681
Nov-14	526,858,127	876,293,957	1,403,152,084
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Jan-15	483,927,903	770,927,458	1,254,855,361
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Mar-15	478,730,811	867,862,137	1,346,592,948
Apr-15	473,851,600	800,998,086	1,274,849,686
May-15	568,660,514	898,847,471	1,467,507,985
Jun-15	542,817,685	867,264,288	1,410,081,973
FY 2015	**6,249,541,676**	**10,270,239,212**	**16,519,780,888**

Source: Puerto Rico Electric Power Authority
* Rules before Act 4-February 2016

4. PROJECTIONS

4.1 Securitization Debt Service and Fees

Table 2 is the projection of Ongoing Financing Costs during the term of the Restructuring Bonds. This information was prepared to Navigant by Millstein & Co.

Table 2 Projected Securitization Debt Service and Fees[1]

	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18
Securitized Bonds, part of SPV (a)								
Exchange Securitization Bonds (b)	–	–	–	(147)	–	(74)	–	(74)
Mirror Bonds	–	–	–	(146)	(3)	(46)	(3)	(113)
Relending (c)	–	–	–	(76)	–	(49)	–	(48)
SIF Securitization	–	–	–	(2)	–	(1)	–	(1)
DSRF Securitization	–	–	–	(4)	–	(2)	–	(2)
Total Affected Bond Debt Service	**–**	**–**	**–**	**($376)**	**($3)**	**($172)**	**($3)**	**($237)**
Plus: Surety Repayment & Fees								
Surety Repayment	–	–	–	–	–	–	–	–
Annual Surety Premium	–	–	–	(9)	–	–	–	(9)
Quarterly Fee	(1)	(1)	(1)	(1)	(1)	(1)	–	–
Other Annual Fees (d)	–	–	–	(5)	–	(2)	–	(2)
Total Surety Repayment & Fees	**($1)**	**($1)**	**($1)**	**($15)**	**($1)**	**($3)**	**–**	**($11)**
Total SPV Debt Service, Surety, and Fees	**($1)**	**($1)**	**($1)**	**($390)**	**($4)**	**($175)**	**($3)**	**($248)**

Footnotes:
2016 principal and interest shown net of January and potential July relending.
Due to amount of time required to implement the securitization charge, securitization bonds and potential July relending mirror bonds assumed to have a "long first payment" in July 2017, consisting of all amounts accrued up to that point from close of transaction. Other mirror bond payments assumed to be paid from PREPA during that time.
(a) Represents debt service obligations for bonds that will be exchanged or defeased through securitization bonds or mirror bonds under the restructuring transaction.
(b) Represents forbearing and participating non-forbearing uninsured bonds. Also includes cost of issuance at close.
(c) Represents debt service on January and potential July relending, the par amounts of which are assumed to be exchanged/defeased into securitization and/or mirror bonds at close. January relending to come due as a bullet maturity in 2019. Potential July relending assumes illustrative six-year term-out at a 10% interest rate. Amortization reflects a modified version of the fuel line amortization schedule designed to provide more level debt service. Terms of July relending subject to material change as negotiations are ongoing.
(d) Represents estimates for ongoing financing costs including servicing fees, administrative expenses and calculation agent fees (among other items). Amounts are subject to material change.

[1] The full Securitization Debt Service schedule is in Appendix A

4.2 Projection of Transition Charges

The following table includes a projection of Transition Charges:

Table 3 Initial Transition Charges[2]

Item	Units	Amount
Gross Billing Requirement		$ 504,741,522
Total Sales – Excluding CILT (July 14 to June 15)	kWh	16,519,780,888
Residential Gross Billing Requirement		$ 190,947,035
Service Agreements (April 15 to Mar 16)	Months	15,932,799
Residential Charge	$/Mo	$11.98
Non-Residential Gross Billing Requirement		$ 313,794,487
Sales – Excluding CILT (April 15 to Mar 16)	kWh	10,270,239,212
Non-Residential Charge	$/kWh	$0.03055

[2] The transition charges shown here are as of 4/7/16. They will be subject to adjustment pursuant to the Adjustment Mechanism at the date of Implementation. Note, Service Agreements and kWh sales shown in the table are FY15 actuals.

Table 4 Projection of Transition Charge – Period 1 through 15[3]

TUA Period	TUA Period Starting	TUA Period Ending	Residential Customer TC $/Mo	Non-Residential Customer TC $/kWh
TUA Period 1	6/30/16	9/30/16	$ 11.98	$ 0.03055
TUA Period 2	9/30/16	12/31/16	$ 11.79	$ 0.03060
TUA Period 3	12/31/16	3/31/17	$ 11.36	$ 0.03007
TUA Period 4	3/31/17	6/30/17	$ 12.26	$ 0.03127
TUA Period 5	6/30/17	9/30/17	$ 11.28	$ 0.02876
TUA Period 6	9/30/17	12/31/17	$ 11.06	$ 0.02870
TUA Period 7	12/31/17	3/31/18	$ 10.66	$ 0.02821
TUA Period 8	3/31/18	6/30/18	$ 11.50	$ 0.02932
TUA Period 9	6/30/18	9/30/18	$ 16.52	$ 0.04213
TUA Period 10	9/30/18	12/31/18	$ 16.22	$ 0.04209
TUA Period 11	12/31/18	3/31/19	$ 15.62	$ 0.04137
TUA Period 12	3/31/19	6/30/19	$ 16.87	$ 0.04301
TUA Period 13	6/30/19	9/30/19	$ 13.07	$ 0.03332
TUA Period 14	9/30/19	12/31/19	$ 12.80	$ 0.03322
TUA Period 15	12/31/19	3/31/20	$ 12.34	$ 0.03266

The foregoing projections of Transition Charges were prepared consistent with the draft of the Restructuring Resolution, as to the matters required in clauses (ii), (iii), (iv) and (vi) of Article 6.25A, as applicable.

Specifically, the foregoing projections reflect that Ongoing Financing Costs will be allocated among non-residential customers as a single class and residential customers as a class in proportion to their class-wide historical kWh usage during the most recent two-year period *((e)(ii)).* Residential customers will be charged on a per service agreement basis *((e)(iv)),* while non-residential customers will be assessed Transition Charges based on their usage (kWh) *((e)(iii)),* including energy subject to net metering or generated "behind the meter" from any distributed energy source installed after the date of the Revitalization Act *((e)(vi)).*

[3] The full set of calculated values is in7.A.3 . This projection does not reflect any adjustment of the Transition Charge pursuant to the Adjustment Mechanism. Such adjustments would result in some variation in timing of overall collections (reflecting over- or under-collections from one quarter to the next) but should not materially affect the total amount collected.

5. MATERIAL ASSUMPTIONS USED IN THE REPORT

In providing the information, projections and conclusions in this report, Navigant has relied upon information from a number of third parties, including the Lenders, Goldman Sachs, PREPA and Millstein & Associates without independently verifying that information. We have assumed the accuracy and completeness of this information. This includes, without limitation, information as to PREPA's customer classes, their historic electric usage, customer payment information and other matters relating to PREPA's operations and costs, as well as the Securitization debt Schedule (provide by Millstein & Co. on March 29, 2016) and the structure of the Transition Charge and the Adjustment Mechanism. We have also assumed that the projection of Ongoing Financing Costs completely and accurately states all amounts required to achieve full and timely payment of the Restructuring Bonds according to their terms.

Our projection of the Transition Charge and our conclusions in this report are based upon draft documentation of those items provided to us by Eric Tashman of Sidley Austin on, 2016, and we have assumed that no material changes were made to that documentation. Similarly, we have relied upon the draft of the draft Restructuring Resolution, as to the matters required in clauses (ii), (iii), (iv) and (vi) of Article 6.25A, as applicable.

In addition, we have assumed that the Transition Charge and Adjustment Mechanism will be fully and accurately implemented by all parties, with appropriate administrative oversight by PREPA the Servicer and the Regulator

Finally, we have assumed that PREPA's operations, customer energy usage and payments will continue without major disruption or change. Our conclusions are based upon the design of the Transition Charge and the Adjustment Mechanism as applied in the ordinary course of PREPAs business as it currently exists.

6. ARTICLE 6.25A(e)(1)REQUIREMENTS

We have reviewed draft Restructuring Resolution that is attached to the Corporation's Petition to the Commission and the calculation methodology for the Transition Charges and Adjustment Mechanism. We conclude that the Transition Charges have been calculated as provided in clauses (ii), (iii), (iv) and (vi) of paragraph (e)(1) of Article 6.25A, as applicable. In particular, the calculation of the Transition Charges includes the following:

A. There is a determination of Customer classes among which Ongoing Financing Costs are distributed. The Transition Charges are to be distributed to Residential and Non-Residential Customer classes. The determination of which customers fall under each of those broad categories is addressed by the Revitalization Act itself and in the Restructuring Resolution and the Servicing Agreement.

B. The calculation of Transition Charges for Non-Residential Customers (which includes all customers of PREPA other than Residential Customers) is based upon historical energy usage (kWh) data;

C. For Residential Customers, the Corporation has made a determination to calculate Transition Charges on a per service agreement basis;

D. For net metering customers, the Corporation has made a determination to include the estimated load served by net metering or estimated distributed generation ("behind the meter") in determining customer energy usage in the calculation of Transition Charges.

7. CONCLUSIONS

Based upon the foregoing, and subject to the assumptions and further discussion in this report, we have concluded that the projected Transition Charges have been calculated in accordance with the clauses specified in Article 6.25A (e)(3), as applicable, and in accordance with the assumptions indicated above, and that the Transition Charge mechanism, including the Adjustment Mechanism, is designed to generate sufficient revenue to provide for the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds if fully and properly implemented with necessary oversight from the Servicer and the Regulator.

A.1 About Navigant Consulting

Navigant Consulting, Inc. is a specialized, global professional services firm that helps clients take control of their future. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, Navigant primarily serves clients in the healthcare, energy and financial services industries.

We are a Delaware corporation incorporated in 1996 and headquartered in Chicago, Illinois. Our executive office is located at 30 South Wacker Drive, Suite 3550, Chicago, Illinois 60606. Our telephone number is (312) 573-5600. Our common stock is traded on the New York Stock Exchange under the symbol "NCI."

Business Segments

Our business is organized in four reporting segments — Disputes, Investigations & Economics; Financial, Risk & Compliance; Healthcare; and Energy. Within these segments we deliver business advisory services and also provide technology-based solutions, data hosting or processing, and business process management services (which we refer to as Technology, Data & Process services herein). We conduct business across our segments through operations in various countries outside the United States (U.S.). Our Disputes, Investigations & Economics segment's professional services include valuation and economic analysis, as well as accounting, regulatory, construction and computer forensic expertise. In addition to these capabilities, our professionals use technological tools to perform eDiscovery services and to deliver custom technology and data analytic solutions.

Our Financial, Risk & Compliance segment provides strategic, operational, valuation, risk management, investigative and compliance advisory services to clients primarily in the highly-regulated financial services industry, including major financial and insurance institutions. This segment also provides anti-corruption solutions and anti-money laundering, valuation and restructuring consulting, litigation support and tax compliance services to clients in a broad variety of industries.

Our Healthcare segment provides consulting services and business process management services. Clients of this segment include healthcare providers, payers and life sciences companies. Our services include strategy consulting, operational and performance improvement consulting, and business process management services.

Our Energy segment provides management advisory services to utility, government and commercial clients. We believe our Energy segment has created an organization that combines market insights and business strategy knowledge with exceptional operational and technical experience to deliver financially viable and sustainable solutions for our clients on a global basis.

A.2 Securitization Debt Service

See attached spreadsheet.

A.3 Transition charge projection

Period Starting	TUA Period Ending	Residential Customer TC ($/SA)	Non-Residential Customer TC ($/kWh)
6/30/16	9/30/16	$ 11.98	$ 0.03055
9/30/16	12/31/16	$ 11.79	$ 0.03060
12/31/16	3/31/17	$ 11.36	$ 0.03007
3/31/17	6/30/17	$ 12.26	$ 0.03127
6/30/17	9/30/17	$ 11.28	$ 0.02876
9/30/17	12/31/17	$ 11.06	$ 0.02870
12/31/17	3/31/18	$ 10.66	$ 0.02821
3/31/18	6/30/18	$ 11.50	$ 0.02932
6/30/18	9/30/18	$ 16.52	$ 0.04213
9/30/18	12/31/18	$ 16.22	$ 0.04209
12/31/18	3/31/19	$ 15.62	$ 0.04137
3/31/19	6/30/19	$ 16.87	$ 0.04301
6/30/19	9/30/19	$ 13.07	$ 0.03332
9/30/19	12/31/19	$ 12.80	$ 0.03322
12/31/19	3/31/20	$ 12.34	$ 0.03266
3/31/20	6/30/20	$ 13.31	$ 0.03395
6/30/20	9/30/20	$ 13.09	$ 0.03337
9/30/20	12/31/20	$ 12.84	$ 0.03331
12/31/20	3/31/21	$ 12.37	$ 0.03274
3/31/21	6/30/21	$ 13.34	$ 0.03403
6/30/21	9/30/21	$ 17.54	$ 0.04471
9/30/21	12/31/21	$ 17.21	$ 0.04466
12/31/21	3/31/22	$ 16.58	$ 0.04390
3/31/22	6/30/22	$ 17.90	$ 0.04564
6/30/22	9/30/22	$ 17.86	$ 0.04554
9/30/22	12/31/22	$ 17.51	$ 0.04545
12/31/22	3/31/23	$ 16.88	$ 0.04468
3/31/23	6/30/23	$ 18.21	$ 0.04644
6/30/23	9/30/23	$ 17.51	$ 0.04464
9/30/23	12/31/23	$ 17.17	$ 0.04455
12/31/23	3/31/24	$ 16.54	$ 0.04380
3/31/24	6/30/24	$ 17.86	$ 0.04554

Period Starting	TUA Period Ending	Residential Customer TC ($/SA)	Non-Residential Customer TC ($/kWh)
6/30/24	9/30/24	$ 15.74	$ 0.04013
9/30/24	12/31/24	$ 15.43	$ 0.04004
12/31/24	3/31/25	$ 14.86	$ 0.03936
3/31/25	6/30/25	$ 16.05	$ 0.04091
6/30/25	9/30/25	$ 15.50	$ 0.03953
9/30/25	12/31/25	$ 15.20	$ 0.03945
12/31/25	3/31/26	$ 14.64	$ 0.03877
3/31/26	6/30/26	$ 15.81	$ 0.04032
6/30/26	9/30/26	$ 14.34	$ 0.03655
9/30/26	12/31/26	$ 14.05	$ 0.03646
12/31/26	3/31/27	$ 13.54	$ 0.03585
3/31/27	6/30/27	$ 14.61	$ 0.03726
6/30/27	9/30/27	$ 11.75	$ 0.02995
9/30/27	12/31/27	$ 11.51	$ 0.02988
12/31/27	3/31/28	$ 11.09	$ 0.02937
3/31/28	6/30/28	$ 11.97	$ 0.03053
6/30/28	9/30/28	$ 13.22	$ 0.03371
9/30/28	12/31/28	$ 12.97	$ 0.03365
12/31/28	3/31/29	$ 12.49	$ 0.03308
3/31/29	6/30/29	$ 13.49	$ 0.03440
6/30/29	9/30/29	$ 14.65	$ 0.03735
9/30/29	12/31/29	$ 14.37	$ 0.03729
12/31/29	3/31/30	$ 13.85	$ 0.03666
3/31/30	6/30/30	$ 14.95	$ 0.03811
6/30/30	9/30/30	$ 13.24	$ 0.03376
9/30/30	12/31/30	$ 12.98	$ 0.03369
12/31/30	3/31/31	$ 12.51	$ 0.03312
3/31/31	6/30/31	$ 13.50	$ 0.03442
6/30/31	9/30/31	$ 13.46	$ 0.03431
9/30/31	12/31/31	$ 13.20	$ 0.03425
12/31/31	3/31/32	$ 12.71	$ 0.03366
3/31/32	6/30/32	$ 13.73	$ 0.03500
6/30/32	9/30/32	$ 13.39	$ 0.03415
9/30/32	12/31/32	$ 13.13	$ 0.03408
12/31/32	3/31/33	$ 12.65	$ 0.03350

Period Starting	TUA Period Ending	Residential Customer TC ($/SA)	Non-Residential Customer TC ($/kWh)
3/31/33	6/30/33	$ 13.66	$ 0.03484
6/30/33	9/30/33	$ 11.94	$ 0.03043
9/30/33	12/31/33	$ 11.70	$ 0.03036
12/31/33	3/31/34	$ 11.27	$ 0.02985
3/31/34	6/30/34	$ 12.17	$ 0.03103
6/30/34	9/30/34	$ 12.16	$ 0.03100
9/30/34	12/31/34	$ 11.92	$ 0.03094
12/31/34	3/31/35	$ 11.49	$ 0.03042
3/31/35	6/30/35	$ 12.40	$ 0.03161
6/30/35	9/30/35	$ 10.75	$ 0.02741
9/30/35	12/31/35	$ 10.54	$ 0.02734
12/31/35	3/31/36	$ 10.70	$ 0.02729
3/31/36	6/30/36	$ 10.84	$ 0.02696
6/30/36	9/30/36	$ 10.96	$ 0.02794
9/30/36	12/31/36	$ 10.75	$ 0.02789
12/31/36	3/31/37	$ 10.79	$ 0.02752
3/31/37	6/30/37	$ 10.80	$ 0.02753
6/30/37	9/30/37	$ 10.99	$ 0.02801
9/30/37	12/31/37	$ 10.77	$ 0.02796
12/31/37	3/31/38	$ 10.81	$ 0.02755
3/31/38	6/30/38	$ 10.85	$ 0.02768
6/30/38	9/30/38	$ 10.98	$ 0.02800
9/30/38	12/31/38	$ 10.77	$ 0.02795
12/31/38	3/31/39	$ 10.81	$ 0.02755
3/31/39	6/30/39	$ 10.84	$ 0.02765
6/30/39	9/30/39	$ 10.99	$ 0.02801
9/30/39	12/31/39	$ 10.78	$ 0.02796
12/31/39	3/31/40	$ 10.81	$ 0.02756
3/31/40	6/30/40	$ 10.85	$ 0.02766
6/30/40	9/30/40	$ 10.99	$ 0.02802
9/30/40	12/31/40	$ 10.78	$ 0.02797
12/31/40	3/31/41	$ 10.39	$ 0.02750
3/31/41	6/30/41	$ 11.20	$ 0.02857

Debt Service Schedule

	Quarterly 9/30/16	Quarterly 12/31/16	Quarterly 3/31/17
Securitized Bonds, part of SPV [(a)]			
Pre-transaction Legacy Bonds[(b)]	–	–	–
Exchange Securitization Bonds[(c)]	–	–	–
Mirror Bonds	–	–	–
2016A, 2016B & Illustrative 2016C[(d)]	–	–	–
SIF Securitization	–	–	–
DSRF Securitization	–	–	–
Total Affected Bond Debt Service	**–**	**–**	**–**
Plus: Surety Replacement & Fees			
Surety Replacement	–	–	–
Annual Surety Premium	–	–	–
Quarterly Fee	(1)	(1)	(1)
Other Annual Fees[(e)]	–	–	–
Total Surety Replacement & Fees	**($1)**	**($1)**	**($1)**
Total SPV Debt Service incl. Surety Replacement & Fees	*($1)*	*($1)*	*($1)*
Memo: Debt Service Associated with Costs of Issuance at Close			
Principal	–	–	–
Interest	–	–	–
Debt Service	–	–	–

x Footnotes:

Restructuring

Note: 2016 principal and interest shown net of 2016A, 2016B and illustrative 2016C.

Note: Due to amount of time required to implement the securitization charge, securitization bonds and illustrative 2016C assumed to have a "long first payment" in July 2017, consisting of all amounts accrued up to that point from close of transaction. Other mirror bond payments assumed to be paid from PREPA during that time and are included in the "Unaffected Obligations" section.

(a) Represents debt service obligations for bonds that will be exchanged or defeased through securitization bonds or mirror bonds under the restructuring transaction.

(b) Represents pre-transaction debt service on uninsured and insured bonds that will subsequently be exchanged or defeased through securitization bonds or mirror bonds.

(c) Represents forbearing and participating non-forbearing uninsured bonds. Also includes cost of issuance at close.

amounts of which are assumed to be exchanged/defeased into securitization

(e) Represents estimates for ongoing financing costs including servicing fees, administrative expenses and calculation agent fees (among other items). Amounts are subject to material change. Servicing fee to be escalated after each fiscal year based on the lagged percentage increase in the prior calendar year's CPI-U over CY2015. Inflation projections per EIA DOE 2015 Annual Energy Outlook.

Quarterly **6/30/17**	Quarterly **9/30/17**	Quarterly **12/31/17**	Quarterly **3/31/18**	Quarterly **6/30/18**	Quarterly **9/30/18**	Quarterly **12/31/18**	Quarterly **3/31/19**	Quarterly **6/30/19**
–	–	–	–	–	–	–	–	–
(147)	–	(73)	–	(73)	–	(73)	–	(73)
(146)	(3)	(46)	(3)	(113)	(3)	(44)	(3)	(193)
(76)	–	(49)	–	(48)	–	(14)	–	(126)
(2)	–	(1)	–	(1)	–	(1)	–	(1)
(4)	–	(2)	–	(2)	–	(2)	–	(2)
($375)	**($3)**	**($171)**	**($3)**	**($237)**	**($3)**	**($135)**	**($3)**	**($396)**
–	–	–	–	–	–	–	–	($49)
(9)	–	–	–	(9)	–	–	–	(8)
(1)	(1)	(1)	–	–	–	–	–	–
(5)	–	(3)	–	(3)	–	(3)	–	(3)
($16)	**($1)**	**($3)**	**–**	**($12)**	**–**	**($3)**	**–**	**($60)**
($390)	*($4)*	*($175)*	*($3)*	*($248)*	*($3)*	*($138)*	*($3)*	*($456)*
–	–	–	–	–	–	–	–	–
(2)	–	*(1)*	–	*(1)*	–	*(1)*	–	*(1)*
($2)	–	*($1)*	–	*($1)*	–	*($1)*	–	*($1)*

Quarterly 9/30/19	Quarterly 12/31/19	Quarterly 3/31/20	Quarterly 6/30/20	Quarterly 9/30/20	Quarterly 12/31/20	Quarterly 3/31/21	Quarterly 6/30/21	Quarterly 9/30/21
–	–	–	–	–	–	–	–	–
–	(73)	–	(73)	–	(73)	–	(73)	–
(3)	(41)	(3)	(157)	(3)	(38)	(3)	(159)	(3)
–	(47)	–	(45)	–	(40)	–	(38)	–
–	(1)	–	(1)	–	(1)	–	(1)	–
–	(2)	–	(2)	–	(2)	–	(2)	–
($3)	**($165)**	**($3)**	**($279)**	**($3)**	**($154)**	**($3)**	**($274)**	**($3)**
–	–	–	($49)	–	–	–	($49)	–
–	–	–	(7)	–	–	–	(6)	–
–	–	–	–	–	–	–	–	–
–	(3)	–	(3)	–	(3)	–	(3)	–
–	**($3)**	**–**	**($59)**	**–**	**($3)**	**–**	**($58)**	**–**
($3)	*($167)*	*($3)*	*($338)*	*($3)*	*($157)*	*($3)*	*($332)*	*($3)*
–	–	–	–	–	–	–	–	–
–	*(1)*	–	*(1)*	–	*(1)*	–	*(1)*	–
–	*($1)*	–	*($1)*	–	*($1)*	–	*($1)*	–

Quarterly **12/31/21**	Quarterly **3/31/22**	Quarterly **6/30/22**	Quarterly **9/30/22**	Quarterly **12/31/22**	Quarterly **3/31/23**	Quarterly **6/30/23**	Quarterly **9/30/23**	Quarterly **12/31/23**
–	–	–	–	–	–	–	–	–
(169)	–	(169)	–	(169)	–	(169)	–	(169)
(35)	(3)	(162)	(3)	(32)	(3)	(229)	(3)	(27)
(15)	–	(15)	–	–	–	–	–	–
(2)	–	(2)	–	(2)	–	(2)	–	(2)
(3)	–	(3)	–	(3)	–	(3)	–	(3)
($225)	**($3)**	**($351)**	**($3)**	**($206)**	**($3)**	**($403)**	**($3)**	**($201)**
–	–	($49)	–	–	–	($49)	–	–
–	–	(5)	–	–	–	(4)	–	–
–	–	–	–	–	–	–	–	–
(3)	–	(3)	–	(3)	–	(3)	–	(3)
($3)	**–**	**($57)**	**–**	**($3)**	**–**	**($56)**	**–**	**($3)**
($228)	*($3)*	*($408)*	*($3)*	*($209)*	*($3)*	*($459)*	*($3)*	*($204)*
($1)	*–*	*($1)*	*–*	*($1)*	*–*	*($1)*	*–*	*($1)*
(1)	*–*	*(1)*	*–*	*(1)*	*–*	*(1)*	*–*	*(1)*
($2)	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*

Quarterly 3/31/24	Quarterly 6/30/24	Quarterly 9/30/24	Quarterly 12/31/24	Quarterly 3/31/25	Quarterly 6/30/25	Quarterly 9/30/25	Quarterly 12/31/25	Quarterly 3/31/26
–	–	–	–	–	–	–	–	–
–	(169)	–	(169)	–	(169)	–	(169)	–
(3)	(224)	(3)	(22)	(3)	(170)	(2)	(19)	(2)
–	–	–	–	–	–	–	–	–
–	(2)	–	(2)	–	(2)	–	(2)	–
–	(3)	–	(3)	–	(3)	–	(3)	–
($3)	**($399)**	**($3)**	**($197)**	**($3)**	**($344)**	**($2)**	**($194)**	**($2)**
–	($49)	–	–	–	($49)	–	–	–
–	(3)	–	–	–	(2)	–	–	–
–	–	–	–	–	–	–	–	–
–	(3)	–	(3)	–	(3)	–	(3)	–
–	**($55)**	**–**	**($3)**	**–**	**($54)**	**–**	**($3)**	**–**
($3)	*($454)*	*($3)*	*($200)*	*($3)*	*($399)*	*($2)*	*($197)*	*($2)*
–	*($1)*	–	*($1)*	–	*($1)*	–	*($1)*	–
–	*(1)*	–	*(1)*	–	*(1)*	–	*(1)*	–
–	*($2)*	–	*($2)*	–	*($2)*	–	*($2)*	–

Quarterly **6/30/26**	Quarterly **9/30/26**	Quarterly **12/31/26**	Quarterly **3/31/27**	Quarterly **6/30/27**	Quarterly **9/30/27**	Quarterly **12/31/27**	Quarterly **3/31/28**	Quarterly **6/30/28**
–	–	–	–	–	–	–	–	–
(169)	–	(169)	–	(169)	–	(169)	–	(169)
(158)	(1)	(17)	(1)	(124)	(1)	(15)	(1)	(85)
–	–	–	–	–	–	–	–	–
(2)	–	(2)	–	(2)	–	(2)	–	(2)
(3)	–	(3)	–	(3)	–	(3)	–	(3)
($333)	**($1)**	**($191)**	**($1)**	**($298)**	**($1)**	**($189)**	**($1)**	**($259)**
($49)	–	–	–	($49)	–	–	–	–
(1)	–	–	–	(0)	–	–	–	–
–	–	–	–	–	–	–	–	–
(3)	–	(3)	–	(3)	–	(3)	–	(3)
($53)	**–**	**($3)**	**–**	**($52)**	**–**	**($3)**	**–**	**($3)**
($386)	*($1)*	*($194)*	*($1)*	*($351)*	*($1)*	*($192)*	*($1)*	*($263)*
($1)	*–*	*($1)*	*–*	*($1)*	*–*	*($1)*	*–*	*($1)*
(1)	*–*	*(1)*	*–*	*(1)*	*–*	*(1)*	*–*	*(1)*
($2)	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*

Quarterly **9/30/28**	Quarterly **12/31/28**	Quarterly **3/31/29**	Quarterly **6/30/29**	Quarterly **9/30/29**	Quarterly **12/31/29**	Quarterly **3/31/30**	Quarterly **6/30/30**	Quarterly **9/30/30**
–	–	–	–	–	–	–	–	–
–	(169)	–	(169)	–	(198)	–	(198)	–
(0)	(14)	(0)	(123)	–	(11)	–	(123)	–
–	–	–	–	–	–	–	–	–
–	(2)	–	(2)	–	(2)	–	(2)	–
–	(3)	–	(3)	–	(3)	–	(3)	–
($0)	**($188)**	**($0)**	**($297)**	**–**	**($214)**	**–**	**($326)**	**–**
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	(3)	–	(3)	–	(3)	–	(3)	–
–	**($3)**	**–**	**($3)**	**–**	**($3)**	**–**	**($3)**	**–**
($0)	*($191)*	*($0)*	*($300)*	*–*	*($218)*	*–*	*($329)*	*–*
–	*($1)*	*–*	*($1)*	*–*	*($1)*	*–*	*($1)*	*–*
–	*(1)*	*–*	*(1)*	*–*	*(1)*	*–*	*(1)*	*–*
–	*($2)*	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*	*–*

Quarterly **12/31/30**	Quarterly **3/31/31**	Quarterly **6/30/31**	Quarterly **9/30/31**	Quarterly **12/31/31**	Quarterly **3/31/32**	Quarterly **6/30/32**	Quarterly **9/30/32**	Quarterly **12/31/32**
–	–	–	–	–	–	–	–	–
(198)	–	(198)	–	(198)	–	(198)	–	(198)
(9)	–	(86)	–	(6)	–	(88)	–	(4)
–	–	–	–	–	–	–	–	–
(2)	–	(2)	–	(2)	–	(2)	–	(2)
(3)	–	(3)	–	(3)	–	(3)	–	(3)
($212)	**–**	**($289)**	**–**	**($209)**	**–**	**($291)**	**–**	**($207)**
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
(3)	–	(3)	–	(3)	–	(3)	–	(3)
($3)	**–**	**($3)**	**–**	**($3)**	**–**	**($3)**	**–**	**($3)**
($215)	*–*	*($292)*	*–*	*($213)*	*–*	*($295)*	*–*	*($211)*
($1)	*–*	*($1)*	*–*	*($1)*	*–*	*($1)*	*–*	*($1)*
(1)	*–*	*(1)*	*–*	*(1)*	*–*	*(1)*	*–*	*(1)*
($2)	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*

Quarterly 3/31/33	Quarterly 6/30/33	Quarterly 9/30/33	Quarterly 12/31/33	Quarterly 3/31/34	Quarterly 6/30/34	Quarterly 9/30/34	Quarterly 12/31/34	Quarterly 3/31/35
–	–	–	–	–	–	–	–	–
–	(198)	–	(198)	–	(198)	–	(198)	–
–	(89)	–	(2)	–	(43)	–	(1)	–
–	–	–	–	–	–	–	–	–
–	(2)	–	(2)	–	(2)	–	(2)	–
–	(3)	–	(3)	–	(3)	–	(3)	–
–	**($292)**	**–**	**($205)**	**–**	**($246)**	**–**	**($204)**	**–**
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	(3)	–	(3)	–	(3)	–	(3)	–
–	**($3)**	**–**	**($3)**	**–**	**($3)**	**–**	**($3)**	**–**
–	*($296)*	–	*($209)*	–	*($250)*	–	*($208)*	–
–	*($1)*	–	*($1)*	–	*($1)*	–	*($1)*	–
–	*(1)*	–	*(1)*	–	*(1)*	–	*(0)*	–
–	*($2)*	–	*($2)*	–	*($2)*	–	*($2)*	–

Quarterly **6/30/35**	Quarterly **9/30/35**	Quarterly **12/31/35**	Quarterly **3/31/36**	Quarterly **6/30/36**	Quarterly **9/30/36**	Quarterly **12/31/36**	Quarterly **3/31/37**	Quarterly **6/30/37**
–	–	–	–	–	–	–	–	–
(198)	–	(198)	–	(198)	–	(198)	–	(198)
(44)	–	(0)	–	(0)	–	(0)	–	(0)
–	–	–	–	–	–	–	–	–
(2)	–	(2)	–	(2)	–	(2)	–	(2)
(3)	–	(3)	–	(3)	–	(3)	–	(3)
($247)	**–**	**($203)**	**–**	**($203)**	**–**	**($203)**	**–**	**($203)**
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
(3)	–	(3)	–	(3)	–	(4)	–	(4)
($3)	**–**	**($3)**	**–**	**($3)**	**–**	**($4)**	**–**	**($4)**
($251)	*–*	*($206)*	*–*	*($207)*	*–*	*($207)*	*–*	*($207)*
($1)	*–*	*($1)*	*–*	*($1)*	*–*	*($1)*	*–*	*($1)*
(0)	*–*	*(0)*	*–*	*(0)*	*–*	*(0)*	*–*	*(0)*
($2)	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*

Quarterly **9/30/37**	Quarterly **12/31/37**	Quarterly **3/31/38**	Quarterly **6/30/38**	Quarterly **9/30/38**	Quarterly **12/31/38**	Quarterly **3/31/39**	Quarterly **6/30/39**	Quarterly **9/30/39**
–	–	–	–	–	–	–	–	–
–	(198)	–	(198)	–	(198)	–	(198)	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	(2)	–	(2)	–	(2)	–	(2)	–
–	(3)	–	(3)	–	(3)	–	(3)	–
–	**($203)**	**–**	**($203)**	**–**	**($203)**	**–**	**($203)**	**–**
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	(4)	–	(4)	–	(4)	–	(4)	–
–	**($4)**	**–**	**($4)**	**–**	**($4)**	**–**	**($4)**	**–**
–	*($207)*	–	*($207)*	–	*($207)*	–	*($207)*	–
–	*($1)*	–	*($1)*	–	*($2)*	–	*($2)*	–
–	*(0)*	–	*(0)*	–	*(0)*	–	*(0)*	–
–	*($2)*	–	*($2)*	–	*($2)*	–	*($2)*	–

Quarterly **12/31/39**	Quarterly **3/31/40**	Quarterly **6/30/40**	Quarterly **9/30/40**	Quarterly **12/31/40**	Quarterly **3/31/41**	Quarterly **6/30/41**	Annual **6/30/16**
–	–	–	–	–	–	–	($101)
(198)	–	(198)	–	(198)	–	(198)	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	(3)
(2)	–	(2)	–	(2)	–	(2)	–
(3)	–	(3)	–	(3)	–	(3)	–
($203)	**–**	**($203)**	**–**	**($203)**	**–**	**($203)**	**($103)**
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
(4)	–	(4)	–	(4)	–	(4)	–
($4)	**–**	**($4)**	**–**	**($4)**	**–**	**($4)**	**–**
($207)	*–*	*($207)*	*–*	*($207)*	*–*	*($207)*	*($103)*
($2)	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*	*–*
(0)	*–*	*(0)*	*–*	*(0)*	*–*	*(0)*	*–*
($2)	*–*	*($2)*	*–*	*($2)*	*–*	*($2)*	*–*

Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
6/30/17	**6/30/18**	**6/30/19**	**6/30/20**	**6/30/21**	**6/30/22**	**6/30/23**	**6/30/24**	**6/30/25**	**6/30/26**	**6/30/27**
–	–	–	–	–	–	–	–	–	–	–
(147)	(147)	(147)	(147)	(147)	(339)	(339)	(339)	(339)	(339)	(339)
(146)	(164)	(243)	(203)	(202)	(202)	(265)	(256)	(197)	(182)	(143)
(76)	(97)	(140)	(93)	(78)	(30)	–	–	–	–	–
(2)	(2)	(2)	(2)	(2)	(4)	(4)	(4)	(4)	(4)	(4)
(4)	(4)	(4)	(4)	(4)	(6)	(6)	(6)	(6)	(6)	(6)
($375)	**($413)**	**($536)**	**($449)**	**($433)**	**($581)**	**($614)**	**($605)**	**($546)**	**($530)**	**($492)**
–	–	($49)	($49)	($49)	($49)	($49)	($49)	($49)	($49)	($49)
(9)	(9)	(8)	(7)	(6)	(5)	(4)	(3)	(2)	(1)	(0)
(5)	(2)	–	–	–	–	–	–	–	–	–
(5)	(5)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
($19)	**($16)**	**($63)**	**($62)**	**($61)**	**($60)**	**($59)**	**($58)**	**($57)**	**($56)**	**($55)**
($394)	*($430)*	*($599)*	*($511)*	*($494)*	*($641)*	*($673)*	*($663)*	*($603)*	*($587)*	*($547)*
–	–	–	–	–	($1)	($1)	($2)	($2)	($2)	($2)
(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
($2)	($2)	($2)	($2)	($2)	($3)	($3)	($3)	($3)	($3)	($3)

Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
6/30/28	**6/30/29**	**6/30/30**	**6/30/31**	**6/30/32**	**6/30/33**	**6/30/34**	**6/30/35**	**6/30/36**	**6/30/37**	**6/30/38**
–	–	–	–	–	–	–	–	–	–	–
(339)	(339)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)
(101)	(137)	(134)	(95)	(95)	(94)	(45)	(45)	(0)	(0)	–
–	–	–	–	–	–	–	–	–	–	–
(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
($450)	**($486)**	**($540)**	**($501)**	**($501)**	**($500)**	**($451)**	**($451)**	**($406)**	**($406)**	**($406)**
–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–
(6)	(6)	(6)	(6)	(7)	(7)	(7)	(7)	(7)	(7)	(7)
($6)	**($6)**	**($6)**	**($6)**	**($7)**	**($7)**	**($7)**	**($7)**	**($7)**	**($7)**	**($7)**
($456)	*($492)*	*($547)*	*($507)*	*($507)*	*($506)*	*($458)*	*($458)*	*($413)*	*($413)*	*($413)*
($2)	($2)	($2)	($2)	($2)	($2)	($2)	($3)	($3)	($3)	($3)
(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
($3)	($3)	($3)	($3)	($3)	($3)	($3)	($3)	($3)	($3)	($3)

Annual 6/30/39	Annual 6/30/40	Annual 6/30/41	Annual 6/30/42	Annual 6/30/43	Annual 6/30/44	Annual 6/30/45	Annual 6/30/46	Annual 6/30/47
–	–	–	–	–	–	–	–	–
(396)	(396)	(396)	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
(4)	(4)	(4)	–	–	–	–	–	–
(6)	(6)	(6)	–	–	–	–	–	–
($406)	**($406)**	**($406)**	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
(7)	(7)	(8)	–	–	–	–	–	–
($7)	**($7)**	**($8)**	**–**	**–**	**–**	**–**	**–**	**–**
($413)	*($413)*	*($414)*	–	–	–	–	–	–
($3)	($3)	($3)	–	–	–	–	–	–
(0)	(0)	(0)	–	–	–	–	–	–
($3)	($3)	($3)	–	–	–	–	–	–

CROSS REFERENCE OF STATUTORY PROVISIONS WITH THE PETITION, TESTIMONY, EXHIBITS, AND ATTACHMENTS[1]

Statutory Citation	Summary	Petition	Testimony	Supporting Material [2]
Article 6.25(b)	Findings for the Commission to make	Section IV	Lisa Donahue (Corporation Ex. 1.00)	
Article 6.25A(c)	Copy of proposed Restructuring Resolution	Attachment 1.00	Gerard Gil-Olazábal (Corporation Ex. 3.00)	
Article 6.25A(d)(i)	Calculation Methodology for the Transition Charges and Adjustment Mechanism designed to provide for the full and timely payment of the Bonds	Section III.C	Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00
Article 6.25A(d)(ii)(1)	Calculation Methodology distributes share of Financing Costs from each Customer class calculated based on historic energy (kWh) usage and manner practicable to administer and ensures full and timely payment of Bonds	Section III.C	Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00

[1] This table is provided for the convenience of the Commission. It is intended to highlight major areas of discussion in the Petition, Testimony, and other materials, and not to limit the scope of relevance of any section of the Petition, testimony, or any other material submitted.

[2] To avoid confusion in the designation of documents, attachments to the Petition are designated as "Attachments" and testimony, or documents attached thereto, are designated as "Exhibits."

Statutory Citation	Summary	Petition	Testimony	Supporting Material [2]
Article 6.25A(d)(ii)(2)	Calculation Methodology sets Transition Charges based upon historic energy usage (kWh) data or per service agreement (Corp. election) calculated in manner practicable to administer and ensures the full and timely payment of Bonds and allocation Transition Charge does not limit the rate case discretion of the Commission	Section III.C	Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00
Article 6.25A(d)(ii)(3)	Calculation Methodology provides that Customer class delinquencies added to next revenue requirement period	Section III.C	Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00
Article 6.25A(d)(ii)(4)	Calculation Methodology provides that Corp. may elect to include the net metering load in energy usage	Section III.C	Gerard Gil-Olazábal (Corporation Ex. 3.00) Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00
Article 6.25A(e)	Identifies information, determinations, commitments, and other features required of the Restructuring Resolution and the Corporation's Petition or attachments thereto	Section III.D	Addressed by subpart, below	

Statutory Citation	Summary	Petition	Testimony	Supporting Material [2]
Article 6.25A(e)(1)(i)	Restructuring Resolution contains Upfront and Ongoing Financing Costs description and documentation	Section III.D.1	Michael Mace (Corporation Ex. 4.00)	Attachment 1.00 Attachment 2.01 Attachment 2.02 Attachment 2.03
Article 6.25A(e)(1)(ii)	Restructuring Resolution contains determination of Customer classes	Section III.D.1	Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00 Corporation Ex. 6.02
Article 6.25A(e)(1)(iii)	Restructuring Resolution contains calculation of Non-Residential Transition Charges based upon historical energy usage and data to replicate	Section III.D.1	Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00 Corporation Ex. 6.03
Article 6.25A(e)(1)(iv)	Restructuring Resolution contains calculation of Residential Customer Transition Charges based upon historical energy usage (kWh) data or on a per service agreement basis and data to replicate	Section III.D.1	Gerard Gil-Olazábal (Corporation Ex. 3.00) Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00 Corporation Ex. 6.03
Article 6.25A(e)(1)(v)	Restructuring Resolution contains Customer class delinquencies added to next revenue requirement period	Section III.D.1	Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00 Corporation Ex. 6.03

Statutory Citation	Summary	Petition	Testimony	Supporting Material [2]
Article 6.25A(e)(1)(vi)	Restructuring Resolution contains Corp. determination for Determining Estimated Load Served by Net Metering or Distributed Generation	Section III.D.1	Gerard Gil-Olazábal (Corporation Ex. 3.00) Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00
Article 6.25A(e)(1)(vii)	Restructuring Resolution contains Corp. determination that Transition Charge design can be administered practicably and ensure full and timely payment	Section III.D.1	Gerard Gil-Olazábal (Corporation Ex. 3.00) Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00 Attachment 6.00
Article 6.25A(e)(1)(viii)	Restructuring Resolution contains commitment to file Report on final terms of Bonds and estimates of Upfront and Ongoing Financing Costs	Section III.D.1	Gerard Gil-Olazábal (Corporation Ex. 3.00)	Attachment 1.00
Article 6.25A(e)(1)(ix)	Restructuring Resolution contains commitment to provide any successor Servicing Agreements and all Servicer reports, including notice of any proposed adjustment to the Transition Charge	Section III.D.1	Gerard Gil-Olazábal (Corporation Ex. 3.00)	Attachment 1.00
Article 6.25A(e)(1)(x)	Restructuring Resolution contains commitment to provide any Reports Required by Bond Trustee	Section III.D.1	Gerard Gil-Olazábal (Corporation Ex. 3.00)	Attachment 1.00
Article 6.25A(e)(1)(xi)	Restructuring Resolution contains commitment to provide any annual Reports and Final Accounting	Section III.D.1	Gerard Gil-Olazábal (Corporation Ex. 3.00)	Attachment 1.00

Statutory Citation	Summary	Petition	Testimony	Supporting Material [2]
Article 6.25A(e)(1)(xii)	Restructuring Resolution contains commitment to provide notice and data/work papers regarding any adjustments to Transition Charges	Section III.D.1	Gerard Gil-Olazábal (Corporation Ex. 3.00)	Attachment 1.00
Article 6.25A(e)(2)	Petition includes/attaches historic energy (kWh) usage	Section III.D.2	Javier Quintana-Méndez, P.E. (Corporation Ex. 2.00)	Attachment 1.00 Attachment 5.00
Article 6.25A(e)(3)	Petition includes/attaches Independent Financial Consultant Report	Section III.D.3	Ralph Zarumba (Corporation Ex. 6.00)	Attachment 6.00
Article 6.25A(e)(4)	Petition includes/attaches itemized breakdown of the estimates of Upfront and Ongoing Financing Costs; estimate of Transition Charges and the estimated ratio of total Transition Charges to total charges to Customers	Section III.D.4	Michael Mace (Corporation Ex. 4.00) Ralph Zarumba (Corporation Ex. 6.00)	Attachment 2.01 Attachment 2.02 Attachment 2.03 Attachment 3.02
Article 6.25A(e)(5) and Article 35(a)(iii)	Petition includes/attaches demonstration that Savings Test is satisfied	Section III.D.5	Lisa Donahue (Corporation Ex. 1.00) Michael Mace (Corporation Ex. 4.00)	Attachment 3.01

Statutory Citation	Summary	Petition	Testimony	Supporting Material [2]
Article 6.25A(e)(6)	Petition includes/attaches determination that the servicing costs are sufficient to compensate PREPA for the reasonable incremental costs	Section III.D.6	Gerard Gil-Olazábal (Corporation Ex. 3.00) Michael Mace (Corporation Ex. 4.00) Dan Stathos (Corporation Ex. 5.00)	Attachment 1.00 Corporation Exs. 5.00 – 5.04
Article 6.25A(e)(7)	Petition includes/attaches projections and stress test scenarios provided by PREPA or the Corporation to credit rating agencies	Section III.D.7	Michael Mace (Corporation Ex. 4.00) Javier Quintana-Méndez, P.E. (Corporation Ex. 2.00)	Attachment 4.00
Article 6.25A(e)(8)(i)(1)	Petition includes/attaches documentary support for and estimates of interest and principal payments on the Restructuring Bonds and the payment dates thereof	Section III.D.8	Michael Mace (Corporation Ex. 4.00)	Attachment 2.03
Article 6.25A(e)(8)(i)(2)	Petition includes/attaches debt service coverage requirement, if any	Section III.D.8	Michael Mace (Corporation Ex. 4.00)	Attachment 3.03
Article 6.25A(e)(8)(i)(3)	Petition includes/attaches issuance expenses (including legal fees, underwriting fees, defeasing costs, servicing fees, and other fees and costs)	Section III.D.8	Michael Mace (Corporation Ex. 4.00)	Attachment 2.01

Statutory Citation	Summary	Petition	Testimony	Supporting Material [2]
Article 6.25A(e)(8)(i)(4)	Petition includes/attaches any payments to the United States to preserve or protect the tax-exempt status of PREPA's outstanding debt obligations or the Restructuring Bonds	Section III.D.8	Michael Mace (Corporation Ex. 4.00)	
Article 6.25A(e)(8)(i)(5)	Petition includes/attaches deposits to accounts (including amounts deposited in respect of capitalized interest, debt service reserve fund, operating expense reserve, or account, and PREPA's self-insurance)	Section III.D.8	Michael Mace (Corporation Ex. 4.00)	Attachment 2.01
Article 6.25A(e)(8)(i)(6)	Petition includes/attaches any costs, not included above, related to obtaining the Restructuring Order, protecting status of Restructuring Property, collecting Transition Charge, and administration costs	Section III.D.8	Michael Mace (Corporation Ex. 4.00)	Attachment 2.01 Attachment 2.02
Article 6.25A(e)(8)(ii)	An identification of the estimated one time costs (as distinct from ongoing costs), and an explanation of how such estimated one-time costs will be included in the Transition Charge (for example, amortization vs. one time recovery).	Section III.D.8	Michael Mace (Corporation Ex. 4.00)	Attachment 2.01
Article 6.25A(e)(9)	Written Testimony	Section III.D.9	All (Corporation Exs. 1.XX – 6.XX)	

Statutory Citation	Summary	Petition	Testimony	Supporting Material [2]
Article 6.25A(e)(9)(i)	Testimony describing the Adjustment Mechanism and the manner of its calculation and each Upfront and Ongoing Financing Cost estimated to be incurred	Section III.D.9	Michael Mace (Corporation Ex. 4.00) Ralph Zarumba (Corporation Ex. 6.00)	Attachment 1.00, App. 2 Attachment 2.01 Attachment 2.02 Corporation Ex. 6.03
Article 6.25A(e)(9)(ii)	Testimony presenting estimate/explanation of how and why the Transition Charge will change over the life of the charge.	Section III.D.9	Ralph Zarumba (Corporation Ex. 6.00)	Attachment 3.02
Article 6.25A(e)(9)(iii)	Testimony describing the estimated ratio of total Transition Charges to total charges to Customers.	Section III.D.9	Ralph Zarumba (Corporation Ex. 6.00)	Attachment 3.02
Article 6.25A(e)(9)(iv)	Testimony comparing debt service and other Ongoing Financing Costs associated with the Bonds, to the debt and debt service of PREPA's outstanding debt to be refinanced	Section III.D.9	Lisa Donahue (Corporation Ex. 1.00) Michael Mace (Corporation Ex. 4.00)	Attachment 3.03
Article 6.25A(e)(9)(v)	Testimony explaining the projections and stress test scenarios provided by PREPA or the Corporation to the credit rating agencies relating to the charge.	Section III.D.9	Michael Mace (Corporation Ex. 4.00) Javier Quintana-Méndez, P.E. (Corporation Ex. 2.00)	Attachment 4.00

Statutory Citation	Summary	Petition	Testimony	Supporting Material [2]
Article 6.25A(e)(10)	Restructuring Resolution containing proposed Initial Servicing Agreement	Section III.D.10	Gerard Gil-Olazábal (Corporation Ex. 3.00) Michael Mace (Corporation Ex. 4.00) Dan Stathos (Corporation Ex. 5.00)	Attachment 1.00, App. 4

COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION	NO.: MATTER:

RESTRUCTURING ORDER

This restructuring order is adopted by the Puerto Rico Energy Commission ("PREC" or the "Commission") pursuant to Article 6.25A of Act 57-2014, as added by Article 20 of the PREPA Revitalization Act, Act 4-2016 ("Revitalization Act" or the "PRA") and in response to a Petition filed with the Commission on April ___, 2016, by the Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation"), a special purpose public corporation and instrumentality of the Government of the Commonwealth of Puerto Rico (the "Commonwealth") pursuant to the Revitalization Act.

I. SUMMARY OF THE PETITION.

In the Petition, the Corporation describes the proposed issuance of certain Restructuring Bonds (hereinafter the "Bonds") and places before the Commission a proposed Restructuring Resolution[1] that creates Restructuring Property, provides for financing of Approved Restructuring Costs through the issuance of Bonds, imposes and provides for the collection of Transition Charges to fund Upfront Financing Costs and Ongoing Financing Costs, and describes how the Transition Charges will be calculated and adjusted through the Adjustment Mechanism. The Corporation requests that the Commission, as provided in Article 6.25A(f), review the Petition and supporting testimony and attachments, and approve the Petition by issuing an order ("Restructuring Order") making the findings and determinations therein, including as set forth in Article 6.25A(b):

First, the provisions of the Restructuring Resolution proposed by the Corporation (the "Restructuring Resolution") (Attachment 1.00)[2], including the calculation methodology for the Transition Charges[3] and Adjustment Mechanism[4] related to the Bonds are consistent with the

[1] "Restructuring Resolution" ["*Resolución de Reestructuración*"] means "a resolution of the Board adopted in accordance with [the Revitalization Act] which creates Restructuring Property, approves the imposition and collection of Transition Charges and the financing of "Approved Restructuring Costs" through the issuance of Restructuring Bonds, and contains a related Adjustment Mechanism, all as provided in Articles 34 and 35 of [the Revitalization Act.]" PRA, Art. 31 para. 29.

[2] To avoid confusion in the designation of documents, attachments to the Petition are designated as "Attachments" and testimony or documents attached to testimony are designated as "Exhibits" or "Ex."

[3] "Transition Charges" ["*Cargos de Transición*"] means "those rates and charges that are separate from rates and charges of PREPA and that are imposed pursuant to a Restructuring Resolution on Customers to recover the

criteria set forth in Article 6.25A(d) and are sufficient for and provide for adequate protection of the full and timely payment of the Bonds, in accordance with their terms, and other Ongoing Financing Costs;

Second, the Upfront Financing Costs and Ongoing Financing Costs proposed to be recovered from the Bond proceeds or the Transition Charge Revenues are consistent with Article 6.25A and Chapter IV of the Revitalization Act; and

Third, the servicing costs proposed to be recovered by the Puerto Rico Electric Power Authority ("PREPA") in its role as the initial Servicer[5] (the "Initial Servicer") are necessary, reasonable, and sufficient to compensate PREPA for the incremental costs of performing its functions as the Initial Servicer.

In this Order, we approve the Petition and make the findings requested by the Corporation.

II. BACKGROUND AND STATUTORY OVERVIEW

PREPA provides electric utility service to the vast majority of Puerto Rico. PREPA serves an essential role in supporting the public health, welfare, and economic vitality of the Commonwealth. Since its creation in 1941, PREPA has worked for the benefit of consumers as the only public corporation responsible for the provision of electricity in the Commonwealth. Only a financially sound PREPA can fund its ongoing operating expenses and capital investment needs, meet its obligations to its creditors, and provide efficient, safe, reliable, and environmentally friendly electric service at just and reasonable rates, thereby stimulating Puerto Rico's economic growth.

During the past several decades, PREPA issued substantial debt to fund capital expenditures and, in the case of fuel related credit facilities, operating expenses. In total, PREPA

Ongoing Financing Costs, and shall include a pro rata share of any late payment fee imposed in respect of any past-due bill for electric service that includes in such bill an amount for Transition Charges." PRA, Art. 31, para. 6 (citations are to the official version). "Transition Charge Revenues" ["*Ingresos de Cargos de Transición*"] "means all money and other property received or to be received, directly or indirectly, on account of the Transition Charges, and all proceeds of the investment thereof." *Id*., para. 20.

[4] "Adjustment Mechanism" [*"Mecanismo de Ajuste"]* means "the formulaic adjustment mechanism contained in a Restructuring Resolution, as approved in a Restructuring Order pursuant to the terms of Article 35 and Chapter IV of this Act and 6.25A of Act 57-2014, as amended, to be applied by the Corporation periodically, but not less often than semi-annually, to adjust the Transition Charges to ensure the collection of Transition Charge Revenues sufficient to provide for the timely payment of Ongoing Financing Costs." PRA, Art. 31, para. 23.

[5] "Servicer" ["*Manejador*"] means "PREPA to the extent permitted by this Act, and if PREPA is replaced as Servicer pursuant to a Servicing Agreement or Act 57-2014, as amended, a Person or Persons authorized and required, by contract or otherwise, to impose, bill or collect Transition Charges, to prepare periodic reports regarding billings and collections of Transition Charges, to remit collections to or for the account of the Corporation or its assigns or pledgees, including a Financing Entity, and to provide other related services for the Corporation, which may include calculation of periodic adjustments to the Transition Charges or providing other services related to the Restructuring Property; and shall be deemed to include any subservicer, backup servicer (including if it becomes a Servicer under a Servicing Agreement), replacement servicer or the successors of any of the foregoing, authorized to act as such under a Restructuring Resolution." PRA, Art. 31, para. 22.

has debt obligations of approximately $9 billion, including nearly $735 million currently due under its revolving fuel lines of credit and approximately $420 million in principal and interest that will be due on or before July 1, 2016 under its outstanding bonds. In adopting the Revitalization Act, the Legislative Assembly concluded that PREPA's financial situation requires immediate action if it is become financially sound and be able to meet its obligations to all its stakeholders.

In light of its financial situation, PREPA negotiated with major creditors to arrive at a broad, consensual financial settlement, and has entered into a Restructuring Support Agreement, dated as of January 27, 2015 (as amended or restated from time to time, the "RSA") with creditors holding or insuring approximately 70% of the face amount of PREPA's outstanding financial indebtedness including beneficial owners and insurers of existing PREPA bonds, banks (and their transferees) that previously provided revolving lines of credit used to pay for fuel and other expenses, the Government Development Bank for Puerto Rico (collectively, the "Supporting Creditors"), and others. The Corporation is now also a party to the RSA. The RSA sets forth material terms of PREPA's financial and operational restructuring. A cornerstone of the restructuring is the issuance by the Corporation of Bonds[6] authorized by the Restructuring Resolution to defease, exchange for, and/or effectively refinance certain debt of PREPA.

The RSA provides, in pertinent part and in summary,[7] that the Corporation will issue certain Bonds including Bonds to be exchanged for certain existing uninsured PREPA bonds having greater face value and that impose greater aggregate financial burdens on PREPA and, ultimately, on the residents of Puerto Rico. For the existing PREPA uninsured bondholders that participate, the RSA provides for an 85% exchange rate — or a 15% discount to principal owed under existing uninsured PREPA bonds — as well as a five-year principal holiday and an agreed-upon weighted-average interest rate pursuant to a pricing grid included in the RSA that is projected to be lower than the weighted-average interest rates on PREPA's existing bonds. In return for a commitment to defease certain insured PREPA bonds with Mirror Bonds (as defined in the Restructuring Resolution), the Monoline Insurers will provide an additional capital commitment in the form of one or more, debt service reserve fund surety policies (each, a "Surety Bond") to provide credit support for the Bonds. The scheduled maturity (including scheduled mandatory sinking fund redemptions), interest rate, principal amount, and other economic terms of the Mirror Bonds are the same as the legal maturity (including scheduled mandatory sinking fund redemptions), interest rate, principal amount, and other economic terms of the existing PREPA bonds insured by the monoline bond insurers that have signed, and are

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[6] "Restructuring Bonds" ["*Bonos de Reestructuración*"] means "bonds, notes, or other evidences of long term indebtedness that are issued by the Corporation pursuant to this Act, any Restructuring Resolution and the Trust Agreement related thereto (a) the payments on or proceeds of which are used, directly or indirectly, to finance or refinance Approved Restructuring Costs, (b) that are directly or indirectly secured by, or payable from, Restructuring Property, and (c) that have a term no less than one (1) year and no longer than thirty-five years." PRA, Art. 31 para. 3. The Bonds, as defined above, refer to those Restructuring Bonds that would be authorized by the proposed Restructuring Resolution.

[7] The terms of the RSA and the Restructuring Resolution are precise, and speak for themselves. But, this summary is accurate, and it identifies key features of the RSA and the Bonds that the Commission should be aware of and that put the Commission's specific statutory duties and authority under the Revitalization Act into context. Additional details may also be found, without limitation, in the testimony of Lisa J. Donahue and Michael Mace (Corporation Exs. 1.00 and 4.00, respectively).

participating in the transactions set forth in Schedule II to Annex D to the RSA (the "Monoline Insurers"), provided that the parties may agree to alter certain interest payments on the Mirror Bonds to better match expected Transition Charge Revenue with debt service requirements.

Cognizant of the urgent need to address PREPA's legacy debt and the demands on its cash flow, to cement PREPA's transformation, and to benefit the Commonwealth and its citizens as a whole, the Legislative Assembly of Puerto Rico enacted, and the Governor on February 16, 2016 signed into law, the Revitalization Act. The Revitalization Act implements essential terms of the RSA, which is the "Agreement with Creditors"[8] referred to in the Revitalization Act, and authorizes the Corporation to issue the Bonds. The Revitalization Act sets forth, among other things: characteristics of the Bonds and describes the Restructuring Property created to secure, satisfy, and support the payment of the Bonds; the Calculation Methodology under which Transition Charges are established and adjusted over time; and the Servicing Agreement[9] that provides for the administration, billing, and collection of the Transition Charges on behalf of the Corporation. By creating the Corporation and authorizing its issuance of the Bonds, the Revitalization Act furthers PREPA's ability to perform its obligations under the RSA.

The Restructuring Resolution (Petition Attachment 1.00, Findings of Fact 1 – 3) authorizes the issuance of one or more series of Bonds that may be broadly grouped into two separate categories: the "Closing Date Bonds" and the "Post-Closing Date Bonds." The Closing Date Bonds are issued in the following amounts and for the following purposes on the date (the "Closing Date") on which the Exchange Offer Bonds, described below, are issued:

a. Bonds, in an initial aggregate principal amount not to exceed $4.97 billion (the "Exchange Offer Bonds"), to be issued to the beneficial owners of PREPA Bonds that are not insured PREPA Bonds ("Uninsured PREPA Bonds"), in exchange for such Uninsured PREPA Bonds (i) at an exchange ratio (principal to principal) of 85% and (ii) may also be issued in an amount equal to and in satisfaction of any accrued and unpaid interest owing on such Uninsured PREPA Bonds at the time of such exchange;

b. (i) Bonds, in an initial aggregate principal amount not to exceed $2.086 billion (the "Monoline Mirror Bonds"), to be deposited in an irrevocable escrow to solely legally or economically defease the PREPA Bonds insured by the monoline bond insurers (the "Insured PREPA Bonds") that have signed the RSA and are participating in the transactions set forth in Schedule II to Annex D to the RSA (the "Monoline Insurers"), and (ii) Bonds, in an initial aggregate principal amount

[8] "Agreement with Creditors" means "the agreement (including all schedules and annexes and supporting documents) between PREPA and several of its main creditors, as it may be amended or supplemented, through which certain terms and conditions of PREPA's outstanding debt are modified and PREPA commits to (i) implement certain administrative, operational, and governance reforms, (ii) modernize its generation fleet and (iii) implement operational savings." *See* PRA, Art. 3(a); Art. 4.

[9] "Servicing Agreement" ["*Contrato de Manejo*"] means "the agreement or agreements between the Corporation and the Servicer providing for the administering and servicing of Restructuring Property, as the same may be amended from time to time by the parties thereto in a manner not prohibited by this Act. PRA, Art. 31, para. 11. A draft form of the initial Servicing Agreement is attached to the Restructuring Resolution as Appendix 4. *See* Attachment 1.00, Appendix 4.

not to exceed $750 million (the "Other Mirror Bonds" and together with the Monoline Mirror Bonds, the "Mirror Bonds") to be deposited in an irrevocable escrow to solely legally or economically defease the PREPA Bonds issued in 2016 (the "2016 PREPA Bonds");

c. Bonds, in a principal amount not in excess of the sum of 6.25% of the Closing Date Bonds described in clauses (A), (B), (D), (E), (F) and (G) plus 6.25% of the Post-Closing Date Bonds, to fund or, in the case of (ii) to be provided in whole or in part as payment for, (i) one or more debt service reserve or operating funds or accounts to secure payment of all or a portion of the Bonds, and (ii) all Upfront Financing Costs incurred in connection with the issuance of all Closing Date Bonds or the Post-Closing Date Bonds, as the case may be; plus (iii) the costs of any payment to the IRS (as described in clause (f) of Finding of Fact 4 below);

d. Bonds, in an initial aggregate principal amount not in excess of $50 million, to fund a deposit to the PREPA Self Insurance Fund described in Finding of Fact 4(g) below (Bonds issued for purposes described in this clause (D) and the preceding clause (C) are collectively referred to as "New Money Bonds");

e. Bonds, in an initial aggregate principal amount not exceeding $2.6 billion ("Cash Offer Bonds"), for the purpose of funding the costs to refund, redeem or purchase, directly or indirectly, Uninsured PREPA Bonds with the goal of increasing the exchange offer participation levels;

f. Bonds, in an initial aggregate principal amount not exceeding $625 million (the "Lender Bonds"), issued to the Supporting Creditors (i) in exchange for the extinguishment of the obligations due and owing under the Credit Agreements (the "Credit Agreements") between such Supporting Creditors and PREPA, at an exchange ratio (principal to principal) of 85% and (ii) to reimburse such Supporting Creditors for certain fees and expenses in an amount not to exceed $1 million; and

g. Bonds, in a principal amount not exceeding $240 million, to be issued to restructure, refund, redeem, defease (legally or economically through the issuance of additional mirror bonds or otherwise) or purchase PREPA Bonds insured by Syncora Guarantee Inc. and/or an affiliate thereof ("Syncora"), as required to implement the economic terms of the RSA, as it may be amended (the "Closing Date Syncora Bonds").

In addition, one or more series of Post-Closing Date Bonds may be issued after the Closing Date in the following amounts and for the following purposes:

a. One or more series of Bonds, in an initial aggregate principal amount not to exceed $750 million to one or more holders of 2016 PREPA Bonds, at an exchange ratio of 100%, in voluntary exchange for such 2016 PREPA Bonds. If any 2016 PREPA Bonds are exchanged for Post-Closing Date Bonds, the corresponding Mirror Bonds will be cancelled;

b. One or more series of Bonds in a principal amount not exceeding $240 million, to be issued to restructure, refund, redeem, defease (legally or economically through the issuance of mirror bonds or otherwise) or purchase PREPA Bonds insured by Syncora, as required to implement the economic terms of the RSA, as it may be amended (the "Post-Closing Date Syncora Bonds" and, together with the Closing Date Bonds, the "Syncora Bonds"); provided that the total principal amount of Syncora Bonds issued shall not exceed $240 million; and

c. New Money Bonds with respect to Post-Closing Date Bonds, as described in and to the extent not previously issued pursuant to clause 1(i)(C) above to pay the Upfront Financing Costs described therein.

Post-Closing Date Bonds shall be payable, on a parity with all Closing Date Bonds, from, and secured, equally and ratably with all Closing Date Bonds, by, the Restructuring Property pledged to the payment of the Bonds in the Trust Agreement (as hereinafter defined). Absent exchange for Post-Closing Date Bonds, the 2016 PREPA Bonds would remain a liability of PREPA.

In accordance with the RSA, the Petition and supporting materials contemplate a Closing Date of June 30, 2016. However, if the Closing Date does not occur by June 30, 2016, the Corporation would endeavor to reach an agreement with other parties to the RSA to close on a later date. If agreed to by the parties and as authorized by the Restructuring Resolution, the Corporation could capitalize and securitize the incremental interest expense that PREPA would otherwise be obligated to pay on its bonds exchanged for Exchange Offer Bonds by reason of the later closing through the issuance of additional Exchange Offer Bonds and/or to defer initial interest payment dates on such Exchange Offer Bonds (or to capitalize such interest) to mitigate the short term effect on Transition Charges needed to collect revenues sufficient to make such a payment in less than one year. Although this may result in a short term increase in the required Transition Charge, the costs to PREPA (which PREPA would seek to recover through its own rates) would be lessened. If agreed to by the parties and as authorized by the Restructuring Resolution, the Mirror Bonds could be subject to additional terms that provide for additional sources of payment or defer the timing of payment of such interest for the purpose of better matching expected Transition Charge revenues with debt service requirements. The potential need to close after June 30, 2016 does not affect any of the findings enumerated in Article 6.25A(b) and, in particular, the Calculation Methodology remains consistent with the criteria set forth in Article 6.25A(d).

As described in the Restructuring Resolution and required by the Revitalization Act, the Bonds will be paid and certain other expenses will be funded through Transition Charges that Customers[10] will be obligated to pay. Those Transition Charges will adjust over time, up or

[10] Customer" ["*Cliente*"] means "any Person that is connected to or takes or receives electric service within the Commonwealth by means of the electric generation, transmission or distribution facilities constituting part of Electric System Assets, whether or not those electric generation, transmission, or distribution facilities are owned by PREPA. PREPA shall not be a Customer. Each municipality in the Commonwealth shall be a Customer to the extent that the dollar value of its usage of electric service (including in determining such dollar value of Transition Charges which would otherwise be imposed on such municipality and PREPA charges) in any fiscal year exceeds the dollar value owed by PREPA to such municipality as a contribution in lieu of taxes for such fiscal year." PRA,

down, in response to changes in the Ongoing Financing Costs and in response to changes in revenues that the Transition Charges generates. The imposition of the Transition Charges does not, however, increase the total aggregate cost or burden on PREPA customers (i.e., whether paid to PREPA or as a Transition Charge). The Transition Charges support the Bonds and enable the transactions described in the Restructuring Resolution to achieve a reduction in PREPA's long-term costs and, in total and on balance, reduce the costs Customers ultimately bear as compared to the costs they would have borne in the absence of the issuance of the Bonds and the consummation of the restructuring. In particular, Exchange Offer Bonds paid by the Transition Charges are to be issued in a lower aggregate principal amount and, on average, are projected to require lower debt service than the debt exchanged for or refinanced by those Bonds. Monoline Mirror Bonds give the Corporation access to surety bonds that partially satisfy a debt service reserve requirement for the Bonds.

In order to make the restructuring possible and maximize the benefits to Puerto Rico from the securitization transaction that is the subject of the Petition, the RSA requires, among other things, that: (a) Transition Charges be non-bypassable; (b) the Adjustment Mechanism increase or decrease Transition Charges in response to changes in Ongoing Financing Costs and factors affecting the revenues generated by the Transition Charges, including, without limitation, the number of Customers paying Transition Charges, the Customers' electricity usage, and the timing and patterns of payment and collection of Transition Charges; and (c) there be a strong legislative and regulatory commitment, including the statutory covenants of the Commonwealth set forth in the Restructuring Resolution providing, among other things, that there be no amendment, modification, or termination of the Restructuring Resolution or the Restructuring Order and no reduction, impairment, postponement, termination, or adjustment to the Transition Charges authorized by this Order and established by the Restructuring Resolution except through the Adjustment Mechanism.

The Revitalization Act provides that the Petition be evaluated on a defined timetable, under specific statutory criteria, and under statutory procedures that, among other things, provide notice to the public and permit the citizens of Puerto Rico to express their opinions in writing. Under Article 6.25A(f), the Commission must approve the Petition by making certain findings in a Restructuring Order or adopt a resolution rejecting the Petition and stating the reasons for such rejection within seventy-five days of the Corporation Petition Date (as defined therein). Failing that, Article 6.25A(f)(4) provides that the Petition will be deemed approved as a matter of law. The Revitalization Act provides that approving the Petition, by making the findings specified in Article 6.25A(b) and issuing a Restructuring Order, will provide significant benefits to the citizens of Puerto Rico, and demonstrate concretely the ability of a key institution of the Commonwealth to successfully restructure its debt burden.

III. FINDINGS OF FACT

Article 31, para. 7. For the avoidance of doubt, previous Customers that completely disconnect from Electric System Assets shall no longer be considered "Customers" for all purposes under the Act, the Restructuring Resolution and this Order unless and until said Customers reconnect.

A. Jurisdiction.

1. The Corporation is a duly organized special purpose public corporation and governmental instrumentality of the Commonwealth of Puerto Rico exercising "essential governmental and public powers."[11] It was created on February 16, 2016, pursuant to Article 32 of the Revitalization Act. Its address is Roberto Sánchez Vilella (Minillas) Government Center, De Diego Avenue, Stop 22, San Juan, Puerto Rico 00907, Attention: President, Government Development Bank. It is, as of the date hereof, in the process of establishing web sites in English at prc.pr.gov and in Spanish at craee.pr.gov.

2. The Corporation is empowered by law to, among other things, adopt Restructuring Resolutions, issue Bonds contemplated by a Restructuring Resolution, impose and collect non-bypassable Transition Charges, and approve an Adjustment Mechanism, subject to the Commission issuing a Restructuring Order.[12] The Corporation may not operate "for the purpose of making a profit."[13]

3. The Corporation has determined to adopt, in accordance with the provisions of Article 6.25A and Chapter IV of the Revitalization Act, a Restructuring Resolution that meets the requirements of Article 6.25A authorizing the issuance of Bonds as described in Article 34 of the Revitalization Act. The proposed Restructuring Resolution with certain Appendices and Schedules thereto is attached to the Petition as Attachment 1.00. Appendix 2 to the Restructuring Resolution sets out the "Calculation Methodology and Adjustment Mechanism to Establish and Adjust the Transition Charge" (the "Calculation Methodology").[14]

4. The Revitalization Act defines the jurisdiction and authority of the Commission to review specific aspects of the Restructuring Resolution, the Calculation Methodology, and the agreement for servicing the Transition Charges. That statutory review is the subject of the Petition. Article 6.25A defines requirements for the Corporation's Petition, the Restructuring Resolution, and the supporting materials and testimony filed with the Petition. It also enumerates the specific criteria under which the Commission must evaluate the Petition and the findings that the Commission must make to issue the Restructuring Order. In accordance with paragraphs (b) and (f) of Article 6.25A, the Corporation asks the Commission, as requested by the Petition, to make the statutorily required findings and adopt a Restructuring Order substantially in the form proposed by the Corporation. The Revitalization Act provides that "[t]he establishment and adjustment of the Transition Charges made by the Corporation in relation with the Adjustment Mechanism shall not be subject to legislative or any other governmental review or approval, except as provided in Article 34, regarding the review by the Commission to correct mathematical errors made by the Corporation, and Article 35(b) with respect to the approval of the Adjustment Mechanism in the Restructuring Order."

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[11] PRA, Art. 32(a).

[12] PRA, Art. 33(a).

[13] PRA, Art. 32(a).

[14] Certain technical terms, periods, and dates referred to in the Calculation Methodology are defined in the Restructuring Resolution (Attachment 1.00) and Appendices thereto.

B. Procedural Matters.

6. On April __, 2016, Corporation, PREPA, and Commission published on their respective websites a summary of the Petition prepared by the Corporation.

7. The "Corporation Petition Date" is the date of filing of the Petition unless the Commission notifies the Corporation within five (5) days thereafter that under Article 6.25A(c) it is requiring the Corporation to provide any information it concludes is missing, in which case the Corporation Petition Date is seven (7) days after such request. The Restructuring Order should be entered no later than 75 days after the Corporation Petition Date. If the Commission does not approve or adopt a resolution rejecting the Petition by that date, Article 6.25A(f) provides that the Petition will be deemed approved as a matter of law.

8. Pursuant to Article 6.25A(f), the Corporation Petition Date occurred on April __, 2016.

9. On _____ __, 2016, PREC held public hearings with respect to the Petition [DETAILS TO COME] at which hearings the witnesses submitting testimony in support of the Petition appeared for questioning by the Commission on the subject matter of their testimonies. The Commission also permitted the public to submit written comments on the Petition. [DETAILS TO COME]

C. Satisfaction of the Criteria Requirements of Article 6.25A.

10. The Act requires that Transition Charges be established and adjusted pursuant to a formulaic "Adjustment Mechanism" contained in a Restructuring Resolution, as approved in a Restructuring Order pursuant to the terms of Article 35 and Chapter IV of the Revitalization Act and Article 6.25A of Act 57-2014, as amended, to be applied by the Corporation periodically, but not less often than semi-annually, to adjust the Transition Charges to ensure the collection of Transition Charges Revenues sufficient to provide for the timely payment of Ongoing Financing Costs. The establishment and adjustment of the Transition Charges made by the Corporation in relation with the Adjustment Mechanism in accordance with the calculation methodology approved by this Order shall not be subject to legislative or any other governmental review or approval, except as provided in Article 34, regarding the review by the Commission to correct mathematical errors made by the Corporation, and by a court as provided in Article 35(b)(ii).

11. Article 6.25A(d) requires that the calculation methodology for the Transition Charges and the Adjustment Mechanism (previously defined as the "Calculation Methodology") satisfy five criteria. We address the satisfaction of these criteria separately in this Order.

Calculation Methodology Criterion One: Transition Charges and the Adjustment Mechanism designed for full and timely payment.

12. Article 6.25A(d)(i) requires:

> The calculation methodology for the Transition Charges and the Adjustment Mechanism included in a Restructuring Resolution shall (i) be designed to

provide for the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs.

13. The Corporation has provided evidence to support that the Calculation Methodology established by the Restructuring Resolution and Appendix 2 thereto satisfies this criterion. It is designed to provide for the full and timely payment of the Bonds along with other Ongoing Financing Costs.

14. By its terms, the Calculation Methodology will ensure that Transition Charge Revenues are sufficient to provide for the timely payment of Ongoing Financing Costs. Each True-Up Adjustment will be designed (i) to correct for any over-collections or under-collections of Transition Charges through the proposed True-Up Adjustment Date and (ii) to ensure that expected Transition Charge Revenues remitted or to be remitted to the Trustee, after taking into account assumed charge-offs and payment delays, are adequate (A) to pay timely principal of (in accordance with the scheduled maturity date or dates (including scheduled mandatory sinking fund redemption dates)) and interest on the Bonds on each of the Payment Dates that occurs during the related Annual Calculation Period (defined below), (B) to fund or replenish any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund) to its required level, as provided in the Trust Agreement or the Ancillary Agreement (as the case may be), and (C) to make timely payment of all other Ongoing Financing Costs during the related Annual Calculation Period.

15. By its terms, the Calculation Methodology requires the Corporation, or the Servicer on its behalf, to make adjustments to the Transition Charges (a) quarterly, beginning no more than three (3) months from issuance of the Bonds and continuing until the Bonds and all Ongoing Financing Costs are paid or deemed paid in full, and (b) at any other time if the Servicer, the Calculation Agent, Trustee (as and to the extent permitted in the Trust Agreement) or any party to an Ancillary Agreement (as and to the extent permitted in the Ancillary Agreement) determine that such adjustment is required to assure the timely payment of the principal of and interest on the Bonds and all other Ongoing Financing Costs. Such adjustments are referred to herein as Quarterly and Optional True-Up Adjustments, respectively, and, collectively, as "True-Up Adjustments." See Appendix 2 to Attachment 1.00, Calculation Methodology and Adjustment Mechanism to Establish and Adjust the Transition Charge, and Appendix 4 to Attachment 1.00, Servicing Agreement, Section 4.01(a).

16. The Calculation Methodology estimates the expected receipts of Transition Charges for any period the Servicer will apply a "collection curve" reflecting the most recent 12-month history of collections for which data are available. In connection with each True-Up Adjustment filing, the Servicer will develop one collection curve reflecting payment history for all Customers (the "Composite Collection Curve"). A collection curve is data reflecting the timing of payments of outstanding bills during a 12-month period, adjusted to assume that any Transition Charges which are not collected within 120 days of billing are written off. Each month's billings are divided into aging buckets based on the number of days for which such billings have been outstanding (e.g., 0 to 29 days, 30 to 59 days, 60 to 89 days, and 90 to 119 days outstanding). The aging buckets are then used to estimate the dollar amount of each month's billings collected within 30, 60, 90 and 120 days, as well as the dollar amount not

collected within 120 days (amount written off) for the 12-month period. For such 12-month period, the collection curve is calculated by dividing each of the total dollar amount of billings collected within 30, 60, 90, and 120 days by the total dollar amount of billings collected within 120 days.

17. To initiate any True-Up Adjustment, the Servicer will make a preliminary calculation of the True-Up Adjustment and will prepare and submit to the Calculation Agent a draft request for adjustment (a "True-Up Letter"). The Calculation Agent will review the draft True-Up Letter, including the mathematical calculations related to the proposed True-Up Adjustment, and forward any corrections or modifications to the Servicer. The Servicer will then file the True-Up Letter, reflecting any such corrections or modifications, with the Corporation, the Commission and the Trustee, not later than 30 days prior to the proposed effective date of the adjustment set forth in the True-Up Letter (such effective date being referred to as the "True-Up Adjustment Date").

18. By its terms, the Calculation Methodology takes into account, over time, for changes in the Revenue Requirements and variations and changes in other parameters influencing the calculation of the Transition Charges and their collection. See Appendix 2 to Attachment 1.00, Calculation Methodology and Adjustment Mechanism to Establish and Adjust the Transition Charge.

19. By its terms, the Calculation Methodology requires that the Servicer apply "collection curves" reflecting the most recent 12-month history of payment collections for which data is available to the Servicer in order to more accurately predict future Transition Charge collections. *Id.*

20. By its terms, the Calculation Methodology requires that uncollectible Transition Charges will be redistributed across all Customer classes in the same manner as Financing Costs are distributed. *Id.*

21. By its terms, the Calculation Methodology requires the Servicer to confirm the accuracy of its calculation of any True-Up Adjustment with an independent Calculation Agent, to assure the accuracy of its calculations. *Id.*

22. By its terms, the Calculation Methodology requires each True-Up Adjustment of the Transition Charges to be effective on the date specified in the True-Up Letter, so long as such effective date is at least 30 days after the filing with the Commission of such True-Up Letter, subject only to the correction of any mathematical errors by the Commission, as set forth in the following paragraphs. Any adjustment to correct the mathematical inaccuracy, if ordered by the Commission, shall be made by the Corporation (or the Servicer on its behalf) not later than the next succeeding application of the Adjustment Mechanism on which such adjustment can practically be implemented. In no event shall such process or the implementation of a Commission order correcting any mathematical error result in the delay of the implementation of an adjustment to the Transition Charges from the effective date stated in the True-Up Letter.

23. The Corporation has submitted the testimony of Corporation witness Gil-Olazábal (Corporation Ex. 3.00), who confirms that the Restructuring Resolution includes the documents and information listed in Article 6.25A(e).

24. The Corporation has also submitted the testimony of Corporation witnesses Michael Mace and Ralph Zarumba (Corporation Exs. 4.00 and 6.00, respectively), each of whom confirm that the Calculation Methodology is designed to provide for the full and timely payment of the Bonds and other Ongoing Financing Costs.

25. The Corporation has also submitted a report of Navigant Consulting, in accordance with Article 6.25A(e)(3), which requires a report prepared by an independent financial consultant with recognized expertise in financing public electric utilities, a representative of which will appear to sponsor such report as a witness before the Commission in accordance with Article 6.25A(e)(9), setting forth historical energy (kWh) usage, a projection of Ongoing Financing Costs and Transition Charges during the term of the Restructuring Bonds and any other material assumptions used in the report, and concluding that such Transition Charges have been calculated as provided in clauses (ii), (iii), (iv) and (vi) of Article 6.25A(e)(1), as applicable, and in accordance with the assumptions included in such report, and will ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds.

26. We find that the Calculation Methodology established by the Restructuring Resolution and Appendix 2 thereto satisfies the criterion required by Article 6.25A(d)(i)(2).

Calculation Methodology Criterion Two: Distribution of Financing Costs between Residential and Non-Residential Customers.

27. Article 6.25A(d)(ii)(1) of the Revitalization Act provides that the Calculation Methodology shall distribute Financing Costs among Customer classes and calculate and adjust the Transition Charges based on the following criterion:

> The share of Financing Costs to be recovered from each Customer class shall be calculated based upon the historic energy (kWh) usage of each class of Customers during the most recent twelve (12) months for which such information is reasonably available, as such information is provided by PREPA to the Corporation and to the Commission, and in such manner which is practicable to administer and which ensures the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs.

28. The Calculation Methodology distributes Financing Costs and determines Residential and Non-Residential Revenue Requirements based on the share of the total actual historical kWh billed to Residential and Non-Residential (including Government) Customers, respectively, in the previous 12-month period ending with the last day of the most recently completed calendar quarter for which data is available. See Restructuring Resolution (Attachment 1.00), Appendix 2.

29. The Corporation has submitted the testimony of Corporation witness Ralph Zarumba (Corporation Ex. 6.00), who explains and supports the Calculation Methodology and

explains how Financing Costs are to be recovered from each Customer class.[15] Mr. Zarumba further testifies that the Calculation Methodology is practicable to administer and ensures the full and timely payment of the Bonds in accordance with their terms and other Ongoing Financing Costs.

30. We find that Calculation Methodology meets the criterion required by Article 6.25A(d)(ii)(1).

Calculation Methodology Criterion Three: Calculation of Transition Charges for Customers.

31. Article 6.25A(d)(ii)(2) of the Revitalization Act provides that Transition Charges will be calculated in accordance with the following criterion:

> Once the share of Financing Costs to be recovered from each Customers class shall have been calculated, Transition Charges for Customers will be based upon historic energy usage (kWh) data for the most recent twelve (12) months for which such information is reasonably available, as provided by PREPA to the Corporation and to the Commission, provided that the Corporation may elect to calculate Transition Charges for residential Customers on a per service agreement basis, calculated in such manner which is practicable to administer and which ensures the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs, and provided further that the allocation of responsibility for the Transition Charge among Customers classes and Customers does not limit the discretion of the Commission when evaluating the allocation of responsibility with respect to the PREPA revenue requirement in any PREPA rate case.

32. The Restructuring Resolution provides that the Transition Charges for Non-Residential Customers are based upon historic energy usage (kWh) data for the most recent twelve (12) months for which such information is reasonably available. The Corporation has elected to calculate Transition Charges for Residential Customers on a per service agreement basis. Restructuring Resolution, Appendix 2. These calculations are practicable to administer and ensure the full and timely payment of the Bonds and other Ongoing Financing Costs.

33. The Corporation has submitted the testimony of Corporation witnesses Michael Mace and Ralph Zarumba (Corporation Exs. 4.00 and 6.00, respectively), who explain and support the Calculation Methodology and how it ensures the full and timely payment of the Bonds and other Ongoing Financing Costs. Mr. Zarumba also explains and supports how Financing Costs are to be recovered from each Customer class and confirms and explains how the allocation of responsibility for the Transition Charge does not limit the Commission's discretion to allocate revenue requirement in any PREPA rate case.

[15] The historic energy usage of each class supporting that calculation is provided in Attachment 5.00 to the Petition. Corporation witness Javier Quintana Méndez (Corporation Ex. 2.00) provides testimony attesting that the historical energy usage data contained in Attachment 5.00 is accurate and based on the business records of PREPA.

34. We find that Calculation Methodology established by the Restructuring Resolution and Appendix 2 thereto satisfies the criterion required by Article 6.25A(d)(ii)(2).

Calculation Methodology Criterion Four: Adjusting for Delinquencies.

35. Article 6.25A(d)(ii)(3) of the Revitalization Act provides that delinquencies shall be addressed in accordance with the following criterion:

> Delinquencies of any class of Customers in any period will be added to the revenue requirement of the next period and allocated among all Customers classes as provided in clauses (1) and (2) of this paragraph (d). The Commission shall require PREPA (or any other Servicer) to demonstrate that PREPA (or such other Servicer) has been prudent in addressing late payments, past-due bills and non-payments, provided that a finding of imprudence shall not affect the first sentence of this paragraph (3).

36. The Restructuring Resolution provides that delinquencies of any Customers (including Governmental Customers) will be distributed among all Customer classes as provided in 6.25A(d)(ii)(3) and specified in the Adjustment Mechanism. *See* Restructuring Resolution (Attachment 1.00), Appendix 2. Particularly, any charges that are not collected within one hundred and twenty days of billing are re-distributed across all Customer classes. *Id*.

37. The Corporation has submitted the testimony of Corporation witness Ralph Zarumba (Corporation Ex. 6.00), who supports and explains this feature of the Calculation Methodology and how delinquencies are added to the revenue requirements of the next period and allocated among all Customer classes.

38. We find that Calculation Methodology established by the Restructuring Resolution and Appendix 2 thereto satisfies the criterion required by Article 6.25A(d)(ii)(3).

Calculation Methodology Criterion Five: Methodology for Determining Estimated Load Served by Net Metering or Distributed Generation.

39. Article 6.25A(d)(ii)(4) of the Revitalization Act provides that the Calculation Methodology shall distribute Financing Costs among Customer classes and calculate and adjust the Transition Charges based on the following criterion:

> When calculating Customer energy usage in clauses (1) and (2) of this paragraph (d), the Corporation may elect to include the estimated load served by net metering or distributed generation ("behind the meter") if the methodology for such inclusion is practical to administer, and will ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs.

40. The Calculation Methodology reflects the Corporation's determination that net-metering Customers and Customers using behind the meter generation should not be allowed to bypass Transition Charges to the extent their net load is less than their gross load and that, therefore behind the meter generation should not be an opportunity to bypass or avoid the

applicability of Transition Charges. Therefore, the Calculation Methodology (Appendix 2 to Attachment 1.00) defines "Actual kWh Billed," for this purpose, "without regard to any offset for net-metering and adjusted for estimated distributed generation usage." Initially, that amount will be measured without any subtraction for the amount of electricity generated "behind the meter" and exported to the grid, and will reflect electricity flowing to the customer on PREPA facilities. As it becomes practicable, and as meter data measuring the output of the distributed generation itself becomes available, the load of such customers for these purposes will include the gross output of the distributed generation plus the net deliveries from PREPA. If the estimated load served by net metering and distributed "behind the meter" generation were not included, a Customer could reduce its responsibility to pay Transition Charges, and the responsibility for those avoided charges would be transferred inequitably to other Customers. Further explanation and support for this determination is provided by Corporation witness Ralph Zarumba (Corporation Ex. 6.00).

41. Article 35(i) of Act 4-2016 provides in pertinent part that:

> For so long as Restructuring Bonds are outstanding, and the Approved Restructuring Costs (including, any payments that have or are to become due under Ancillary Agreements) have not been paid in full, the Transition Charges authorized and imposed by this Act shall be obligatory, Non-bypassable and shall apply to all Customers.

As Mr. Zarumba (Corporation Ex. 6.00) explains, the Transition Charges ultimately result from historical PREPA operating and fuel costs and investment expenditures, and that failing to include this load in its entirety would permit Customers to bypass those charges prospectively, effectively stranding their share of the costs to the detriment of Customers as a whole. This increase in other Customers' Transition Charges would create still greater uneconomic incentives to bypass the PREPA system. As Mr. Zarumba also explains, if Customers could entirely bypass or reduce their share (or that of their class) of these historical costs based on installing generation behind the meter or by net metering, it would distort the economic incentives to install and make use of behind the meter generation, send improper and inefficient price signals waste resources and increase the total cost of energy production, and further exacerbate the shift in the responsibility for Transition Charges.

42. Article 29 of the Revitalization Act amends Section 4 of Act 114-2007 to provide that the Commission shall "… evaluate and determine which rates will be applied to the net metering customers, the Contribution in lieu of Taxes, Grants, Securitization, and Subsidies." This provision must be interpreted and applied in the context of, and in harmony, with Article 6.25A and Article 35(i) of the Revitalization Act.

43. In addition to determining that the Calculation Methodology proposed in the Restructuring Resolution complies fully with Article 6.25A and establishes Transition Charges that are "obligatory, Non-bypassable and … apply to all Customers," as required by Article 35(i), the Corporation and PREPA have considered the criteria set out in Article 4 of Act 114-2007, as amended by Article 29 of the Revitalization Act. The Corporation believes that the resulting Transition Charges "will be just and … will cover operational and administrative costs of network services" received by a net metering customer [that the Transition Charges represent,]

and the Net Metering Agreement, and that the Transition Charge will "never will be excessive or established in such a way that it becomes an obstacle to the deployment of renewable energy projects." Id. The Corporation notes further that the Commission retains authority, separate from the specification of the Transition Charges in the Calculation Methodology, over the design of PREPA's rates, including the charges applicable to net metering customers. The determination of how load is measured for the purposes of calculating the Transition Charge will not affect that authority or limit the design of the PREPA rate charged to such Customers when the time comes for the Commission to evaluate PREPA's rate request.

44. Finally, the Corporation has determined that Customer usage for the purpose of calculating Transition Charges should reflect gross usage (without regard to net metered credits) and "behind the meter" usage, insofar as practical, and the Corporation proposes that Transition Charges be calculated and adjusted based on established usage (kWh) measured in that manner. Initially, that estimate will remove any reduction in the Customers' load due to exports to the PREPA grid. Thereafter, as it becomes practical, the total output of "behind the meter" generation for which metering data is available, regardless of whether it is a PREPA meter, will be considered in the calculation of the Customers' load. See Appendix 4 to Attachment 1.00, Servicing Agreement, Annex 3, Section 3. The Corporation has submitted the testimony of Corporation witness Ralph Zarumba, who provides explanation and support for this aspect of the Calculation Methodology is provided by (Corporation Ex. 6.00). The Corporation has further determined that this approach will not render the resulting Transition Charges impracticable to administer and that the resulting Transition Charges will ensure the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs. PREPA can practically determine total load, including estimated load served by net metering and distributed generation, in the calculation of Transition Charges, as described above. Including such estimated load in the distribution of costs among Customer classes and the calculation of individual Customers' Transition Charges will not impair the collection of Transition Charges or the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds.

45. The Corporation further requests that the Commission, in making the required findings concerning the calculation of the Transition Charge, take notice of the Corporation's determinations and evaluate and determine that the criteria of Article 4 of Act 114-2007, as amended by Article 29 of the Revitalization Act, are met, and the Commission should accept the Corporation's proposal that load of Customers who are net metered or have other "behind the meter" generation, for the purposes of distributing Financing Costs among Customer classes and calculating those Transition Charges that are based on kWh usage, be based on estimated total electric consumption as described herein and in the Restructuring Resolution.

46. We find that the Calculation Methodology established by the Restructuring Resolution and Appendix 2 thereto satisfies the criterion required by Article 6.25A(d)(ii)(4). We further find that the Calculation Methodology followed by the Corporation for the Transition Charges, and Adjustment Mechanism to be applied to adjust the Transition Charges is consistent with the cost distribution and other standards set forth in Article 6.25A of Law 57-2014 and is not arbitrary or capricious. We further take notice of the Corporation's determinations and evaluate and determine that the criteria of Article 4 of Act 114-2007, as amended by Article 29 of the Revitalization Act, are met, and accept the Corporation's proposal that load of Customers

who are net metered or have other "behind the meter" generation, for the purposes of distributing Financing Costs among Customer classes and calculating those Transition Charges that are based on kWh usage, are based on estimated total electric consumption as described in the Petition and in the Restructuring Resolution.

The Petition and Restructuring Resolution Meet the Requirements of Article 6.25A(e)

47. Article 6.25A(e) identifies information, determinations, commitments, and other features required of the Restructuring Resolution and the Corporation's Petition or attachments thereto. Those commitments are each enforceable against the Corporation by the Commission under Article 6.25A through judicial action directing that that the Corporation act in accordance with their terms. Below we address each of those requirements.

Article 6.25A(e)(1)(i)-(xii) – Requirements for the Restructuring Resolution

48. Article 6.25A(e)(1) lists descriptions, documentation, determinations, calculations, and other provisions and information that must be included in the proposed form of Restructuring Resolution attached to the Petition.

Resolution Requirement One: Upfront and Ongoing Financing Costs description and documentation.

49. Article 6.25A(e)(1)(i) provides that the Restructuring Resolution must contain the following:

> A description and documentation supporting the proposed Upfront Financing Costs and the Ongoing Financing Costs, to be recovered from the Restructuring Bonds proceeds or Transition Charges, as applicable;

Descriptions and documentation of Upfront Financing Costs and Ongoing Financing Costs proposed to be recovered are contained in the following sections of the Restructuring Resolution (Appendix 2 to Attachment 1.00):

- Finding of Fact 10 of the Restructuring Resolution sets forth each of the categories of the Upfront Financing Costs that require payment.

- Schedule D to the Restructuring Resolution, also attached to the Petition as Attachment 2.01, identifies and provides estimates of the Upfront Financing Costs.

- Finding of Fact 16 of the Restructuring Resolution sets forth each of the categories of Ongoing Financing Costs that require payment.

- Schedule E to the Restructuring Resolution, also attached to the Petition as Attachment 2.02, identifies and provides estimates of the Ongoing Financing Costs excluding debt service. Attachment 2.03 identifies and estimates debt service.

50. The precise amount of all components of Upfront Financing Costs for the Closing Date Bonds and the Post-Closing Date Bonds (each, as defined and described in the

Restructuring Resolution) cannot be ascertained with certainty until the Bonds have been priced and issued. The Corporation estimates at this time that the Upfront Financing Costs, as identified and itemized in Attachment 2.01, will total approximately $44.7 million. The Corporation estimates at this time that the annual Ongoing Financing Costs (exclusive of debt service), as identified and itemized in Attachment 2.02, will total approximately $15.6 million for the first 12 months that the Bonds are outstanding.

51. Several of the components of the Upfront Financing Costs will vary depending upon the size of the final issuance of the Bonds. Specifically, the underwriters' fees, and the rating agencies' fees are typically proportional to the amount of a bond issuance. Other Upfront Financing Costs, such as legal and accounting fees and expenses, printing expenses, and trustee costs will not be known until the issuance of the Bonds or even thereafter, when final invoices are submitted. The costs of any credit enhancements or other mechanisms designed to promote the credit quality or marketability of the Bonds, if any, will not be known until near or at the time of issuance of the Bonds. For those reasons, the Corporation anticipates that its current estimate of the Upfront Financing Costs set forth above, and in the attachments to the Petition, will be subject to updating and changes. The Corporation commits that updated data concerning these costs will be provided to the Commission as called for by Article 6.25A(e).

52. Upfront Financing Costs shall be paid from the proceeds of the New Money Bonds or the Cash Offer Bonds (as the case may be), provided that any Upfront Financing Costs approved for recovery that cannot be paid from the proceeds of the sale of the Bonds shall be recoverable as Ongoing Financing Costs.

53. The Corporation has submitted the testimony of Corporation witness Michael Mace (Corporation Ex. 4.00), who explains and estimates costs proposed to be recovered from the Bond proceeds and Transition Charges, and sponsors Attachments 2.01 and 2.03 that, respectively identify and estimate Upfront Financing Costs and Ongoing Financing Costs (excluding principal and interest). Mr. Mace also provides descriptions and documentation of the Upfront Financing Costs and Ongoing Financing Cost estimates (pursuant to Article 6.25A(e)(4)).

54. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(i).

Resolution Requirement Two: Determination of Customer classes.

55. Article 6.25A(e)(1)(ii) provides that the Restructuring Resolution must contain the following:

> The determination of Customers classes among which Ongoing Financing Costs are distributed and the distribution of Ongoing Financing Costs among the Customers classes;

56. Appendix 2 attached to the Restructuring Resolution sets forth the Calculation Methodology that distributes the responsibility for Financing Costs among Residential and Non-Residential classes of Customers and calculates and adjusts from time to time the Transition Charges (collectively, the "Adjustment Mechanism"). The Corporation has submitted the

testimony of Corporation witness Ralph Zarumba (Corporation Ex. 6.00), who also supports and explains the Residential and Non-Residential Customer class determinations and how the Calculation Methodology distributes Ongoing Financing Costs to each.

57. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(ii).

Resolution Requirement Three: Calculation of Transition Charges for Customers Other Than Residential Customers.

58. Article 6.25A(e)(1)(iii) provides that the Restructuring Resolution must contain the following:

> The calculation of Transition Charges for Customers (other than residential Customers) based upon historical energy usage (kWh) data, along with information sufficient to allow the Commission to replicate such Charges;

59. The Restructuring Resolution describes the method for calculating Transition Charges for Non-Residential Customers based on historical energy usage. See Attachment 1.00 (Restructuring Resolution), Appendix 2. The data required to replicate the initial calculations are provided in the Attachments to the Petition. The Corporation has submitted the testimony of Corporation witness Ralph Zarumba (Corporation Ex. 6.00), who explains and supports the Calculation Methodology applicable to Non-Residential Customers.

60. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(iii).

Resolution Requirement Four: Calculation of Transition Charges for Residential Customers.

61. Article 6.25A(e)(1)(iv) provides that the Restructuring Resolution must contain the following:

> The calculation of Transition Charges for residential Customers based upon historical energy usage (kWh) data or, at the option of the Corporation, on a per service agreement basis, along with information sufficient to allow the Commission to replicate such Charges;

62. The Restructuring Resolution describes the method for calculating Transition Charges for Residential Customers on a per service agreement basis. See Attachment 1.00 (Restructuring Resolution), Appendix 2. The calculation of the Transition Charge applicable to Residential Customers is supported in the testimony submitted by the Corporation of Corporation witness Ralph Zarumba (Corporation Ex. 6.00), who also supports the determination of the Corporation to calculate such Transition Charges on a per service agreement basis and discusses information provided that allows that calculation to be replicated by the Commission.

63. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(iv).

Resolution Requirement Five: Distribution of Customer Delinquencies.

64. Article 6.25A(e)(1)(v) provides that the Restructuring Resolution must contain the following:

> A provision that delinquencies of any class of Customers will be distributed among all Customers classes as provided in this clause (ii) of this paragraph (e)(1) and included in the Adjustment Mechanism;

65. The Adjustment Mechanism, set out in Appendix 2 attached to the Restructuring Resolution, provides that delinquencies of any class of Customers will be distributed among all Customer classes. This characteristic of the Adjustment Mechanism is further confirmed by the testimony submitted by the Corporation of Corporation witness Ralph Zarumba (Corporation Ex. 6.00).

66. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(v).

Resolution Requirement Six: Methodology for Determining Estimated Load Served by Net Metering or Distributed Generation.

67. Article 6.25A(e)(1)(vi) provides that the Restructuring Resolution must contain the following:

> A determination by the Corporation of whether the estimated load served by net metering or estimated distributed generation ("behind the meter") will be included in its determination of energy usage pursuant to clauses (ii), (iii) and (iv) of this paragraph (e)(1) and in the Adjustment Mechanism. If the Corporation determines to include estimated net metering or estimated distributed generation in determining energy usage in clauses (ii), (iii) and (iv) of paragraph (e)(1), an explanation of the reasons and a determination (with its corresponding explanation) that this will not render the resulting Transition Charges impracticable to administer and that the resulting Transition Charges will ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds;

68. The Corporation's determination that the Transition Charges should be based on load including that served by net metering or estimated distributed generation ("behind the meter"), its determination that including estimated load served by net metering or estimated distributed generation will not render the resulting Transition Charges impracticable to administer, and its determination that the resulting Transition Charges will ensure the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs are confirmed by the testimony of Corporation witness Gerard Gil-Olazábal (Corporation Ex. 3.00). The proposed means of implementing that determination and the rationale for it are described above. Corporation witness Ralph Zarumba (Corporation Ex. 6.00): (1) confirms that the Calculation Methodology includes an estimate of load served by net metering or estimated distributed generation ("behind the meter") in determining energy usage in the calculations;

(2) explains and supports the method for calculating Transition Charges for Customers with net metering or distributed generation, as included in the Restructuring Resolution; and (3) confirms that determination and the method of estimating the load served will not render the resulting Transition Charges impracticable to administer or interfere with the full and timely payment of the Bonds and all other Ongoing Financing Costs during the term of the Bonds.

69. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(vi).

Resolution Requirement Seven: Distributions can be administered practicably and ensure full and timely payment.

70. Article 6.25A(e)(1)(vii) provides that the Restructuring Resolution must contain the following:

> A determination by the Corporation, with the corresponding explanations, that the distribution or calculation (as the case may be) in respect of the provisions in clauses (ii), (iii), (iv), (v) and (vi), as applicable, of this paragraph (e)(1) are practicable to administer and ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds;

Attachment 1.00, Finding of Fact No. 31.

71. The Corporation has submitted testimony by Corporation witness Gerard Gil-Olazábal (Corporation Ex. 3.00), who confirms the Corporation's determination that the Calculation Methodology is practicable to administer and ensures the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds. Corporation witness Mr. Zarumba (Corporation Ex. 6.00) explains and supports this determination, testifying that: (1) the Calculation Methodology and the manner in which Ongoing Financing Costs are distributed among classes is practicable to administer, and (2) ensures the full and timely payment of the Bonds in accordance with their terms and other Ongoing Financing Costs.

72. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(vii).

Resolution Requirement Eight: Commitment to file Report on final terms of Bonds and estimates of Upfront and Ongoing Financing Costs.

73. Article 6.25A(e)(1)(viii) provides that the Restructuring Resolution must contain the following:

> A commitment, enforceable by the Commission, that not later than ten (10) days following the issuance date of the Restructuring Bonds, the Corporation shall file, or cause the Servicer to file, with the Commission, for informational purposes only, a report detailing the final terms of the Restructuring Bonds, and setting

> forth a final estimate of the Upfront Financing Costs and the estimated Ongoing Financing Costs during the term of the Restructuring Bonds;

74. The Restructuring Resolution makes the following enforceable commitment by the Corporation to the Commission:

> Not later than ten (10) days following the issuance date of the Restructuring Bonds, the Corporation shall file, or cause the Servicer to file, with the Commission, for informational purposes only, a report detailing the final terms of the Restructuring Bonds, and setting forth a final estimate of the Upfront Financing Costs and the estimated Ongoing Financing Costs during the term of the Restructuring Bonds;

Restructuring Resolution, Attachment 1.00, at Resolution No. 19(i). This commitment is confirmed by the testimony submitted by the Corporation of Corporation witness Gerard Gil-Olazábal. (Corporation Ex. 3.00).

75. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(viii).

Resolution Requirement Nine: Commitment to provide any Successor Servicing Agreement and all Servicer Reports.

76. Article 6.25A(e)(1)(ix) provides that the Restructuring Resolution must contain the following:

> A commitment that (A) the Corporation shall provide to the Commission a copy of any successor Servicing Agreement, for informational purposes only, and (B) the Corporation shall file, or cause the Servicer to file, with the Commission, all Servicer reports, including any notice of any proposed adjustment of the Transition Charge, at the same time as such notice is submitted to the Corporation (such report to show in detail all Ongoing Financing Costs which are being paid from Transition Charges on an ongoing basis);

77. The Restructuring Resolution makes the following enforceable commitment by the Corporation to the Commission:

> (A) The Corporation shall provide to the Commission a copy of any successor Servicing Agreement, for informational purposes only, and (B) the Corporation shall file, or cause the Servicer to file, with the Commission, all Servicer reports, including any notice of any proposed adjustment of the Transition Charge, at the same time as such notice is submitted to the Corporation (such report to show in detail all Ongoing Financing Costs which are being paid from Transition Charges on an ongoing basis).

Restructuring Resolution, Attachment 1.00, at [Resolution No. 19(ii)]. This commitment is confirmed by the testimony submitted by the Corporation of Corporation witness Gerard Gil-Olazábal. (Corporation Ex. 3.00).

78. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(ix).

Resolution Requirement Ten: Commitment to provide any Reports Required by Bond Trustee.

79. Article 6.25A(e)(1)(x) provides that the Restructuring Resolution must contain the following:

> A commitment, enforceable by the Commission, that any reports required to be filed with the Corporation by the bond trustee for the Restructuring Bonds shall also be filed with the Commission at the same time as such reports are filed with the Corporation;

80. The Restructuring Resolution makes the following enforceable commitment by the Corporation to the Commission:

> Any reports required to be filed with the Corporation by the bond trustee for the Restructuring Bonds shall also be filed with the Commission at the same time as such reports are filed with the Corporation;

Restructuring Resolution, Attachment 1.00, at Resolution No. 19(iii). This commitment is confirmed by the testimony submitted by the Corporation of Corporation witness Gerard Gil-Olazábal. (Corporation Ex. 3.00).

81. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(x).

Resolution Requirement Eleven: Commitment to provide any annual Reports and Final Accounting.

82. Article 6.25A(e)(1)(xi) provides that the Restructuring Resolution must contain the following:

> A commitment, enforceable by the Commission, that (A) the Corporation and the Servicer shall jointly submit a report to the Commission, not later than March 1 of each year, setting forth with respect to the prior calendar year, the outstanding principal amount of the Restructuring Bonds, the amount paid on such Bonds in such calendar year and the remaining Ongoing Financing Costs payable in such calendar year; and (B) after final and full payment of the Restructuring Bonds and any Financing Costs, the Transition Charge Revenues on deposit with, or thereafter received by, the bond trustee will be credited back to Customers in a manner directed by the Commission, and the Corporation will issue such final accounting reports as directed by the Commission;

83. The Restructuring Resolution makes the following enforceable commitment by the Corporation to the Commission:

> (A) The Corporation and the Servicer shall jointly submit a report to the Commission, not later than March 1 of each year, setting forth with respect to the prior calendar year, the outstanding principal amount of the Restructuring Bonds, the amount paid on such Bonds in such calendar year and the remaining Ongoing Financing Costs payable in such calendar year; and (B) after final payment of the Bonds and any associated Financing Costs in full, the Transition Charge Revenues on deposit with, or thereafter received by, the Trustee will be credited back to Customers in a manner directed by the Commission, and the Corporation will issue such final accounting reports as directed by the Commission.

Restructuring Resolution, Attachment 1.00, at Resolution No. 19(iv). This commitment is confirmed by the testimony submitted by the Corporation of Corporation witness Gerard Gil-Olazábal. (Corporation Ex. 3.00).

84. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(xi).

Resolution Requirement Twelve: Commitment to provide notice and data/work papers regarding any adjustments to Transition Charges.

85. Article 6.25A(e)(1)(xii) provides that the Restructuring Resolution must contain the following:

> A commitment, enforceable by the Commission, that each notice of a proposed adjustment to the Transition Charges, including the data or work papers used to calculate the Transition Charges, will be delivered by the Corporation or the Servicer to the Commission at least thirty (30) days prior to the proposed effective date of such adjustment, provided that, (1) notwithstanding the thirty (30) day obligation established by this paragraph, such information relating to the initial Transition Charges shall be provided not later than three (3) business days following the pricing or award of the Restructuring Bonds and such initial Transition Charges will be effective on the issuance date of the Restructuring Bonds…;

86. The Restructuring Resolution makes the following enforceable commitment by the Corporation to the Commission:

> The Corporation shall deliver to the Commission or cause the Servicer to deliver, notice of the proposed adjustment to the Transition Charges, including the data and work papers used to calculate the Transition Charges, at least thirty (30) days prior to the effective date of each proposed adjustment, provided that notwithstanding such thirty (30) day notice obligation, such information related to the initial Transition Charges shall be provided not later than three (3) business days following the pricing or award of the Restructuring Bonds and such initial Transition Charges shall be effective on the issuance date of the Restructuring Bonds,

Restructuring Resolution, Attachment 1.00, at Finding of Fact No. 33 and Resolution No. 19(v). This commitment is confirmed by the testimony submitted by the Corporation of Corporation witness Gerard Gil-Olazábal. (Corporation Ex. 3.00).

87. We find that Restructuring Resolution satisfies the criterion required by Article 6.25A(e)(1)(xii).

Article 6.25A(e)(2) – Transition Cost Calculation

The Transition Cost Calculation Utilizes Historic Energy Usage Provided with the Petition.

88. Article 6.25(e)(2) requires that the Petition include or attach the following:

> The historic energy (kWh) usage of each class of Customers that serves as the basis of the distributions set forth in clauses (ii), (iii), (iv) and (vi) of paragraph (e)(1), as applicable, certified by an officer of PREPA.

89. Appendix 2 of the Restructuring Resolution (Attachment 1.00), describes the Calculation Methodology including how the share of costs will be recovered from each class of customer. The Calculation Methodology sets forth the manner in which Financing Costs are distributed among classes and allocated to customers and identifies the historic energy (kWh) usage on which those distributions and kWh transitional charges are initially based. That data is in Attachment 5.00 to the Petition. Corporation witness Javier Quintana Méndez, PE (Corporation Ex. 2.00) certifies that the historical energy usage data contained in Attachment 5.00 is accurate and based on the records of PREPA.

90. We find that Petition satisfies the criterion required by Article 6.25A(e)(2).

Article 6.25A(e)(3) – Financial Consultant Report

91. Article 6.25(e)(3) requires that the petition include or attach the following:

> A report prepared by an independent financial consultant with recognized expertise in financing public electric utilities, a representative of which will appear to sponsor such report as a witness before the Commission in accordance with clause 9 of this paragraph (e), setting forth historical energy (kWh) usage, a projection of Ongoing Financing Costs and Transition Charges during the term of the Restructuring Bonds and any other material assumptions used in the report, and concluding that such Transition Charges have been calculated as provided in clauses (ii), (iii), (iv) and (vi) of paragraph (e)(1), as applicable, and in accordance with the assumptions included in such report, and will ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds.

92. Attached to the Petition as Attachment 6.00 is a report sponsored and prepared by Corporation witness Mr. Zarumba, an independent financial consultant with recognized expertise in financing public electric utilities. Ralph Zarumba is a Director at Navigant, an independent

professional services firm that provides financial and strategic services to companies, legal counsel, and governmental agencies worldwide, and is a recognized expert in financing public electric utilities. (Corporation Ex. 6.00). Mr. Zarumba has personally served as a consultant to publicly-owned and investor-owned electric utilities in the United States (including Puerto Rico), Canada, and Europe. The Navigant report sets forth the material assumptions, historical energy (kWh) usage, per service agreement and net metering determinations, a projection of Ongoing Financing Costs and Transition Charges during the term of the Bonds, and a conclusion that such Transition Charges meet the requirements of the Act.

93. We find that Petition satisfies the criterion required by Article 6.25A(e)(3).

Article 6.25A(e)(4) – Financing Costs

94. Article 6.25(e)(4) requires that the Petition include or attach the following:

> A[n] itemized breakdown of the estimates of (i) the Upfront Financing Cost in connection with the issuance of the Restructuring Bonds, and (ii) the Ongoing Financing Cost estimated to be incurred during the term of the Restructuring Bonds, together with any estimate of the resulting Transition Charges, and the estimated ratio of total Transition Charges to total charges to Customers.

95. The Corporation has submitted testimony from Corporation witness Michael Mace (Corporation Ex. 4.00), which supports, and Attachments 2.00 – 2.04 that set forth itemized estimates of the Upfront Financing Costs in connection with the issuance of the Bonds, the Ongoing Financing Costs estimated to be incurred during the term of the Bonds, and the Transition Charges. Corporation witness Ralph Zarumba (Corporation Ex. 6.00) supports Attachment 3.02 that sets forth the estimated ratio of total Transition Charges to total charges to Customers.

96. We find that Petition satisfies the criterion required by Article 6.25A(e)(4).

Article 6.25A(e)(5) – Savings Test

97. Article 6.25(e)(5) requires that the Petition include or attach the following:

> A demonstration that the proposed transaction is anticipated to satisfy the savings test set forth in Article 35 and Chapter IV of the PREPA Revitalization Act.

98. Attachment 3.01 to the Petition demonstrates that the proposed transaction will satisfy the Savings Test of Article 35(a)(iii) of the Revitalization Act. This Attachment shows the calculation of the expected net present value savings based upon the scheduled payments on the Bonds, the expected Ongoing Financing Costs and debt service schedule on legacy PREPA bonds to be exchanged. The testimony submitted by the Corporation of Corporation witness Michael Mace (Corporation Ex. 4.00) discusses the savings test and how the proposed transaction satisfies this test.

99. We find that Petition satisfies the criterion required by Article 6.25A(e)(5).

Article 6.25A(e)(6) – Servicer Costs

100. Article 6.25(e)(6) requires that the Petition include or attach the following:

> A determination, with support, that the servicing costs proposed to be recovered by PREPA as Servicer are sufficient to compensate PREPA for the reasonable incremental costs related to its servicing functions, including a copy of the proposed Servicing Agreement.

101. A draft form of the Initial Servicing Agreement is attached to the Restructuring Resolution (Attachment 1.00) as Appendix 4 thereto. The Corporation has submitted testimony from Corporation witness Dan Stathos (Corporation Ex. 5.00) who identifies, explains, and supports the operations that PREPA must undertake to perform its duties as Initial Servicer and the incremental costs PREPA will incur to do so. He also confirms that the proposed payments to PREPA under the Initial Servicing Agreement are sufficient to compensate PREPA for the reasonable incremental costs of performing those servicing functions.

102. We find that Petition satisfies the criterion required by Article 6.25A(e)(6).

Article 6.25A(e)(7) – Projections and Stress Tests

103. Article 6.25A(e)(7) requires that the Petition include or attach the following:

> All projections and stress test scenarios provided by PREPA or the Corporation to credit rating agencies relating to the Transition Charges;

104. Attached to the Petition as Attachment 4.00 are all projections and stress test scenarios provided by the Corporation to credit rating agencies relating to the Transition Charges. Those scenarios are described by Corporation witness Michael Mace (Corporation Ex. 4.00). The Corporation has submitted testimony from Corporation witness Javier Quintana Méndez, PE (Corporation Ex. 2.00), who confirms that PREPA has not created or provided to any credit rating agencies any additional projections and stress test scenarios.

105. We find that Petition satisfies the criterion required by Article 6.25A(e)(7).

Article 6.25A(e)(8) – Other Documentary Support and Estimates

106. Article 6.25(e)(8) lists information that must be included with or attached to the Petition, to the extent not already provided. It requires:

> i) documentary support for and non-binding estimates of
>
> (1) interest and principal payments [including amortization payments] on the Restructuring Bonds and the payment dates thereof,
>
> (2) debt service coverage requirement, if any,

(3) issuance expenses (including legal fees, underwriting fees, defeasing costs, servicing fees, and other fees and costs),

(4) any payments to the United States to preserve or protect the tax-exempt status of PREPA's outstanding debt obligations or the Restructuring Bonds

(5) deposits to accounts (including amounts deposited in respect of capitalized interest, debt service reserve fund, or account, operating expense reserve or account, and PREPA's self-insurance deposits), and

(6) any costs, not included above, related to obtaining the Restructuring Order, protecting status of Restructuring Property, collecting Transition Charge, and administration costs, and

ii) an identification of the one-time costs (as distinct from ongoing costs), and an explanation of how such one-time costs will be included in the Transition Charge (for example, amortization vs. one-time recovery in a single repayment).

107. The Corporation has submitted testimony with respect to Article 6.25A(e)(8), as summarized in the following table:

Article	**Witness/attachment**	**Description**
6.25A(e)(8)(i)(1)	Mace Ex. 4.00 Attachment 1.00 Attachment 2.03	Mace supports the current estimates of the various components of the Restructuring Bonds and their respective principal and interest requirements (including amortization payments) (and dates) that are included in Attachment 2.03.
6.25A(e)(8)(i)(2)	Mace Ex. 4.00 Attachment 3.03	Mace discusses PREPA debt service coverage and the fact that there is no debt service coverage requirement on the Bonds.
6.25A(e)(8)(i)(3)	Mace Ex. 4.00 Attachment 1.00 Attachment 2.01	Mace discusses the estimated Upfront Financing Costs contained in Attachment 2.01 including issuance expenses (including legal fees, underwriting fees, defeasing costs, servicing fees, and other fees and costs).
6.25A(e)(8)(i)(4)	Mace Ex. 4.00	Mace discusses potential payments to protect the tax-exempt status of PREPA's outstanding debt obligations or the Restructuring Bonds.
6.25A(e)(8)(i)(5)	Mace Ex. 4.00 Attachment 1.00	Mace discusses deposits to reserves and self-insurance funds and deposits required to

	Attachment 2.01	replenish draws on reserves (including deposits to fund or replenish any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary Agreement as an additional reserve fund to their required level, as provided in the Trust Agreement and, to the extent permitted in the Trust Agreement, and, to the extent permitted in the Trust Agreement, Ancillary Agreement (as the case may be) to secure payment of all or a portion of the Bonds). Deposits to reserve funds are included in the estimates of Upfront Financing Charges in Attachment 2.01.
6.25A(e)(8)(i)(6)	Mace Ex. 4.00 Attachment 2.01 Attachment 2.02	Mace discusses costs related to obtaining the Restructuring Order, protecting status of Restructuring Property, collecting Transition Charge, and administration costs. He supports estimates of Upfront and Ongoing Financing Charges in Attachments 2.01 and 2.02.
6.25A(e)(8)(ii)	Mace Ex. 4.00 Attachment 1.00 Attachment 2.01	Mace discusses estimated one-time costs and an explanation of how such estimated one-time costs will be included in the Transition Charge (for example, amortization vs. one-time recovery). He supports estimates of Upfront and Financing Charges in Attachment 2.01.

108. We find that Petition satisfies the criterion required by Article 6.25A(e)(8).

Article 6.25A(e)(9) – Written Testimony

109. Article 6.25A(e)(9) requires that the Petition include or attach the following:

Written forms of testimony with confirming Affidavits (which testimony shall incorporate attachments and the petition or other materials filed with it) of one or more employees of the Corporation, or PREPA or any agents or consultants to the Corporation or PREPA, attesting to the statements of fact in the petition and the determinations required to be made in the materials required to be filed with it. Such testimony shall:

i) describe the Adjustment Mechanism and the manner of its calculation; and describe each Upfront and Ongoing Financing Cost estimated to be incurred;

ii) present an estimation, together with corresponding explanations, of how the Transition Charge will change over the life of the Transition Charge;

iii) describe the estimated ratio of total Transition Charges to total charges to Customers;

iv) compare the debt service and other Ongoing Financing Costs associated with the Restructuring Bonds, to the debt service and other Ongoing Financing Costs of PREPA's outstanding debt to be financed by the Restructuring Bonds; and

v) explain the projections and stress test scenarios provided by PREPA or the Corporation to the credit rating agencies relating to the Transition Charge.

110. Submitted with the Petition are written testimonies, with confirming Affidavits, of employees of, and agents and consultants to, the Corporation or PREPA that incorporate applicable attachments to the Petition and other materials filed with the Petition, attest to the statements of fact made in the Petition and the determinations required to be made in the materials filed with the Petition, and present, describe, compare, and explain the matters identified. The following table identifies the principal locations where the requirements enumerated in Article 6.25A(e)(9)(i) through (v) are met:

Article	**Witness/Attachment**	**Description**
6.25A(e)(9)(i)	Zarumba Ex. 6.00 Mace Ex. 4.00 Attachment 1.00 Attachment 2.01 Attachment 2.02	Mr. Zarumba describes the Adjustment Mechanism and the manner of its calculation; Mr. Mace describes each Upfront and Ongoing Financing Cost estimated to be incurred and provides a description of each Upfront and Ongoing Financing Cost estimated to be incurred.
6.25A(e)(9)(ii)	Zarumba Ex. 6.00 Attachment 3.02	Estimates of Transition Charges by class and a comparison of Transition Charges to total charges to customers, each over the life of the Transition Charges.
6.25A(e)(9)(iii)	Zarumba Ex. 6.00 Attachment 3.02	Describes the estimated ratio of total Transition Charges to total charges to Customers.
6.25A(e)(9)(iv)	Mace Ex. 4.00 Attachment 3.01 Attachment 3.03	Compares the debt service and other Ongoing Financing Costs associated with the Bonds, to the debt service and other costs of PREPA's outstanding debt to be refinanced by the Restructuring Bonds.

Article	Witness/Attachment	Description
6.25A(e)(9)(v)	Mace Ex. 4.00 Quintana Ex. 2.00 Attachment 4.00	Mace explains the projections and stress test scenarios provided by PREPA or the Corporation to the credit rating agencies relating to the Transition Charge. Quintana confirms that PREPA did not provide any such estimates to rating agencies.

111. We find that Petition satisfies the criterion required by Article 6.25A(e)(9).

Article 6.25A(e)(10) – Attachments and Other Documents

112. Article 6.25A(e)(10) provides that:

> The draft Restructuring Resolution presented to the Commission need not contain forms of any other financing document referenced in the Resolution, except for the proposed form of the Servicing Agreement and any other document to support the information required in accordance with this Article 6.25A as requested by the Commission within five (5) days of filing of the petition. The Commission shall not, by rule or otherwise, require additional materials or information to be submitted in support of the petition.

113. Attached to the Petition is a draft form of the Initial Servicing Agreement (Appendix 4 to Attachment 1.00). The Corporation has presented testimony from Corporation witness Gerard Gil-Olazábal that the Corporation commits to providing to the Commission an executed copy of the Initial Servicing Agreement when available. Corporation Ex. 3.00 (Gil-Olazábal). The Corporation will timely provide any other documents and information required under Article 6.25A that are duly requested by the Commission within five days of the filing of the Petition.

114. We find that Petition satisfies the criterion required by Article 6.25A(e)(10).

D. Article 6.25A(b)(2) requires that the Upfront Financing Costs and Ongoing Financing Costs proposed to be recovered from the Bond proceeds or the Transition Charge Revenues are consistent with Article 6.25A and Chapter IV of the Revitalization Act.

Upfront Financing Costs and Ongoing Financing Costs

1. The requirements of Article 6.25A(e), relating to the contents of the Petition and Restructuring Resolution, are described above in this Restructuring Order.

2. The Corporation has submitted testimony of Corporation witness Michael Mace itemizing by cost category in Attachment 2.01 the estimated Upfront Financing Costs and Ongoing Financing Costs. Mace testified that the Corporation and its advisors had exercised due diligence in making such estimates, and that the Corporation will update the actual costs pursuant to the Corporation's commitment under Article 6.25A(e)(1)(viii).

3. The Corporation has also submitted testimony of Corporation witness Mace detailing the Upfront Financing Costs and Ongoing Financing Costs.

4. Mace testified that the Upfront Financing Costs proposed to be recovered from the Bond proceeds or the Transition Charge Revenues are consistent with Article 6.25A and Chapter IV of the Revitalization Act.

5. We find that the Upfront Financing Costs and Ongoing Financing Costs proposed to be recovered from the Bond proceeds or the Transition Charge Revenues are consistent with Article 6.25A and Chapter IV of the Revitalization Act, in accordance with the requirements of Article 6.25A(b).

E. Article 6.25A(b)(3) requires that the servicing costs proposed to be recovered by PREPA in its role as the initial Servicer are necessary, reasonable and sufficient to compensate PREPA for the incremental costs of performing its functions as Servicer.

1. The requirements of Article 6.25A(e), relating to the contents of the Petition and Restructuring Resolution, are described above.

2. The Corporation has submitted testimony from Corporation witness Gil-Olazábal that the Corporation has determined that the servicing costs proposed to be recovered by PREPA as Servicer are sufficient to compensate PREPA for the reasonable incremental costs of performing the servicing functions as set out in the proposed Servicing Agreement.

3. The Corporation has also submitted testimony from Corporation witness Stathos that the servicing costs proposed to be recovered by PREPA in its role as the initial Servicer are necessary, reasonable and sufficient to compensate PREPA for the incremental costs of performing its functions as Servicer.

4. We find that the servicing costs proposed to be recovered by PREPA in its role as the initial Servicer are necessary, reasonable and sufficient to compensate PREPA for the incremental costs of performing its functions as Servicer, in accordance with Article 6.25A(b)(3).

IV. CONCLUSIONS OF LAW

1. Jurisdiction and Authority. The Commission has jurisdiction and authority to adopt this order.

2. Petition. The Petition satisfies the requirements of the Act and has been deemed complete by this Commission pursuant to Article 6.25A.

3. Findings Required under Article 6.25A(b). We find that:

a. the provisions of the Restructuring Resolution (Attachment 1.00), including the Calculation Methodology related to the Bonds are consistent with the criteria set forth in Article 6.25A(d) of Act 57 and are sufficient for and provide for

adequate protection of the full and timely payment of the Bonds, in accordance with their terms, and other Ongoing Financing Costs;

b. the Upfront Financing Costs and Ongoing Financing Costs proposed to be recovered from the Bond proceeds or the Transition Charge Revenues are consistent with Article 6.25A and Chapter IV of the Revitalization Act; and

c. the servicing costs proposed to be recovered by PREPA in its role as the Initial Servicer are necessary, reasonable, and sufficient to compensate PREPA for the incremental costs of performing its functions as the Initial Servicer.

4. Commission Review of Transition Charge Calculations. The Commission acknowledges that, pursuant to Article 34 of the Revitalization Act and clause (e)(xii) of Article 6.25A, the Commission's review of the initial Transition Charges or of any adjustment to the Transition Charges shall be limited to verifying the mathematical accuracy of the calculation of the initial Transition Charges or subsequent adjustment of the Transition Charges resulting from the application of the Adjustment Mechanism (as the case may be). As provided in clause (f)(5) of Article 6.25A, except for the verification for mathematic accuracy as described in the preceding sentence, nothing in Chapter IV of the Act shall authorize the Commission to approve, modify or alter any Transition Charge, or to approve, reduce, or alter any Upfront Financing Cost or Ongoing Financing Cost or interfere with the payment thereof.

5. Replacement of Servicer. Pursuant to clause (g) of Article 6.25A, the Commission is authorized to direct the Corporation to replace PREPA as Servicer, motu proprio, pursuant to an order based on substantial evidence or at the request of the Trustee or the Bondholders, if PREPA shall default in its obligations under the Servicing Agreement, as long as the naming of said substitute Servicer complies with the requirements and other conditions of the Servicing Agreement. No such Commission action shall diminish the rights of the Trustee, the Bondholders or any credit enhancer of the Bonds to replace the Servicer under the terms of any trust agreement or any other financing document relating to the Bonds.

6. Enforceable Commitments. Resolution 19 of the Restructuring Resolution sets forth all commitments of the Corporation that are enforceable against the Corporation by the Commission under Article 6.25A of Act 57-2014, as amended, through judicial action directing that that the Corporation act in accordance with their terms.

7. Transition Charges Obligatory, Non-bypassable and Applicable to All Customers. As provided in Article 35(i) of the Act, for so long as the Bonds are outstanding, and the Approved Restructuring Costs (including any payments that have or are to become due under Ancillary Agreements) have not been paid in full, the Transition Charges authorized and imposed by the Act shall be obligatory, Non-bypassable and shall apply to all Customers.

8. Meaning of Non-bypassable. As provided in Article 31(19) of the Act, Non-bypassable means that the Transition Charges shall be paid by all Customers, even if the Customer elects to purchase electricity in whole or in part from an alternative electric supplier, or obtain electricity from a generation source "behind the meter."

9. Partial Payments Allocated Pro Rata. As provided in Article 35(k)(1) of the Act, to the extent that any Customer makes a partial payment of a bill containing both Transition Charge and any other charges, such payment shall be allocated pro rata between the Transition Charges and the other charges.

10. Successor and Assigns Obligations. As provided in Article 35(l) of the Act, PREPA, any successor or assign of PREPA or any other Person with any operational control of any portion of the Electric System Assets, whether as owner, lessee, licensee or otherwise and any Servicer successor, shall be bound by the requirements of the Act and this Order and shall perform and satisfy all obligations imposed pursuant thereto in the same manner and to the same extent as did its predecessor, including the obligation to bill, adjust and enforce the payment of Transition Charges.

11. No Limitation, Alteration, Reduction, Impairment, Postponement or Termination of Rights. As provided in Article 41 of the Act, the Commonwealth has covenanted, pledged and agreed with the holders of any "Restructuring Bonds", including the Bonds, issued under the Act and with those Persons that enter into other contracts with the Corporation, pursuant to the provisions of the Act, that after the issuance of any "Restructuring Bonds", including the Bonds, neither the Commonwealth nor any agency, public corporation, municipality or instrumentality thereof (including the Commission) shall take or permit any action to limit, alter, reduce, impair, postpone or terminate the rights conferred in any Restructuring Resolution, including those relating to Transition Charges and the related Adjustment Mechanism, as the same may be adjusted from time to time pursuant to the Restructuring Resolution in a manner that impairs the rights or remedies of the Corporation or the holders of any "Restructuring Bonds", including the Bonds, parties to any Ancillary Agreement or any Financing Entity or the security for the "Restructuring Bonds", including the Bonds, or Ancillary Agreements, or that impairs the Restructuring Property or the billing or collection of Transition Charge Revenues. Nor shall the amount of revenues arising with respect to Restructuring Property be subject in any way to limitation, alteration, reduction, impairment, postponement or termination by the Commonwealth or any agency, public corporation, municipality or instrumentality thereof except as contemplated by the Adjustment Mechanism. As provided by Article 41 of the Act, the Corporation is authorized and directed as agent of the Commonwealth to include this covenant as an agreement of the Commonwealth in the Bonds and in any contract with the Bondholders. The Commission acknowledges that the covenants of the Commonwealth, as fully set forth in Article 41, are binding.

12. Savings. The Corporation has demonstrated that the proposed Bond transaction is anticipated to satisfy the savings test set forth in Article 35 of Chapter IV of the PREPA Revitalization Act (the "Savings Test").

13. Corporation and Authority Obligations under the Servicing Agreement. Pursuant to clause (g) of Article 6.25A, the Commission shall ensure that the Corporation and PREPA perform their respective obligations under the Servicing Agreement, including the obligations to collect all late charges and delinquencies with care and diligence.

14. Basic Documents. Pursuant to Article 6.25A(e)(10), the Commission has not and shall not review or approve any Basic Document or any other financing document executed in

connection with the issuance of the Bonds, provided that no change to the compensation payable to PREPA as Initial Servicer under the Servicing Agreement shall be made without the approval of the Commission.

15. Projections, Estimates and Calculations Non-binding. Pursuant to Article 6.25A(e)(8)(i), any projections, estimates or calculations provided in the Petition or included in any document supporting such Petition are in all cases non-binding and any failure to realize any projections or estimates shall not affect the Restructuring Resolution or Restructuring Order.

16. Net Metering. Article 4 of Law No. 114-2007, as amended, is consistent with and does not limit the ability to impose Transition Charges on net-metering or distributed generation Customers as proposed in the Petition.

V. ORDERS

1. Approval of Petition. We approve the Petition as submitted by the Corporation.

2. Approval of Calculation Methodology and Adjustment Mechanism. We approve the Calculation Methodology and the Adjustment Mechanism as described in Exhibit A hereto. The Commission's review of the initial Transition Charges or any adjustment to the Transition Charges shall be limited to verifying the mathematical accuracy of the calculation of the initial Transition Charges or subsequent Transition Charges resulting from the application of the Adjustment Mechanism (as the case may be). If the Commission has reason to believe that there is a mathematical error in the calculation of the Transition Charges, before issuing an order requiring the Corporation to correct such error, the Commission may provide a preliminary finding to the Servicer and the Calculation Agent. Any adjustment to correct a mathematical error, if ordered by the Commission, shall be made by the Corporation (or the Servicer on its behalf) not later than the next succeeding application of the Adjustment Mechanism on which such adjustment can practically be implemented. In no event shall the Commission's inquiries into any such mathematic error or the implementation of a Commission order correcting any mathematical error result in the delay of the implementation of an adjustment to the Transition Charges from the effective date stated in the True-Up Adjustment Letter.

3. Depository; Calculation Agent. The Commission acknowledges that the Corporation, or the Trustee, as and to the extent provided in the Trust Agreement, may replace the Depository or the Calculation Agent without the approval of the Commission.

4. Action with respect to Servicer. The Commission acknowledges that any action taken by the Corporation, at the direction of the Commission, with respect to the Servicer, including the replacement of the Servicer, is subject to the prior consent or contrary direction of the Trustee on behalf of or as directed by the Bondholders and/or parties to an Ancillary Agreement, in accordance with the terms of the Trust Agreement or any Ancillary Agreement.

5. Initial Servicing Fee. The Commission approves the initial annual servicing fee to be paid to PREPA, in the amount of 0.05% of the initial principal amount of the Bonds, subject to annual adjustment as described in the Petition.

6. Successor Servicer. In the event a successor Servicer must be appointed by the Corporation, or by the Trustee on behalf of the Bondholders in accordance with the terms of the Trust Agreement or any Ancillary Agreement, the annual fee of a successor Servicer may not exceed 1% of the initial principal amount of the Bonds. Any fee in excess of such amount is subject to the prior approval of the Commission, and the Commission will expeditiously review any request for such an adjustment.

7. Restructuring Resolution. The Restructuring Resolution may be amended by the Corporation prior to the issuance of any Bonds; provided, however, that no such amendment may alter in any material respect the calculation methodology for the initial Transition Charge or the Adjustment Mechanism, or diminish in any respect the powers and rights of the Commission under this Order, or alter the fee of the Initial Servicer or increase the maximum fee of any successor Servicer from the amounts approved in this Order.

8. Delivery of Initial Transition Charges Information. Pursuant to Article 34 of Chapter IV of the Revitalization Act, we order the Corporation deliver to the Commission or cause the Servicer to deliver, not later than three (3) business days following the pricing or award of the Restructuring Bonds, the information relating to the initial Transition Charges described in such Article, which initial Transition Charge shall be effective on the issuance date of the Bonds.

9. Effectiveness. This Order shall be effective upon its approval and shall be irrevocable and not subject to further review or amendment by the Commission.

Be it hereby notified and published.

_____
[Agustín F. Carbó Lugo]
Chairman

_____
[Ángel R. Rivera de la Cruz]
Associate Commissioner

_____
[José H. Román Morales]
Associate Commissioner

I hereby certify that on _____, 2016 the Puerto Rico Commission so agreed. I further certify that today, _____, 2016 I have notified a copy of this order to

[TO COME]

_____
[Brenda Liz Mulero Montes]
Interim Clerk

CERTIFICATION

I certify that this document is a true and exact copy of the Ruling and Order issued by the Puerto Rico Energy Commission. I further certify that today, _____, 2016, I have recorded this Ruling and Order in the case file and I have notified a copy of it to:

[TO COME]

In witness whereof, I sign this document in San Juan, Puerto Rico on _____, 2016.

_____
[Rafael O. García Santiago]
Clerk of the Puerto Rico
Telecommunications Regulatory Board

Exhibit A

CALCULATION METHODOLOGY AND ADJUSTMENT MECHANISM

CALCULATION METHODOLOGY AND ADJUSTMENT MECHANISM TO ESTABLISH AND ADJUST THE TRANSITION CHARGE

The Corporation will, or will cause the Servicer on behalf of the Corporation to, calculate the initial Transition Charge and to adjust the Transition Charges in accordance with the following procedure. PREPA, as the initial Servicer pursuant to the Servicing Agreement, or any successor Servicer will make adjustments to the Transition Charges (a) quarterly, beginning no more than three (3) months from issuance of the Bonds and continuing until the Bonds and all Ongoing Financing Costs are paid or deemed paid in full, and (b) at any other time if the Servicer, the Calculation Agent, the Trustee or Requisite Bondholders (as and to the extent provided in the Trust Agreement) or any party to an Ancillary Agreement (as and to the extent provided in an Ancillary Agreement) determines that such adjustment is required to assure the timely payment of the principal of and interest on the Bonds and all other Ongoing Financing Costs. Such adjustments are referred to herein as Quarterly and Optional True-Up Adjustments, respectively, and, collectively, as "True-Up Adjustments." Capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to them in the Restructuring Resolution.

To initiate any True-Up Adjustment, the Servicer will make a preliminary calculation of the True-Up Adjustment and will prepare and submit to the Calculation Agent a draft request for adjustment (a "True-Up Letter"). The Calculation Agent will review the draft True-Up Letter, including the mathematical calculations related to the proposed True-Up Adjustment, and forward any corrections or modifications to the Servicer. The Servicer will then file the True-Up Letter, reflecting any such corrections or modifications, with the Corporation, the Commission and the Trustee, not later than 30 days prior to the proposed effective date of the adjustment set forth in the True-Up Letter (such effective date being referred to as the "True-Up Adjustment Date").

Each True-Up Adjustment will be designed (i) to correct for any over-collections or under-collections of Transition Charges through the proposed True-Up Adjustment Date and (ii) to ensure that expected Transition Charge Revenues remitted or to be remitted to the Trustee, after taking into account assumed charge-offs and payment delays, are adequate (A) to pay timely principal of (in accordance with the scheduled maturity date or dates (including scheduled mandatory sinking fund redemption dates)) and interest on the Bonds on each of the Payment Dates that occurs during the related Annual Calculation Period (defined below), (B) to fund or replenish any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund) to its required level, as provided in the Trust Agreement or the Ancillary Agreement (as the case may be), and (C) to make timely payment of all other Ongoing Financing Costs during the related Annual Calculation Period.

In estimating the expected receipts of Transition Charges for any period the Servicer will apply a "collection curve" reflecting the most recent 12-month history of collections for which data are available. In connection with each True-Up Adjustment filing, the Servicer will develop one collection curve reflecting payment history for all Customers (the "Composite Collection Curve"). A collection curve is data reflecting the timing of payments of outstanding bills during

a 12-month period, adjusted to assume that any Transition Charges which are not collected within 120 days of billing are written off. Each month's billings are divided into aging buckets based on the number of days for which such billings have been outstanding (e.g., 0 to 29 days, 30 to 59 days, 60 to 89 days, and 90 to 119 days outstanding). The aging buckets are then used to estimate the dollar amount of each month's billings collected within 30, 60, 90 and 120 days, as well as the dollar amount not collected within 120 days (amount written off) for the 12-month period. For such 12-month period, the collection curve is calculated by dividing each of the total dollar amount of billings collected within 30, 60, 90, and 120 days by the total dollar amount of billings collected within 120 days. The Composite Collection Curve will also be used to calculate the Days Sales Outstanding referred to in Annex 3 to the Servicing Agreement.

As used herein, unless otherwise defined, capitalized terms shall have the following meanings:

"Actual kWh Billed" means, for any period and for any Customer, Class or Classes, the gross kWh consumption, measured, as and to the extent provided in the Restructuring Resolution, without regard to any offset for net-metering and adjusted for estimated distributed generation usage. Usage of municipal Customers will be included only to the extent that the dollar value of such usage for electric service, including in determining such dollar value both Transition Charges which would otherwise be imposed on such municipality and PREPA charges, in any fiscal year exceeds the dollar value owed by PREPA to such municipality as a contribution in lieu of taxes for such fiscal year, as provided in the Act and the Restructuring Resolution.

"Aggregated Actual kWh Billed" means, for any period, the sum of the Actual kWh Billed for all Customers.

"Annual Calculation Period" means the 12-month period beginning on (but not including) a True-Up Adjustment Date and ending on (and including) a date which is 12-months later.

"Bond Payment Date" means each consecutive Bond payment date (whether for principal or interest) following a True-Up Adjustment Date. As an illustration, the "First Bond Payment Date" means the first Bond Payment Date following a True-Up Adjustment Date; the "Second Bond Payment Date" means the second Bond Payment Date following the True-Up Adjustment Date; etc.

"Class" means each of the Residential Customers, the Non-Residential Customers and the Government Customers, respectively, and, collectively, the "Classes." For the avoidance of doubt, the Non-Residential Customers and the Government Customers together constitute a single Class.

"Collection Period" means, for the purposes of any True-Up Adjustment, the period which commences on a True-Up Adjustment Date and which ends five (5) Business Days prior to a designated Bond Payment Date. As an illustration, the "First Collection Period" means the period which commences on a True-Up Adjustment Date and which ends five (5) Business Days prior to the First Bond Payment Date following such True-Up Adjustment Date; the "Second

Collection Period" means the period which commences on the same True-Up Adjustment Date and which ends five (5) Business Days prior to the Second Bond Payment Date following such True-Up Adjustment Date; etc.

"Government Customers" means any Customer that is an agency, public corporation, office, municipality, or instrumentality of the Commonwealth of Puerto Rico, or an agency, public corporation, office, department or instrumentality of the United States.

"Gross Billing Requirement" shall have the meaning set forth in clause (6) below.

"Net Revenue Requirement" shall have the meaning set forth in clause (5) below.

"Non-Residential and Government Customer Allocation" shall have the meaning set forth in clause (2) below.

"Non-Residential Customers" means the rate classes identified on Exhibit A to [__] as Non-Residential Customers, as such rate classes may be changed from time to time based upon Customer characteristics.

"Residential Customer Allocation" shall have the meaning set forth in clause (1) below.

"Residential Customers" means the rate classes identified on Exhibit A to [__] as Residential Customers, as such rate classes may be changed from time to time based upon Customer characteristics.

"Residential Service Agreement Count" means, as of the date of any calculation, the average number of Residential Service Agreements used for billing purposes during the previous 12-month period ending with the end of the most recently completed calendar quarter for which data are available.

"Residential Service Agreement Aggregate Count" means Residential Service Agreement Count times the number of billing cycles (or portions thereof) within a Collection Period.

The calculation methodology and adjustment mechanism to establish and adjust the Transition Charge shall be as follows:

(1) Divide the Aggregated Actual kWh Billed for the previous 12-month period ending with the end of the most recently completed calendar quarter for which data are available into the Actual kWh Billed to Residential Customers during that same 12-month period. The resulting percentage is the "Residential Customer Allocation."

(2) Divide the Aggregated Actual kWh Billed for the previous 12-month period ending with the end of the most recently completed calendar quarter for which data are available into the Actual kWh Billed for all Non-Residential Customers and Government Customers during the same 12-month period. The resulting percentage is the "Non-Residential and Government Customer Allocation."

(3) Project the Transition Charge Revenues expected to be held by the Trustee on the proposed True-Up Adjustment Date after payment of Ongoing Financing Costs due on or prior to such date (but excluding amounts held or to be held on such date by the Trustee in any debt service reserve fund or account, or in any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund), and add to that amount the Transition Charge Revenues expected to be received by the Trustee after the True-Up Adjustment Date and during the First Collection Period from bills rendered prior to the True-Up Adjustment Date based on the Transition Charges then or previously in effect.

(4) Calculate the sum of (a) principal of (in accordance with the scheduled maturity date or dates (including scheduled mandatory sinking fund redemption dates)) and interest on the Bonds when due and as accruing through and including the First Bond Payment Date, (b) any amount necessary or expected to be necessary to fund or replenish any debt service reserve fund or account, or any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund, to their required level, as and to the extent such funding or replenishment is required by the Trust Agreement or any Ancillary Agreement (as the case may be) on or prior to the First Bond Payment Date, and (c) all other Ongoing Financing Costs required to be paid or deposited on or prior to the First Bond Payment Date.

(5) Subtract the amount in clause (3) from the amount in clause (4) to determine the "Net Revenue Requirement" for the First Collection Period.

(6) Adjust (or gross up) the Net Revenue Requirement to give effect to the number of billing cycles, the Composite Collection Curve and the write-off assumption, to ensure that the Transition Charge Revenues expected to be remitted to the Trustee during the First Collection Period will satisfy the Net Revenue Requirement for the First Collection Period on a timely basis and will result in the Excess Funds Account held under the Trust Agreement to be zero by the First Bond Payment Date. The result will be the "Gross Billing Requirement" for the First Collection Period.

(7) Multiply the Gross Billing Requirement for the First Collection Period by the Residential Customer Allocation. The result will be the "Residential Gross Billing Requirement" for the First Collection Period.

(8) Multiply the Gross Billing Requirement for the First Collection Period by the Non-Residential and Government Customer Allocation. The result will be the "Non-Residential and Government Gross Billing Requirement" for the First Collection Period.

(9) Divide the Residential Gross Billing Requirement for the First Collection Period by the Residential Service Agreement Aggregate Count for First Collection Period to produce a $/per service agreement Transition Charge. Subject to clause (12) below, the result will be the first possible Transition Charge for each Residential Customer to be effective on the True-Up Adjustment Date.

(10) Divide the Non-Residential and Government Gross Billing Requirement for the First Collection Period by the Actual kWh Billed for Non-Residential Customers and Government Customers during the comparable period to the First Collection Period in the prior 12-month period for which data are available (i.e., the calendar dates one year prior to the calendar dates in the First Collection Period), to produce an estimated volumetric (per kWh) Transition Charge. Subject to clause (12) below, the result will be the first possible Transition Charge (per kWh) for all Non-Residential and Government Customers to be effective on the True-Up Adjustment Date.

(11) Repeat the calculations described in clauses (3) through (10), inclusive, to determine the Transition Charges necessary to satisfy the revenue requirement for each consecutive Collection Period which ends during the Annual Calculation Period, replacing "First Bond Payment Date" with "Second Bond Payment Date" and "First Collection Period" with "Second Collection Period," etc. through the Third and Fourth Collection Periods (if any), respectively.

(12) Compare the revenues produced by each set of Transition Charges resulting from the calculations above (i.e., one set for each Collection Period). The set of Transition Charges which is expected to produce the greatest revenue by the end of the First Collection Period will be the set of Transition Charges to be effective on the True-Up Adjustment Date.

The Corporation will adjust the Transition Charges for each Class as requested in each True-Up Letter, and such Transition Charges will be effective on the date specified in the True-Up Letter, so long as such effective date is at least 30 days after the filing with the Commission of such True-Up Letter, subject only to the correction of any mathematical errors by the Commission as set forth in the next sentence. Any adjustment to correct the mathematical inaccuracy, if ordered by the Commission, shall be made by the Servicer no later than the next succeeding True-Up Adjustment on which such adjustment can practically be made without delaying the effective date set forth in the True-Up Letter.

Corporation Ex. 1.00

COMMONWEALTH OF PUERTO RICO

PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, Petitioner.	NO. **SUBJECT: TESTIMONY SUPPORTING PETITION FOR RESTRUCTURING ORDER**

Testimony of

LISA J. DONAHUE

Managing Director,

AlixPartners, LLP

and

Chief Restructuring Officer,

Puerto Rico Electric Power Authority

On behalf of the

Puerto Rico Electric Power Authority Revitalization Corporation

April 7, 2016

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I. INTRODUCTION

A. Witness Identification

Q. **Please state your name, title, employer, and business address.**

A. My name is Lisa J. Donahue. I am a Managing Director and the leader of the Turnaround and Restructuring Practice at AlixPartners, LLP, a global business and advisory firm. I have also served as the Chief Restructuring Officer ("CRO") of the Puerto Rico Electric Power Authority ("PREPA" or the "Authority") since September 2014. My business address is 909 3rd Ave, New York, New York 10022.

Q. **Please describe your role at PREPA.**

A. As CRO, my primary role has been to develop and implement a holistic recovery plan that will allow PREPA to serve the people of Puerto Rico more efficiently, reliably, and at a reasonable cost. I have worked on improving and institutionalizing processes and procedures, updating systems and information technology and staffing, and my team and I have led the operational transformational efforts. I have also led PREPA's negotiations with its creditors that culminated in the Restructuring Support Agreement (as amended or restated from time to time, the "RSA"). Since my appointment, PREPA has made significant strides to improve its operations, lower its costs, and remedy many of its longstanding challenges, and continues to work on these issues.

Q. **On whose behalf are you testifying?**

A. I am testifying on behalf of the Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation").

B. Summary of Testimony

Q. **What subjects does your testimony address?**

A. **First**, in Section II of my testimony, I provide an overview of the Corporation's filing and describe the proposed issuance of Restructuring Bonds[1] ("the "Bonds") and its essential characteristics.

Second, in Section III of my testimony, I explain why the issuance of the Bonds is a cornerstone of the restructuring of PREPA approved by the Legislative Assembly in the PREPA Revitalization Act (the "Revitalization Act" or the "PRA"), Act 4-2016, and is essential to realizing the benefits of the RSA and the creditor concessions it memorializes. I confirm that the "Savings Test" established by Article 33 of the Revitalization Act is met and, more generally, explain the overall debt service cost reductions and financial benefits that flow from the Bonds.

Third, in Section IV of my testimony, I describe the other materials and testimonies that the Corporation is submitting with its Petition.

Fourth, in Section V of my testimony, I briefly highlight aspects of the proposed Restructuring Order that are both appropriate for the Commission to make and important to achieving the goals of the Revitalization Act.

C. Professional Background & Education

Q. **Please describe your educational background and professional experience.**

A. In addition to serving as a Managing Director of AlixPartners, I have served as a senior executive at several energy companies, most recently as Chief Financial Officer at

[1] Where I use capitalized terms that are defined in the Petition, I intend the same meaning.

Atlantic Power Corporation, a publicly traded power and infrastructure company. Prior to that, I served as Executive Vice President and Chief Financial Officer at Calpine Corporation, an energy company with operations in several North American countries, and as the Chief Restructuring Officer at SemGroup, L.P., a mid-stream oil & gas, pipeline, storage, and commodity trading company. My professional education includes a Bachelor of Science (B.S.) degree in Finance from Florida State University. My complete *curriculum vitae*, which reviews my education, professional qualifications, and experience in detail, is attached as Corporation Exhibit ("Ex.") 1.01.[2]

II. OVERVIEW OF THE PETITION, THE CORPORATION, AND THE BONDS

Q. **What does the Petition ask?**

A. The Corporation proposes to issue the Bonds under the Revitalization Act as described in the Restructuring Resolution (including Appendices and Schedules thereto) attached to the Petition as Attachment 1.00. The Petition is a statutory request under Article 6.25A, which establishes what the Corporation must show and the criteria under which its showing is to be evaluated. It asks the Commission to issue a Restructuring Order finding that the provisions of the Restructuring Resolution, including the calculation methodology for the Transition Charges and the Adjustment Mechanism (collectively, the "Calculation Methodology") for the Bonds, the identification and estimation of the Upfront Financing Costs and Ongoing Financing Costs, and the form of the Servicing Agreement between the Corporation and PREPA as the initial servicer, are consistent

[2] To avoid confusion in the designation of documents, attachments to the Petition are designated as "Attachments." Testimony and documents attached thereto are designated as "Exhibits."

with the requirements of Article 6.25A of Act 57-2014 as added by Article 20 of the Revitalization Act ("Article 6.25A"). The Commission should also find the predicate facts and make other lawful findings and conclusions justified by the Petition and supporting materials that enable and facilitate issuance of the Bonds as authorized by Chapter IV of the Revitalization Act. To accomplish this, the Corporation proposes that the Commission issue a Restructuring Order substantially in the form as provided as Attachment 8.00 to the Petition.

Q. **What is a securitized bond in the context of utility finance?**

A. In the utility world, securitization is the issuance of tradable securities, such as bonds, that are backed not by the credit of the utility itself, which may be poor, or by the utility's physical rate base assets, which may have little practical financial value as security, but are instead secured by and paid from restructuring property created by law. That property typically includes the rights to a defined stream of revenues to be paid by utility customers, often called "transition charges." In many cases, the market views those rights as more certain and more valuable than a claim on the utility or its "rate base" assets. Often these rights are held by a separate and distinct special purpose vehicle ("SPV") that is free of the utility's pre-existing obligations and debts. As a result, the cost of securitized debt will often be lower than the cost of the utility's debt and holders of utility debt will give value for the opportunity to exchange or secure their existing utility debt with securitized debt. Reducing the risk to investors in this manner does not cost customers anything — it actually reduces costs that customers are responsible for — making this a win-win for all involved.

Q. **What is the Corporation?**

A. The Corporation is a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico ("the Commonwealth") created by the Revitalization Act on February 16, 2016. The Corporation is empowered by law to, among other things, adopt Restructuring Resolutions, issue Bonds contemplated by a Restructuring Resolution, impose and collect non-bypassable Transition Charges, and approve the Adjustment Mechanism, subject to the Commission issuing a Restructuring Order. The Corporation has no other operations. Critically, the Corporation is a distinct and separate entity from PREPA.

Q. **Why is the Corporation issuing the Bonds?**

A. The Revitalization Act created the Corporation as a SPV free of PREPA's pre-existing obligations and debts and immune from insolvency (and bankruptcy). The reduced risks of investing in Bonds are aimed at achieving a better credit rating and more favorable financing terms, reducing the cost of the Bonds and the Transition Charges. Michael Mace (Corporation Ex. 4.00) testifies in more detail regarding the structure of the transaction and the need for a separate Corporation.

Q. **What is the Restructuring Resolution?**

A. The Restructuring Resolution (Attachment 1.00) describes the Bonds, the purposes for which each type of Bond will be issued, their terms, and the maximum total face value of each type of Bond. Among other things, it approves the financing of Approved Restructuring Costs through the issuance of Bonds. The Restructuring Resolution also defines and, through the authority of the Revitalization Act, creates the Restructuring

Property that secures payment of the Bonds. It imposes and approves the collection of the Transition Charges from which the Ongoing Financing Costs of the Bonds are to be paid, and sets out the Calculation Methodology and, in particular, the Adjustment Mechanism, for those Transition Charges. The Corporation will adopt the Restructuring Resolution after the Commission issues the Restructuring Order.

Q. **What are the Transition Charges?**

A. Transition Charges are the charges paid by customers of PREPA, entirely apart from the rates of PREPA, to recover the Ongoing Financing Costs. In simplified terms, Transition Charges are the monies that the Corporation collects from customers of PREPA that allow the Corporation to fully satisfy its obligations to holders of the Bonds.

Q. **What is the Adjustment Mechanism?**

A. The Transition Charges are initially established and then periodically adjusted as the cost of meeting the Corporation's obligations changes over time and as the amount of funds actually collected changes (*e.g.*, as a result of changes in use, number of customers, payment patterns, etc.). The Revitalization Act defines the "Adjustment Mechanism" ["*Mecanismo de Ajuste*"] as the "the formulaic adjustment mechanism contained in a Restructuring Resolution, as approved in a Restructuring Order … to be applied by the Corporation periodically, but not less often than semi-annually, to adjust the Transition Charges to ensure the collection of Transition Charge Revenues sufficient to provide for the timely payment of Ongoing Financing Costs."[3] The Adjustment Mechanism is set out

[3] PRA, Art. 31, para. 23.

in Appendix 2 to the Restructuring Resolution (Attachment 1.00). Corporation witnesses Michael Mace and Ralph Zarumba (Corporation Exs. 4.00 and 6.00, respectively) provide additional explanation and support regarding the need for the Adjustment Mechanism and its operation.

Q. **How do the Transition Charges support the Bonds?**

A. The Transition Charges as adjusted by the Adjustment Mechanism are Restructuring Property and security for the Bonds. The Transition Charges will be routed through the Corporation for payment of the securitization bonds. The Adjustment Mechanism adjusts the Transition Charge up or down, based on a formula defined in the Restructuring Resolution (*see* Appendix 2 to Attachment 1.00 to the Petition). This structure will reduce PREPA's interest costs, assist in stabilizing PREPA's rates, and provide a critical tool for the consummation of PREPA's recovery plan. The Calculation Methodology for the Transition Charges and Adjustment Mechanism related to the Bonds is consistent with the criteria set forth in Article 6.25A(d), is not arbitrary or capricious, and is sufficient for and provides for adequate protection of the full and timely payment of the Bonds in accordance with their terms and other Ongoing Financing Costs. The details of the Transition Charges, how they are calculated and adjusted up or down over time through the Adjustment Mechanism, and how they are collected are discussed further in the testimony of Corporation witnesses Michael Mace and Ralph Zarumba (Corporation Exs. 4.00 and 6.00, respectively).

Q. **Does the Calculation Methodology for the Transition Charges and the Adjustment Mechanism provide for the full and timely payment of the Bonds and all other Ongoing Financing Costs?**

A. Yes. As discussed in further detail in the testimonies of Corporation witnesses Michael Mace and Ralph Zarumba (Corporation Exs. 4.00 and 6.00, respectively), the Calculation Methodology provides for the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs.

Q. **What are the types of Bonds authorized by the Restructuring Resolution, and for what purposes and in what amounts can they be issued?**

A. The different types of Bonds and their characteristics are set forth in the Restructuring Resolution (Appendix 2 to Attachment 1.00, Findings of Fact 1-3). However, the Bonds may be broadly grouped into two separate categories, the Closing Date Bonds and the Post-Closing Date Bonds. Closing Date Bonds, issued on the same date as the Exchange Offer Bonds (the "Closing Date"), can be further broken down into the following categories:

a. Exchange Offer Bonds in an initial aggregate principal amount not to exceed $4.97 billion, to be issued to the beneficial owners of PREPA Bonds that are not insured PREPA Bonds ("Uninsured PREPA Bonds"), in exchange for such Uninsured PREPA Bonds (i) at an exchange ratio (principal to principal) of 85% and (ii) may also be issued in an amount equal to and in satisfaction of any accrued and unpaid interest owing on such Uninsured PREPA Bonds at the time of such exchange.

b. "Mirror Bonds" that include (i) Bonds, in an initial aggregate principal amount not to exceed $2.086 billion (the "Monoline Mirror Bonds"), to be deposited in an irrevocable escrow to solely legally or economically defease the PREPA Bonds insured by the monoline bond insurers (the "Insured PREPA Bonds") that have signed the RSA and are participating in the transactions set forth in Schedule II to the RSA (the "Monoline Insurers"),

and (ii) Bonds, in an initial aggregate principal amount not to exceed $750 million (the "Other Mirror Bonds") to be deposited in an irrevocable escrow to solely legally or economically defease the PREPA Bonds issued in 2016 (the "2016 PREPA Bonds").

c. Bonds, in a principal amount not in excess of the sum of 6.25% of the other Closing Date Bonds plus 6.25% of the Post-Closing Date Bonds, to fund or, in the case of (ii) to be provided in whole or in part as payment for, (i) one or more debt service reserve or operating funds or accounts to secure payment of all or a portion of the Bonds, and (ii) all Upfront Financing Costs incurred in connection with the issuance of all Closing Date Bonds or the Post-Closing Date Bonds, as the case may be; plus (iii) the costs of any payment to the Internal Revenue Service (the "IRS") in accordance with any PREPA agreement with the IRS under the voluntary closing agreement or similar program.

d. Bonds, in an initial aggregate principal amount not in excess of $50 million, to fund a deposit to the PREPA Self Insurance Fund described in Finding of Fact 4(g) of the Restructuring Resolution (Bonds issued for purposes described in this clause (d) and the preceding paragraph (c) are collectively referred to as "New Money Bonds").

e. "Cash Offer Bonds," in an initial aggregate principal amount not exceeding $2.6 billion for the purpose of funding the costs to refund, redeem or purchase, directly or indirectly, Uninsured PREPA Bonds with the goal of increasing the exchange offer participation levels.

f. "Lender Bonds," in an initial aggregate principal amount not exceeding $625 million, issued to the Supporting Creditors (i) in exchange for the extinguishment of the obligations due and owing under the Credit Agreements (the "Credit Agreements") between such Supporting Creditors and PREPA, at an exchange ratio (principal to principal) of 85% and (ii) to reimburse such Supporting Creditors for certain fees and expenses in an amount not to exceed $1 million.

g. "Closing Date Syncora Bonds," in a principal amount not exceeding $240 million, to be issued to restructure, refund, redeem, defease (legally or economically through the issuance of additional mirror bonds or otherwise) or purchase PREPA Bonds insured by Syncora Guarantee Inc. and/or an affiliate thereof ("Syncora"), as required to implement the economic terms of the RSA, as it may be amended.

In addition, one or more series of Post-Closing Date Bonds may be issued after the Closing Date in the following amounts and for the following purposes:

h. One or more series of Bonds, in an initial aggregate principal amount not to exceed $750 million to one or more holders of 2016 PREPA Bonds, at an exchange ratio of 100%, in voluntary exchange for such 2016 PREPA Bonds. If any 2016 PREPA Bonds are exchanged for Post-Closing Date Bonds, the corresponding Mirror Bonds will be cancelled

i. One or more series of Bonds in a principal amount not exceeding $240 million, to be issued to restructure, refund, redeem, defease (legally or economically through the issuance of mirror bonds or otherwise) or purchase PREPA Bonds insured by Syncora, as required to implement the economic terms of the RSA, as it may be amended (the "Post-Closing Date Syncora Bonds" and, together with the Closing Date Bonds, the "Syncora Bonds"); provided that the total principal amount of Syncora Bonds issued shall not exceed $240 million.

j. New Money Bonds with respect to Post-Closing Date Bonds, as described in and to the extent not previously issued pursuant to paragraph (c) above to pay the Upfront Financing Costs described therein.

Post-Closing Date Bonds shall be payable, on a parity with all Closing Date Bonds, from, and secured, equally and ratably with all Closing Date Bonds, by, the Restructuring Property pledged to the payment of the Bonds in the Trust Agreement. Absent an exchange for Post-Closing Date Bonds, the 2016 PREPA Bonds would remain a liability of PREPA.

Q. **What is the Closing Date?**

A. In accordance with the RSA, the Petition and supporting materials contemplate a Closing Date of June 30, 2016. However, if the Closing Date does not occur by June 30, 2016, the Corporation would endeavor to reach an agreement with other parties to the RSA to close on a later date. If agreed to by the parties and as authorized by the Restructuring Resolution, the Corporation could capitalize and securitize the incremental interest expense that PREPA would otherwise be obligated to pay on its bonds exchanged for Exchange Offer Bonds by reason of the later closing through the issuance of additional

Exchange Offer Bonds and/or to defer initial interest payment dates on such Exchange Offer Bonds (or to capitalize such interest) to mitigate the short term effect on Transition Charges needed to collect revenues sufficient to make such a payment in less than one year. During such an interest deferral, the estimated interest expense that would accrue pending closing would total about $22 million per month, which would correspond to additional financing cost of approximately $0.9 million, or $0.0054 per kWh during the first five years, based on historical energy use. Although such a deferral of interest payment dates may result in a short term increase in the required Transition Charge, the costs to PREPA (which PREPA should seek to recover through its own rates) would be lessened. If agreed to by the parties and as authorized by the Restructuring Resolution, the Mirror Bonds could be subject to additional terms that provide for additional sources of payment or defer the timing of payment of such interest for the purposes of better matching expected Transition Charge Revenues with debt service requirements. The potential need to close after June 30, 2016, does not affect any of the findings enumerated in Article 6.25A(b) and, in particular, the Calculation Methodology remains consistent with the criteria set forth in Article 6.25A(d).

III. THE RESTRUCTURING TRANSACTION, ITS BENEFITS, AND THE SAVINGS TEST

Q. **What is the genesis of the proposed restructuring transaction?**

A. During the past several decades, PREPA incurred substantial debt to fund capital expenditures and, in the case of fuel related credit facilities, certain operating expenses. Over time, PREPA's ability to access the capital markets on reasonable terms, if at all, dried up. As a consequence, PREPA's ability to fund essential investments was

compromised and those investments that were made had to be funded from current operating revenues. This ultimately threatened PREPA's ability to satisfy its obligations to creditors and provide safe and reliable service to its customers. To illustrate the magnitude of this problem, PREPA has debt obligations of approximately $9 billion, including nearly $735 million currently due under its revolving fuel lines of credit and approximately $420 million in principal and interest that will be due on or before July 1, 2016 under its outstanding bonds. PREPA cannot meet these financial obligations absent a financial restructuring and transformative change. Indeed, without action to restructure PREPA's debt and reduce its immediate cash flow burdens, PREPA faces a funding gap of approximately $800 million as of July 1, 2016. PREPA also faces the need to replenish its self-insurance fund, which helps protect PREPA against unexpected needs, *e.g.*, extraordinary maintenance and repair costs following a hurricane. As the Legislative Assembly concluded in adopting the Revitalization Act, PREPA's financial situation requires immediate action if it is to achieve financial solvency and meet its obligations in a manner that is orderly and satisfactory to all its stakeholders.

Q. **Did PREPA negotiate with its creditors an effort to gain concessions and arrive at a plan that could allow for PREPA's revitalization?**

A. Yes. In light of its financial situation, PREPA negotiated with major creditors to arrive at a broad, consensual financial settlement that addresses both PREPA's financial and operational challenges while avoiding threats of receivership. In particular, since entering into the forbearance agreements with certain key creditors in July and August of 2014, PREPA has negotiated with major creditors and entered into the RSA with

creditors holding or insuring approximately 70% of the face amount of PREPA's outstanding financial indebtedness including the Government Development Bank for Puerto Rico ("GDB"), beneficial owners and insurers of existing PREPA bonds, banks (and their transferees) that had provided revolving lines of credit used to pay for fuel and other expenses (collectively, the "Supporting Creditors"), and others. The Corporation is now also a party to the RSA. In the RSA, an *ad hoc* group of PREPA's bondholders and insurers, PREPA's fuel line credit lenders, and the GDB have agreed to support a revitalization plan for PREPA that includes significant financial concessions for the benefit of PREPA and Puerto Rico generally.

Q. **If put into effect, how would the concessions contained in the RSA affect PREPA and its debt service obligations?**

A. The creditors' concessions include a permanent deleveraging of more than $600 million, five year liquidity relief of debt service obligations of nearly $800 million, and liquidity relief and interest rate savings with respect to our fuel line credits. The following are among the key economic terms:

- **<u>Bondholder Agreement:</u>** Holders of uninsured PREPA bonds will have the opportunity to exchange their outstanding bonds for new securitization bonds at a 15% discount to the current face amount of their bonds. The new Bonds are expected to have a weighted-average interest rate significantly lower than the current composite yield on PREPA's existing debt for which the Bonds will be exchanged. In addition, the new securitization bonds will not receive any principal payments in the first five years.

The *ad hoc* group also has the option to accept Bonds paying current interest ("Current Interest Bonds") or Convertible Capital Appreciation Bonds ("Convertible CABs") accreting at a slightly higher interest rate for a period of no more than 4½ years to 5½ years after the issue date and paying interest thereafter. The amount of Current Interest Bonds and Convertible CABs issued will be determined based on the elections of each PREPA creditor participating in the Exchange Offer, subject to any caps reasonably agreed upon between the Parties.

The *ad hoc* group has agreed to exchange all of its outstanding uninsured bonds for Bonds based on a pricing grid setting forth the weighted-average interest rates based on the rating, with a higher rating resulting in a lower weighted-average interest rate. All of PREPA's other uninsured bondholders will have an opportunity to participate in either the same exchange or a cash tender. Under the RSA, approximately 75% of the outstanding bonds held outside the *ad hoc* group must be exchanged or tendered so that not more than $700 million in PREPA bonds remains outstanding after the restructuring.

- **Monoline Insurers**: Mirror Bonds insured by the Monoline Insurers will have the same scheduled maturity, interest rate, principal amount, and other economic terms as the existing PREPA bonds they have insured. In return for a commitment to repay the insured bonds in full and as originally scheduled, the Monoline Insurers will provide sureties of up to $462 million for the debt service reserve fund requirements for various Bonds. This provides liquidity relief as

these are funds that PREPA would need to provide in order to facilitate the securitization.

- **Fuel Line Agreement**: PREPA's fuel line credit lenders will have two options. The fuel line credit lenders may convert their existing credit agreements into term loans, with a fixed interest rate of 5.75% per annum, to be repaid over a period of six years in accordance with an agreed amortization schedule. This will decrease the annual interest rate PREPA is currently paying on its fuel line credit debts from 7.25% to 5.75% and extend the maturity date for approximately $735 million of debt by six years in addition to the approximately twenty months that have already passed since the initial maturity date of such debts. By way of comparison, the most recent general obligation bonds issued by the Commonwealth in March 2014 carry an interest rate of 8%. Alternatively, the fuel line of credit lenders may exchange all or part of the principal due under the existing fuel line credit agreements for Bonds to be issued on the same terms as those issued and exchanged for the uninsured PREPA bonds.

Q. **Is the issuance of the Bonds part of the restructuring of PREPA called for by the Revitalization Act?**

A. Yes. The Bonds are a cornerstone of the RSA and the restructuring of PREPA envisioned by the Revitalization Act. The RSA is the "Agreement with Creditors" that the Revitalization Act enables, including by creating the Corporation and authorizing its issuance of Restructuring Bonds. The Revitalization Act authorizes the creation of Restructuring Property, creates a statutory lien thereon, establishes criteria for the

Calculation Methodology, and provides for the creation, administration, billing, and collection of the Transition Charges, among other things.

Q. **The Transition Charge is a new charge. Does that mean it increases the costs of utility service to Puerto Ricans?**

A. No. The issuance of the Bonds will result in savings to Customers. The Transition Charge will be for a lesser amount than the amount Customers would already need to pay in order to repay PREPA's existing financial debt today. This is discussed in more detail in the testimony of Corporation witness Michael Mace (Corporation Ex. 4.00).

Q. **Will the Bonds meet the Savings Test set forth in the Article 33 of the Revitalization Act?**

A. Yes. Under Article 33(a)(3) of Chapter IV of the Revitalization Act, the Corporation may issue the Exchange Offer Bonds and Cash Offer Restructuring Bonds[4] only if, as a result of the issuance of such Bonds, the present value of the debt service in respect of all such Bonds is at least $725 million lower than the present value of the debt service of all of such PREPA Bonds refinanced by such issue of Bonds, calculated using the yield on such issue of Bonds then being issued as determined by the Corporation and using such other customary assumptions as the Corporation in consultation with its advisors shall determine. This criterion is commonly referred to as the "Savings Test."

[4] Not all of the types of Bonds are designed to produce direct savings on debt service. Some serve other important roles, as I have explained. For this reason, and in accordance with the Revitalization Act, the Savings Test does not apply to other Bonds to be issued on the Closing Date or to Post-Closing Date Bonds.

The Corporation has consulted with its financial advisors and their calculations, using the expected yields on the Bonds and other customary assumptions, demonstrate that the present value of the debt service in respect to the issuance of the Exchange Offer Bonds and Cash Offer Restructuring Bonds is at least $725 million lower than the present value of the debt service of all PREPA bonds refinanced by such issue of Bonds.

The calculation of the estimated savings, as defined in Article 33(a), is included in Attachment 3.01 to the Petition. Corporation witness Michael Mace (Corporation Ex. 4.00) provides additional details concerning this calculation, the expected Ongoing Financing Costs, and debt service schedule on legacy PREPA bonds to be exchanged.

Q. **How will the issuance of the Bonds affect debt service and debt service coverage?**

A. Our advisors compared the PREPA debt service affected by the Bonds before and without the issuance of the Bonds to the corresponding total debt service supported by the Transition Charges after the Bonds are issued. To ensure that the comparison is "apples to apples," the advisors also considered credit that PREPA would require if the Bonds were not issued. The comparison shows the affected debt outstanding and the total costs to Customers related to that debt, before/without and after/with the Bonds. It includes a comparison of Customer savings on a total dollar per unit basis as well as a percent of total charge to Customer basis (excluding fuel). In sum, it shows that debt service and overall cost of debt service per unit of use (kWh) are all reduced with and after issuance of the Bonds. That analysis is contained in Attachment 3.03, and Corporation witness Michael Mace (Corporation Ex. 4.00) discusses it in greater detail. Mr. Mace also

addresses debt service coverage in his testimony, and explains why it is not a significant factor in this analysis.

Q. **Are the costs paid by PREPA customers as a whole increased by the securitization in any way?**

A. No. This transaction lowers PREPA's costs significantly and those savings translate to lower costs for Customers. There should be no doubt that Customers benefit from the restructuring because what is being exchanged for the creditors' concessions and lower cost debt is security of repayment, which costs PREPA's Customers nothing.

Q. **It is possible that the Corporation could in the future separately request additional Restructuring Orders authorizing the issuance of additional Restructuring Bonds?**

A. Yes. That is possible, including after the "Clear Market" period or to finance investments authorized by the Revitalization Act. The Restructuring Resolution (Attachment 1.00) provides that it shall not "…preclude the Corporation from authorizing additional "Restructuring Bonds" (in addition to the Bonds) secured by "Restructuring Property" (other than the Restructuring Property created pursuant to this Restructuring Resolution) under one or more "Restructuring Resolutions" (in addition to this Restructuring Resolution) so long as such issuance is consistent with the terms of the Act, the Trust Agreement securing any outstanding Bonds and the RSA."[5] In such case, the Corporation would file with the Commission a separate and additional petition under Article 6.25A accompanied by supporting testimony and materials addressing those

[5] Restructuring Resolution (Appendix 2 to Attachment 1.00), Finding of Fact 3.

additional bonds. The Restructuring Resolution that is the subject of this Petition, and the proposed Restructuring Order the Corporation now seeks, authorize the issuance of the Bonds.

IV. SUMMARY OF THE MATERIALS AND TESTIMONY SUBMITTED

Q. **In addition to your own, what testimonies is the Corporation presenting in support of the Petition?**

A. The Corporation is presenting my testimony and that of five other witnesses.

- **Javier Quintana-Méndez, P.E.**, Executive Director of PREPA (Corporation Ex. 2.00) describes PREPA's financial condition and its effect on PREPA's operations. He explains how the restructuring, and the issuance of the Bonds in particular, will help PREPA lower its costs, make necessary investments, and better serve Puerto Rico. He also confirms that PREPA has made the determinations required by the Revitalization Act and certifies that historic energy (kWh) usage data for each class of PREPA customer is attached to the Petition (as Attachment 5.00).
- **Gerard Gil-Olazábal, Esq.**, Senior Vice President of the Government Development Bank for Puerto Rico and the Secretary of the Board of Directors of the Corporation (Corporation Ex. 3.00) describes the Corporation and its formation and attests to the actions and determinations of the Corporation taken in compliance with the Revitalization Act and in furtherance of the proposed issuance of the Bonds.

- **Michael Mace**, Managing Director, Public Financial Management, Inc., a financial advisor to the Corporation (Corporation Ex. 4.00) testifies concerning the process of issuing the Bonds, how they are rated and priced, and how the securitization debt restructures or otherwise economically defeases outstanding PREPA debt. He identifies, describes, and estimates the Upfront and Ongoing Financing Costs and explains their relationship to the transaction and the Bonds. Mr. Mace also testifies concerning the Servicing Agreement, the role and functions of the Servicer and, in particular, of PREPA as the initial Servicer, and confirms that the terms of the Servicing Agreement are usual, customary, and appropriate. Finally, Mr. Mace addresses the projections and stress tests provided to rating agencies.
- **Dan T. Stathos**, Associate Director, Navigant Consulting Inc. ("Navigant") (Corporation Ex. 5.00) identifies how PREPA will perform its functions as Servicer and how it will escrow customer collections and direct the allocation of cash collections among the PREPA bond trustee and the Restructuring Bond trustee. Mr. Stathos also identifies PREPA's incremental costs to be recovered under the proposed Servicing Agreement, and confirms that those costs are reasonable and will be recovered.
- **Ralph Zarumba**, Director, Navigant (Corporation Ex. 6.00) explains and supports the Corporation's determination that the overall distribution and/or calculation of Financing Costs and Transition Charges and the Adjustment Mechanism ensures the full and timely payment of the Bonds in accordance with

their terms and all other Ongoing Financing Costs during the term of the Bonds. He describes the Adjustment Mechanism and the manner of its calculation, explains how the Transition Charge is expected to change over time pursuant to the Adjustment Mechanism, and describes the estimated ratio of total Transition Charges to total charges to Customers. Mr. Zarumba also: (1) describes the Customer classes among which Ongoing Financing Costs are distributed and the mechanics of how those allocations are made; (2) confirms that Transition Charges for Non-Residential Customers are calculated based upon historic energy usage (kWh) data; (3) confirms the calculation of Transition Charges for Residential Customers on a per service agreement basis; (4) explains the proposed inclusion of estimated load served by net metering or distributed generation ("behind the meter") in the calculation of Transition Charges; and (5) verifies that the Calculation Methodology is practicable to administer and ensures the full and timely payment of the Bonds.

Q. **In addition to the Petition and your own testimony, what information has the Corporation submitted to support the Petition?**

A. The Corporation has submitted Attachments to the Petition, including the proposed Restructuring Resolution and the schedules thereto. Those Attachments, the Petition, and the testimony collectively provide the data, determinations, and support that Article 6.25A requires. To aid the Commission, and without limiting the applicability of any of the supporting information in whole or part, Attachment 7.00 to the Petition cross-

references the criteria and requirements of Article 6.25A with the testimonies and other supporting materials that principally address each such criterion or requirement.

Q. **Does the Restructuring Resolution (Attachment 1.00) and its Appendices contain the documents and information in Article 6.25A(e) of the Revitalization Act?**

A. Yes. The Restructuring Resolution includes the documents and information required by Article 6.25A(e)(1) subsections (i) through (xii) of the Revitalization Act. Other Corporation witnesses provide further explanation and detail regarding that information. For ease of reference, Attachment 7.0 to the Petition contains section-by-section cross-references between the Petition, the Revitalization Act, and the Corporation testimonies.

V. THE RESTRUCTURING ORDER

Q. **What specific actions should the Commission take?**

A. The Corporation respectfully requests that the Commission review and approve its Petition and issue a Restructuring Order, in a form substantially similar to that proposed in Attachment 8.00, that approves the Calculation Methodology for the Transition Charges and the Adjustment Mechanism related thereto, and makes the following specific findings:

a. the provisions of the Restructuring Resolution (Attachment 1.00), including the calculation methodology for the Transition Charges and Adjustment Mechanism related to the Bonds, are consistent with the criteria set forth in Article 6.25A(d) and are sufficient for and provide for adequate protection of the full and timely payment of the Bonds in accordance with their terms and other Ongoing Financing Costs;

b. the Upfront Financing Costs and Ongoing Financing Costs proposed to be recovered from the Bond proceeds or the Transition Charge Revenues are consistent with Article 6.25A and Chapter IV of the Revitalization Act; and

c. the servicing costs proposed to be recovered by PREPA in its role as the Initial Servicer are necessary, reasonable, and sufficient to compensate PREPA for the incremental costs of performing its functions as Servicer.

In addition, the Corporation asks the Commission to make findings, mirroring certain findings of the Corporation in the Restructuring Resolution. These Commission findings will facilitate the issuance of the Bonds by confirming the assurance that the Commission will act in a manner consistent with the Act, the Commission Order and the Restructuring Resolution. *See, e.g.,* Restructuring Resolution (Attachment 1.00), Conclusion of Law 4. Such findings are consistent with the direction in the Revitalization Act that the Commission not impair, or impede the exercise of, the rights of Bondholders. Making those findings will reinforce that fact to market.

Q. **Are there any other aspects of the proposed Restructuring Order that you wish to point out to the Commission?**

A. Yes. The first commitment of the Commission I wish to note is one which deals with the Adjustment Mechanism. In the proposed Restructuring Order (Attachment 8.00), the Corporation asks the Commission to commit that in the event that it finds any mathematical error in a Transition Charge calculation submitted to it, it will inform the Servicer and the Calculation Agent of its preliminary finding before it issues a formal

order to correct the calculation. This will allow the Servicer and the Calculation Agent to promptly address any mathematical discrepancies.

The second order which I wish to note relates to the appointment of a successor servicer, in the event that PREPA defaults under its servicing obligations. The Corporation requests that the Commission acknowledge that any action taken by the Commission with respect to the replacement of PREPA, as servicer, is subject to the prior consent and contrary direction of the Trustee or any Ancillary Party (as and to the extent of such parties rights under the respective financing documents). Once again, this acknowledgement will assure creditors that the rights of Bondholders are paramount and cannot be impaired.

I believe that the remainder of the requested form of the Restructuring Order is self-explanatory, and that the Order as a whole is consistent with the Revitalization Act and supported by the Corporations Petition and supporting materials.

VI. CONCLUSION

Q. **Does this conclude your testimony?**

A. Yes, it does.

No. CEPR-_____
Corporation Ex. 1.00

ATTESTATION

The undersigned, LISA J. DONAHUE, being of legal age, married, executive and consultant, and resident of the Borough of Manhattan, New York City, New York, in her capacities as a Managing Director of AlixPartners LLP and Chief Restructuring Officer of the Puerto Rico Electric Power Authority, states that the foregoing testimony, presented in written Question and Answer format, is true and correct to the best of her knowledge and belief.

IN WITNESS WHEREOF, I have hereunto signed my name this 7 day of April 2016.

LISA J. DONAHUE

Managing Director
AlixPartners LLP
and
Chief Restructuring Officer,
Puerto Rico Electric Power Authority

Affidavit No. 33

Acknowledged and subscribed before me by Lisa J. Donahue, of the personal circumstances above mentioned, in her capacities as a Managing Director of AlixPartners LLP and Chief Restructuring Officer of the Puerto Rico Electric Power Authority, ~~who is personally known to me~~, in San Juan, Puerto Rico, this 7 day of April 2016.

whom I have identified via drivers license issued by the State of Massachusetts, with picture and signature, number S02980871

Notary Public

Sello

RECIBO DE PAGO

16-B1220767

Sello Asistencia Legal
80004-2016-0406-

CHARANA AGUDO
NOTARIO

No. CEPR-_____
Corporation Ex. 1.00

ATTESTATION

The undersigned, LISA J. DONAHUE, being of legal age, married, executive and consultant, and resident of the Borough of Manhattan, New York City, New York, in her capacities as a Managing Director of AlixPartners LLP and Chief Restructuring Officer of the Puerto Rico Electric Power Authority, states that the foregoing testimony, presented in written Question and Answer format, is true and correct to the best of her knowledge and belief.

IN WITNESS WHEREOF, I have hereunto signed my name this 7 day of April 2016.

LISA J. DONAHUE

Managing Director
AlixPartners LLP
and
Chief Restructuring Officer,
Puerto Rico Electric Power Authority

Affidavit No. 33

Acknowledged and subscribed before me by Lisa J. Donahue, of the personal circumstances above mentioned, in her capacities as a Managing Director of AlixPartners LLP and Chief Restructuring Officer of the Puerto Rico Electric Power Authority, ~~who is personally known to me~~, in San Juan, Puerto Rico, this 7 day of April 2016.

whom I have identified via drivers license issued by the State of Massachusetts, with picture and signature, number S02980871

Notary Public

Sello

RECIBO DE PAGO

16-B1220767

Sello Asistencia Legal
80004-2016-0406-

CHARANA AGUDO
NOTARIO

CURRICULUM VITAE
OF
LISA J. DONAHUE

POSITION	Managing Director, Global Head of Turnaround and Restructuring Group AlixPartners, LLP 909 Third Avenue 30th Floor New York, NY 10022 Office: (212) 297-6329
EDUCATION	Florida State University, B. S. Finance, minor in Accounting
PROFESSIONAL HISTORY	Prior to joining AlixPartners in 1998, Ms. Donahue was a restructuring professional employed by The Recovery Group. Prior to that she was a lender at Boston Financial & Equity Corporation.
PROFESSIONAL EXPERIENCE	Ms. Donahue's professional career includes experience as an interim executive and crisis manager acting as Chief Restructuring Officer, Chief Executive Officer, Chief Financial Officer, and restructuring advisor to both companies and creditor constituents. She specializes in financial and operational reorganizations and transformations. She has extensive experience in business transformation, operational alignment, cash management and cost reduction, negotiation, situational analysis, and debt restructuring for both domestic and international organizations. Her engagements have included high risk, urgent crisis situations involving global companies with complex financial, contractual and legal structures, spanning the oil & gas, energy, consumer package goods, manufacturing, distributing, apparel, retail, telecom, and shipping industries. <u>Puerto Rico Electric Power Authority</u> Ms. Donahue currently serves as the Chief Restructuring Officer at the Puerto Rico Electric Power Authority. <u>Atlantic Power</u> Ms. Donahue served as Chief Financial Officer at Atlantic Power Corporation; a NYSE and TSX-listed power and infrastructure company. She led the integration of the CPILP acquisition. <u>TBS</u> Ms. Donahue served as a Financial and Restructuring Advisor to TBS Shipping. TBS filed a pre-packaged Chapter 11 in Delaware. <u>TORM</u> Ms. Donahue served as a restructuring advisor to TORM, a Denmark Stock Market-listed international shipping company. <u>SemGroup</u> Ms. Donahue served as the Chief Restructuring Officer of SemGroup, L.P., a mid-stream oil and gas and commodity trading company. She led the transformation from a commodity trading company to a storage, transport, and pipeline company, while also

completing a successful Chapter 11 reorganization.

Calpine Corp.
Ms. Donahue served as the Executive Vice President and Chief Financial Officer at Calpine Corp., an Independent Power Producer (IPP) that had $10B in revenue an $18B in debt. She led the team through the successful operational and financial restructuring while in Chapter 11.

New World Pasta
Ms. Donahue served as the Chief Executive Officer at New World Pasta, a leading maker of branded dried pasta in the U.S., Italy, Canada, and Mexico. New World Pasta filed for Chapter 11 in Eastern Pennsylvania.

Exide Technologies
Ms. Donahue served as the Chief Financial Officer and Chief Restructuring Officer of Exide Technologies, the world's largest industrial and transportation battery producer and recycler, with operations in 89 countries. Exide filed for Chapter 11 in Delaware.

Umbro
Ms. Donahue served as the Chief Financial Officer of Umbro International Inc., a worldwide manufacturer and marketer of soccer and fashion apparel. She led the transformation from textile manufacturing company to a global branding and marketing company.

PROFESSIONAL AND BUSINESS AFFILIATIONS

Member, International Women's Insolvency and Restructuring Confederation
Member, The Association for Corporate Growth
Board Member, The New York Advisory Board for the American Bankruptcy Institute
Fellow, The American College of Bankruptcy
Senior Advisory Board Member, inMotion, Inc.
Trustee, American Red Cross of Greater New York
Former Board Member, Turnaround Management Association.

SPEECHES

TMA NextGen Shipping Conference – *The Shipping Industry: Navigating Distressed Waters* (July, 2013)*

Marine Money Week – *Critical considerations for Directors or potential directors of public shipping companies* (June, 2013)

Hamburg Restructuring Conference – *The Torm case: Cross-border restructuring options in shipping* (June, 2013)*

ABI New York Bankruptcy Conference – *ENERGY RESTRUCTURING: Oil, Gas, Coal, Solar, Wind & Power Generation* (May, 2013)*

BNP Paribas Women's Event Guest Speaker – *Can you have it all?* (January, 2013)

Citi 2012 North American Credit Conference – *Distressed Advisor Panel* (November, 2012)*

TMA The Annual – *Meet The Experts Panel* (November, 2012)*

ABI/Bloomberg Distressed Lending Conference – *Recent Developments in Distressed Lending* (October, 2012)*

Marine Money Week – *Shipping Restructuring Panel Discussion* (June, 2012)*

ABI New York Bankruptcy Conference – *Valuing the Parts and Not Just the Whole: Allocating Enterprise Value Among Its Components* (May, 2012)*

TMA New York Young Professionals Breakfast – *Panel Discussion* (May, 2012)*

ABI Mid-Level Professional Development Program – *Career Development Panel* (October, 2011)*

ABI New York Bankruptcy Conference – *Valuations from Start to Finish and Beyond: DIP Financing, Cramdown, Rights Offerings, and Warrants and Exit Financing* (May, 2011)*

Capital Roundtable Master Class on Overseeing Middle-Market Private Equity Portfolio Companies – *What Do You Do When Things Get Really Tough?* – Moderator (September, 2010)

ABI New York Bankruptcy Conference – *The Pluses and Minuses of Expedited Restructurings* (May, 2010)*

University of Connecticut School of Business – *Leading Through an Economic Tsunami: Leaders Discuss Managing During Times of Crisis* (March, 2010)*

PE WIN Educational Series – *Driving Operational Value in the Current Environment* (March, 2010)*

ABI New York Bankruptcy Conference – *Changing the Face of Corporate America* – Moderator (2008)

The Fourth Annual Wharton Restructuring Conference – *Calpine: Creating value through the efficient and creative resolution of issues in a complex capital structure* (February, 2008)*

Columbia Law School Deals Roundtable – *Hedge Funds and the Reorganization Process* (October, 2006)

*Panel discussion

AWARDS

International Women's Insolvency & Restructuring Confederation (IWIRC) – "Woman of the Year" (2007)
Crain's New York Business – New York's Forty Under Forty (2002)

PUBLICATIONS

Ms. Donahue's publications are as follows:

"The 2013 North America Restructuring Outlook," alixpartners.com (April 2013)

"The Restructuring Outlook for the Year Ahead," alixpartners.com (February 2012)

"What's Ahead in the World of Restructuring and Distressed Debt?" alixpartners.com (July 2011)

"No Bull," American Bankruptcy Institute Journal (June 2001)

TESTIMONY

Ms. Donahue, in her capacity as either Chief Executive Officer, Chief Financial Officer, Chief Restructuring Officer, or Advisor in Chapter 11 cases had also been designated as an expert in the following matters:

Exide Technologies (Judge Kevin Carey), 2002, 2003, 2004 (District Court of Delaware) – deposition testimony

New World Pasta (Judge Mary France), 2004, 2005 (Middle District of Pennsylvania) – deposition testimony

Calpine (Judge Burton Lifland), 2005, 2006, 2007, 2008 (Southern District of New York) – deposition testimony

SemGroup (Judge Brendan Shannon), 2008, 2009 (District Court of Delaware) – deposition testimony

Corporation Ex. 2.00

COMMONWEALTH OF PUERTO RICO

PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, Petitioner.	NO. **SUBJECT: TESTIMONY SUPPORTING PETITION FOR RESTRUCTURING ORDER**

Testimony of

JAVIER QUINTANA-MÉNDEZ, P.E.

Executive Director,

Puerto Rico Electric Power Authority

As a witness for Petitioner

Puerto Rico Electric Power Authority Revitalization Corporation

April 7, 2016

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I. INTRODUCTION AND BACKGROUND

A. Witness Identification

Q. **Please state your name, title, employer, and business address.**

A. My name is Javier Quintana-Méndez. I am the Executive Director of the Puerto Rico Electric Power Authority ("PREPA" or the "Authority"). My business address is 1110 Ponce de Leon Avenue, San Juan, Puerto Rico 00907.

Q. **On whose behalf are you testifying?**

A. I am testifying on behalf of PREPA in support of the Petition of the Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation").

B. Summary of Testimony and Attachments

Q. **What is the purpose of your testimony?**

A. I address three areas:

First, I provide background regarding the restructuring of PREPA's debt with a discussion of PREPA's current financial situation. I also address the importance of the securitization and how creditor concessions would enable PREPA to regain financial stability and implement efficiency improvements.

Second, I confirm that PREPA has made the findings and determinations required by Article 6.25A of the PREPA Revitalization Act (the "Revitalization Act" or the "PRA"), Act 4-2016, regarding the Servicing Agreement.[1] I confirm PREPA's role and compensation as the Initial Servicer and how the fees are necessary, reasonable, and

[1] Where I use capitalized terms that are defined in the Petition or the Revitalization Act, I intend the same meaning.

21 sufficient compensation for the incremental costs of performing its functions under the
22 Servicing Agreement.

23 **Third**, I certify to the validity of historical energy (kWh) customer use data
24 extracted from the records of PREPA and submitted with the Petition as called for by
25 Article 6.25A. I also confirm that PREPA has not itself created or provided to credit
26 rating agencies any projections or stress test scenarios. The projections and scenarios
27 presented to credit rating agencies by PREPA's financial advisors are addressed by
28 Corporation witness Michael Mace (Corporation Ex. 4.00).

29 **C. <u>Professional Background & Education</u>**

30 Q. **Please describe your educational background and professional experience.**

31 A. I have served as the Executive Director of PREPA since August 3, 2015. In that role, I
32 direct the operational and administrative organizations of the Authority. Previously, I
33 was appointed in August 2013 as a member of PREPA's Board of Directors and I served
34 as the Board Vice-Chairman and President of the Board's Technical Committee. With
35 more than 10 years of experience in the Government Sector, I have served as Executive
36 Director of the Puerto Rico Solid Waste Management Authority and the Puerto Rico
37 Energy Office. Being an electrical engineer with a doctoral degree in electric power
38 engineering allowed me to serve as professor at three of the principal Engineering
39 Schools in Puerto Rico. During the last 15 years, I have been directly involved in most of
40 the more significant governmental energy related initiatives in Puerto Rico.

41 My complete *curriculum vitae* is attached as Corporation Exhibit ("Ex.") 2.01.

42 **II. PREPA'S FINANCIAL PICTURE**

43 Q. **What, in sum, is PREPA's current financial situation?**

44 A. PREPA's financial picture currently is dire. The accumulation of debt over the years has
45 exceeded PREPA's ability to repay and led to a budget shortfall that must be addressed
46 promptly and in a responsible manner. Between now and July 1, 2016, PREPA faces
47 contractual obligations to pay approximately $735 million under its fuel lines of credit
48 and approximately $420 million in principal and interest on its outstanding bonds. As of
49 March 1, 2016, PREPA has approximately $440 million in cash and is projected to face a
50 funding gap of approximately $800 million by July 1, 2016. Consequently, without a
51 restructuring, PREPA will not be able to make its upcoming debt service payments, let
52 alone make important investments.

53 Q. **How, in brief, does PREPA's debt burden affect customers?**

54 A. PREPA's debt burden limits our ability to modernize, develop better processes, and
55 improve efficiencies. The high debt load also limits PREPA's ability to fund those
56 investments it is required to make, for example, to comply with environmental
57 regulations. Because the Authority cannot borrow from the capital markets, any
58 investments PREPA makes must be funded from current revenues, which also increases
59 the Authority's expenses. And, of course, customers must shoulder the burden of the
60 debt service itself or face the potential consequences of receivership or other creditor
61 remedies.

62 Q. **What steps have PREPA and the Commonwealth been taking over the last two**
63 **years to address these issues?**

64 A. On June 28, 2014, Puerto Rico enacted the Puerto Rico Public Corporation Debt
65 Enforcement and Recovery Act[2] that allowed eligible public corporations, including
66 PREPA, to restructure their debt burdens. Shortly thereafter, in August of 2014, facing
67 more than $9 billion of debt to its bondholders and fuel line lenders, PREPA entered into
68 forbearance agreements with its major creditors. PREPA's August 2014 forbearance
69 agreements, which were extended on numerous occasions until early November 2015,
70 provided PREPA with approximately $550 million in liquidity relief and allowed PREPA
71 to continue operating without having to repay approximately $735 million due to its fuel
72 line lenders. Without this relief, PREPA would have run out of money. As part of these
73 forbearance agreements, PREPA was also required to appoint a Chief Restructuring
74 Officer and to work constructively to develop a five-year business plan and a recovery
75 program. In September of 2014, Corporation witness Lisa Donahue (Corporation Ex.
76 1.00) assumed the role of Chief Restructuring Officer.

77 In December of 2015, PREPA successfully negotiated with major creditors
78 holding or insuring approximately 70% of PREPA's outstanding debt a Restructuring
79 Support Agreement (as amended or restated from time to time, the "RSA"). Those
80 creditors include beneficial owners and insurers of existing PREPA bonds, banks (and
81 their transferees) that had provided revolving lines of credit used to pay for fuel and other
82 expenses, the Government Development Bank for Puerto Rico ("GDB" and collectively
83 with the aforementioned parties, the "Supporting Creditors"), and others. After it was
84 constituted, the Corporation also became a party to the RSA.

[2] Act 71-2014.

85 The Legislative Assembly and Governor of Puerto Rico have also contributed
86 strongly to PREPA's recovery by enacting the Revitalization Act in February 2016. The
87 Revitalization Act gives PREPA tools to restructure. It contemplates significant
88 operational reforms related to PREPA's governance, collections and billing processes,
89 and Contributions in Lieu of Taxes ("CILT"), and permits PREPA to run a request for
90 proposal ("RFP") process and evaluate the notion of public-private partnerships for the
91 modernization of its generation fleet and upgrading of its transmission and distribution
92 systems. Critically, it also gives the Corporation, provided the Commission approves its
93 Petition, the authority to issue Restructuring Bonds to restructure many of PREPA's debt
94 obligations, a step that is vital to PREPA's revitalization and modernization. That is the
95 central issue now before the Commission.

96 Q. **Can you describe the progress that PREPA has already made in its recovery?**

97 A. Throughout my tenure, PREPA has continued to focus on improving operations and day-
98 to-day efficiency and on developing a long-term strategy. We have worked with experts
99 from many fields to focus on accounts receivable and collections, fuel management,
100 procurement, inventory management, safety, and reducing non-technical losses.
101 Significant progress has been made regarding payment plans for past due government
102 accounts, theft prevention, call center workforce training and implemented customer care
103 and billing reforms. Collectively, these improvements have allowed PREPA to work
104 collaboratively with customers both to reduce past due accounts and provide better
105 service. While much work remains, PREPA has made great strides in its accounts

receivable and collections processes with respect to government and private customers alike.

Q. **What operational and administrative changes have been implemented to improve collections?**

A. We have implemented a series of operational and administrative changes that have generated savings on many fronts and will generate increasing savings over time. For example, PREPA has adopted a program to streamline and enforce service suspension which has increased cash collections by approximately $31 million. We have improved how we address disputed bill complaints (or Act 33 work) to address $31 million of cases resulting in $23 million of additional collections. Thus far, we also have collected $1.3 million (net of commissions) through the engagement of a third party collections firm to focus on severely past due accounts. PREPA has stabilized past due balances with Governmental Customers through a rigorous collections program that includes service suspensions. Prevention of energy theft and other non-technical losses, which include, among other things, damaged meters and billing issues, have improved collections by $6 million annually and created $25 million a year in savings for PREPA customers. Our revamped customer service framework has dramatically lowered call waiting times from more than 20 minutes to approximately 12 minutes. We have much more to do, but overall, these customer service improvements have generated additional liquidity of approximately $50 million and annual savings of approximately $25 million.

Q. **Are there other areas where significant operational and administrative improvements have been made?**

128 A. Yes. Improvements have been made to PREPA's fuel inventory control. Each
129 department at PREPA worked on its own fuel requirement plans to optimize dispatch and
130 deliver power at the lowest cost with lower inventory levels. PREPA conducted an RFP
131 process to secure more favorable pricing and credit terms on a new fuel supply contract
132 for fuel oil #6, which has already saved $25 million in costs, and provided approximately
133 $50 million in additional working capital, and will continue to save money in the future.
134 The renegotiation of PREPA's natural gas contract for Costa Sur will yield estimated
135 savings of $33 million per year and provide a hedge on fuel pricing through index fuel
136 pricing.

137 Improvements have also been made in generation performance. PREPA's
138 historically low investment on capital expenditures had led to more than twice the
139 number of forced outages than the U.S. industry standard, which led it to increase
140 spinning reserve levels and consequently burn unnecessary fuel in order to mitigate the
141 impact of those forced outages and still deliver power. PREPA is currently finalizing an
142 integrated process that will reduce the number and frequency of forced outage events,
143 further stabilizing the system.

144 Also, the safety of PREPA employees is a high priority. In the past 10 years,
145 PREPA's incident rate is more than double that of its industry peers. An overhaul of
146 PREPA's approach to safety is showing improvements. While we are just beginning, in
147 2015, PREPA reduced its OSHA Recordable Incident Rate by 21%, from 16.1 in 2014 to
148 12.6 in 2015.

149 Q. **Can PREPA transform itself through operational improvements without debt**
150 **restructuring?**

151 A. I do not believe so. To be clear, our efforts have already had a significant financial
152 impact, and show that PREPA is improving itself while it has been asking creditors and
153 other stakeholders to contribute their share to its transformation. PREPA has achieved
154 $165 million in one-time cash generation savings and approximately $190 million in
155 recurring annual savings. In addition, since June of 2014, PREPA has reduced head
156 count by more than 850 FTE, generating annual payroll savings of approximately $124
157 million.

158 But, without the creditor concessions at the heart of this securitization transaction,
159 it would be a much longer and more difficult road for PREPA to modernize itself. As I
160 said, PREPA owes approximately $9 billion to its bondholders and fuel line lenders.
161 And, even with the significant financial and operational improvements, PREPA continues
162 to face liquidity constraints and financial obligations that it cannot meet without
163 restructuring its debt. Without restructuring, PREPA will lack the resources necessary to
164 pay its current debt obligations, meet its operating expenses, and make even the most
165 basic yet critical maintenance capital expenditures.

166 Q. **How will the proposed issuance of Restructuring Bonds and the related transactions**
167 **contemplated by the RSA help PREPA advance its recovery?**

168 A. The restructuring allows PREPA to avoid and cure defaults, to meet its remaining
169 obligations, to fund projects that are important to improving our service and efficiency,
170 and to attract outside investment. It allows PREPA to minimize the impact of past

borrowing and costs on customers, to share the burden with creditors, and to use the benefits of securitization discussed by other witnesses to actually lower both PREPA's costs and the total costs paid by customers.

Restructuring can facilitate PREPA's transformation and enable us to usher in a new era of efficiency, reliability, and safety. I believe that we can accomplish this vision economically through efficiencies in our processes and stronger planning of capital investment. Good planning and adherence to our commitment to meeting our goals is essential. A capital investment plan is the key to creating new efficiencies and savings and better service for our customers. PREPA's outlook is strong. I believe that we can build a modern utility with fairly stable long run rates for our customers. Conversely, remaining stagnant, for example by not restructuring our debt, is the most expensive and ruinous option for our customers and for the island's economy. Commission approval of the Petition will enable PREPA to move forward with this transformation that represents the foundation for a stronger, more prosperous Puerto Rico.

III. SERVICING AGREEMENT

Q. **Please describe the need for and function of the Servicing Agreement between the Corporation and PREPA.**

A. The Corporation is entitled to receive the Transition Charges, but as a practical matter it has no way to collect those funds operating alone. The Corporation has no employees, no billing and metering system, no customer records, no service center, no payment processing system, etc. As a result, the Corporation must contract with another entity to administer and collect those funds. For efficiency's sake, PREPA is the best provider of

193 those services. We not only have the billing and processing systems in place, but we also
194 read the meters and collect and process the customer and electric usage data that goes
195 into the calculation of the Transition Charges.

196 The Corporation agreed with PREPA on a proposed draft Servicing Agreement,
197 subject to the Commission's decision to issue a Restructuring Order. Fundamentally, that
198 proposed agreement, a form of which is attached to the Petition as Appendix 4 to the
199 Restructuring Resolution (Attachment 1.00)[3], provides for PREPA to act as an agent for
200 the Corporation in performing those functions, while at the same time maintaining
201 complete legal separation between the Corporation and PREPA and protecting the
202 Corporation's ownership of Transition Charge revenues. PREPA has the resources and
203 can perform such functions, for which services the Corporation will compensate PREPA.
204 Corporation witness Michael Mace (Corporation Ex. 4.00) discusses the obligations
205 PREPA would undertake as Servicer and confirms that they are reasonable and
206 customary. Corporation witness Dan Stathos (Corporation Ex. 5.00) discusses the
207 operations that PREPA will have to undertake to meet its obligations under the Servicing
208 Agreement and analyzes the incremental cost to PREPA of doing so. The final Initial
209 Servicing Agreement may vary from this form, but not as to the fees to compensate
210 PREPA for its incremental costs.

[3] To avoid confusion in the designation of documents, attachments to the Petition are designated as "Attachments" and testimony, and documents attached thereto, are designated as "Exhibits."

Q. **Are the payments PREPA will receive as the Initial Servicer necessary, reasonable, and sufficient to compensate it for the incremental costs of performing the servicing functions?**

A. Yes. The payment to be made by the Corporation to PREPA is set based on the scope and cost of the work PREPA will perform and is calculated to compensate PREPA for the reasonable incremental costs of acting as the Servicer. The agreement provides for escalation of PREPA's ongoing fee based on the national Consumer Price Index, which protects PREPA against long-term inflation. The Corporation has determined that the payments to be made to PREPA as Servicer are sufficient to compensate PREPA for the reasonable incremental costs of performing the servicing functions as set out in the proposed Servicing Agreement. The analysis supporting that determination is presented by Corporation witness Dan Stathos (Corporation Ex. 5.00).

IV. RECORDS PROVIDED WITH THE PETITION

Q. **Are you familiar with the PREPA's collection and retention of historic energy (kWh) customer use data?**

A. Yes. The collection and retention of such use data, principally based on metering, is a function of PREPA's customary utility operations.

Q. **Does Attachment 5.00 to the Petition include the historical customer use data from the records of PREPA that are required to calculate the Transition Charges?**

A. Yes. That data was extracted from, and accurately reflects, the records of PREPA and it reflects PREPA Customers' historical energy (kWh) usage for Residential, Governmental, and other Non-Residential Customers. It includes such data for the most

233 recent twelve (12) month period for which such information is reasonably available, as
234 called for by Article 6.25A(d)(1).

235 Q. **Has PREPA created or provided projections and stress test scenarios to credit**
236 **rating agencies?**

237 A. No. PREPA did not itself create or provide any projections or stress test scenarios to
238 credit rating agencies. The projections and scenarios created by financial advisors and
239 presented by them to a credit rating agency are sponsored and described by Corporation
240 witness Michael Mace (Corporation Ex. 4.00).

241 **V. <u>CONCLUSION</u>**

242 Q. **Does this complete your testimony?**

243 A. Yes.

No. CEPR-_____
Corporation Ex. 2.00

ATTESTATION

The undersigned, JAVIER QUINTANA-MÉNDEZ, P.E., being of legal age, married, executive and engineer, and resident of Guaynabo, Puerto Rico, in his capacity as Executive Director of the Puerto Rico Electric Power Authority, states that the foregoing testimony, presented in written Question and Answer format, is true and correct to the best of his knowledge and belief.

IN WITNESS WHEREOF, I have hereunto signed my name this __ day of April 2016.

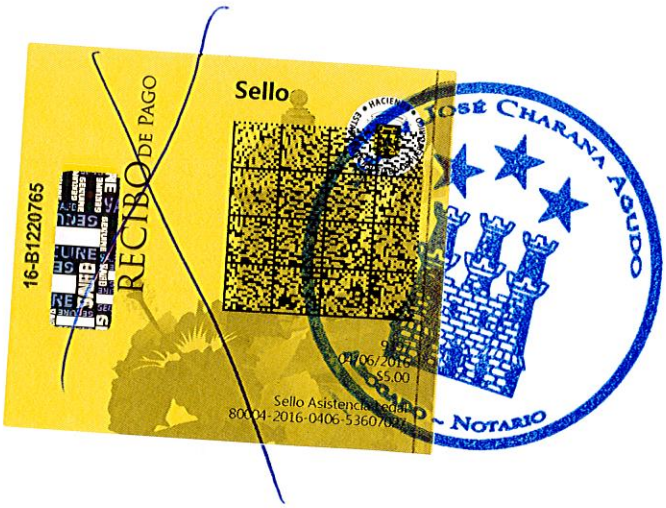
_____
JAVIER A. QUINTANA-MÉNDEZ

Executive Director
Puerto Rico Electric Power Authority

Affidavit No. 32

Acknowledged and subscribed before me by Javier Quintana-Méndez, P.E., of the personal circumstances above mentioned, in his capacity as Executive Director of the Puerto Rico Electric Power Authority, ~~who is personally known to me~~, in San Juan, Puerto Rico, this 7 day of April 2016. whom I have identified via drivers license issued by the Commonwealth of Puerto Rico number 2016227

_____
Notary Public



URBANIZACION PALMA REAL
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PHONE: (787) 467-4996

DR. JAVIER A. QUINTANA-MÉNDEZ, P.E.

GOVERNMENT EXPERIENCE

Executive Director *(August 2015 to Present)*
Puerto Rico Electric Power Authority, San Juan, P.R.

- Manage the Puerto Rico Electric Power Authority, a public corporation of the Commonwealth of Puerto Rico responsible for providing electricity to the Island.

Executive Director *(June 2005 to December 2008)*
Solid Waste Management Authority, San Juan, P.R.

- Manage the Solid Waste Management Authority, a public corporation of the Commonwealth of Puerto Rico responsible for implementing the public policy for municipal solid waste management and recycling.

Administrator *(December 2001 to December 2008)*
Energy Affairs Administration, Department of Natural and Environmental Resources, San Juan, P.R.

- Manage the Energy Affairs Administration, an agency of the Commonwealth of Puerto Rico responsible for implementing the public energy policy.

BOARDS AND COMMITEES

- *Member (*January 2014 to 2015*), InterAmerican Energy Sources Board of Administrators*
- *Member (*January 2014 to 2015*), PREPA Holdings Board of Administrators*
- *Vice-President and Electrical System Committee Chairman (*August 2013 to August 2015*), PREPA's Board of Directors*
- *Member (*June 2013 to August 2015*), PRIDCO Aerospace Business Sector Development Committee*
- *Member (*May 2013 to August 2015*), Governor's Electric System Reliability Council*
- *Inter-American University representative in the "Mesa de Diálogo del Sistema Eléctrico de Puerto Rico" (*January 2013 to August 2013)
- *President (*August 2012 to May 2013*), Electric Grid Interconnection Committee, Puerto Rico Energy Cluster*
- *Member (*October 2011 to 2012*), Energy Commission, College of Engineers and Land Surveyors of Puerto Rico*
- *President* (January 2011 to August 2013*), Advisory Committee, Puerto Rico Energy Cluster*
- *Member (*August 2008 to December 2008*), Electric Power Wheeling Committee, Government of the Commonwealth of P.R.*
- *President (*January 2007 to December 2008*), Motor Oil Recycling Board, Government of the Commonwealth of P.R.*
- *Committee Secretary and Member (*January 2003 to December 2004*), Governor's Energy Advisory Committee, Government of the Commonwealth of P.R.*
- *President (*January 2003 to December 2004*), Auction Board, Department of Natural and Environmental Resources, San Juan, P.R*
- *Member (*January 2002 to December 2002*), Auction Board, Department of Natural and Environmental Resources, San Juan, P.R.*
- *President (*December 2001 to December 2004*), Interagency Gasoline Industry Committee, Government of the Commonwealth of P.R.*
- *Commonwealth of Puerto Rico Representative* (December 2001 to December 2004), *National Association of State Energy Officials*
- *Commonwealth of Puerto Rico Representative* (December 2001 to December 2004), *Southern State Energy Board*

ACADEMIC EXPERIENCE

Dean School of Engineering *(January 2009 to August 2015)*
Inter-American University of Puerto Rico, Bayamon Campus.

Part-Time Professor *(August 2000 to December 2001)*
Electrical Engineering Department, Polytechnic University of Puerto Rico

Assistant Professor *(July 2000 to December 2001)*
Electrical and Computer Engineering Department, University of Puerto Rico, Mayagüez Campus.

INDUSTRY EXPERIENCE

Support and Consulting Engineer *(January 1999 to June 2000)*
Magsoft Corporation, Troy NY.

Vice-President RQA Engineering, PSC *(April 2009 to August 2015)*
Small engineering firm dedicated to electrical engineering and energy consulting.

EDUCATION

D.Eng. Degree in Electric Power Engineering
Rensselaer Polytechnic Institute, Troy NY, August 2000.

M.E. Degree in Electric Power Engineering
Rensselaer Polytechnic Institute, Troy NY, December 1995.

B.S. Degree in Electrical Engineering
University of Puerto Rico, Mayagüez Campus, May 1994.

PUBLICATIONS AND OTHER RELEVANT WORK

J.A. Hernández, N. Marrero, D. Minnot and J.A. Quintana, "Report on the Viability of Current and Emerging Technologies for Domestic Solid Waste Treatment and Disposal in Latin American Countries (LAC)", ERM Project: 0130996, The World Bank Washington, DC, May 2011

J.A. Quintana, "Modeling Internal Transient Voltage Response of a Single Winding Using FEA." **Magsoft Update**, Vol.6, No. 2, April 2000.

J.A. Quintana, "Detailed-Lossy Transformer Model", Doctoral Dissertation, Rensselaer Polytechnic Institute, Troy, NY, May 2000.

QUALIFICATIONS

Registered Professional Engineer in the Commonwealth of Puerto Rico. License number: 18648PE.

HONOR AND AWARDS

Distinguished Engineer 2012 –College of Engineers and Land Surveyors of Puerto Rico, Institute of Electrical Engineers

Fellowship of the University of Puerto Rico (1994-1999).

Scholarship of the Department of Economic Development of Puerto Rico (1994-1995).

NACME Scholarship (1990-1994).

Governor of Puerto Rico Scholarship (1989).

PROFESSIONAL MEMBERSHIPS

- Institute of Electrical and Electronics Engineers (IEEE), Power Engineering Society (IEEE-PES)
- College of Engineers and Land Surveyors of P.R., Institute of Electrical Engineers
- American Society for Engineering Education

Corporation Ex. 3.00

COMMONWEALTH OF PUERTO RICO

PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, Petitioner.	NO. **SUBJECT: TESTIMONY SUPPORTING PETITION FOR RESTRUCTURING ORDER**

Testimony of

GERARD A. GIL-OLAZÁBAL, ESQ.

Secretary of the Board of Directors,

Puerto Rico Electric Power Authority Revitalization Corporation

On behalf of the

Puerto Rico Electric Power Authority Revitalization Corporation

April 7, 2016

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I. INTRODUCTION AND BACKGROUND

A. Witness Identification

Q. **What is your name, title, employer, and business address?**

A. My name is Gerard A. Gil-Olazábal. I am Secretary of the Board of Directors of the Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation"). I am also Advisor to the President of the Government Development Bank for Puerto Rico ("GDB"), Senior-Vice President of the GDB and Executive Director of the Puerto Rico Development Fund, a subsidiary of the GDB. My business address is Roberto Sánchez Vilella (Minillas) Government Center, De Diego Avenue, Stop 22, San Juan, Puerto Rico 00907.

Q. **On whose behalf are you testifying?**

A. I am testifying on behalf of the Corporation in my capacity as Secretary of the Board of Directors of the Corporation.

Q. **What are your responsibilities as Secretary of the Board of Directors of the Corporation?**

A. I maintain the records of the Board of Directors of the Corporation, including all of the resolutions and statutory determinations made by the Corporation.

B. Summary of Testimony and Attachments

Q. **What is the purpose of your testimony?**

A. My testimony confirms certain determinations the Corporation has made with respect to the Restructuring Resolution[1] to be adopted by the Corporation if the Puerto Rico Energy

[1] Where I use capitalized terms that are defined in the Petition, I intend the same meaning.

Commission (the "Commission") approves its Petition under Article 6.25A of Act 57-2014, as amended by the PREPA Revitalization Act (the "Revitalization Act" or the "PRA")("Article 6.25A"). I address five specific topics and the remainder of my testimony is organized accordingly:

1. **The Formation and Authority of the Corporation.** In Section II, I explain the creation of the Corporation and its authority under the Revitalization Act;

2. **Corporation Action Concerning the Restructuring Resolution.** In Section III, I attest that the Corporation has determined to propose the Restructuring Resolution as part of and attached to the Petition (Attachment 1.00[2]). Where necessary, I refer to other Corporation witnesses who further explain and support aspects of the Resolution and its compliance with those requirements;

3. **Corporation Rate Design Determinations.** In Section IV, I attest to the statutory rate design determinations required of the Corporation. With each attestation, I refer to Corporation Resolution 2016-003 ("Resolution 2016-003") adopted by the Corporation's Board of Directors on March 21, 2016 (attached to my testimony as Exhibit 3.01). I also refer to other Corporation witnesses who explain and support each of those determinations;

4. **Corporation Commitments.** In Section V, I confirm that, pursuant to Resolution 2016-003, the Corporation agrees to each of the commitments required of the Corporation in Article 6.25A(e)(1)(viii) through (xii); and

[2] To avoid confusion in the designation of documents, attachments to the Petition are designated as "Attachments" and testimony, or documents attached thereto, are designated as "Exhibits."

5. **Servicing.** In Section VI, I confirm that the Corporation has made a determination, pursuant to Resolution 2016-003, that the servicing costs proposed to be recovered by the Puerto Rico Electric Power Authority ("PREPA" or the "Authority") as the Initial Servicer compensate PREPA for the reasonable incremental costs of performing the servicing functions as set out in the proposed Servicing Agreement attached to the Petition as Appendix 4 of Attachment 1.00.

C. Professional Qualifications

Q. **Please summarize your professional qualificatons.**

A. I am an attorney licensed to practice law in the Commonwealth of Puerto Rico (the "Commonwealth"), currently employed by the GDB, as described above.

II. FORMATION, ORGANIZATION, AND AUTHORITY OF THE CORPORATION

Q. **What is the Corporation?**

A. The Corporation is a special purpose public corporation and governmental instrumentality of the Commonwealth of Puerto Rico created on February 16, 2016, under Article 32 of the Revitalization Act.[3] Its address is Roberto Sánchez Vilella (Minillas) Government Center, De Diego Avenue, Stop 22, San Juan, Puerto Rico 00907. It is, as of the date of filing of the Petition, in the process of establishing web sites in English at *prc.pr.gov* and in Spanish at *craee.pr.gov*.

Q. **What are the powers of the Corporation?**

[3] PRA, Art. 32(a) and Art. 31, para. 12.

A. The Corporation exercises "essential governmental and public powers."[4] It is empowered, among other things, to adopt Restructuring Resolutions, issue Restructuring Bonds authorized by a Restructuring Resolution, and impose and collect, directly or through a servicer, non-bypassable Transition Charges, adjusted from time to time pursuant to an Adjustment Mechanism (as those terms are defined in the Revitalization Act).[5] The Corporation, however, can only issue Restructuring Bonds and impose and collect Transition Charges after the issuance of a Restructuring Order by the Commission in a proceeding under Article 6.25A.[6]

Q. **How is the Corporation governed?**

A. The Corporation is governed by a Board of Directors (the "Board"). Until the Governor appoints successors, the Board of the Corporation comprises three (3) *ex officio* directors: the President of the GDB, the Secretary of the Department of the Treasury of the Commonwealth, and the Secretary of State Department of the Commonwealth. The Chairperson of the Board is Melba Acosta-Febo, who is also the President of the GDB. I have been appointed the Board's Secretary.

Q. **Is the Corporation legally distinct from PREPA?**

[4] PRA, Art. 32(a).

[5] PRA, Art. 33(a).

[6] PRA, Art. 33(a)(2).

A. Yes. The Corporation is distinct from and independent of PREPA. The Revitalization Act created it as a bankruptcy-remote special purpose vehicle ("SPV") that is free from any pre-existing PREPA obligations and debts.[7]

Q. **From a practical perspective, what are the principal roles of the Corporation in issuing Restructuring Bonds?**

A. The Corporation has several such duties and roles, as specifically provided for in the PRA, but among them, the Corporation shall:

1. Adopt Restructuring Resolutions that authorize Restructuring Bonds, impose and collect non-bypassable Transition Charges in connection with the financing of Approved Restructuring Costs, adjusted from time to time in accordance with an Adjustment Mechanism applicable to those Transition Charges, provided that a Restructuring Order relating to that Resolution is issued by the Commission prior to the issuance of the Restructuring Bonds;
2. File a Petition with the Commission under Article 6.25A seeking a Restructuring Order and finding that the statutory criteria for such Restructuring Order have been met;
3. Issue Restructuring Bonds authorized by a Restructuring Resolution to restructure many of PREPA's debt obligations if the "Savings Test" in Article 33(a)(3) of Chapter IV of the Revitalization Act is met and the Restructuring Order is issued;

[7] PRA, Arts. 32(a), 33(e)-(j), and 41.

4. Provide for and direct the use of proceeds of Restructuring Bonds under a Restructuring Resolution and a Trust Agreement executed by the Corporation in connection with such Restructuring Bonds;
5. Contract for the administering and servicing of Restructuring Property and Restructuring Bonds (the "Servicing Agreement") and for other administrative services, including by hiring a manager or administrator that is not an employee of PREPA; and
6. Once Restructuring Bonds are issued, the Corporation also has continuing duties regarding their servicing and the collection of Transition Charges and payments to the Trustee.

Q. **Have any agreements been reached under which creditors of PREPA will purchase Restructuring Bonds and/or accept them in exchange for existing PREPA debt?**

A. Yes. PREPA and others have negotiated a Restructuring Support Agreement (as amended or restated from time to time, the "RSA") with certain beneficial owners and insurers of existing PREPA bonds and banks (and their transferees), including GDB as a creditor that previously provided revolving lines of credit used to pay for fuel and other expenses. The RSA includes a financial settlement with various groups of PREPA creditors which, when coupled with Restructuring Bonds authorized by the Revitalization Act, can benefit PREPA, its customers, and Puerto Rico. The enactment of the Revitalization Act, which expressly refers to the RSA, was an essential step in realizing the benefit of the creditors' concessions by authorizing the legal framework for restructuring many of PREPA's debt obligations. The structure of the transaction and use of a SPV is discussed in the

testimonies of Lisa Donahue and Michael Mace (Corporation Exs. 1.00 and 4.00, respectively).

Q. **What action is the Corporation asking the Commission to take?**

A. Pursuant to Resolution 2016-003, the Corporation requests that the Commission approve the Petition, make the specific statutory findings set forth in Article 6.25A(b), and adopt a Restructuring Order that would enable the Corporation to adopt the Restructuring Resolution and issue Restructuring Bonds.

III. CORPORATION ACTION CONCERNING THE RESTRUCTURING RESOLUTION

Q. **What progress has the Corporation made towards issuing Restructuring Bonds?**

A. As provided in Resolution 2016-003, the Corporation has authorized the Chairperson, and the Chairperson has:

- Determined to submit to the Commission the form of the Restructuring Resolution attached to the Petition as Attachment 1.00 (with certain Appendices and Schedules), with a view to the Commission adopting a Restructuring Order relating to that Resolution. The Restructuring Resolution (i) sets forth terms of the Restructuring Bonds that the Corporation may issue, (ii) imposes and authorizes the collection of Transition Charges, and establishes the related Adjustment Mechanism, (iii) authorizes the financing of Approved Restructuring Costs through Restructuring Bonds, and (iv) creates Restructuring Property (which includes without limitation, the Corporation's right to receive Transition Charges);

- Determined to submit to the Commission a draft Initial Servicing Agreement substantially in the form attached to the Petition as Appendix 4 of the Restructuring Resolution (Attachment 1.00). The Initial Servicing Agreement is the contract between the Corporation and the Initial Servicer (in this case, PREPA) that governs the administration and servicing of the Restructuring Property; and
- Authorized filing the Petition and the supporting materials with the Commission.

IV. CORPORATION RATE DESIGN DETERMINATIONS

Q. **Has the Corporation made a determination to calculate Transition Charges for residential Customers on a per service agreement basis as authorized by Article 6.25A(e)(1)(iv) of the Revitalization Act?**

A. Yes. As provided in Resolution 2016-003, and in Appendix 2 of the Restructuring Resolution (Attachment 1.00), the Corporation, upon the advice of its advisors and the Authority and its advisors, has made the determination that the Transition Charges for Residential Customers will be calculated on a per service agreement basis. Corporation witness Ralph Zarumba (Corporation Ex. 6.00) supports that determination and explains how it impacts the Calculation Methodology and how Financing Costs are to be recovered from Residential Customers on a per service agreement basis.

Q. **Has the Corporation made the following determination, as authorized by Article 6.25A(e)(1)(vi): (i) to include estimated load served by net metering or estimated distributed generation ("behind the meter") in calculating customer energy usage for the purpose of calculating the Transition Charges and the Adjustment Mechanism, (ii) that such inclusion does not render the Transition Charge impractical to**

administer, and (iii) that the Calculation Methodology and the resulting Transition Charges, including the estimated load served by net metering, will ensure the full and timely payment of the Bonds and all other Ongoing Financing Costs during the term of the Bonds?

A. Yes. As provided in Resolution 2016-003 and in Appendix 2 of the Restructuring Resolution (Attachment 1.00), the Corporation, upon the advice of its advisors and the Authority and its advisors, has made the determination to include estimated load served by net metering or estimated distributed generation ("behind the meter") in determining the energy usage in the Calculation Methodology. The reasons behind this determination and the conclusion that it will not interfere with the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds, derive from the expert advice received from the Authority and Navigant Consulting, Inc., as further explained in the testimony of Corporation witness Ralph Zarumba (Corporation Ex. 6.00). Corporation witness Zarumba also explains the steps needed to implement this determination, the operation of the Calculation Methodology, and how it ensures the timely payment of the Bonds without resulting in an administrative impracticability.

V. <u>CORPORATION COMMITMENTS</u>

Q. **Does the Corporation commit to file or cause PREPA to file with the Commission for informational purposes only, a report detailing the final terms of the Restructuring Bonds as required by Article 6.25A(e)(1)(viii)?**

A. Yes. As provided in Resolution 2016-003, the Corporation commits to providing the Commission an informational report detailing the final terms of the Restructuring Bonds and setting forth a final estimate of the Upfront Financing Costs and the estimated Ongoing Financing Costs for the term of the Restructuring Bonds not later than ten (10) days following their issuance. The Restructuring Resolution (Attachment 1.00) also includes this commitment that is enforceable by the Commission.

Q. **Does the Corporation commit to provide to the Commission a copy of any successor Servicing Agreement, for informational purposes only, as required by Article 6.25A(e)(1)(ix)?**

A. Yes. As provided in Resolution 2016-003, the Corporation commits to filing any successor Servicing Agreement with the Commission for informational purposes. The Restructuring Resolution (Attachment 1.00) also includes this commitment that is enforceable by the Commission.

Q. **Does the Corporation commit to file or cause the Servicer to file with the Commission for informational purposes only, all Servicer reports, including any notice of any proposed adjustment of the Transition Charge, at the same time as such notice is submitted to the Corporation, as required by Article 6.25A(e)(1)(ix)?**

A. Yes. As provided in Resolution 2016-003, the Corporation commits to file or to cause the Servicer to file with the Commission all Servicer reports, including any notice of any proposed adjustment of the Transition Charge at the same time as such notice is submitted by the Servicer to the Corporation, and that such report will show all Ongoing Financing Costs being paid from Transition Charges on an ongoing basis. The Restructuring

Resolution (Attachment 1.00) also includes this commitment that is enforceable by the Commission.

Q. **Does the Corporation commit that any reports required to be filed with the Corporation by the bond trustee for the Restructuring Bonds will also be filed with the Commission at the same time as such reports are filed with the Corporation, as required by Article 6.25A(e)(1)(x)?**

A. Yes. As provided in Resolution 2016-003, the Corporation commits that it will file or cause a bond trustee for the Restructuring Bonds to file with the Commission at the same time as such reports are filed with the Corporation, any reports required to be filed with the Corporation by the bond trustee. The Restructuring Resolution (Attachment 1.00) also includes this commitment that is enforceable by the Commission.

Q. **Does the Corporation commit that, jointly with the Servicer, it will submit a report to the Commission, not later than March 1 of each year, setting forth the outstanding principal amount of the Restructuring Bonds, as of the prior calendar year, the amount paid on such Bonds in such prior calendar year, and the remaining Ongoing Financing Costs payable in such current calendar year, as required by Article 6.25A(e)(1)(xi)?**

A. Yes. As provided in Resolution 2016-003, the Corporation commits that, jointly with the Servicer, it will submit a report to the Commission, not later than March 1 of each year, setting forth, with respect to the prior calendar year, the outstanding principal amount of the Restructuring Bonds, the amount paid on such Bonds in such calendar year, and the remaining Ongoing Financing Costs payable in such calendar year. The Restructuring

Resolution (Attachment 1.00) also includes this commitment that is enforceable by the Commission.

Q. **Does the Corporation commit that, after final and full payment of the Restructuring Bonds and any Financing Costs, the Transition Charge Revenues on deposit with, or thereafter received by, the bond trustee will be credited back to Customers in a manner directed by the Commission, and the Corporation will issue such final accounting reports as directed by the Commission, as required by Article 6.25A(e)(1)(xi)?**

A. Yes. As provided in Resolution 2016-003, the Corporation makes each of those commitments. After final and full payment of the Restructuring Bonds and any Financing Costs, the Transition Charge Revenues on deposit with, or thereafter received by, the bond trustee will be credited back to Customers in a manner directed by the Commission, and the Corporation will issue such final accounting reports as directed by the Commission. The Restructuring Resolution (Attachment 1.00) also includes this commitment that is enforceable by the Commission.

Q. **Does the Corporation commit that the notice of the initial Transition Charges and the data or work papers used to calculate those Transition Charges will be provided not later than three (3) business days following the pricing or award of the Restructuring Bonds, as required by Article 6.25A(e)(1)(xii)?**

A. Yes. As provided in Resolution 2016-003, the Corporation makes this commitment. The Corporation or the Servicer will deliver to the Commission not later than three (3) business days following the pricing or award of the Restructuring Bonds the notice of, and the data

or work papers used to calculate, the initial Transition Charges. The Restructuring Resolution (Attachment 1.00) also includes this commitment that is enforceable by the Commission.

Q. **Does the Corporation commit that each notice of a subsequent adjustment to the Transition Charges, including the data or work papers used to calculate the Transition Charges, will be delivered by the Corporation or the Servicer to the Commission at least thirty (30) days prior to the proposed effective date of such adjustment, as required by Article 6.25A(e)(1)(xii)?**

A. Yes. As provided in Resolution 2016-003, the Corporation makes this commitment. The Corporation or the Servicer will deliver each notice of a proposed adjustment to the Transition Charges, including the data or work papers used to calculate the Transition Charges, to the Commission at least thirty (30) days prior to the proposed effective date of such proposed adjustment. The Restructuring Resolution (Attachment 1.00) also includes this commitment that is enforceable by the Commission.

VI. <u>SERVICING AGREEMENT</u>

Q. **Please describe the Initial Servicing Agreement.**

A. PREPA will act as the Initial Servicer for the Restructuring Bonds. The proposed form of the Initial Servicing Agreement is appended to the Restructuring Resolution as Appendix 4.[8] The Servicer will calculate, bill, and collect (itself and through Depositories) Transition Charges and remit those collections to the Depository for the Corporation. The

[8] *See* Petition, Attachment 1.00 (Restructuring Resolution), Appendix 4.

Servicer also will adjust the Transition Charges billed to each Customer in accordance with the Adjustment Mechanism. Finally, the Servicer will take action, as required by the Servicing Agreement, to secure payment of the Transition Charges in full. Corporation witness Michael Mace (Corporation Ex. 4.00) explains the structure of the Servicing Agreement and Corporation witness Dan Stathos (Corporation Ex. 5.00) explains certain operational details of its implementation.

Q. **How will PREPA be compensated for performing the servicing functions?**

A. Consistent with Article 6.25A(e)(6), the Servicing Agreement provides for an annual fee in an amount at least equal to PREPA's reasonable incremental costs related to its servicing functions, as advised by PREPA and its advisors. The agreement also provides for escalation of PREPA's ongoing fee based on the U.S. Consumer Price Index.

Q. **Has the Corporation determined that the servicing costs proposed to be recovered by PREPA as Servicer are sufficient to compensate PREPA for the reasonable incremental costs of performing the servicing functions?**

A. Yes. As provided in Resolution 2016-003, the Corporation has determined that the servicing costs proposed to be recovered by PREPA as Servicer are reasonable and, based on the analysis of Navigant Consulting Inc. included in the testimony of Corporation witness Dan Stathos (Corporation Ex. 5.00) and data and information provided by PREPA, are sufficient to compensate PREPA for the reasonable incremental costs of performing the servicing functions as set out in the proposed Servicing Agreement. This determination is also included in the Restructuring Resolution (Attachment 1.00).

VII. CONCLUSION

Q. **Does this complete your testimony?**

A. Yes.

No. CEPR-_____
Corporation Ex. 3.00

ATTESTATION

The undersigned, GERARD A. GIL-OLAZÁBAL, of legal age, single, executive, and resident of Dorado, Puerto Rico, in his capacity as Secretary of the Board of Directors of the Puerto Rico Electric Power Authority Revitalization Corporation, states that the foregoing testimony, presented in written Question and Answer format, is true and correct to the best of his knowledge and belief.

IN WITNESS WHEREOF, I have hereunto signed my name this 6 day of April 2016.

GERARD A. GIL-OLAZÁBAL

Secretary
Board of Directors
Puerto Rico Electric Power Authority Revitalization Corporation

Affidavit No. 840 -

Acknowledged and subscribed before me by Gerard A. Gil-Olazábal, of the personal circumstances above mentioned, in his capacity as Secretary of the Board of Directors of the Puerto Rico Electric Power Authority Revitalization Corporation, who is personally known to me, in San Juan, Puerto Rico, this 6 day of April 2016.

MARIA DE LOURDES RODRIGUEZ
Abogada- Notario

María de Lourdes Rodríguez
Notary Public

...TO DEL PAGO DE ARANCEL
...Y 47 DE 4 DE JUNIO DE 1982

COMMONWEALTH OF
PUERTO RICO
Puerto Rico Electric Power Authority
Revitalizaton Corporation

CERTIFICATE OF CORPORATE RESOLUTION

I, the undersigned, Secretary of the **PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION**, a special purpose public corporation and government instrumentality of the Commonwealth of Puerto Rico, duly organized and existing pursuant to Act 4-2016 (the "Corporation"), **DO HEREBY CERTIFY**, that at a meeting of the Board of Directors of the Corporation, duly called and held on March 21, 2016 at which a quorum was present and acting throughout, the following resolution was approved, which resolution has not been in any way amended, annulled, rescinded, or revoked, and the same is in full force and effect on the date hereof:

RESOLUTION 2016-003

RESOLUTION AUTHORIZING THE FILING BY THE CORPORATION OF THE PETITION BEFORE THE ENERGY COMMISSION IN CONNECTION WITH THE TRANSITION CHARGE AND ADJUSTMENT MECHANISM AND OTHER RELATED AUTHORIZATIONS

WHEREAS, on January 27, 2016, the Puerto Rico Electric Power Authority (the "Authority"), an Ad Hoc Group of Bondholders (the "Ad Hoc Group") owning bonds issued by the Authority pursuant to that certain Trust Agreement, dated as of January 1, 1974, as amended and supplemented, between the Authority and U.S. Bank National Association, as successor trustee, Scotiabank de Puerto Rico ("Scotiabank") and the other lenders party to that certain Credit Agreement (the "Scotiabank Agreement"), dated as of May 4, 2012 (as amended, restated, extended, supplemented or otherwise modified from time to time) (the "Scotiabank Lenders"), Solus Alternative Asset Management LP, as investment advisor to certain related entities that are lenders party to that certain Trade Finance Facility Agreement dated as of July 20, 2012 (as amended, the "Solus Agreement"), Government Development Bank for Puerto Rico ("GDB"), National Public Finance Guarantee Corporation ("National"), Assured Guaranty Corp. and Assured Guaranty Municipal Corp. (together, "Assured") and Syncora Guarantee Inc. ("Syncora", together with Assured, the Ad Hoc Group, the Scotiabank Lenders, Solus, GDB, and National, the "Supporting Creditors"), entered into a revised restructuring support agreement (as amended, the "Revised RSA") which incorporated the economic terms of a prior restructuring support agreement, dated December 23, 2015, which had superseded a November 5, 2015 initial restructuring support agreement; and

WHEREAS, pursuant to the Revised RSA, the Supporting Creditors agreed to support a recovery plan for the Authority on the terms described in the Revised RSA (the "Recovery Plan"); and

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San Juan, PR 00940-2001
Telephone (787) 722-2525

WHEREAS, the Puerto Rico Electric Power Authority Revitalization Corporation (the "SPV Corporation") joined the Revised RSA, and the Revised RSA was amended and restated on March 14, 2016 by the SPV Corporation and all the other parties thereto as aforementioned (the "A&R RSA"); and

WHEREAS, pursuant to the A&R RSA and the PREPA Revitalization Act, Act No. 4-2016, enacted on February 16, 2016, the SPV Corporation shall file a petition (the "Petition") before the Puerto Rico Energy Commission ("PREC") requesting approval of the Transition Charges and Adjustment Mechanism that will establish the methodology to calculate the necessary amounts to be charged monthly, adjusted periodically and collected from customers to ensure the punctual payment, in accordance with their terms, of the restructuring securitization bonds, which bonds shall be issued by the Corporation, among other purposes, and exchanged for certain Authority revenue bonds, all as part of the Recovery Plan (as defined in the A&R RSA) agreed to with the Supporting Creditors; and

WHEREAS, subject to the PREC's approval of the calculation methodology for the transition charges and the adjustment mechanism to be proposed by the SPV Corporation for the repayment of such bonds ("Transition Charge and Adjustment Mechanism"), Act 4-2016 authorized the restructuring securitization bonds and established the scope of the Petition to be filed before the PREC; and

WHEREAS, Navigant Consulting Inc., based on information and advice provided by the Authority and in accordance with the mandates of Act 4-2016, has designed for the Corporation the Transition Charge and Adjustment Mechanism methodologies to be proposed to the PREC; and

WHEREAS, in order to comply with the mandates of Act 4-2016 and to provide comprehensive information to the PREC, the Petition shall include, (i) the proposed Restructuring Resolution that the Corporation will authorize for the issuance of the restructuring securitization bonds once the PREC has approved the Transition Charge and Adjustment Mechanism methodologies, (ii) estimates of Upfront Financing Costs (which are defined in Act 4-2016), (iii) estimates of Ongoing Financing Costs (also defined in Act 4-2016), (iv) estimates of Transition Charges by customer class and comparison of estimates of Transition Charges to the total charges to customers, (iv) Navigant Consulting Inc. expert report on the Transition Charge and Adjustment Mechanism proposed methodology, (v) determinations and commitments required from the Corporation, (vi) a draft of the Servicing Agreement to be executed by the Authority and the Corporation for the Authority to charge and collect Transition Charges from its customers, and (vii) all such testimonies necessary to support the Petition and the information included therein; and

WHEREAS, this Board has been presented with a draft of the Petition with its attachments in substantially the form to be filed with the PREC, subject to ongoing review by advisors to the Corporation and the Authority to ensure that the Petition complies with the A&R RSA and Act 4-2016;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors as follows:

1. To authorize and direct Ms. Melba Acosta, Chairperson of this Board, in the name and on behalf of the SPV Corporation, to file the Petition and its supporting materials requesting the PREC to make the specific statutory findings set forth in Article 6.25A(b) of Act 57-2014 as amended by Act 4-2016, adopt a Restructuring Order permitting the SPV Corporation to adopt the proposed Restructuring Resolution and issue Restructuring Bonds, which Petition shall be filed in substantially the form presented to this Board, including such modifications as Ms. Acosta shall determine to be advisable and necessary, in consultations with legal and other advisors to the SPV Corporation and the Authority, to comply with Act 4-2016 and the A&R RSA.

2. To authorize the SPV Corporation to make the determinations and commitments required by Act 4-2016, including without limitation the following determinations and commitments:

   a. The calculation of Transition Charges for residential Customers shall be on a per service agreement basis, as authorized by Article 6.25A(e)(iv) of Act 57-2014, as amended by Act 4-2016, and based on the recommendation of the Authority and Navigant, particularly to insulate certain low income customers (e.g., public housing) from the significant impact they would otherwise have in their bills if the charge is assessed based on consumption since their consumption tends to be higher.

   b. As authorized by Article 6.25A(e)(vi) of Act 57-2014, as amended by Act 4-2016: (i) to include estimated load served by net metering or estimated distributed generation ("behind the meter") in calculating customer energy usage for the purpose of calculating the Transition Charges and the Adjustment Mechanism, (ii) that such inclusion does not render the Transition Charge impractical to administer, and (iii) that the calculation methodology and the resulting Transition Charges, including the estimated load served by net metering, will ensure the full and timely payment of the Restructuring Bonds and all other Ongoing Financing Costs during the term of the Restructuring Bonds. The bases for these determinations and the conclusion that the inclusion of the estimated load served by net metering will not interfere with the full and timely payment of the Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Bonds, derive from the expert advice received from the Authority and Navigant Consulting Inc., as further explained by Mr. Ralph Zarumba. Navigant's expert report and the testimony of Mr. Zarumba shall be included in the Petition.

   c. The servicing costs proposed to be recovered by the Authority, as Servicer, are sufficient to compensate the Authority for the reasonable incremental costs of performing the servicing functions as set out in the proposed Servicing Agreement. The bases for this determination derive from the expert advice

received from the Authority and Navigant Consulting Inc., as further explained by Mr. Dan T. Stathos. Navigant's expert report and the testimony of Mr. Stathos shall be included in the Petition.

d. The SPV Corporation commits to file or cause PREPA to file with the PREC, for informational purposes only, a report detailing the final terms of the Restructuring Bonds as required by Article 6.25A(e)(1)(viii) of Act 57-2014, as amended by Act 4-2016, not later than ten (10) days following their issuance, and this commitment may be enforced by the PREC through process directing that it be respected.

e. The SPV Corporation commits to provide to the PREC with a copy of any successor Servicing Agreement, for informational purposes only, as required by Article 6.25A(e)(1)(ix) of Act 57-2014, as amended by Act 4-2016, and this commitment may be enforced by the PREC through process directing that it be respected.

f. The SPV Corporation commits to file or cause the Servicer to file with the PREC, for informational purposes only, all Servicer reports, including any notice of any proposed adjustment of the Transition Charge, at the same time as such notice is submitted by the Servicer to the SPV Corporation, as required by Article 6.25A(e)(1)(ix) of Act 57-2014, as amended by Act 4-2016, and that such report will show all Ongoing Financing Costs being paid from Transition Charges on an ongoing basis, and this commitment may be enforced by the PREC through process directing that it be respected.

g. The SPV Corporation commits that any reports required to be filed with the SPV Corporation by the bond trustee for the Restructuring Bonds will also be filed with the PREC concurrently with the filing of such reports with the SPV Corporation by the bond trustee, as required by Article 6.25A(e)(1)(x) of Act 57-2014, as amended by Act 4-2016, and this commitment may be enforced by the PREC through process directing that it be respected.

h. The SPV Corporation commits that, jointly with the Servicer, it will submit a report to the PREC, not later than March 1 of each year, setting forth the outstanding principal amount of the Restructuring Bonds, as of the prior calendar year, the amount paid on such Restructuring Bonds in such prior calendar year and the remaining Ongoing Financing Costs payable during such calendar year, as required by Article 6.25A(e)(1)(xi) of Act 57-2014, as amended by Act 4-2016, and this commitment may be enforced by the PREC through process directing that it be respected.

i. The SPV Corporation commits that, after final and full payment of the Restructuring Bonds and any Financing Costs, the Transition Charge Revenues on deposit with, or thereafter received by, the bond trustee will be credited back to Authority customers in a manner directed by the PREC, and the SPV

Corporation will issue such final accounting reports as directed by the PREC, as required by Article 6.25A(e)(1)(xi) of Act 57-2014, as amended by Act 4-2016, and this commitment may be enforced by the PREC through process directing that it be respected.

j. The SPV Corporation commits that the notice of the initial Transition Charges and the data or work papers used to calculate those Transition Charges will be provided by the SPV Corporation or the Servicer not later than three (3) business days following the pricing or award of the Restructuring Bonds, as required by Article 6.25A(e)(1)(xii) of Act 57-2014, as amended by Act 4-2016, and this commitment may be enforced by the PREC through process directing that it be respected.

k. The SPV Corporation commits that each notice of a proposed subsequent adjustment to the Transition Charges, including the data or work papers used to calculate the Transition Charges, will be delivered by the SPV Corporation or the Servicer to the PREC at least thirty (30) days prior to the proposed effective date of such adjustment, as required by Article 6.25A(e)(1)(xii) of Act 57-2014, as amended by Act 4-2016, and this commitment may be enforced by the PREC through process directing that it be respected.

3. To authorize the Secretary of this Board, Mr. Gerard Gil Olazábal, to present testimony regarding the above determinations and commitments and such other aspects concerning resolutions adopted and actions taken by this Board of Directors.

4. To approve respective forms of the Servicing Agreement and Restructuring Resolution, in substantially the form presented to this Board of Directors, including such other modifications as Chairperson Melba Acosta may determine, in consultations with legal and other advisors to the SPV Corporation and the Authority, to be advisable and necessary to comply with Act 4-2016 and the A&R RSA, and to attach such Servicing Agreement and Restructuring Resolution to the Petition; it being understood by the Board that the form of Restructuring Resolution has not been adopted by the Board and will be adopted only after the PREC issues its Restructuring Order relating to the proposed restructuring securitization bonds and the Restructuring Resolution with such additional changes, insertions and omissions, including without limitation the addition of the drafts of the financing documents to be approved thereunder, as the Board and its authorized representatives, in consultations with legal and other advisors to the SPV Corporation and the Authority, may determine and in accordance with the then issued PREC Restructuring Order.

5. To approve the engagement by the Authority of the law firm of Quiñones & Arbona ("Q&A") to sponsor R3's *pro hac vice* application and to act as co-counsel in the Petition before the PREC; should the approval by the Puerto Rico Supreme Court of R3's *pro hac vice* application not be received in time for the timely filing of the Petition, Q&A shall file the Petition and R3 shall join as SPV Corporation counsel promptly

upon receipt of the authorization. The scope of this engagement by Q&A shall be included in the Interagency Agreement executed between the Authority and the SPV Corporation on March 14, 2016.

6. To authorize and direct Ms. Melba Acosta, Chairperson of this Board, and her designees, in the name and on behalf of the SPV Corporation, to execute, approve and attest on behalf of the SPV Corporation any other document required to be included in the Petition or to be executed in connection with such filing.

The provisions of this Resolution shall take effect immediately upon its adoption.

Adopted in San Juan, Puerto Rico this twentieth (21st) day of March, two thousand sixteen (2016).

IN WITNESS WHEREOF, the undersigned has caused this certificate to be executed on the 6th day of April, 2016.

PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION

By: _____
Name: Gerard Gil Olazábal
Title: Secretary

Corporation Ex. 4.00

COMMONWEALTH OF PUERTO RICO

PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, Petitioner.	NO. **SUBJECT: TESTIMONY SUPPORTING PETITION FOR RESTRUCTURING ORDER**

Testimony of

MICHAEL MACE

Managing Director,

Public Financial Management, Inc.

On behalf of the

Puerto Rico Electric Power Authority Revitalization Corporation

April 7, 2016

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I. INTRODUCTION AND SUMMARY

A. Witness Identification

Q. **Please state your name, title, employer, and business address.**

A. My name is Michael Mace. I am a Managing Director of Public Financial Management, Inc. ("PFM"). My business address is 11325 North Community House Road, Suite 275, Charlotte, North Carolina 28277.

Q. **On whose behalf are you testifying?**

A. I am testifying on behalf of the Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation"). PFM is a financial advisor to the Government Development Bank for Puerto Rico ("GDB") and to the public corporations of Puerto Rico. I provide this testimony in support of the Petition of the Corporation in that role.

B. Summary of Testimony and Attachments

Q. **What subjects does your testimony address?**

A. I address the structure and mechanics of the proposed transactions described in the Petition and the Restructuring Resolution,[1] including:

1. The process of issuing and marketing those Restructuring Bonds authorized by the Restructuring Resolution (the "Bonds") and the terms by which certain Bonds are exchanged for or otherwise legally or economically defease currently outstanding bonds issued by Puerto Rico Electric Power Authority ("PREPA" or the "Authority"). The restructuring support agreement (as amended or

[1] Where I use capitalized terms that are defined in the Petition or the Revitalization Act, I intend the same meaning.

21 restated from time to time, the "RSA") between PREPA, GDB, the Corporation,
22 and certain of its creditors contains the terms of the exchanges and economic
23 defeasance of the outstanding PREPA bonds.

24 2. The Upfront (or "one-time") Financing Costs, Ongoing Financing Costs, and
25 other costs estimated to be incurred and recovered; and the consistency of these
26 costs and their recovery with requirements in the PREPA Revitalization Act,
27 Act 4-2016 (hereinafter, the "PRA" or "Revitalization Act").

28 3. How and why the Transition Charge will change over the life of the charge.

29 4. Satisfaction of the Savings Test set forth in Article 33 of Chapter IV of the
30 Revitalization Act, and other comparisons of debt and debt service affected by
31 the issuance of the Bonds.

32 5. The Servicing Agreement and the duties of PREPA as the initial Servicer (as
33 defined herein).

34 6. The projections and stress test scenarios provided on behalf of PREPA or the
35 Corporation to credit rating agencies relating to the Transition Charges.

36 I confirm that many of the requirements of the Revitalization Act applicable to the
37 Petition, the Restructuring Resolution, and other aspects of the transactions described
38 therein have been met. I also provide explanation and support for a number of those
39 matters.

40 Q. **How is your testimony organized?**

41 A. This testimony is organized in the following sections:

42 I. Introduction and Summary

43 II. Transaction Background and Framework

44 III. Upfront Financing Costs and Ongoing Financing Costs

45 IV. Expected Future Changes in the Transition Charge

46 V. Savings Test

47 VI. Debt and Debt Service Comparison

48 VII. Projections and Stress Test Scenarios Provided to Rating Agencies

49 VIII. Conclusion

50 Q. **In addressing these topics in your testimony, do you also incorporate into your**
51 **testimony and discuss particular Attachments to the Petition?**

52 A. Yes. I adopt and principally address Attachments 2.01 – 2.04[2], which identify and
53 estimate various Financing Costs, including principal and interest payments; Attachment
54 3.01, which addresses the Savings Test, and Attachment 3.03, an estimate and
55 comparison of debt balances and debt service (including the Bonds and PREPA debt)
56 before and without issuance of the Bonds versus analogous and currently estimated
57 projections with and after that issuance.

58 **C. <u>Professional Background and Education</u>**

59 Q. **What are your duties and responsibilities as a Managing Director of PFM?**

[2] To avoid confusion in the designation of documents, attachments to the Petition are designated as "Attachments" and testimony or documents attached to testimony are designated as "Exhibits."

60 A. For the past fifteen years I have been a Managing Director at PFM. PFM is the largest
61 financial advisory firm for state and local governments in the United States. My
62 responsibilities include serving as the Co-Leader of PFM's public power and utility
63 efforts throughout the country. PFM serves as financial advisor to roughly 70% of the 50
64 largest public power utilities in the United States, and has been the #1 ranked financial
65 advisor to public power utilities for over a decade. I personally lead PFM's financial
66 advisory efforts on several of the firm's largest utility clients, one of which is the Long
67 Island Power Authority ("LIPA"). LIPA, in cooperation with the Utility Debt
68 Securitization Authority ("UDSA") has been the largest single public power user of
69 utility debt securitization, having sold four series of securitization bonds totaling over
70 $3.7 billion.

71 Q. **Have you prepared a *curriculum vitae* that describes your educational background**
72 **and professional experience?**
73 A. Yes. My complete *curriculum vitae* is attached as Corporation Exhibit ("Ex.") 4.01.

74 **II. <u>TRANSACTION BACKGROUND AND FRAMEWORK</u>**

75 Q. **What is the purpose of the transactions described in the Restructuring Resolution?**
76 A. The ultimate purpose of the transactions described in the Restructuring Resolution is to
77 restructure a significant portion of PREPA's existing "legacy" debt and reduce the total
78 amount of that debt and lessen the burden of servicing it so that PREPA can continue to
79 fund its ongoing operations and permit it to move forward to transform itself into a
80 modern utility. PREPA's Executive Director, Javier Quintana Méndez, P.E. (Corporation
81 Ex. 2.00) describes PREPA's current condition and the goals of the restructuring in

82 greater detail. These bond transactions are all integral and critical parts of the overall
83 restructuring and revitalization of PREPA.

84 The bond transactions are aimed at reducing near-term debt service costs in order
85 to benefit the citizens of the Commonwealth and revitalize PREPA. Various groups of
86 existing creditors have agreed in the RSA, referred to in the Revitalization Act, to make
87 significant concessions (including reductions in aggregate principal, forbearance of
88 principal payments, and deferral of interest payments) in exchange for receiving Bonds
89 (or the economic equivalent) that, by virtue of the securitization process authorized by the
90 Revitalization Act, will have a lower risk of default. Because those securitized Bonds
91 have a lower risk of default, they are also expected to require a lower interest rate,
92 providing a further benefit to PREPA and the customers who ultimately pay the debt
93 costs through electric service rates and Transition Charges. As a result, PREPA's
94 outstanding indebtedness will be substantially reduced and its ability to repay its
95 remaining financial obligations will be substantially improved, an essential step to
96 PREPA's turn-around.

97 Q. **What Bonds are authorized by the Restructuring Resolution?**

98 A. Once a Restructuring Order is issued by the Commission, the issuance of the Bonds is
99 authorized and governed by the Restructuring Resolution (Attachment 1.00, Findings of
100 Fact 1 – 3). For the convenience of the Commission, however, I can summarize key
101 characteristics of the Bonds that the Restructuring Resolution authorizes. Those Bonds
102 fall into two broad categories, Closing Date Bonds all issued on the same closing date

103 (the date the Exchange Offer Bonds are issued) and Post-Closing Date Bonds. The
104 Closing Date Bonds include:

105 a. Exchange Offer Bonds in an initial aggregate principal amount not to exceed
106 $4.97 billion, to be issued to the beneficial owners of PREPA Bonds that are
107 not insured PREPA Bonds ("Uninsured PREPA Bonds"), in exchange for
108 such Uninsured PREPA Bonds (i) at an exchange ratio (principal to
109 principal) of 85% and (ii) may also be issued in an amount equal to and in
110 satisfaction of any accrued and unpaid interest owing on such Uninsured
111 PREPA Bonds at the time of such exchange.

112 b. "Mirror Bonds" that include (i) Bonds, in an initial aggregate principal
113 amount not to exceed $2.086 billion (the "Monoline Mirror Bonds"), to be
114 deposited in an irrevocable escrow to solely legally or economically defease
115 the PREPA Bonds insured by the monoline bond insurers (the "Insured
116 PREPA Bonds") that have signed the RSA and are participating in the
117 transactions set forth in Schedule II to the RSA (the "Monoline Insurers"),
118 and (ii) Bonds, in an initial aggregate principal amount not to exceed $750
119 million (the "Other Mirror Bonds") to be deposited in an irrevocable escrow
120 to solely legally or economically defease the PREPA Bonds issued in 2016
121 (the "2016 PREPA Bonds").

122 c. Bonds, in a principal amount not in excess of the sum of 6.25% of the other
123 Closing Date Bonds plus 6.25% of the Post-Closing Date Bonds, to fund or,
124 in the case of (ii) to be provided in whole or in part as payment for, (i) one
125 or more debt service reserve or operating funds or accounts to secure
126 payment of all or a portion of the Bonds, and (ii) all Upfront Financing
127 Costs incurred in connection with the issuance of all Closing Date Bonds or
128 the Post-Closing Date Bonds, as the case may be; plus (iii) the costs of any
129 payment to the Internal Revenue Service (the "IRS") in accordance with any
130 PREPA agreement with the IRS under the voluntary closing agreement or
131 similar program.

132 d. Bonds, in an initial aggregate principal amount not in excess of $50 million,
133 to fund a deposit to the PREPA Self Insurance Fund described in Finding of
134 Fact 4(g) of the Restructuring Resolution (Bonds issued for purposes
135 described in this clause (d) and the preceding clause (c) are collectively
136 referred to as "New Money Bonds").

137 e. "Cash Offer Bonds," in an initial aggregate principal amount not exceeding
138 $2.6 billion for the purpose of funding the costs to refund, redeem or
139 purchase, directly or indirectly, Uninsured PREPA Bonds with the goal of
140 increasing the exchange offer participation levels.

141 f. "Lender Bonds," in an initial aggregate principal in an initial aggregate
142 principal amount not exceeding $625 million, issued to the Supporting
143 Creditors (i) in exchange for the extinguishment of the obligations due and
144 owing under the Credit Agreements (the "Credit Agreements") between
145 such Supporting Creditors and PREPA, at an exchange ratio (principal to
146 principal) of 85% and (ii) to reimburse such Supporting Creditors for certain
147 fees and expenses in an amount not to exceed $1 million.

148 g. "Closing Date Syncora Bonds," in a principal amount not exceeding $240
149 million, to be issued to restructure, refund, redeem, defease (legally or
150 economically through the issuance of additional mirror bonds or otherwise)
151 or purchase PREPA Bonds insured by Syncora Guarantee Inc. and/or an
152 affiliate thereof ("Syncora"), as required to implement the economic terms
153 of the RSA, as it may be amended.

154 In addition, one or more series of Post-Closing Date Bonds may be issued after
155 the Closing Date in the following amounts and for the following purposes:

156 h. One or more series of Bonds, in an initial aggregate principal amount not to
157 exceed $750 million to one or more holders of 2016 PREPA Bonds, at an
158 exchange ratio of 100%, in voluntary exchange for such 2016 PREPA
159 Bonds. If any 2016 PREPA Bonds are exchanged for Post-Closing Date
160 Bonds, the corresponding Mirror Bonds will be cancelled

161 i. One or more series of Bonds in a principal amount not exceeding $240
162 million, to be issued to restructure, refund, redeem, defease (legally or
163 economically through the issuance of mirror bonds or otherwise) or
164 purchase PREPA Bonds insured by Syncora, as required to implement the
165 economic terms of the RSA, as it may be amended (the "Post-Closing Date
166 Syncora Bonds" and, together with the Closing Date Bonds, the "Syncora
167 Bonds"); provided that the total principal amount of Syncora Bonds issued
168 shall not exceed $240 million.

169 j. New Money Bonds with respect to Post-Closing Date Bonds, as described in
170 and to the extent not previously issued as described in clause (c) above to
171 pay the Upfront Financing Costs described therein.

172 Post-Closing Date Bonds shall be payable, on a parity with all Closing Date
173 Bonds, from, and secured, equally and ratably with all Closing Date Bonds, by the
174 Restructuring Property pledged to the payment of the Bonds in the Trust Agreement.

175 Absent an exchange for Post-Closing Date Bonds, the 2016 PREPA Bonds would remain
176 a liability of PREPA.

177 Q. **What are the terms of the Bonds to be issued?**

178 A. The Bonds of any issue (i) may be issued in one or more tranches or series, at one or
179 more times, (ii) may be issued as any combination of serial and term Bonds and as Bonds
180 paying current interest ("Current Interest Bonds") and Bonds accreting interest for a
181 period of no more than 4½ years to 5½ years after their issue date and paying cash
182 interest thereafter ("Convertible Capital Appreciation Bonds" or "Convertible CABs"),
183 (iii) may have (A) a scheduled maturity date or dates (including scheduled mandatory
184 sinking fund redemption dates), which will be a date or dates by which such series or
185 tranche is to be amortized in principal amounts set forth therein for such date or dates and
186 with Transition Charges set at sufficient levels to generate receipts to enable such
187 amortization on such date or dates, and (B) a legal maturity date or dates (including legal
188 mandatory sinking fund redemption dates), which will be a date or dates by which such
189 series or tranche must be amortized in principal amounts set forth therein in order to
190 avoid a default under the transaction documents and which is expected to be two years
191 after the related scheduled maturity date, provided that the legal maturity date for any
192 series or tranche of the Bonds shall be no less than one year and no more than thirty-five
193 years after the date of issuance of the Bonds, and (iv) shall have such other terms and
194 details, consistent with this Restructuring Resolution and as contained in the applicable
195 Trust Agreement as executed and delivered, subject to the following additional
196 limitations for the Closing Date Bonds and the Post-Closing Date Bonds, respectively.

197 Q. **How does each type of Bond authorized by the Restructuring Resolution contribute**
198 **to the restructuring or economic defeasance of outstanding PREPA debt?**

199 A. The Exchange Offer Bonds will be delivered to the beneficial owners of uninsured
200 PREPA bonds who have agreed in the RSA to exchange such PREPA bonds for Bonds at
201 a discount equal to 15% of the principal amount of such uninsured PREPA bonds.
202 Additional Exchange Offer Bonds may be exchanged for uninsured PREPA bonds held
203 by investors who are not party to the RSA. It is expected that the same exchange offer
204 will be made to holders of uninsured PREPA bonds that are not party to the RSA. The
205 discounted exchange provides an immediate reduction in the principal amount of bonds
206 that remain outstanding and is a key component of the settlement with PREPA's
207 creditors. The effect of the exchange is to retire a greater volume of more costly PREPA
208 bonds with Bonds having a smaller total principal balance and lower interest rates.

209 The Mirror Bonds will be issued to an irrevocable escrow to solely support
210 PREPA bonds that are insured by monoline bond insurers (the "Monoline Insurers") who
211 have signed the RSA and are participating in the transactions set forth in Schedule II to
212 Annex D to the RSA.[3] The Mirror Bonds are intended to legally or "economically
213 defease" the PREPA bonds. By the latter, I mean that the cash flow provided by such
214 Mirror Bonds is intended to match the debt service requirements on the related insured
215 PREPA bonds, effectively relieving PREPA of the economic requirement to collect funds
216 through its own rates to pay debt service on such bonds from those rates. In addition, the
217 issuance of the Mirror Bonds reduces the potential that the Monoline Insurers will be

[3] A monoline insurer provides guarantees of certain payments of principal and interest, thus enhancing the credit of the issuer.

218 required to make payments on the PREPA bonds that they insure, and serves as an
219 inducement to the Monoline Insurers to issue Surety Bonds to provide essential credit
220 enhancement for the other Closing Date Bonds, thus enhancing the marketability of the
221 Closing Date Bonds.

222 In addition, Mirror Bonds may also be issued on the Closing Date to support
223 PREPA bonds issued to the Monoline Insurers. Additional Mirror Bonds may be issued
224 to support PREPA bonds which are issued to the Monoline Insurers and certain holders
225 who have agreed to purchase 2016 PREPA Bonds. Mirror Bonds issued to support such
226 Bonds are referred to herein as "2016 Mirror Bonds." No more than $750 million
227 principal amount of 2016 Mirror Bonds are authorized for issuance.

228 The Cash Offer Restructuring Bonds may be issued to provide funds to refund,
229 redeem, exchange, or purchase uninsured PREPA bonds that are beneficially owned by
230 persons not currently party to the RSA. Any such uninsured PREPA bonds would be
231 acquired at a discount or redeemed in a manner so as to produce present value debt
232 service savings. It is expected that bond owners that are not currently parties to the RSA
233 will be solicited to exchange their bonds for Exchange Offer Bonds and/or sell their
234 bonds for cash that may be raised through the sale of the Cash Offer Restructuring Bonds.
235 It is important to note that the funding of any Cash Offer Bonds is subject to, among
236 other things, the Corporation's ability to raise cash in the capital markets, which remains
237 uncertain at this time.

238 The Lender Bonds, issuance of which will be dependent upon the election of
239 parties to Credit Agreements with PREPA (the "Credit Agreement Lenders"), will be
240 issued in exchange for the extinguishment of indebtedness owed by PREPA under such

241 Credit Agreements. If the Lender Bonds are issued, the Lender Bonds will be issued and
242 exchanged under substantially the same pricing terms as the Exchange Offer Bonds and
243 exchanged at the same discounted price for PREPA bonds.

244 New Money Bonds may be issued to provide funds to make the required cash
245 contribution to the debt service reserve accounts. The New Money Bonds do not directly
246 reduce PREPA's debt burden, but are essential to the issuance of the other Closing Date
247 Bonds. The New Money Bonds may also finance the Upfront Financing Costs, as well as
248 potentially required payment to the Internal Revenue Service ("IRS") to protect the tax-
249 exempt status of the PREPA bonds.[4] Such tax-exempt status is important because the
250 PREPA bonds expected to be retired with the proceeds of the Bonds are tax-exempt, and
251 any investor receiving a Bond in exchange for an existing PREPA bond will expect the
252 same tax-exempt status on its new Bond. Other New Money Bonds may be issued to
253 finance a deposit to PREPA's self-insurance fund in an amount not to exceed $50
254 million, which was used to make payments on PREPA's 2015A Bonds. Other than the
255 New Money Bonds to fund the self-insurance fund, the Restructuring Resolution limits
256 New Money Bonds or Post-Closing Date Bonds to 6.25% of the aggregate principal
257 amount of such Bonds.

258 Syncora Bonds in a principal amount not exceeding $240 million may be issued
259 to restructure, refund, redeem, defease, or purchase PREPA bonds insured by Syncora

[4] It is not currently known whether any material payments will be made to the IRS in order to preserve the tax-exemption of the Bonds or of any remaining PREPA bonds, however, the determination of any payment will depend on the final transaction structure and the outcome of any potential review by the IRS.

260 Guarantee Inc. and/or an affiliate thereof, as required to implement the terms of the RSA,
261 as it may be amended.

262 If not issued at Closing, Post-Closing Date Bonds may be issued in an amount not
263 to exceed $750 million to one or more holders of PREPA bonds issued in 2016, at an
264 exchange ratio or 100%, as part of a voluntary exchange for such 2016 PREPA bonds.
265 Absent the option to exchange for Post-Closing Date Bonds, all the 2016 PREPA Bonds
266 would remain a liability of PREPA. Other Post-Closing Syncora Bonds and New Money
267 Bonds may also be issued, as described above.

268 Q. **Does the Restructuring Resolution authorize the issuance of Bonds to fund new**
269 **investments in the Aguirre Offshore Gas Port?**

270 A. No.

271 Q. **How are the terms of the Bonds established?**

272 A. As discussed above, the Exchange Offer Bonds and Lender Bonds will be issued to the
273 beneficial owners of uninsured PREPA bonds and the Credit Agreement Lenders,
274 respectively, who are parties to the RSA. The material pricing terms of the Exchange
275 Offer Bonds and Lender Bonds are generally described in the RSA.

276 The material terms of the Mirror Bonds are described in the RSA and are intended
277 to effectively "mirror" those of the related insured PREPA bonds; if additional 2016
278 Mirror Bonds are to be issued, their terms will also be described in the RSA and any
279 associated bond purchase agreement. The Cash Offer Bonds and New Money Bonds
280 may be sold to the public by means of a negotiated exchange or underwriting. The
281 pricing terms will be determined based on, among other things, market conditions and

282 investor demand on the pricing date of such Bonds. The Mirror Bonds will have
283 maturities which match the underlying PREPA bonds. The Act limits the maturity of
284 Bonds to 35 years.

285 As noted above, under certain circumstances, Post-Closing Date Bonds may be
286 issued to the Monoline Insurers and other holders who are parties to the RSA in exchange
287 for the 2016 PREPA Bonds. While the exchange ratio (principal to principal will be
288 100%), the other terms of these Post-Closing Date Bonds that will be exchanged with
289 parties to the RSA are or will be described in the RSA.

290 Attachment 3.03 reflects the currently projected maturity dates of the currently
291 projected financing components described above.

292 Q. **Please describe the Trust Agreement.**

293 A. The Corporation will enter into a Trust Agreement with a bank or trust company (the
294 "Trustee"), pursuant to which the Closing Date Bonds and any Post Closing Date Bonds
295 may be issued and secured. The Trustee's primary duty is to protect the interests of the
296 investors who purchase the Bonds. Pursuant to Article 35(m) of Chapter IV of the
297 Revitalization Act, the Corporation, by its execution and delivery of a Trust Agreement,
298 will pledge the Restructuring Property to secure the payment of Bonds, amounts payable
299 to Financing Entities, and other Ongoing Financing Costs. For so long as the
300 Restructuring Property remains pledged to secure such payments, revenues from the
301 collection of Transition Charges shall be applied solely to pay Ongoing Financing Costs.

302 Q. **What is the Transition Charge?**

303 A. The Revitalization Act defines Transition Charges ["*Cargos de Transición*"] as "those
304 rates and charges that are separate from rates and charges of PREPA and that are imposed
305 pursuant to a Restructuring Resolution on Customers to recover the Ongoing Financing
306 Costs, and shall include a pro rata share of any late payment fee imposed in respect of
307 any past-due bill for electric service that includes in such bill an amount for Transition
308 Charges."[5] The Revitalization Act also defines "Transition Charge Revenues" ["*Ingresos*
309 *de Cargos de Transición*"] to mean "all money and other property received or to be
310 received, directly or indirectly, on account of the Transition Charges, and all proceeds of
311 the investment thereof."[6] In simplified terms, Transition Charges are the monies that the
312 Corporation collects from customers of PREPA that allow the Corporation to pay debt
313 service on the Bonds and other Ongoing Financing Costs when they become due and
314 payable.

315 Q. **What is the Adjustment Mechanism?**

316 A. After the initial Transition Charge is established, the Transition Charge must be
317 periodically adjusted in response to changes in both the cost of meeting the Corporation's
318 obligations and the amount of funds actually collected (*e.g.*, as a result of changes in
319 energy use, number of customers, customer payment patterns, etc.). The Revitalization
320 Act defines the "adjustment mechanism" ["*Mecanismo de Ajuste*"] as the "the formulaic
321 Adjustment Mechanism contained in a Restructuring Resolution, as approved in a
322 Restructuring Order … to be applied by the Corporation periodically, but not less often

[5] PRA, Art. 31, para. 6.

[6] *Id.*, para. 20.

323 than semi-annually, to adjust the Transition Charges to ensure the collection of Transition
324 Charge Revenues sufficient to provide for the timely payment of Ongoing Financing
325 Costs."[7]

326 Q. **What is the target credit rating for the Bonds?**

327 A. The RSA calls for the Bonds to carry an investment-grade rating (at least BBB-
328 /Baa3/BBB-). An investment-grade rating would provide for the largest potential pool of
329 investors, which would, in turn, provide for lower yields. Many potential purchasers are
330 not permitted to purchase or even hold securities that are not investment-grade rated. The
331 lower yields required by purchasers of investment grade bonds would reduce the costs of
332 financing which would, in turn, reduce the Transition Charges customers must pay. It is
333 important to note that at this point in the process no rating has been assigned to any of the
334 Bonds, nor has there been a formal request for a rating made to the any of the major
335 rating agencies. There have been preliminary meetings with rating agencies in which
336 PREPA and its advisors have provided an update of the restructuring process, and a
337 general description of the securitization objectives. There is no assurance that the Bonds
338 will achieve the desired investment grade rating. It is currently expected that the Bonds
339 will include all of the major credit features and criteria of other highly-rated utility
340 securitization bonds. However, there are several conditions that are unique to PREPA,
341 this securitization transaction, and to the Commonwealth that make it difficult to predict
342 the outcome of the credit rating process.

[7] PRA, Art. 31, para. 23.

343 Q. **What are the key features of the Bonds designed to assure their full and timely**
344 **payment?**

345 A. Described below are some of the relevant features of the Corporation's restructuring
346 transaction that I believe will be material to the credit worthiness of the Bonds. Such
347 features are also addressed in the Restructuring Resolution.

348 **Adjustment Mechanism:** A critical credit provision for the Bonds will be the
349 Adjustment Mechanism established in accordance with Article 6.25A of Act 57-2014, as
350 amended ("Article 6.25A"), and Chapter IV of the Revitalization Act, which is the
351 formulaic Adjustment Mechanism contained in a Restructuring Resolution, and approved
352 in a Restructuring Order, "to be applied by the Corporation periodically, but not less
353 often than semi-annually, to adjust the Transition Charges to ensure the collection of
354 Transition Charge Revenues sufficient to provide for the timely payment of Ongoing
355 Financing Costs."[8] A formulaic Adjustment Mechanism that responds to changes in
356 Ongoing Financing Costs and Transition Charge Revenues is critical to ensuring that the
357 Transition Charges provide for full and timely payment of the Bonds and other Ongoing
358 Financing Costs. The Adjustment Mechanism proposed in the Restructuring Resolution
359 would provide for the adjustments to be made not less than quarterly to provide more
360 certainty regarding the sufficiency of the Transition Charge Revenues. Quarterly
361 applications of the Adjustment Mechanism should also result in less variability in the
362 Transition Charge itself.

[8] PRA, Art. 31, para. 23

363 **Irrevocability of Restructuring Resolution**: As provided in Article 35(h) of
364 Chapter IV of the Revitalization Act, upon the issuance of the Bonds, the Restructuring
365 Resolution, the related Transition Charges, including their non-Bypassability and the
366 procedures for the Adjustment Mechanism, as provided in the Restructuring Resolution,
367 are irrevocable, final, non-discretionary and effective without further action by the
368 Corporation, the Commission or any other Person. No adjustment of the Transition
369 Charges pursuant to the Adjustment Mechanism or adoption of an Award Resolution
370 shall in any way affect the irrevocability of the Restructuring Resolution.

371 **Expected Maturity and Legal Final Maturity**: Unlike most corporate and
372 municipal bonds with fixed, date-certain maturities, utility securitization bonds are often
373 structured to allow for flexibility with respect to the timing of principal repayment for
374 each bond comprising the bond issue. In lieu of a single, fixed maturity date, the Bonds,
375 and the individual tranches of the Bonds, will have one or more scheduled maturities, or
376 "expected maturity dates," the dates by which principal is scheduled to be repaid.
377 Transition Charges will be set based on the scheduled payment dates. The Bonds, and
378 tranches, will also have "legal final" maturities, dates typically two years after the
379 expected maturity dates by which all principal is required to be paid. This concept of a
380 later "legal final" maturity allows for the Bonds to be paid on later dates than their
381 scheduled maturity dates if Transition Charge collections are lower than expected and
382 any reserves have been depleted, without triggering a default, upon the scheduled
383 maturity dates. This time differential between the expected maturity date and the legal
384 final maturity date provides a buffer period in which the Corporation can utilize
385 subsequent Transition Charge Revenues to repay the Bonds. The Restructuring

386 Resolution provides that the legal final maturity date for any series or tranche of the
387 Bonds shall be no less than one year and no more than thirty-five years after the date of
388 issuance of the Bonds. The scheduled retirement date for each series of Mirror Bonds
389 will be no later than the maturity date of the related insured PREPA bonds to be defeased.
390 The majority of electric utility securitization bonds have a legal final maturity that is
391 roughly two years after the expected maturity date.

392 **Non-Bypassability:** As provided in Article 35(i) of Chapter IV of the
393 Revitalization Act, for so long as the Bonds are outstanding, and the Approved
394 Restructuring Costs (including any payments that have or are to become due under
395 Ancillary Agreements) have not been paid in full, the Transition Charges authorized and
396 imposed by the Revitalization Act shall be obligatory, non-bypassable and apply to all
397 Customers. Effectively, non-Bypassability means that the Transition Charges will be
398 payable by Customers who remain or become connected to the grid even if the Customers
399 purchase electricity from electric suppliers other than PREPA or generate it without
400 purchase from PREPA.

401 **Commonwealth Pledge:** Chapter IV of the Act contains a number of
402 Commonwealth covenants. As provided in Article 41 of Chapter IV of the Revitalization
403 Act, the Commonwealth has covenanted, pledged and agreed with the holders of the
404 Bonds that after the issuance of Bonds, neither the Commonwealth nor any agency,
405 public corporation, municipality or instrumentality thereof (including the Commission)
406 shall take or permit any action to limit, alter, reduce, impair, postpone or terminate the
407 rights conferred in the Restructuring Resolution, including those relating to Transition
408 Charges and the related Adjustment Mechanism, as the same may be adjusted from time

409 to time pursuant to the Restructuring Resolution in a manner that impairs the rights or
410 remedies of the Corporation or the holders of the Bonds, parties to any Ancillary
411 Agreement or any Financing Entity or the security for the Bonds or Ancillary
412 Agreements, or that impairs the Restructuring Property or the billing or collection of
413 Transition Charge Revenues.

414 **Restructuring Property:** The Restructuring Property created by the
415 Restructuring Resolution includes the Restructuring Resolution and the property rights
416 and interests created thereby, including the right, title, and interest in and to: (a) the right
417 to create and receive Transition Charges in amounts sufficient to pay the Bonds and all
418 related Ongoing Financing Costs in full and on a timely basis; (b) the Transition Charges,
419 as adjusted from time to time in accordance with the Adjustment Mechanism, including
420 any rights under the Servicing Agreement, the Calculation Agent Agreement, the
421 Depository Agreement(s) (referred to below) or other security agreement assigned
422 pursuant to the Trust Agreement(s); (c) all revenues, collections, claims, payments,
423 money, or proceeds of or arising from the Transition Charges or constituting Transition
424 Charges, regardless of whether such revenues, collections, claims, payments, money, or
425 proceeds are billed, received, collected or maintained by PREPA, any other Servicer or
426 by the Corporation, together with or commingled with other revenues, collections,
427 claims, payments, money or proceeds; (d) all rights to obtain adjustments to the
428 Transition Charges pursuant to the terms of the Adjustment Mechanism, the
429 Restructuring Order and the Restructuring Resolution; and (e) all reserves, Surety Bonds,
430 or other collateral accounts established in connection with the Bonds or the Restructuring
431 Property and pledged to the payment of the Bonds under the Trust Agreement.

432 Upon the issuance of any series of Bonds, the Restructuring Property shall
433 constitute a vested, presently existing property right in the Corporation, as initial owner,
434 subject to the transfer, sale, or conveyance as provided in the Trust Agreement,
435 notwithstanding the fact that the value of the property right will depend on further acts
436 that have not yet occurred, including Customers remaining or becoming connected to the
437 Electric System Assets, the imposition and billing of Transition Charges, or PREPA
438 performing services.

439 **Validation:** Many jurisdictions permit issuers of municipal bonds to "validate"
440 bond issues in a court proceeding. In many instances, validation actions are commenced
441 to settle legal questions particular to the subject bond issue, such as constitutional issues
442 upon which the highest court of such jurisdiction has not ruled. Validation statutes also
443 typically provide for liberal joinder rules, allowing for participation by the broadest range
444 of interested parties and, therefore, the consideration of the broadest range of legal issues.
445 Successful validation actions provide investors with substantial comfort because the legal
446 issues raised and settled by the court, except in very limited instances, and are not subject
447 to collateral attack in any subsequent legal proceedings. Article 35(d) of the Act provides
448 that, after the approval of the Restructuring Order by the Commission and the approval
449 by the Corporation of the Restructuring Resolution, any Interested Party may commence
450 a validation action relating to the Bonds to determine, among other things, the validity of
451 the Bonds, the Restructuring Order, the Restructuring Resolution, including the
452 Adjustment Mechanism, that the issuance of the Bonds does not breach any contract or
453 covenant made by the Commonwealth or PREPA, and any or all other matters relating to
454 the transaction that raise issues under the United States or Commonwealth Constitutions.

455 **Legal Opinions:** Various legal counsels to the Corporation will render legal
456 opinions that have become customary in utility securitizations. Such opinions may also
457 rely upon the outcome of any validation proceeding in reaching the conclusions set forth
458 therein.

459 **Servicing Arrangements:** The Corporation is authorized pursuant to Article
460 35(i) of the Revitalization Act to enter into a servicing agreement with PREPA, as the
461 initial Servicer. As Servicer, PREPA will perform such duties of the Servicer as may be
462 required or permitted by the Revitalization Act, including providing for the servicing,
463 billing and collection of the Transition Charges. In the event of a default in its obligation
464 under the Servicing Agreement, PREPA can be replaced as Servicer to ensure the timely
465 and full payment of the Bonds and all Ongoing Financing Costs.

466 **Debt Service Reserve Account(s)**: The initial size of the Debt Service Reserve
467 Account(s), which will be funded with a combination of Surety Bonds and cash from a
468 portion of the proceeds of the New Money Bonds, will be sized up to a maximum of 10%
469 of the initial principal amount of the Bonds. Different series of Bonds may have different
470 reserves. Under the RSA, the Mirror Bonds are allowed to have a lower reserve than the
471 Exchange Offer Bonds. The maximum reserve is larger than reserve accounts in
472 comparable transactions to account for the credit challenges of the Commonwealth and
473 the Servicer, as well as the lack of servicing history. Additionally, other restricted
474 accounts or subaccounts may be required to be established by the Trust Agreement, and
475 to the extent permitted in the Trust Agreement, any Ancillary Agreement, including
476 without limitation, any additional reserve fund.

477 Q. **What purposes do the reserve account(s) serve?**

478 A. The reserve accounts provide liquidity so that payment of debt service and Other
479 Financing Costs will not be interrupted in the event Transition Charge collections are
480 insufficient to pay such costs on any payment date. Reserve accounts are typically
481 required by rating agencies in other securitizations in order to receive the highest
482 reasonably attainable credit ratings and the reserves have typically been sized to an
483 amount equal to 0.50% to 2.00% of the initial par amount of the bonds. As noted above,
484 certain challenges particular to this transaction, like the underlying credit of PREPA, are
485 likely to necessitate a larger debt service reserve account. Additional debt service
486 reserves (to provide sufficient reserves to account for miscalculations in the collections
487 curve and other short term deficiencies in revenue collection) may also be required by the
488 Trust Agreement. The reserve account may be used to pay all or a portion of the final
489 debt service payment on the Bonds, if funds are otherwise sufficient to meet all
490 remaining outstanding payment obligations under the Trust Agreement. As described
491 more fully below, under the RSA, the Monoline Insurers have committed to provide a
492 surety bond or bonds to allow for the funding of a reserve account(s) of up to 10% of the
493 principal amount of the Bonds.

494 Q. **Why may the issuance of the Bonds as tax-exempt bonds be advantageous?**

495 A. Issuing the Bonds with interest that is exempt from federal income taxation will result in
496 lower costs compared to a taxable transaction because the holders of the Bonds will not
497 be required to include interest payments they receive on the Bonds in the calculation of
498 gross income on their federal and state income tax returns. Interest earned on taxable

499 bonds is included in the gross income of the holders and is subject to federal and often
500 state income taxation as well. Investors in tax-exempt bonds should, therefore, be willing
501 to accept a lower yield on their investment. The result is that taxable bonds typically
502 provide a higher pre-tax yield to investors than tax-exempt bonds, in order to provide a
503 comparable after-tax return to the holder, relative to a tax-exempt bond. The result of the
504 more favorable tax-exempt rates would be lower Ongoing Financing Costs and, thus,
505 lower Transition Charges for PREPA customers.

506 Q. **What are the Approved Restructuring Costs?**

507 A. The Approved Restructuring Costs to be paid through the issuance of the Bonds and
508 recovered through Transition Charges shall include the costs of (a) retiring the PREPA
509 Bonds in exchange for the Exchange Offer Bonds or the 2016 PREPA Bonds in exchange
510 for Post-Closing Date Bonds; (b) legally or economically defeasing Insured PREPA
511 Bonds and 2016 PREPA Bonds through the issuance of Mirror Bonds and the payment of
512 such Mirror Bonds; (c) restructuring, refunding, redeeming, defeasing (legally or
513 economically through the issuance of additional mirror bonds or otherwise), or
514 purchasing PREPA Bonds through the issuance of Syncora Bonds; (d) the retirement of
515 the obligations due and owing by PREPA under the Credit Agreements through the
516 issuance of the Lender Bonds; (e) funding or replenishing any debt service reserve fund
517 or account or any other restricted accounts or subaccounts required to be established by
518 the Trust Agreement, and to the extent permitted in the Trust Agreement, any Ancillary
519 Agreement, including an additional reserve fund, to its required level, as provided in the
520 Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary

521 Agreement (as the case may be), to secure payment of all or a portion of the Bonds;
522 (f) funding any payment to the Internal Revenue Service (the "IRS") in accordance with
523 any PREPA agreement with the IRS under the voluntary closing agreement or similar
524 program; (g) funding a deposit to the self-insurance fund (the "PREPA Self Insurance
525 Fund"), established pursuant to the trust agreement, dated as of January 1, 1974, as
526 amended, by and between PREPA and U.S. Bank National Association, as successor
527 trustee, in an amount not to exceed $50 million; (h) paying Financing Costs, including the
528 Upfront Financing Costs, in connection with any issuance of Bonds and approved for
529 recovery in this Restructuring Resolution; and (i) refunding, redeeming or purchasing
530 Uninsured PREPA Bonds.

531 The Exchange Offer Bonds, the Monoline Mirror Bonds, the New Money Bonds
532 which may be issued on the Closing Date, the Cash Offer Bonds and the Lender Bonds
533 were all contemplated by the RSA, and, accordingly, the costs of legally or economically
534 defeasing, exchanging for, refunding, redeeming, purchasing, funding, retiring or
535 extinguishing, as applicable, Uninsured PREPA Bonds and Insured PREPA Bonds, a
536 deposit to the PREPA Self Insurance Fund and retiring the obligations under the Credit
537 Agreements may be included as Approved Restructuring Costs. The 2016 PREPA Bonds
538 do not exceed an aggregate principal amount of $750 million and accordingly the costs of
539 legally or economically defeasing, exchanging for, refunding, redeeming or purchasing
540 2016 PREPA Bonds may be included as Approved Restructuring Costs.

541 Q. **How will the Bonds be repaid?**

542 A. The Bonds will be repaid solely through the imposition of Transition Charges and the
543 collection of Transition Charge Revenues from Customers of PREPA. In Section VII,
544 *infra*, I address the Servicing Agreement under which PREPA, as the initial Servicer, will
545 bill and collect the Transition Charge and remit the Transition Charge Revenues to the
546 Corporation to pay the Ongoing Financing Costs related to the Bonds and their issuance.
547 The details of the Transition Charge and its allocation among Customer classes are
548 addressed in the testimony of Corporation witness Ralph Zarumba (Corporation Ex.
549 6.00).

550 Q. **Please describe the Surety Bond that will be provided.**

551 A. The Bonds will be secured by debt service reserve funds or accounts, and a portion of the
552 reserve requirement will be made by the deposit of one or more Surety Bonds provided
553 by one or more of the Monoline Insurers. The Corporation, acting through its
554 Corporation Designee, is authorized to negotiate the terms of any such Surety Bond,
555 consistent with the terms of the RSA, and to execute and deliver any commitments or
556 agreements relating to securing such Surety Bonds. The terms of the Surety Bonds (or
557 any related commitments or agreements) may provide that, upon an acceleration of the
558 Bonds, the payment of amounts due and owing under Surety Bonds shall be payable on
559 parity with the principal of and interest on the Bonds. In addition, the Corporation, acting
560 through the Corporation Designee, may be authorized to establish such additional reserve
561 or collateral accounts under the Trust Agreement (including, without limitation, any
562 restricted accounts or subaccounts required to be established by the Trust Agreement, and
563 to the extent permitted in the Trust Agreement, any Ancillary Agreement, including,

564 without limitation, as an additional reserve fund) as shall enhance the marketability
565 and/or credit rating of the Bonds or serve such other purpose as may be agreed to by the
566 required parties under the RSA such as mitigating the risk of a draw on the debt service
567 reserve fund. The Surety Bonds are addressed in Finding of Fact 60 and 61 of the
568 Restructuring Resolution (Attachment 1.00).

569 Q. **You testified earlier concerning PREPA's role as the initial Servicer. What is a**
570 **Servicer and what are its functions?**

571 A. The Servicer bills and collects the Transition Charges on behalf of the Corporation, all in
572 accordance with the terms of the Servicing Agreement. In utility securitizations, whether
573 the utility is public or private, such charges typically appear on the bills rendered by the
574 utility and customers pay those charges through the utility. Practically, the utility is the
575 entity best positioned to perform the functions required. Setting up a parallel servicing
576 function and collecting and maintaining all of the required data would be very costly and
577 time-consuming. The terms of the Servicing Agreement are addressed in additional
578 detail in Section VII, below. The fees to be paid to PREPA to cover its incremental costs
579 of providing the servicing functions will be discussed in the testimony Corporation
580 witness Dan T. Stathos (Corporation Ex. 5.00).

581 Q. **What is the Calculation Agent and what are its functions?**

582 A. The Corporation is authorized pursuant to Article 35(i) of Chapter IV of the
583 Revitalization Act to retain the services of a third party Calculation Agent that is
584 independent of the Government of Puerto Rico or PREPA. The Corporation, or the
585 Trustee, as and to the extent provided in the Trust Agreement, should also be authorized

586 to replace the Calculation Agent without approval of the Commission. The Calculation
587 Agent will confirm the calculation of the Transition Charges prepared by the Servicer.
588 Under the Servicing Agreement, PREPA, as initial Servicer, will be required to
589 implement the Adjustment Mechanism at least quarterly. PREPA will provide an initial
590 calculation of the required adjustment to the Transition Charge, which calculation will be
591 confirmed by the third-party Calculation Agent. The Corporation has been advised that
592 the use of an independent Calculation Agent provides investors with greater comfort that
593 the Transition Charge will be calculated accurately and, thus, in a manner that assures
594 that the Bonds will be paid in accordance with their terms. In turn, this will enhance the
595 marketability of the Bonds and is a condition of the RSA.

596 Q. **What is a Depository Agreement and what is its potential role in the transactions?**
597 A. Under the terms of the RSA, the Corporation will enter into a trust or escrow agreement
598 with a financial institution or other Person – a "Depository" – providing for the
599 escrowing and allocation of the portion of the collections from PREPA Customers' bills
600 that will be allocated to the Corporation. The Depository will, at least daily, segregate
601 collections received that constitute PREPA charges and collections that are related to the
602 Transition Charge, and remit such collections to the Trustee for the Restructuring Bonds.
603 This provides assurance that, as soon as practicable, the Transition Charges will be in the
604 control and possession of the Trustee, and serves to limit the amount of Transition
605 Charge Revenues held by or for the account of PREPA at any given time. Such a
606 Depository Agreement is authorized pursuant to Article 34 of Chapter IV of the
607 Revitalization Act. As discussed above, the costs of the Depository shall be Ongoing

608 Financing Costs and should be recovered from Transition Charge Revenues. The
609 Restructuring Resolution addresses Depository Agreements in Findings of Fact 52
610 through 56. A form of the Depository Agreement will be attached to the Restructuring
611 Resolution as Appendix 5 thereto prior to its adoption.

612 **III. UPFRONT AND ONGOING FINANCING COSTS**

613 Q. **What are the financing costs associated with the Bonds?**

614 A. The costs associated with issuing, supporting, and servicing the Bonds can be placed in
615 two categories: Upfront (or "one-time") Financing Costs and Ongoing Financing Costs.

616 Q. **What are Upfront Financing Costs?**

617 A. Upfront Financing Costs (the Revitalization Act also refers to them as "one-time" costs[9])
618 are costs incurred in advance of, or in connection with, the issuance of the Bonds, and
619 will be recovered and will be reimbursed from Bond proceeds. These costs may include
620 underwriting an exchange agent's costs (including fees and expenses), costs related to
621 solicitations to investors for their exchange or sale of PREPA bonds, rating agency fees,
622 costs of obtaining the Surety Bonds and any additional credit enhancements (if any), fees
623 and expenses of PREPA's and the Corporation's legal advisors, fees and expenses of the
624 financial advisors to PREPA and the Corporation, accountants fees, fees and expenses of
625 the Trustee and its counsel, Servicer set-up costs, printing and filing costs, set-up costs
626 related to the Corporation, non-legal securitization proceeding costs and expenses of the
627 Corporation, miscellaneous administrative costs, and others. The estimated Upfront

[9] Article 6.25A(e)(8)(ii) of the Revitalization Act requires that the Corporation identify "the one-time costs (as distinct from ongoing costs), and an explanation of how such one-time costs will be included in the Transition Charge (for example, amortization vs. one-time recovery in a single repayment)."

628 Financing Costs are itemized by category of cost in Attachment 2.01. Deposits to
629 reserves are also considered Upfront Financing Costs. However it is important to note
630 that the deposit to the reserve is not the economic equivalent of other up-front costs
631 because the Corporation would retain the cash reserve, earn interest on the reserve,
632 replenish reserves if used, and apply any balance in the reserve to offset the debt service
633 requirement of the last debt service payment on the Bonds.

634 Q. **What are Ongoing Financing Costs?**

635 A. Ongoing Financing Costs (including principal and interest on the Bonds and any deposits
636 required to replenish draws on reserves or reimburse draws on surety bonds) are those
637 costs that will be incurred annually to support and service the Bonds after issuance, and
638 provide for necessary, ongoing costs of the Corporation. They will be recovered or paid
639 from the Transition Charges. The Ongoing Financing Costs include servicing fees,
640 administrative fees, fees and expenses of the Trustee and its counsel, accountants' fees,
641 legal fees, ongoing costs of surety bonds and additional credit enhancements (if any),
642 independent manager or consulting fees, rating agency fees, ongoing disclosure costs, and
643 printing and filing costs, among others. Ongoing Financing Costs also include funds
644 required to be deposited into any additional debt service reserve for the Bonds or
645 otherwise, to the extent provided in the Trust Agreement and, to the extent permitted in
646 the Trust Agreement, any Ancillary Agreement, which costs may not be known at the
647 time of issuance of the Bonds. The estimated Ongoing Financing Costs for the
648 Corporation are also itemized by category of cost in Attachment 2.02. Please note that

649 many of these Ongoing Financing Costs can be subject to inflation, which may increase
650 the nominal amount of the Ongoing Financing Costs over time.

651 **A. <u>Upfront Financing Costs</u>**

652 Q. **How will the amount of the Upfront Financing Costs be determined?**

653 A. The actual details and quantification of Upfront Financing Costs related to issuing the
654 Bonds will not be known with certainty until after the Bonds are priced and closed.
655 Certain of the Ongoing Financing Costs relating to the Bonds may not be known until
656 such costs are incurred. Accordingly, it is necessary to estimate the costs of these items.
657 Actual financing costs could be higher (or lower) than the estimates. The attached
658 estimates are based on indications provided by various parties to the restructuring effort,
659 and in some cases they have been adjusted by PFM to provide a reasonable contingency
660 and to account for some degree of uncertainty that remains regarding the timing and exact
661 structure of the overall restructuring.

662 Q. **What Upfront Financing Costs are included in the Transition Charge?**

663 A. The estimated total Upfront (or one-time) Financing Costs may be funded through the
664 issuance of the Bonds and included in the principal amount of the Bonds. For purposes
665 of satisfying Article 6.25A(e)(8)(ii), these costs may be funded with New Money bond
666 proceeds and recovered through the Transition Charge over time versus a one-time
667 recovery in a single repayment. If the actual Upfront Financing Costs are eventually
668 determined to have been less than the Upfront Financing Costs that were estimated and
669 included in the principal amount financed, the difference will flow through to customers
670 through the Transition Charge and Adjustment Mechanism process discussed below. If

671 the actual Upfront Financing Costs are more than the Upfront Financing Costs that were
672 estimated and included in the principal amount securitized, the Corporation would
673 recover the remaining Upfront Financing Costs through the Transition Charge. Actual
674 Ongoing Financing Costs will be recovered through Transition Charges, which will be
675 periodically adjusted as appropriate through the Adjustment Mechanism discussed below.

676 Q. **What amount of Upfront Financing Costs does the Corporation estimate it will**
677 **incur in connection with the issuance and servicing of the Bonds?**

678 A. The Corporation estimates that it will incur approximately $44.7 million of Upfront
679 Financing Costs, exclusive of any deposits to reserve funds. The estimated Upfront
680 Financing Costs of the Corporation are itemized by category of cost in Attachment 2.01.

681 The Corporation estimates that for the first year following the issuance of the
682 Bonds, the annual Ongoing Financing Costs (excluding debt service or any deposits
683 required to replenish reserves) will be approximately $19.3 million annually. These
684 amounts reflect costs that will be incurred annually to support and service the Bonds after
685 their issuance, including but not limited to, PREPA's Servicer fee, the Administrator's
686 fee, fees of the Trustee and its counsel, the Corporation's out-of-pocket costs for external
687 accounting and legal services, surety bond premiums, annual surveillance fees payable to
688 the rating agencies; most of which will be incurred in satisfaction of obligations of the
689 Corporation under the financing documents, the Restructuring Order and the
690 Restructuring Resolution. It is important to note that Findings of Fact 10 through 15 and
691 Schedule D of the Restructuring Resolution also describe and support the Upfront

692 Financing Costs proposed to be recovered from the Bonds proceeds or Transition
693 Charges, as applicable.

694 The Corporation and its advisors have exercised due diligence to estimate as
695 accurately as presently practical the Upfront Financing Costs included in Attachment
696 2.01. It is important to note that there significant portions of these costs that relate
697 directly to the size, structure and rating of the individual components of the Bonds. For
698 example, if Cash Offer Bonds are required to be sold to new investors in order to fund the
699 purchase of PREPA bonds from current investors via an exchange offer, these
700 transactions will require payment of underwriting fees and tender/exchange solicitation
701 fees to the securities professionals that market these transactions to investors. The
702 Corporation will also update the costs with the actual costs pursuant to the Corporation's
703 commitment under Article 6.25A(e)(1)(viii) which is discussed in the testimony of
704 Corporation witness Gerard Gil-Olazábal (Corporation Ex. 3.00).

705 Q. **Please describe the costs related to obtaining the Restructuring Order, protecting**
706 **the status of the Restructuring Property and collecting the Transition Charges, and**
707 **the administration costs.**

708 A. Costs relating to obtaining the Restructuring Order include legal fees and the fees of other
709 consultants to the Corporation relating to the preparation of the Petition and the form of
710 the Restructuring Resolution, as well as certain fees and expenses associated with the
711 preparation and delivery of the testimony of the witnesses sponsoring the Corporation's
712 Petition and costs related to the validation process. Specific costs relating to protecting
713 the status of the Restructuring Property and collecting the Transition Charges are more

714 difficult to identify with certainty at this time. However, such expenses could include
715 legal expenses of counsel to the Corporation and the Trustee of actions undertaken to
716 enforce provisions of the Servicing Agreement or of actions to challenge subsequent
717 actions of the Commonwealth or instrumentalities of the Commonwealth that could
718 potentially conflict with the Commonwealth pledge.

719 Q. **Please describe and explain the attorneys' fees and expenses and advisor fees and**
720 **expenses payable by the Corporation directly or indirectly.**

721 A. Legal fees are the cost of the considerable legal work necessary to issue the Bonds, much
722 of which is specialized. These fees are based upon the hours individual firms must
723 devote to the bond issuance. This category includes the fees and expenses of counsel to
724 the Corporation and those of counsel to the Trustee, underwriters, and any other parties to
725 the transaction, if paid for by the Corporation. The exact amount of the legal fees will, of
726 course, be affected by events between now and the date of issuance, including the extent
727 to which this proceeding is contested by the parties and the scope of additional work
728 required during the proceeding, the scope of any appeals, the requirements of
729 underwriters, trustees, rating agencies, regulators or the Commission's designated
730 representative or financial advisor for any requested revisions to documents, potential
731 changes in federal securities laws and interpretations thereof, use of additional credit
732 enhancements, and other unforeseeable occurrences. The final aggregate amount of legal
733 fees and expenses will not be known until after closing. The amount of legal fees that are
734 estimated or known at the time the Bonds are issued may be included in, and funded by, a
735 portion of the proceeds of the Bonds. Any legal fees that arise after the issuance of the

736 Bonds that are above the Corporation's estimate and not included in the amount of
737 Upfront Financing Costs financed with a portion of the Bonds would be recoverable by
738 the Corporation through future adjustments to the Transition Charge as mentioned above.
739 Estimates of the upfront legal costs are in Attachment 2.01; ongoing charges are
740 estimated in Attachment 2.02.

741 The advisor fees are the cost of the financial advisory services provided to the
742 Corporation and PREPA in connection with the preliminary structuring and sale of the
743 Bonds. The financial advisors' services include: reviewing the Corporation's and
744 PREPA's financing objectives; reviewing rating agency criteria with the Corporation and
745 PREPA; developing preliminary financing structures; developing the mechanics of
746 properly effecting the securitization; reviewing the proposed Petition of the Corporation;
747 including exhibits and testimony of Corporation witnesses on these issues; reviewing
748 orders and filings in the proceeding; and providing expert direct testimony and rebuttal
749 testimony (if any). Those costs are estimated in Attachment 2.01.

750 Q. **Please describe the accounting and auditing fees and expenses.**

751 A. The Corporation will require an annual audit of its financial statements, and these
752 financial statements are required to be made available to the public. An estimate of the
753 initial accounting fee is included in Attachment 2.01; ongoing charges are estimated in
754 Attachment 2.02.

755 Q. **Please describe the costs associated with the funding of one or more debt service**
756 **reserve or operating reserve funds or accounts to be held under the Trust**
757 **Agreement securing the Bonds.**

758 A. The primary costs associated with the funding of the debt service or operating reserves
759 will be the upfront and ongoing quarterly fees and the annual premiums due on the Surety
760 Bonds provided by the Monoline Insurers to be deposited to the debt service reserve
761 fund(s), for which the first year premium will be payable in advance as an Upfront
762 Financing Cost. Pursuant to the RSA, it is expected that the cost of the Surety Bonds will
763 be 2% annually of the face amount of the Surety Bonds outstanding for the year for
764 which the premium is paid. An additional surety fee of $1.25 million per quarter shall
765 begin accruing on the date the Closing Date Bonds are issued, and shall be payable by the
766 Corporation in arrears on a quarterly basis (the "Quarterly Fee"). The sum of all
767 Quarterly Fees will be capped at $7 million. Pursuant to the RSA, the size of the Surety
768 Bonds will decline over time as Transition Charge Revenues are deposited in order to
769 maintain the reserve requirement. These "surety repayments" are expected to occur over
770 nine years, beginning in 2019. Attachment 2.04 includes the estimated Surety Bond
771 repayment schedule.

772 The agreements between the providers of the Surety Bonds and the Corporation
773 will provide for the payment by the Corporation of future annual premiums based on the
774 amount of the respective Surety Bonds, which annual premiums will payable as an
775 Ongoing Financing Cost. Typically, the bond issuer also pays the counsel fees of the
776 provider. If the Surety Bonds are drawn upon to pay debt service on the Bonds or other
777 Ongoing Financing Costs, the repayment of such draws, and any related fees, will be
778 repaid as an Ongoing Financing Cost. There may also be debt service costs to the extent
779 New Money Bonds are issued to provide cash funding for the debt service reserve funds.
780 Certain Ongoing Financing Costs, including the costs of funding additional debt service

781 reserves or any other restricted accounts or subaccounts required to be established by the
782 Trust Agreement and, to the extent permitted by the Trust Agreement, any Ancillary
783 Agreement, may not be known at the time of issuance of the Bonds.

784 Q. **Please describe the fees and expenses associated with the structuring, marketing,**
785 **and issuance of the Bonds.**

786 A. The fees may include, without limitation, underwriting fees associated with the issuance
787 of any New Money Bonds, broker-dealer fees associated with the Exchange Offer and the
788 Cash Offer Bonds, solicitation fees to the broker-dealers that will approach their clients
789 who may sell their existing PREPA bonds or purchase new Cash Offer Bonds, and such
790 other fees associated with the tender for outstanding Uninsured PREPA Bonds, fees of
791 the investment banks and financial advisors to the Corporation and PREPA associated
792 with the structuring of the new securitization credit, fees of counsel to the Corporation
793 and PREPA, printing fees, and fees relating to the preparation and distribution of the
794 offering and legal documents pursuant to which the Bonds are exchanged and/or sold.
795 Estimates of these fees are included in Attachment 2.01. The actual fees will depend on
796 the final structure, ratings, and size of the various financing components.

797 Q. **Please describe the fees of any broker-dealer engaged to assist in the tender and**
798 **exchange of PREPA bonds.**

799 A. Broker-dealers serve as the dealer-manager for either debt exchanges or tender offers and
800 are compensated based on the par amount of the bonds that are exchanged or tendered.
801 Estimates for these fees, and the basis for calculating these fees, are included in

802 Attachment 2.01. Legal fees and expenses of the broker-dealers are also typically passed
803 on to the bond issuer.

804 Q. **Please describe the underwriting fees and expenses payable to underwriters under**
805 **the bond purchase agreement or underwriter's agreement in connection with the**
806 **sale of any Closing Date or Post Closing Date Bonds.**

807 A. As is the case for the fees for debt exchanges and tender offers, underwriter
808 compensation is typically based on the par amount of bonds sold, and can vary according
809 to the type and maturity of bonds. The exact amount, structure, and maturity of the
810 Bonds that may be underwritten will not be known with certainty until the Bonds are
811 about to be priced. To the extent the actual principal amount of each of the tranches is
812 different from the estimated principal amounts, underwriters' fees may vary. In addition
813 to the purchase or placement of the Bonds, underwriters typically assist with the
814 preparation of the rating agency presentations and investor presentations and the
815 structuring and marketing of the Bonds. Attachment 2.01 contains estimated amounts for
816 underwriter compensation.

817 Q. **Please describe the original issue discount ("OID") or original issue premium**
818 **("OIP").**

819 A. OID arises when buyers pay less than face value to acquire a bond (*i.e.*, when the original
820 buyers of a bond pay less than $1,000 per $1,000 principal amount of bonds). One
821 common reason for an OID is that investors prefer a bond that has an original issue price
822 that is less than par, and a coupon that is less than the yield to maturity. An investor may
823 be willing to accept a lower yield to maturity for the OID structure than it would

824 otherwise require if the bonds were sold at par. Conversely, some investors prefer bonds
825 that are priced at a premium, or above par. Those bonds have an OIP and would have a
826 coupon rate that exceeded their yield and a price above par. The amount of original issue
827 discount or premium will depend upon, among other things, market conditions at the time
828 of issuance that cannot now be known. For purposes of estimating financing costs and
829 debt service, we have assumed that Restructuring Bonds will be sold at par.

830 Q. **Please describe the rating agency fees.**

831 A. The rating agencies charge fees for the service of providing a credit rating at the time
832 bonds are issued. These fees are typically calculated by applying a charge to the initial
833 principal balance, plus the annual fee payable for the first year. For purposes of
834 estimating rating agency fees, the fees of two of the three major rating agencies have
835 been included. The amounts shown in Attachment 2.01 are the current estimate of the
836 initial rating agency fees expected to be incurred and treated as an Upfront Financing
837 Cost.

838 While the Bonds are outstanding, the rating agencies typically charge annual
839 surveillance fees. The Corporation will not have any effective control over the future
840 fees charged by the rating agencies and the agencies can increase their fees or otherwise
841 change their fee structure, causing the amount charged by the agencies to exceed the
842 Corporation's current estimate. However, the Corporation, in cooperation with its
843 advisors, will negotiate with the rating agencies in good faith to secure the lowest
844 practicable rating agency costs.

845 Q. **Please describe the fees and expenses relating to the solicitation and engagement of**
846 **any Depository or Depositories.**

847 A. The Corporation will be required to engage a Depository that takes legal possession of all
848 revenues and Transition Charges that are billed by PREPA to its customers. The
849 presence of a Depository assures securitization bond investors that their share of
850 customer remittances will be delivered promptly and wholly to the Trustee. Estimated
851 initial Depository fees are included in Attachment 2.01; ongoing costs are estimated in
852 Attachment 2.02.

853 Q. **Please describe the Trustee fees and expenses.**

854 A. The Trustee is responsible for holding and disbursing all funds associated with the Bond
855 issue, including Transition Charge Revenues. The Trustee also represents the interests of
856 the Bondholders. Investors will require that there is a Trustee for the Bonds, as is the
857 case for virtually all securitization bond issues. The expected costs of the Trustee, and
858 for Trustee counsel, are included in Attachment 2.01.

859 Q. **What are the estimated fees and expenses related to the solicitation and engagement**
860 **of a Calculation Agent or other fiduciary are described in Finding of Fact 40 of the**
861 **Restructuring Resolution (Attachment 1.00)?**

862 A. In order to provide comfort to Bondholders that the Transition Charge is being calculated
863 accurately, and to satisfy a condition of the RSA, an independent, third-party Calculation
864 Agent will be appointed to verify the accuracy of the Transition Charges initially
865 calculated by PREPA in accordance with the provisions of the Restructuring Resolution,
866 the Servicing Agreement, and the Trust Agreement. The estimated set-up costs of the

867 Calculation Agent are included in Attachment 2.01. The ongoing fee for the services of
868 the Calculation Agent is included in Attachment 2.02.

869 Q. **Please describe the initial fees and expenses (or set-up) of the Servicer.**
870 A. The role of the Servicer and fees and expenses of the Servicer are discussed in detail in
871 Section VII, later in this testimony.

872 Q. **Please describe the printing and marketing expenses.**
873 A. There are several public documents that will be required to fully disclose the relevant
874 information that will enable investors to make decisions related to the purchase of Bonds
875 or their sale or exchange of outstanding PREPA bonds. There may also be expense
876 related to organizing and attending various meetings with investors. These meetings are
877 typically conducted in major cities where there are a substantial number of potential
878 investors. An estimate of these fees is included in Attachment 2.01.

879 Q. **Are the Upfront Financing Costs set forth in your testimony, in the Restructuring**
880 **Resolution, and in the Petition consistent with the requirements set forth in Article**
881 **6.25A and Chapter IV of the Revitalization Act?**
882 A. Yes. In my professional opinion, the Upfront Financing Costs proposed to be recovered
883 from the Bond proceeds or the Transition Charge Revenues are consistent with Article
884 6.25A and Chapter IV of the Revitalization Act. The Upfront Financing Costs are
885 reasonable and necessary to issue, support, and service the Bonds.

886 **B. <u>Ongoing Financing Costs</u>**

887 Q. **What are the Ongoing Financing Costs incurred by the Corporation?**

888 A. Ongoing Financing Costs are costs and expenses of the Corporation, the entity created by
889 the Revitalization Act to issue the Bonds, as well as those of the Servicer, the Trustee,
890 and the Administrator. The Restructuring Resolution and other Attachments to the
891 Petition also include a description and documentation supporting the Ongoing Financing
892 Costs (other than principal and interest) proposed to be recovered from the Transition
893 Charges. Estimated principal and interest charges are shown on Attachment 2.03.

894 It is difficult to predict the extent to which certain Ongoing Financing Costs
895 (other than principal and interest, which are established when the Bonds are issued) may
896 increase over time. Certain of these costs will be a function of the amount and type of
897 Bonds that will remain outstanding over time. For example, rating agency surveillance
898 fees payable by the Corporation may increase over time. The same is true for other
899 external costs, such as legal and accountant's fees. Therefore, other than the servicing
900 and administration fees (assuming that PREPA continues as Servicer, and a third-party
901 servicer is not required), no one can predict precisely the level of the other Ongoing
902 Financing Costs (including reimbursable out-of-pocket expenses of the Servicer) to be
903 incurred over the time period for which the Bonds will be outstanding. However, these
904 costs will likely increase over that time simply due to inflation as service providers
905 periodically increase their fees.

906 Q. **Why are the Ongoing Financing Costs recovered through Transition Charge**
907 **Revenues?**

908 A. It is imperative that the Corporation recover all costs necessary to perform its functions
909 on an ongoing basis over the life of the Bonds. The Corporation must be self-supporting,

910 not only for credit purposes, but also to establish and maintain its status as "bankruptcy
911 remote" from PREPA. The Corporation has no other means to acquire funds to perform
912 its functions other than from Transition Charge Revenues, because it is prohibited by law
913 from engaging in any other form of business. The Corporation's operations cannot be
914 subsidized or it risks jeopardizing its bankruptcy-remote status. And most importantly, if
915 the Corporation were denied the ability to recover its costs, the rating agencies would
916 regard the Bonds as significantly riskier, which could result in the failure to receive the
917 desired ratings or the loss of ratings in the future. That is why the Ongoing Financing
918 Charges must be imposed on and collected from all Customers through the Transition
919 Charge without limitation as to amount until all such Ongoing Financing Costs are paid
920 in full.

921 Q. **Please describe any payment required to fund or replenish any reserve or any other**
922 **account, operating reserve fund or account, or other fund or account.**

923 A. To the extent future Transition Charge Revenues are less than those expected and
924 required to meet periodic payments on the Bonds, the reserves established upon initial
925 issuance of the Bonds would be available to supplement any deficiency in Transition
926 Charge Revenues prior to their further adjustment via the Adjustment Mechanism.
927 Transition Charges may also be required to be adjusted so that any debt service reserve
928 fund or account or any other restricted accounts or subaccounts required to be established
929 by the Trust Agreement and, to the extent permitted in the Trust Agreement, any
930 Ancillary Agreement can be funded and replenished to their required level, as provided in
931 the Trust Agreement and, to the extent permitted by the Trust Agreement, any Ancillary

932 Agreement. The Adjustment Mechanism is also designed to, and will be calculated to,
933 reimburse the reserves for any required draws, and bring the reserve balances up to their
934 requirements and make repayments required under surety reimbursement agreements.

935 Q. **Please describe any federal or state taxes and charges imposed on Transition**
936 **Charge Revenues.**

937 A. It is not expected that any funds received by the Corporation would trigger a tax liability
938 of any kind for the Corporation. Under the Act, Transition Charge Revenues are exempt
939 from Commonwealth of Puerto Rico or local taxation.

940 Q. **Please describe the Administration Fees and Expenses.**

941 A. Administration fees compensate for the costs of administrative functions of the
942 Corporation performed by the Administrator under the Administration Agreement. The
943 Administrator's set up costs are estimated in Attachment 2.01; ongoing costs are
944 estimated in Attachment 2.02.

945 Q. **What is the purpose of an Administrator?**

946 A. As in most utility securitizations, the issuer of the Bonds, the Corporation, is a special
947 purpose entity. The Corporation has no employees. Nevertheless, the Corporation has
948 certain reporting obligations under the Act and will have additional responsibilities upon
949 the adoption of the Restructuring Resolution and the execution of the financing
950 documents. In contemplation of this circumstance, Article 33(a)(5) of the Act authorizes
951 the Corporation to "[c]ontract for administering and servicing of Restructuring Property
952 and Bonds and for administrative services, including by hiring a manager or

953 administrator that is not an employee of PREPA." To facilitate the Corporation's
954 compliance with the requirements of the Act, Restructuring Resolution and the financing
955 documents, the Corporation will engage a third-party administrator.

956 Q. **What types of functions will the Administrator perform on behalf of the**
957 **Corporation?**

958 A. The Revitalization Act, the Restructuring Resolution, and the financing documents each
959 require the Corporation to perform certain functions and tasks that are largely ministerial
960 in nature that would be commonly be performed by employees in other contexts. The
961 Administrator will, pursuant to the terms of an Administration Agreement, perform those
962 tasks on behalf of the Corporation. For instance, Article 33(f) of the Act requires that the
963 Corporation maintain financial records and accounts and prepare financial statements in
964 accordance with generally accepted accounting principles. The Administrator will
965 maintain or cause to be maintained such accounts and financial statements. The
966 Administrator will also prepare or cause to be prepared, on behalf of the Corporation, the
967 reports to be delivered to the Commission under the terms of the Restructuring
968 Resolution relating to the Bonds, such as reports detailing the collection and remittance
969 of Transition Charges and the Ongoing Financing Costs incurred annually. In addition,
970 some of the Ongoing Financing Costs (*e.g.*, rating agency fees, depository fees, and
971 trustee fees) may require re-negotiation over time. The Administrator will attend to these
972 ministerial matters over the course of the Bond issuance. Moreover, the Trust Agreement
973 and Calculation Agent Agreement will contain a number of duties, ministerial in nature,

974 such as the preparation and delivery of various notices and related documents that will be
975 performed by the Administrator on behalf of the Corporation.

976 Q. **What terms and provisions will be included in the Administration Agreement?**

977 A. In accordance with the provisions of the Revitalization Act, the Administrator may be
978 any person or entity that is not an employee of PREPA. The Administration Agreement
979 will identify in detail the specific obligations of the Corporation to be performed by the
980 Administrator, detail the Administrator's standard of care and provide that all actions
981 undertaken by the Administrator must be consistent with the Act, the Restructuring
982 Resolution, and the financing documents. The Administration Agreement will establish
983 the compensation for the Administrator, which, consistent with comparable utility
984 securitizations, will be a flat annual fee. The Administration Agreement will provide an
985 indemnity to the Administrator for actions undertaken consistent with such Agreement.
986 The Administration Agreement will also recite the separateness provisions of the
987 Revitalization Act. The total initial estimated annual fees of the Administrator include
988 amounts estimated for the compensation of Directors, and are estimated on Attachment
989 2.01.

990 Q. **Please describe the ongoing Surety Fees?**

991 A. Pursuant to the RSA, the Monoline Insurers have agreed to provide Surety Bonds at an
992 annual cost of 2% of the amount of the Surety Bonds. The size of the Surety Bonds will
993 decline roughly linearly over nine years, beginning in 2019. In 2019, the Corporation
994 will begin to deposit cash, funded through Transition Charge Revenues, into the debt

995 service reserve funds in order to maintain the reserves at their requirements. As the size
996 of the Surety Bonds decline, the annual dollar cost of the Surety Fees will decline.

997 Q. **Please describe any ongoing compliance costs for the Bonds.**

998 A. The Bonds are not expected to be subject to United States Securities and Exchange
999 Commission registration requirements due to their status as tax-exempt municipal bonds.
1000 During the time when the Bonds are outstanding, there may be limited fees associated
1001 with making routine filings associated with ongoing disclosure requirements, or other
1002 governmental filing requirements. An estimate of these fees is included in Attachment
1003 2.02.

1004 Q. **Is there a need to anticipate potential indemnity claims or payments required to be**
1005 **paid from Transition Charges or by the Corporation?**

1006 A. The financing documents are expected to provide, as they must, that the Trustee will be
1007 entitled to indemnity for certain actions undertaken in connection with its duties under
1008 the Trust Agreement, including actions to defend the Restructuring Property. In addition,
1009 the Corporation will make various representations and covenants in the financing
1010 documents which, if ultimately proven to be materially inaccurate, could give rise to
1011 liability on the part of the Corporation for which the parties to the financing documents
1012 may be entitled to indemnity. Further, the Corporation will make statements of fact in
1013 the disclosure document which may give rise to liability under applicable securities law,
1014 which may trigger indemnity provisions in the underwriting agreement(s) and broker-
1015 dealer agreement(s) relating to the Bonds. It is difficult to identify the universe of
1016 potential indemnity claims or payments that could arise as a result. But, those are

1017 potential costs that must be addressed and managed, typically with insurance.
1018 Satisfaction of indemnity claims and any insurance premiums are an appropriate Ongoing
1019 Financing Cost.

1020 Q. **Have you provided an estimate of the Ongoing Financing Costs?**

1021 A. Attachment 2.02 contains estimates of the annual Ongoing Financing Costs other than
1022 principal and interest to be incurred for the first annual period following the delivery of
1023 the Closing Date Bonds and the Post Closing Date Bonds and during the life of such
1024 Bonds. As I discuss above, actual Ongoing Financing Costs will be recovered through
1025 the Transition Charge, which will be periodically adjusted as appropriate through the
1026 Adjustment Mechanism.

1027 Q. **When will the expected principal and interest payable on the Bonds be known?**

1028 A. The expected principal and interest on Bonds will not be known until such terms are
1029 finalized. However, the current estimates of the various components of the Bonds and
1030 their respective principal and interest requirements are included in Attachment 2.03. The
1031 Corporation will update the costs presented in Attachment 2.03 through its commitment
1032 to do so pursuant to Article 6.25A(e)(1)(viii), which requires a report detailing the final
1033 terms of the Bonds and setting forth a final estimate of the Upfront Financing Costs and
1034 the estimated Ongoing Financing Costs during the term of the Restructuring Bonds. This
1035 commitment is confirmed in the testimony of Corporation witness Gerard Gil-Olazábal
1036 (Corporation Ex. 3.00).

1037 Q. **Are the Ongoing Financing Costs proposed to be recovered by the Corporation**
1038 **consistent with Article 6.25A and Chapter IV of the Revitalization Act?**
1039 A. Yes. In my professional opinion, the Ongoing Financing Costs proposed to be recovered
1040 through the Transition Charge Revenues are consistent with Article 6.25A and Chapter
1041 IV of the Revitalization Act. The Ongoing Financing Costs detailed in Attachment 2.02
1042 are reasonable and necessary to issue, support, and service the Bonds.

1043 **IV. <u>EXPECTED FUTURE CHANGES IN THE TRANSITION CHARGE</u>**

1044 Q. **How does the Transition Charge change over time?**
1045 A. Once initially calculated, the Transition Charge will be adjusted – generally, quarterly,
1046 but more frequently if necessary to ensure that Transition Charge Revenues are sufficient
1047 to pay debt service on the Bonds and other Ongoing Financing Costs as the same
1048 becomes due and payable – in response to the factors enumerated in the Restructuring
1049 Resolution and the document entitled "Adjustment Mechanism to Establish and Adjust
1050 the Transition Charge" (Appendix 2 of Petition, Attachment 1.00). As I discussed above,
1051 these factors either affect the funds collected from the Transition Charges or the
1052 Financing Costs that those funds must fully satisfy. The mathematical operation of the
1053 Adjustment Mechanism is also discussed in the testimony of Ralph Zarumba
1054 (Corporation Ex. 6.00).

1055 Q. **Has the Corporation prepared an estimate of how the Transition Charge could**
1056 **change over time under the Corporation's current assumptions about those future**
1057 **costs, as you have described them earlier in your testimony, and revenues?**

1058 A. Yes. Such estimated Transition Charges over time have been calculated on a per class
1059 basis. Those estimates are shown on Attachment 3.02.

1060 **V. SAVINGS TEST**

1061 Q. **What is the Savings Test set forth in Article 33(a)(3) of Chapter IV of the**
1062 **Revitalization Act?**

1063 A. Under Article 33(a)(3) of the Revitalization Act, the Corporation may issue the Exchange
1064 Offer Bonds and Cash Offer Restructuring Bonds only if, as a result of the issuance of
1065 such Bonds, the present value of the debt service in respect of all such Bonds is at least
1066 $725 million lower than the present value of the debt service of all such PREPA
1067 Revenue Bonds issued on or before December 31, 2015, calculated using the yield on
1068 such issue of Bonds then being issued as determined by the Corporation and using such
1069 other customary assumptions as the Corporation in consultation with its advisors shall
1070 determine. This criterion is commonly referred to as the "Savings Test." The language
1071 from the Revitalization Act that describes the Savings Test states that "...the
1072 Corporation can issue Restructuring Bonds to retire PREPA Revenue Bonds issued on or
1073 before December 31, 2015 ("Revenue Bonds") only if, as a result of the issuance of such
1074 Restructuring Bonds, the present value of the debt service in respect of all such
1075 Restructuring Bonds is at least $725 million lower than the present value of the debt
1076 service of all of such PREPA Revenue Bonds issued on or before December 31, 2015
1077 (calculated using the yield on the Restructuring Bonds then being issued as determined
1078 by the Corporation and using such other customary assumptions as the Corporation in
1079 consultation with its advisors shall determine). This test shall be calculated only on the

1080 closing date of the exchange offer of the restructuring transactions contemplated by the
1081 RSA and only in respect of the issuance of the Restructuring Bonds issued for this
1082 purpose. For the avoidance of doubt, any Restructuring Bonds issued to pay expenses
1083 incident to the initial issuance of such Restructuring Bonds for such purpose or to defease
1084 PREPA Revenue Bonds shall not be subject to, or included in, the above calculation."

1085 Q. **What are the differences between the Bond issuances that affect whether they**
1086 **produce savings under the Savings Test?**

1087 A. There are several Bond issuances authorized by the Restructuring Resolution. Not all
1088 produce savings – and the Revitalization Act does not require them all to produce
1089 savings. Thus, the exchange and tender transactions will produce savings; the New
1090 Money Bonds will not.

1091 Q. **Please describe how the transactions authorized by the Restructuring Resolution are**
1092 **anticipated to satisfy the Savings Test?**

1093 A. The reduced principal amount and lower average interest rate for the Bonds that are
1094 issued to redeem, retire, or purchase the uninsured PREPA bonds are anticipated to result
1095 in the required lower present value cost of debt service on this portion of the Bonds as
1096 compared to the present value cost of debt service on the uninsured PREPA bonds that
1097 are eliminated from PREPA's balance sheet. As Attachment 3.01 shows, the transaction
1098 meets the Savings Test.

1099 **VI. <u>DEBT AND DEBT SERVICE COMPARISON</u>**

1100 Q. **How will the issuance of the Bonds affect debt service and debt service coverage?**

1101 A. In addition to evaluating the expected results of the components of restructuring that are
1102 required to be analyzed for their compliance with the Savings Test, PREPA's advisors
1103 compared the overall PREPA debt service before and without the issuance of the Bonds
1104 to the total combined debt service (for both PREPA and Corporation), including debt
1105 service supported by the Transition Charges, after the Bonds are issued. To ensure that
1106 the comparison is "apples to apples," PREPA's advisors considered the need to fund
1107 additional capital (for capital projects, near-term debt service payments for which
1108 sufficient funds are not currently available, replenishing reserve requirements, etc.) that
1109 PREPA would require if the Bonds were not issued, all other things being equal. This
1110 comparison shows the combined debt outstanding and combined total costs to Customers
1111 related to that debt, before/without and after/with the Bonds. It includes a comparison of
1112 savings on a total dollar and a per unit basis. In sum, as shown in Attachment 3.03, that
1113 comparison shows that, all other things being equal, the debt service requirements on the
1114 Bonds are expected to be materially less than those of the PREPA bonds that are
1115 expected to be redeemed, retired, defeased, or otherwise not issued, and overall average
1116 kWh charges for debt service are reduced from what they otherwise would have been
1117 with and after issuance of the Bonds.

1118 A potentially attractive feature of utility debt securitization is that securitization
1119 structures do not typically have debt service coverage requirements. Debt service
1120 coverage is the amount by which annual funds available to service debt exceed annual
1121 debt service requirements. Utilities often include the coverage requirement in their
1122 overall customer revenue requirement. PREPA's trust agreement contains a 1.20 times
1123 (or 1.20X) debt service coverage ratio requirement – which means that PREPA's defined

1124 calculation of the ratio of its revenues available for debt service in any fiscal year must be
1125 at least 1.20 times the debt service due in that year. In many cases, for a public power
1126 issuer with a debt service coverage requirement, transitioning its on-balance sheet debt to
1127 off-balance sheet securitization debt could reduce its need to bill customers for debt
1128 service coverage. As with most utility securitization debt, the Bonds issued by the
1129 Corporation are not expected to have a debt service coverage requirement. On the
1130 surface, the elimination of a coverage requirement might be seen as providing additional
1131 revenue requirement savings for customers in addition to the amount of actual debt
1132 service savings. However, in the case of the calculation of savings related to the issuance
1133 of the Bonds, no anticipated reduction in PREPA's cash flow coverage requirement is
1134 included in the calculation.[10] Debt service coverage, while for some utilities actually
1135 does factor into their revenue requirements, also delivers the benefit of providing funds
1136 for capital expenditures, thereby reducing future debt issuance. After the issuance of the
1137 Bonds, the near-term savings provide considerable freed-up cash flow that enables
1138 PREPA to make much needed capital investment and improvement. This freed-up cash
1139 flow will constitute additional coverage for PREPA debt service, and PREPA's debt
1140 service coverage ratio should be significantly greater with and after the issuance of the
1141 Bonds than it would have been without the issuance of the Bonds. It is not yet possible to

[10] While PREPA's trust agreement contains a 1.20 times debt service coverage ratio requirement, PREPA's debt service coverage calculation definition allows for the inclusion of revenues that would have been paid by certain government customers if those revenues had not been credited against contribution in lieu of taxes ("CILT") payments due from PREPA to those government customers. The effect of this debt service coverage calculation definition has been that the 1.20 times coverage requirement has not been a meaningful factor in PREPA's determination of its overall revenue requirements. For the reasons cited above, Attachment 3.03 does not include potential debt service coverage reduction in the calculation of debt service or savings.

1142 determine the exact PREPA debt service coverage ratios for upcoming years until the
1143 Bonds have been structured and priced, and until the new PREPA rate levels have been
1144 established. However, PFM believes that debt service coverage on the remaining PREPA
1145 bonds should increase considerably as a result of the issuance of the Bonds, the
1146 substantial reduction in PREPA debt service, and the intent to establish PREPA rates at
1147 levels that will provide funds to pay for PREPA's capital improvement program.

1148 VII. SERVICING AGREEMENT

1149 Q. **What is the role and function of the Servicer?**

1150 A. The Revitalization Act defines the Servicer and its role and the Servicing Agreement as
1151 follows:

> 1152 "Servicer" ["*Manejador*"] means PREPA to the extent permitted by this
> 1153 Act, and if PREPA is replaced as Servicer pursuant to a Servicing
> 1154 Agreement or Act 57-2014, as amended, a Person or Persons authorized
> 1155 and required, by contract or otherwise, to impose, bill or collect Transition
> 1156 Charges, to prepare periodic reports regarding billings and collections of
> 1157 Transition Charges, to remit collections to or for the account of the
> 1158 Corporation or its assigns or pledgees, including a Financing Entity, and to
> 1159 provide other related services for the Corporation, which may include
> 1160 calculation of periodic adjustments to the Transition Charges or providing
> 1161 other services related to the Restructuring Property; and shall be deemed
> 1162 to include any subservicer, backup servicer (including if it becomes a
> 1163 Servicer under a Servicing Agreement), replacement servicer or the
> 1164 successors of any of the foregoing, authorized to act as such under a
> 1165 Restructuring Resolution.
>
> 1166 "Servicing Agreement" ["*Contrato de Manejo*"] means the agreement or
> 1167 agreements between the Corporation and the Servicer providing for the
> 1168 administering and servicing of Restructuring Property, as the same may be
> 1169 amended from time to time by the parties thereto in a manner not
> 1170 prohibited by this Act.

1171 PRA, Art. 31, paras. 22 and 11.

1172 Q. **What is the purpose of the Servicing Agreement?**

1173 A. The Servicing Agreement is an agreement between the Corporation, as the issuer of the
1174 Restructuring Bonds and the owner of the Restructuring Property created by the
1175 Restructuring Resolution, on the one hand, and PREPA, as the servicer of the
1176 Restructuring Property created by the Restructuring Resolution (the "Servicer"), on the
1177 other. The Servicing Agreement sets forth the responsibilities and obligations of the
1178 Servicer, including in regard to the billing and collection of Transition Charges. The
1179 Servicer's duties, as described below, also include implementing periodic adjustments to
1180 the Transition Charges ("True-Up Adjustments"). Additionally, pursuant to the
1181 Revitalization Act, the Servicing Agreement provides for the deposit of all collections
1182 from Customers, as soon as possible after receipt by PREPA, with a Depository, and the
1183 allocation and distribution of such collections, on a daily basis, to the Corporation and its
1184 assigns (*i.e.*, the Trustee) and to PREPA or its assigns in accordance with their respective
1185 interests. As required by the RSA, the Servicing Agreement requires that PREPA direct
1186 its Customers to pay their bills directly to the Depository.

1187 Q. **Has the Commission been provided with a draft form of the Servicing Agreement?**

1188 A. Yes, a draft form of the Servicing Agreement is attached hereto as Appendix 4 to the
1189 Restructuring Resolution (Attachment 1.00).

1190 Q. **Are the terms of the Servicing Agreement usual and customary, and appropriate for**
1191 **this transaction?**

1192 A. Yes, the terms of the Servicing Agreement are generally consistent with the utility
1193 securitizations that have been issued to date, and are appropriate for this transaction.

1194 Q. **Will the form of the Servicing Agreement change after the Commission issues its**
1195 **order?**

1196 A. In all likelihood, yes. The terms of the Servicing Agreement are critical to the Rating
1197 Agency analysis of the Bonds and the ability to achieve the highest possible credit
1198 ratings. The terms of the Servicing Agreement are also critical to PREPA's creditors and
1199 investors. Accordingly, the terms of the Servicing Agreement will be subject to change
1200 to reflect the input from the Rating Agencies, as well as input from creditors and
1201 investors. However, we expect that the final Servicing Agreement will be largely as
1202 described in the draft presented with the Petition.

1203 **A. <u>Servicer Duties and Functions</u>**

1204 Q. **What are the key duties of the Servicer?**

1205 A. The form of Servicing Agreement (Attachment 1.00, Appendix 4, Section 3.01) provides
1206 that the Servicer, as agent for the issuer of the Bonds, will manage, service, administer,
1207 and make collections in respect of the Transition Charges, all according to the terms of
1208 the Servicing Agreement. The Servicer has a duty to:

1209 a. Impose the Transition Charges on all Customers and adjust them as more fully set
1210 forth in the Servicing Agreement;

1211 b. Exercise all the collection rights of the holders or pledgees of the Restructuring
1212 Property for the benefit of such holders or pledgees as more fully set forth in the
1213 Servicing Agreement;

1214 c. Transfer any Transition Charge Revenues to the holders or pledgees of
1215 Restructuring Property as more fully set forth in the Servicing Agreement;

1216 d. Obtain meter reads, calculate electricity usage, maintain record of service
1217 agreements, calculate the periodic adjustments to the Transition Charges, bill the
1218 Transition Charges to the Customers as a separate line item on PREPA's bills and
1219 collect all Transition Charge Collections from Customers and any third-party
1220 entities who, in the future, may be authorized to bill or collect the Transition
1221 Charges ("Third Party Billers"), as applicable, all in accordance with the
1222 Restructuring Resolution, the Trust Agreement, and the Servicing Agreement;

1223 e. Estimate the energy use of Customers for the purpose of calculating Transition
1224 Charges in a manner that includes load served by net metering or estimated
1225 distributed generation ("behind the meter") in accordance with the terms of the
1226 Restructuring Resolution and Annex 3 to the Servicing Agreement;

1227 f. Respond to inquiries by Customers, Third Party Billers, the Commission, the
1228 Trustee, the Bondholders, any party to an Ancillary Agreement or inquiries by
1229 any federal, local or other Commonwealth governmental authority, with respect to
1230 the Transition Charges;

1231 g. Deliver Bills to Customers and Third Party Billers, account for Transition Charge
1232 Collections, investigate and resolve delinquencies, process and deposit
1233 collections, make periodic remittances and furnish periodic reports to the
1234 Corporation, the Commission, the Calculation Agent, the Trustee and the Rating
1235 Agencies;

1236 h. Sell, as the agent for the Corporation, as its interest may appear, defaulted or
1237 written off accounts in accordance with the Servicer's usual and customary
1238 practices for accounts of Customers for Rates;

1239 i. Take action in connection with True-Up Adjustments as is set forth in the
1240 Servicing Agreement, including coordinating the confirmation of adjustment
1241 calculations with a Calculation Agent appointed by the Corporation, filing True-
1242 Up Adjustment Letters with the Commission, and correcting any mathematical
1243 errors in accordance with any Commission's order;;

1244 j. Take any action necessary to direct (a) all Customers that do not pay their Bills in
1245 person, and (b) Third Party Billers or any other Person that hold Transition
1246 Charge Collections and PREPA Charges, to remit their payments or turn over all
1247 such Transition Charge Collections and PREPA Charges directly to the
1248 Depository for deposit into the Allocation Account;

1249 k. Promptly, and in any event as soon as reasonably possible after receipt of the
1250 same, cause all Transition Charge Collections and all PREPA Charges not
1251 otherwise deposited with or paid to the Depository to be paid to the Depository
1252 for deposit into the Allocation Account held thereunder, as further provided in the
1253 Servicing Agreement;

1254 l. Include charges for the Transition Charges as separate line items on all Customer
1255 bills separate from all other PREPA Charges;

1256 m. Take any actions permitted by the law to collect unpaid bills and terminate service
1257 to Customers who are delinquent in the payment of their Transition Charge on the

1258 same basis as termination of service is permitted for nonpayment of electric or
1259 other rates by PREPA, and which would otherwise be consistent with Best Efforts
1260 (as defined in the Servicing Agreement), but none of the Issuer, the Trustee, the
1261 Bondholders or any party to an Ancillary Agreement may directly terminate
1262 service to any Customer; and

1263 n. Administer Transition Charge Revenues mingled with other funds of the Servicer
1264 in a manner that allows for the distinct identification of the Transition Charge
1265 Revenues and such other funds, respectively.

1266 In addition, the Servicer will have certain other duties and responsibilities set
1267 forth in the Servicing Agreement, including those relating to data acquisition, usage and
1268 bill calculation, billing, customer service functions, collections, payment processing and
1269 remittance, and the provision of certain information to relevant parties. The Servicer is
1270 also required to notify the Corporation, the Commission, the Trustee and the Rating
1271 Agencies in writing of any laws or Commission Regulations promulgated that have an
1272 adverse effect on the Servicer's ability to perform its duties under the Servicing
1273 Agreement.

1274 Q. **What standards must the Servicer follow in carrying out its duties and obligations?**

1275 **A.** The Servicing Agreement contains the following servicing standards. The Servicer is to:
1276 (i) manage, service, administer, and make collections in respect of the Restructuring
1277 Property with reasonable care in compliance with applicable law, including all
1278 regulations of the Commission lawfully applicable to Transition Charge collections,
1279 using the same degree of care and diligence that the Servicer exercises with respect to

1280 billing and collection activities that the Servicer conducts for itself and others subject to
1281 paragraph (ii) below; (ii) use Best Efforts to collect all Transition Charges; (iii) follow
1282 customary standards, policies, and procedures in performing its duties as Servicer that are
1283 customary in the electric utility industry; (iv) enforce and maintain the rights of the
1284 Corporation, the Trustee, the parties to the Ancillary Agreements and the Bondholders in
1285 respect of the Restructuring Property, and the rights of an owner of the Restructuring
1286 Property in respect thereof, including, but not limited to, taking such action the Servicer
1287 may deem necessary or desirable to enforce collection of the Transition Charge, subject
1288 to paragraph (ii) above; (v) calculate the Transition Charges and Adjustment Mechanism
1289 in compliance with the Revitalization Act and the Restructuring Resolution; and
1290 (vi) invoice Customers in accordance with the procedures set forth in the Servicing
1291 Agreement. The Servicer will follow such customary and usual practices and procedures
1292 as it deems necessary or advisable in its servicing of the Restructuring Property, which, in
1293 the Servicer's judgment, may include the taking of legal action pursuant to the Servicing
1294 Agreement or otherwise.

1295 In addition, the Servicer will use "Best Efforts" (which may be defined in the
1296 final Servicing Agreement as reasonable best efforts consistent with customary electric
1297 utility practices in the United States) to collect all amounts owed in respect of the
1298 Transition Charges as and when the same shall become due and shall follow such
1299 collection procedures as it applies with respect to collection activities that the Servicer
1300 conducts for itself or others, provided that such collection procedures shall be consistent
1301 with Best Efforts.

1302 Q. **May the Servicer contract with sub-servicers to perform some of its functions?**

1303 A. The Servicing Agreement permits the Servicer to contract with a subservicer to perform
1304 all or any portion of its obligations, subject to limitations and conditions specified in the
1305 Servicing Agreement.

1306 **B. <u>Servicer Compensation</u>**

1307 Q. **How is the Servicer compensated?**

1308 A. The Servicer is entitled to an annual servicing fee (the "Servicing Fee") payable as an
1309 Ongoing Financing Cost from Transition Charge Revenues. The Servicer will also be
1310 entitled to recover its out-of-pocket expenses. It is important to the rating agencies and
1311 separate corporate identity of the Corporation that the Servicer receives an arm's-length
1312 fee as servicer of the Restructuring Property. Further, the Revitalization Act requires the
1313 Commission to determine that the Servicing Fees are necessary, reasonable, and
1314 sufficient to compensate PREPA for the incremental costs of performing its functions as
1315 Servicer. This criterion is addressed in the testimony of Corporation witness Dan T.
1316 Stathos (Corporation Ex. 5.00).

1317 Q. **How does PREPA's fee as a Servicer compare to other utility securitizations**?

1318 A. Annual servicing fees for utility securitization transactions can typically range from
1319 0.03% to 0.25% of the principal amount of the Bonds. PREPA expects to charge an
1320 annual servicing fee of 0.05% of the principal amount of the Bonds, which is toward the
1321 lower end of this fee range, but PREPA's fee will be subject to annual escalation in
1322 accordance with the CPI.

1323 Q. **Under what circumstances can PREPA be replaced as the Servicer?**

1324 A. In the event that PREPA defaults in the performance of its obligation under the Servicing
1325 Agreement, the Corporation, at the direction of the Commission pursuant to an order
1326 based upon substantial evidence, subject to the prior consent or contrary direction of the
1327 Trustee, or upon the direction of the Trustee, as and to the extent provided in the
1328 Servicing Agreement, and/or any Trust Agreement, is authorized to replace PREPA as
1329 Servicer. In such a circumstance, the Corporation would be directed to enter into such
1330 other servicing, billing, and collection agreements as the Corporation deems appropriate
1331 to ensure the timely and full payment of the Bonds and all Ongoing Financing Costs.

1332 The Commission may also remove PREPA as Servicer under certain
1333 circumstances spelled out in the Revitalization Act, but as provided in paragraph (g) of
1334 Article 6.25A, the Commission is authorized to direct the Corporation to replace PREPA
1335 as Servicer, *motu proprio*, pursuant to an order based on substantial evidence or at the
1336 request of the Trustee or the Bondholders, if PREPA shall default in its obligations under
1337 the Servicing Agreement, as long as the naming of said substitute Servicer complies with
1338 the requirements and other conditions of the Servicing Agreement. The Revitalization
1339 Act provides further that no such Commission action shall diminish the rights of the
1340 Trustee, the Bondholders or any credit enhancer of the Bonds to replace the Servicer
1341 under the terms of any trust agreement or any other financing document relating to the
1342 Bonds. The Commission should also conclude in the Restructuring Order that any action
1343 taken by the Corporation at the direction of the Commission with respect to the Servicer,
1344 including the replacement of the Servicer, is subject to the prior consent or contrary
1345 direction of the Trustee on behalf of or as directed by the Bondholders and/or parties to

1346 an Ancillary Agreement, in accordance with the terms of the Trust Agreement or any
1347 Ancillary Agreement.

1348 Q. **In the event that a successor Servicer needs to be appointed, can the Commission**
1349 **expect that the Servicer's costs and fee will increase?**

1350 A. Yes. Any successor Servicer's costs will most likely be substantially greater because of
1351 its lack of a pre-existing servicing relationship with Customers and the need to recreate
1352 PREPA's billing and collection infrastructure. A successor Servicer will require an
1353 additional inducement to do this. For this reason, utility securitizations typically permit
1354 an increase in the servicing fee should a successor Servicer, which is not part of the
1355 electric utility's business and who decouples the Transition Charge bill from other billed
1356 amounts, assumes the Servicer obligations.

1357 Q. **Has the Corporation proposed a fee for a successor Servicer?**

1358 A. Yes. In the Restructuring Resolution, the Corporation proposed to authorize the payment
1359 of a fee to a successor Servicer in an amount not to exceed 1% of the initial aggregate
1360 initial principal amount of all series of Bonds outstanding at the time of the initial
1361 issuance of the Bonds. No prior approval of the Commission will be required to enter
1362 into a successor Servicing Agreement or to pay this fee, so long as it is less than this
1363 limit. As proposed in the Servicing Agreement, any fee in excess of 1.00% of the
1364 aggregate initial principal amount of the Bonds shall be subject to the prior written
1365 approval of the Corporation (so long as the Corporation, is not in default under the Trust
1366 Agreement) and the Commission.

1367 Q. **Is this successor Servicer fee consistent with fees for successor servicers set in prior**
1368 **utility securitizations?**

1369 A. I reviewed the successor servicing fees provided for in several large utility securitization
1370 transactions. The large majority of such transactions provided for maximum successor
1371 Servicer fees of 0.6% of the initial principal amount of the bonds or greater. I believe
1372 that the 1.0% maximum successor servicer fee contained in the Restructuring Order is
1373 reasonable. While this successor servicing fee cap is higher than in prior utility
1374 securitizations, the situation in Puerto Rico is unique and requires greater flexibility to
1375 attract as successor servicer in the event of a PREPA default. Based upon the lack of
1376 regulatory precedent, investors and credit rating agencies are likely to insist that the
1377 successor servicer fee be sufficient to induce qualified third-party collection agents to
1378 assume the role of successor Servicer.

1379 Q. **Has a successor servicer ever had to be appointed in a utility securitization?**

1380 A. No. To my knowledge, no successor servicer has been appointed in any utility
1381 securitization and, therefore, the replacement servicing fees have never been charged or
1382 collected.

1383 Q. **Does the Servicer also recover its expenses?**

1384 A. Yes, the Servicer will be entitled to be reimbursed for all initial expenses incurred by the
1385 Servicer in connection with its activities under the Servicing Agreement (including any
1386 fees to and disbursements by accountants, counsel or any other Person, any taxes or
1387 payments in lieu of taxes imposed on the Servicer (other than taxes based on the
1388 Servicer's net income) and any expenses incurred in connection with reports to Bond

1389 holders and the Commission, subject to the priorities set forth in the Trust Agreement).
1390 There will be, for example, certain costs associated with setting up the technology
1391 systems modifications to bill, collect, and remit the Transition Charges. The Servicer
1392 will also earn a periodic fee compensating it for its ongoing costs.

1393 Q. **Is the Servicer permitted to resign?**

1394 A. The initial Servicer, PREPA, can resign only under very limited circumstances. The
1395 Servicing Agreement prohibits the initial Servicer, PREPA, from resigning unless it is
1396 unlawful for PREPA to continue in such a capacity.

1397 Q. **If PREPA ever were able to and did resign, or if PREPA was removed as Servicer,**
1398 **how would a successor be selected?**

1399 A. In the event that PREPA defaults in its obligation under the Servicing Agreement, the
1400 Commission, pursuant to an order based upon substantial evidence, may direct the
1401 Corporation to replace the Servicer, subject to the prior consent or contrary direction of
1402 the Trustee. In addition, the Corporation, upon the direction of the Trustee, as and to the
1403 extent provided in any Trust Agreement, will be authorized to replace PREPA, and to
1404 direct the Corporation to enter into such other servicing, billing and collection
1405 agreements deemed appropriate by such requesting party to ensure the timely and full
1406 payment of the Bonds and all Ongoing Financing Costs. No servicer in a utility
1407 securitization has ever been replaced. The process for replacing PREPA as servicer
1408 would be the first instance of a utility securitization servicer replacement.

1409 Q. **What happens if a Commission order with respect to the Servicer conflicts with the**
1410 **direction of the Trustee?**

1411 A. As provided in Article 6.25A(g), as amended, the Commission's rights to replace the
1412 Servicer cannot diminish the rights of the Trustee, the Bondholders, or any credit
1413 enhancer of the Bonds to replace the Servicer under the terms of the Trust Agreement or
1414 any Ancillary Agreement. Accordingly, any action taken by the Corporation, at the
1415 direction of the Commission, with respect to the Servicer, including the replacement of
1416 the Servicer, is subject to the prior consent of, or contrary direction of, the Trustee if the
1417 Trustee, in its sole discretion or at the direction of Bondholders, determines that any such
1418 Commission direction or action would impair the rights of the Bondholders.

1419 **C. <u>Performance of the Servicing Function</u>**

1420 Q. **Please describe the True-Up Adjustment process.**

1421 A. The True-Up Adjustment is the adjustment of the Transition Charge owed by PREPA's
1422 customers in order to ensure that the amounts actually collected are sufficient to pay all
1423 amounts owed with respect to the Bonds in full and on a timely basis, including the
1424 Ongoing Financing Costs. It is conducted in accordance with the procedure set out in
1425 Appendix 2 to the Restructuring Resolution (Attachment 1.00).

1426 The Servicer will apply the Adjustment Mechanism to adjust the Transition
1427 Charges (i) quarterly, not later than three months following the Closing Date (the
1428 "Quarterly True-Up Adjustment"), and (ii) at any other time if the Servicer, the
1429 Calculation Agent, the Trustee, any party to an Ancillary Agreement (as and to the extent
1430 provided in an Ancillary Agreement), or the Requisite Bondholders (as and to the extent

1431 provided in the Trust Agreement) determines that such adjustment is required to ensure
1432 the timely payment of the principal of and interest on the Bonds and all other Ongoing
1433 Financing Costs (the "Optional True-Up Adjustment," and, collectively with the
1434 Quarterly True-Up Adjustment, the "True-Up Adjustments").

1435 The Corporation will cause the Servicer to deliver to the Corporation, the
1436 Commission and the Trustee notice of the proposed adjustment to the Transition Charges
1437 (a "True-Up Adjustment Letter"), including the data and work papers used to calculate
1438 the Transition Charges, not later than the Quarterly Filing Date in the case of a Quarterly
1439 True-Up Adjustment or at least thirty (30) days prior to the effective date of each
1440 proposed adjustment in the case of an Optional True-Up Adjustment, provided that the
1441 information related to the initial Transition Charges with respect to any issuance of
1442 Bonds shall be provided to the Commission in the Designee Certificate (or a True-Up
1443 Adjustment Letter) not later than three business days following the pricing or award of
1444 the Bonds, and such initial Transition Charges shall be effective on the issuance date of
1445 the Bonds. Each True-Up Letter shall be substantially in the form attached to the
1446 Servicing Agreement. The Servicing Agreement, including the form of True-Up
1447 Adjustment Letter, is Appendix 4 to the Restructuring Resolution (Attachment 1.00).

1448 The Servicer shall ensure that the True-Up Adjustment is designed to correct for
1449 any over-collections or under-collections of Transition Charges through the proposed
1450 True-Up Adjustment Date and to ensure that expected Transition Charge Revenues
1451 remitted or to be remitted to the Trustee, after taking into account assumed charge-offs
1452 and payment delays, are adequate to: (a) pay timely principal of (in accordance with the
1453 scheduled maturity date or dates (including scheduled mandatory sinking fund

1454 redemption dates) and interest on the Bonds on each of the Payment Dates that occurs
1455 during the related 12-month period beginning on (but not including) a True-Up
1456 Adjustment Date and ending on (and including) a date which is 12-months later (the
1457 "Annual Calculation Period"); (b) to fund or replenish any debt service reserve funds or
1458 account or any other restricted accounts or subaccounts required to be established under
1459 the Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary
1460 Agreement as an additional reserve fund to its required level, as provided in the Trust
1461 Agreement and, to the extent permitted in the Trust Agreement, any Ancillary Agreement
1462 (as the case may be) no later than the corresponding date or dates specified in the True-
1463 Up Letter, and; (c) make timely payment of all other Ongoing Financing Costs during the
1464 related Annual Calculation Period.

1465 Q. **How long will the Commission have to review the True-Up Adjustment Letter for**
1466 **mathematical accuracy?**

1467 A. The True-Up Adjustment Letter should be submitted to the Commission no later than the
1468 Quarterly Filing Date in the case of a Quarterly True-Up Adjustment or thirty (30) days
1469 prior to the proposed effective date of the True-Up Adjustment, in the case of an Optional
1470 True-Up Adjustment, except in the case of the initial Transition Charge calculation,
1471 where the True-Up Adjustment Letter will submitted to the Commission not later than
1472 three (3) business days following the pricing or award of the Bonds, and such initial
1473 Transition Charges shall be effective on the issuance date of the Bonds. Any other True-
1474 Up Adjustment will be effective on the proposed effective date set forth in the True-Up
1475 Adjustment Letter, subject to the correction of mathematical error as described below.

1476 Q. **What happens if the Commission determines that there is a mathematical error in**
1477 **the True-Up Adjustment calculation?**

1478 A. As required by the Revitalization Act, the Adjustment Mechanism is a "formulaic
1479 adjustment mechanism."[11] Further, as provided in the Revitalization Act, the
1480 Commission's review of any True-Up Adjustment is limited to a determination of
1481 whether the calculation of any True-Up Adjustment is mathematically inaccurate. That
1482 is, other than the correction of a mathematical inaccuracy, the Commission has no
1483 authority to approve, modify, or alter any Transition Charge, or to approve, reduce or
1484 alter any Upfront Financing Cost or Ongoing Financing Cost or interfere with the
1485 payment thereof.

1486 If the Commission were to find a mathematical error in the calculations shown in
1487 a True-Up Letter, the Commission may order that the error be corrected no later than the
1488 next succeeding True-Up Adjustment filing. The Corporation has requested that if the
1489 Commission has reason to believe that there is a mathematical error in the calculation of
1490 the Transition Charges, before issuing an order requiring the Corporation to correct such
1491 error, the Commission will provide its preliminary findings to the Servicer and the
1492 Calculation Agent.[12] Under the Servicing Agreement, the Servicer will also endeavor to
1493 take the correction into account in the then-pending True-Up Adjustment calculation if
1494 practicable; however, if the Servicer in its sole discretion views that as impracticable, the
1495 correction will be taken into account no later than the next succeeding True-Up
1496 Adjustment on which such adjustment can practically be made without delaying the

[11] PRA, Art. 31, para 23.

[12] *See* Restructuring Resolution (Attachment 1.00), Finding of Fact 36.

1497 effective date set forth in the True-Up Letter. In no event will the correction of a
1498 mathematical error cause any delay in the effectiveness of the True-Up Adjustment, from
1499 the date specified in the True-Up Adjustment Letter.

1500 Q. **Is there any cap on the Transition Charges or on any True-Up Adjustment?**
1501 A. No. Under the Revitalization Act there is no cap on the Transition Charges or any True-
1502 Up Adjustment.

1503 Q. **Please explain how the Revitalization Act and the Servicing Agreement affect the**
1504 **collection and handling of customer collections by PREPA.**
1505 A. The Revitalization Act requires, and the Servicing Agreement provides, that all
1506 collections from Customers (whether PREPA charges or Transition Charges) must be
1507 deposited as soon as practical following receipt with the Depository for deposit into an
1508 Allocation Account held by the Depository. Under the Revitalization Act, the Depository
1509 is required to be a bank or other financial institution unrelated to and not under the
1510 control of PREPA or the Commonwealth. Once in the hands of the Depository, the
1511 Customer collections will be allocated to the Corporation (and its assigns) on a daily
1512 basis and in accordance with their respective interests.

1513 Q. **Why is it necessary to have a Depository?**
1514 A. The Depository ensures that Customer collections, which will include both PREPA
1515 charges (pledged to the payment of PREPA obligations, including the payment of the
1516 PREPA revenue bonds) and Transition Charges (pledged to the payment of the Bonds
1517 and related costs), are accurately allocated and promptly distributed to PREPA (and its

1518 assigns) and the Corporation (and its assigns), in accordance with their respective
1519 interests. In addition, the use of a Depository is necessary to enhance the marketability of
1520 the Bonds.

1521 Q. **What is the role of the Depository?**

1522 A. Article 35(i) of Chapter IV of the Revitalization Act requires that all payments made on
1523 or behalf of Customers, including all Transition Charge Revenues (collectively,
1524 "Customer Revenues"), received by PREPA must be paid or deposited by PREPA to a
1525 special collection account at a depository bank. In addition, under the RSA, PREPA has
1526 agreed to direct its Customers to make their bill payments directly to a depository bank.
1527 The depository bank will then allocate the Customer Revenues on a daily basis between
1528 the Corporation or its assigns or pledgees (including the Trustee), and to PREPA or its
1529 assigns, in accordance with their respective interests.

1530 Q. **How will the role of the Depository benefit the securitization transaction?**

1531 A. The daily deposit by PREPA of all Customer Revenues into a single consolidated account
1532 will better assure securitization bondholders that Transition Charges are being properly
1533 allocated and distributed to the Trustee on a daily basis, while at the same time protecting
1534 the interests in Customer Revenues of PREPA Bondholders and other PREPA creditors.

1535 Q. **How will the Depository be chosen?**

1536 A. The Revitalization Act provides that the Depository will be selected by the Corporation.
1537 The Revitalization Act further requires that the Depository be organized under the laws
1538 and regulations of the United States or any state, and licensed to operate in the

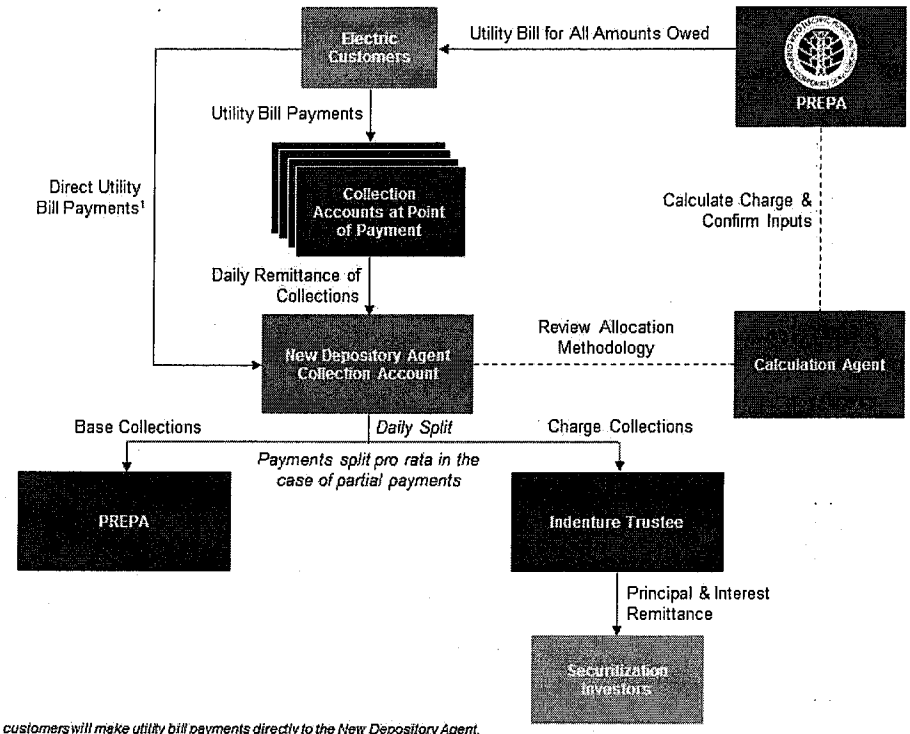
1539 Commonwealth. Under the Revitalization Act, the Depository cannot be related to
1540 PREPA or the Commonwealth or under the control of PREPA. The Corporation, or the
1541 Trustee, as and to the extent provided in the Trust Agreement, should be authorized to
1542 replace the Depository without approval of the Commission.

1543 Q. **Can you explain in greater detail how Customer Revenues will be transferred and**
1544 **distributed?**

1545 A. Under the Servicing Agreement, PREPA is required to transfer all Customer Revenues,
1546 including all Transition Charges, to the Depository on a daily basis, and in any event
1547 within two Business Days of receipt of such revenues. In accordance with the RSA,
1548 PREPA will agree to direct its Customers to make all payments directly to the
1549 Depository.

1550 Also on a daily basis, PREPA is required to instruct the Depository to transfer
1551 (i) the amount of such Customer Revenues held by the Depository which constitute
1552 "estimated Transition Charges" deemed to have been received on such day and which
1553 must be paid to the Trustee, and (ii) the amount of the remaining Customer Revenues
1554 which must be paid to PREPA. Upon receipt of such daily instructions, the Depository is
1555 required to make transfers to the Trustee and to or for the benefit of PREPA (as the case
1556 may be) within one Business Day. This transfer and distribution process is depicted
1557 below.

Proposed Flow of Funds



[1] To the extent possible, customers will make utility bill payments directly to the New Depository Agent.
[2] PREPA may decide to have more than one concentration account for flexibility and payment reliability purposes.

Q. **Why does the daily transfer to the Trustee consist of "estimated" and not actual Transition Charges?**

A. It will be difficult for PREPA to determine on a daily basis precisely how much of the Customer Revenues it receives or that the Depository receives constitutes Transition Charges. Accordingly, an estimation process, common in securitization transactions, will be used to calculate these daily Transition Charge collections. On a quarterly basis, PREPA, as Servicer, will reconcile the actual Transition Charge collections during the past quarter with estimated collections, and correct for any shortfall or over-remittance to the Trustee by either increasing or decreasing daily remittances to the Trustee (or, if need be, directing a deposit by the Trustee with PREPA).

1569 Q. **How will the daily estimated Transition Charge collections be calculated?**

1570 A. The Servicing Agreement provides for this methodology. Basically, to calculate the
1571 estimated Transition Charge Collections which must be remitted by the Depository to the
1572 Trustee each day, the Servicer will assume that all Customers pay the billed Transition
1573 Charges on the same day. That day, the "assumed payment date", will be the date
1574 following billing which represents the average number of days bills remain outstanding.
1575 So, if one assumes that Customers pay their bills on average thirty days after billing, all
1576 Transition Charges billed on day one, net of assumed write-offs, will be assumed by the
1577 Servicer to be collected thirty days later. Thus, based upon this example, the Servicer
1578 will instruct the Depository to pay the estimated Transition Charge Collections billed on
1579 July 1, after deducting for assumed write offs, on July 31st. This calculation is required to
1580 be made by the Servicer on each business day.

1581 Q. **How will the Servicer allocate partial payments of Customers' bills between PREPA**
1582 **charges (including CILTs and other items broken out on the bill) and Transition**
1583 **Charges?**

1584 A. As required in the Act, any amounts received from or on behalf of a Customer that
1585 represent a partial payment of a bill containing both Transition Charges and any other
1586 charges payable by the Customer will be allocated *pro rata* between the Transition
1587 Charges and such other charges.

1588 Q. **Are the terms of the Servicing Agreement usual and customary for securitization**
1589 **transactions?**

1590 A. Yes, the terms of the Servicing Agreement are generally consistent with the utility
1591 securitizations that have been issued to date, and are appropriate for this transaction.

1592 VIII. PROJECTIONS AND STRESS TEST SCENARIOS PROVIDED TO RATING 1593 AGENCIES

1594 Q. **What projections and stress test scenarios have been provided to credit rating**
1595 **agencies in connection with the Bonds?**

1596 A. At this point there have only been preliminary discussions with the rating agencies
1597 concerning the expected Restructuring Bonds. There has not been an official request for
1598 a rating at this point in the process. Instead, the Corporation, through PREPA, has
1599 engaged Standard & Poor's ("S&P") to conduct a Rating Evaluation Service ("RES").
1600 An RES is not a credit rating but rather a confidential analytical service provided by S&P
1601 based on one or more hypothetical scenarios. Although the RES process has started,
1602 there have been only preliminary discussions. As a result, there have been limited
1603 projections and only one stress case distributed to date, and only to one rating agency –
1604 S&P. I have reviewed the projections and stress test scenario that were provided to S&P
1605 and they are Attachment 4.00.

1606 Q. **Please explain the different assumptions and stresses that are reflected in the**
1607 **projections and stress test scenarios included in Attachment 4.00.**

1608 A. The assumptions contained in the stress case are summarized in the first page of
1609 Attachment 4.00. However, it is important to note that the stress case: (i) pre-dates the
1610 Amended RSA executed on December 23, 2015, (ii) was based on data available from
1611 PREPA at the time, (iii) contemplated a very high rating category, which may or may not

1612 be achieved, and (iv) the stress level is not necessarily representative of PREPA's or the
1613 advisor's expectations. As previously stated, conversations with the rating agencies
1614 around appropriate stress cases have not started at this juncture. Thus, the information
1615 value of the stress case is extremely limited. However, Attachment 4.00 includes the
1616 materials given to the rating agencies, as required by the Revitalization Act.

1617 Q. **Do any of the projections and stress test scenarios indicate any material risk that the**
1618 **Transition Charges, as initially calculated and thereafter adjusted through the**
1619 **Adjustment Mechanism, will not provide for and ensure adequate protection for the**
1620 **full and timely payment of the Bonds in accordance with their terms and all other**
1621 **Ongoing Financing Costs during the term of the Bonds?**

1622 A. No. The Adjustment Mechanism, by its very mathematical nature, provides for and
1623 ensures adequate protection for the full and timely payment of the Bonds in accordance
1624 with their terms and all other Ongoing Financing Costs during the term of the Bonds by
1625 automatically and unconditionally adjusting the Transition Charges – up or down as the
1626 case may be – in response to economic perturbations, altered customer behavior, and
1627 other potential future changes.

1628 **IX. <u>CONCLUSION</u>**

1629 Q. **Does this conclude your written testimony?**

1630 A. Yes.

No. CEPR-_____
Corporation Ex. 4.00

ATTESTATION

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

The undersigned, MICHAEL MACE, being of legal age, married, executive and consultant, and resident of the Waxhaw, North Carolina, in his capacity as Managing Director of Public Financial Management, Inc., states that the foregoing testimony, presented in written Question and Answer format, is true and correct to the best of his knowledge and belief.

IN WITNESS WHEREOF, I have hereunto signed my name this 7th day of April 2016.

MICHAEL MACE

Title: Managing Director
Public Financial Management, Inc.

Affidavit No.____

Acknowledged and subscribed before me by Michael Mace, of the personal circumstances above mentioned, in his capacity as Managing Director of Public Financial Management, Inc., who is personally known to me, in New York City, New York County, New York, this 7th day of April 2016.

Notary Public

DENISE BAEZ
Notary Public, State of New York
No. 01BA4980003
Qualified in Kings County
Commission Expires April 8, 2019

DENISE BAEZ NOTARY PUBLIC STATE OF NEW YORK

{00017751 48 }

STATE OF NEW YORK
COUNTY OF KINGS SS:
COUNTY CLERK'S OFFICE

I, Nancy T. Sunshine, County Clerk of the County of Kings, State of New York and also Clerk of the Supreme Court in and for said County and State, the same being a Court of Record and having a seal;

DO HEREBY CERTIFY THAT BAEZ, DENISE 01BA4980003
Term 4/8/2015 to 4/8/2019

Whose name is subscribed to the annexed affidavit, deposition, certificate of acknowledgment or proof, was at the time of taking the same a NOTARY PUBLIC in and for the State of New York, duly commissioned and sworn and qualified to act as such throughout the State of New York; that pursuant to law a commission, or a certificate of their official character, and autograph signature, have been filed in my office; that as such the Notary Public was duly authorized by the laws of the State of New York to administer oaths and affirmations, to receive and certify the acknowledgment or proof of deeds, mortgages, powers of attorney and other written instruments for lands, tenements and hereditaments to be read in evidence or recorded in this State, to protest notes and to take and certify affidavits and depositions; and that I am well acquainted with the handwriting of such Notary Public or have compared the signature on the annexed instrument with their autograph signature deposited in my office,

IN WITNESS WHERE OF, I have hereunto set my hand and affixed my official seal at Brooklyn, Kings County, New York on April 7, 2016

Nancy T. Sunshine

NANCY T. SUNSHINE
KINGS COUNTY CLERK

STATE OF NEW YORK
COUNTY OF KINGS SS:
COUNTY CLERK'S OFFICE

I, Nancy T. Sunshine, County Clerk of the County of Kings, State of New York and also Clerk of the Supreme Court in and for said County and State, the same being a Court of Record and having a seal;

DO HEREBY CERTIFY THAT BAEZ, DENISE 01BA4980003
Term 4/8/2015 to 4/8/2019

Whose name is subscribed to the annexed affidavit, deposition, certificate of acknowledgment or proof, was at the time of taking the same a NOTARY PUBLIC in and for the State of New York, duly commissioned and sworn and qualified to act as such throughout the State of New York; that pursuant to law a commission, or a certificate of their official character, and autograph signature, have been filed in my office; that as such the Notary Public was duly authorized by the laws of the State of New York to administer oaths and affirmations, to receive and certify the acknowledgment or proof of deeds, mortgages, powers of attorney and other written instruments for lands, tenements and hereditaments to be read in evidence or recorded in this State, to protest notes and to take and certify affidavits and depositions; and that I am well acquainted with the handwriting of such Notary Public or have compared the signature on the annexed instrument with their autograph signature deposited in my office,

IN WITNESS WHERE OF, I have hereunto set my hand and affixed my official seal at Brooklyn, Kings County, New York on April 7, 2016

Nancy T. Sunshine

NANCY T. SUNSHINE
KINGS COUNTY CLERK

CURRICULUM VITAE OF MICHAEL J. MACE

POSITION	Managing Director, Co-Head of Municipal Utility Finance Public Financial Management ("PFM") 11325 N. Community House Road, Suite 275 Charlotte, NC 28277 Office: (704) 319-7923
EDUCATION	Fuqua School of Business, Duke University Master in Business Administration, Concentration in Finance Dartmouth College Bachelor of Arts in Psychology
PROFESSIONAL HISTORY	Mr. Mace joined PFM in 2001 after spending almost 20 years in municipal utility investment banking, most recently with Goldman Sachs where he specialized in public power finance. While in investment banking, Mr. Mace managed the public power groups at various banking firms, and also managed quantitative and derivative product efforts.
PROFESSIONAL EXPERIENCE	For the past fifteen years, Mr. Mace has helped lead PFM's public power financial advisory practice to be the #1 ranked financial advisor for each of the past ten plus years. PFM serves as financial advisor to roughly 70% of the 50 largest public power utilities in the United States, and is the leading overall financial advisor to cities and states. Mr. Mace leads teams that serve as the financial advisor to roughly half of PFM's public power clients. PFM's public power financial advisory activities include: assisting bond issuers as they enter the capital markets, negotiating fees and terms for investment banking and commercial banking relationships, developing and implementing municipal utility financial policies, providing support to utilities in their efforts to develop and implement ratemaking strategies that promote prudent financial management, evaluating and executing asset sales and acquisitions. Some of Mr. Mace's clients include: <u>Bonneville Power Administration ("BPA")</u> A federal power marketing agency that provides wholesale power to roughly half of the Northwestern United States. Mr. Mace has worked with BPA for 15 years. In that capacity he has provided sworn testimony in support of their public review required for their periodic rate setting process. Mr. Mace has advised BPA and affiliated borrowers on roughly $10 billion of capital markets transactions. <u>Municipal Electric Authority of Georgia ("MEAG")</u> MEAG is a joint action agency in Georgia that supplies wholesale power to roughly 50 cities and towns in Georgia. Mr. Mace has provided expert testimony in support of MEAG's state validation process for MEAG's participation in the Vogtle nuclear project expansion. Mr. Mace has worked with MEAG for over 30 years as an investment banker and financial advisor. He has advised MEAG on over $7 billion of capital markets transactions.

Long Island Power Authority ("LIPA")
LIPA provides electric service to Long Island, NY. Mr. Mace has led PFM's LIPA financial advisory team since 2008 when LIPA hired PFM in the midst of the financial crisis. Mr. Mace has assisted LIPA in executing over $5 billion of capital market transactions, and in gaining Board approval for various financial policies that are expected to aid LIPA in improving its financial strength. Mr. Mace also assisted LIPA in its first ever rate regulatory process in 2015. Mr. Mace provided a report which was successful in explaining and supporting LIPA's need to adopt a public power rate making approach, as opposed to being evaluated under a traditional rate of return methodology. Mr. Mace also assisted LIPA in gaining approval for the issuance of $4.5 billion of utility securitization debt under the LIPA Reform Act. The LIPA Reform Act was designed to assist LIPA in recovering from the effects of Superstorm Sandy. LIPA has already sold $3.7 billion of this authorization and is currently working on the next securitization financing.

South Carolina Public Service Authority ("Santee Cooper")
Santee Cooper provides wholesale electric service to much of rural South Carolina, and provides retail service to parts of the State. Mr. Mace has worked with Santee Cooper for over five years, and assisted them on over $5 billion of capital markets transactions as the have borrowed for new capital, refinancing and restructuring as they implement a major nuclear project expansion. Mr. Mace has assisted Santee Cooper in responding to various inquiries from the State of South Carolina and its legislature.

Salt River Project ("SRP")
Salt River Project provides electric service to roughly half of the Phoenix, AZ metropolitan area. Mr. Mace has worked with SRP for over ten years and assisted them in the execution of over $5 billion of capital markets transactions, including a $1 billion structured gas prepayment transaction that achieved a record level of savings on a per MMBtu basis.

PROFESSIONAL AFFILIATIONS

Mr. Mace is a frequent presenter for the Large Public Power Council ("LPPC") and the American Public Power Association ("APPA") – the two most widely-recognized public power industry organizations. Mr. Mace has delivered financial presentations at APPA's Annual Conference, Business and Financial Conference and its CEO Roundtable. Mr. Mace has made multiple presentations to the LPPC CEO and CFO groups, and worked closely with LPPC to implement its inaugural Investor Conference.

Corporation Ex. 5.00

COMMONWEALTH OF PUERTO RICO

PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, Petitioner.	NO. **SUBJECT: TESTIMONY SUPPORTING PETITION FOR RESTRUCTURING ORDER**

Testimony of

DAN T. STATHOS

Associate Director,

Navigant Consulting, Inc.

On behalf of the

Puerto Rico Electric Power Authority Restructuring Corporation

April 7, 2016

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I. INTRODUCTION

A. Witness Identification

Q. **Please state your name, title, employer, and business address.**

A. My name is Dan T. Stathos. I am an Associate Director at Navigant Consulting, Inc. ("Navigant"), a global business and advisory firm. My business address is 98 San Jacinto Blvd., Suite 900, Austin, Texas 78701.

B. Summary of Testimony and Attachments

Q. **What subjects does your testimony address?**

A. The PREPA Revitalization Act (the "Revitalization Act" or the "PRA"), Act 4-2016, creates the Puerto Rico Electric Power Authority Restructuring Corporation (the "Corporation") with the authority to impose and collect Transition Charges[1] supporting Restructuring Bonds. Because the Corporation has none of its own employees or billing and collection systems, those revenues must be collected from Customers on behalf of the Corporation by a Servicer, initially the Puerto Rico Electric Power Authority ("PREPA"), as described in the proposed form of Servicing Agreement attached as Appendix 4 to the Restructuring Resolution (Attachment 1.00)[2]. Implementing this servicing function will occur in stages; it will require front-end investment by PREPA and impose ongoing costs on PREPA. My testimony identifies the processes required for PREPA to act as the

[1] Where I use capitalized terms that are defined in the Petition and the Servicing Agreement, I intend the same meaning.

[2] To avoid confusion in the designation of documents, attachments to the Petition are designated as "Attachments" and testimony, or documents attached to testimony, are designated as "Exhibits."

19 Initial Servicer and the costs that PREPA will incur to implement and maintain the
20 systems, processes, and tools needed to collect the Transition Charges over time.

21 **First**, in Section II, I describe the efforts required for PREPA to begin billing
22 Transition Charges as a separate line item charge on the PREPA bill, to collect those
23 charges, and to perform other Servicing functions. This includes initial efforts to prepare
24 to perform Servicing functions and continuing incremental efforts to actually perform
25 them.

26 **Second**, in Section III of my testimony, I explain and estimate the incremental
27 costs to PREPA, including costs of implementing new customer billing system
28 capabilities to support the new line item charge on PREPA's Customer bills, developing
29 collection curves for the calculation and allocation of Transition Charges, and making
30 necessary changes to PREPA's information technology ("IT"), customer care, and
31 treasury functions.

32 **C. <u>Professional Background & Education</u>**

33 Q. **Please describe your educational background and professional experience.**

34 A. I have been involved in the electric utility industry for the past 45 years, either as a
35 member of utility staff, as a regulator, or in a consulting role. For the past 19 years, I
36 have provided consulting services to investor-owned utilities and public power and joint
37 action agencies, primarily in the area of the utilization of information technology for
38 operational excellence and process improvement. Before becoming an Associate
39 Director at Navigant, I served as an executive at a large municipal electric utility with
40 responsibilities for change management, support services, information technology,

41 materials management, and emergency operations. Prior to that, I spent over 12 years in
42 consulting roles with Ernst & Young, Oracle Systems, and Deloitte Haskins & Sells (now
43 Deloitte & Touche). My educational background includes a Bachelor of Business
44 Administration degree in accounting from University of Texas at Austin. My resume,
45 which reviews my education, professional qualifications, and experience in detail, is
46 attached as Corporation Exhibit ("Ex.") 5.01.

47 **Q. In addition to your resume, are there any additional exhibits to your testimony?**

48 A. Yes. I am sponsoring the following additional exhibits:

49 • Corporation Ex. 5.02: Summary of Stages Work Requirements
50 • Corporation Ex. 5.03: Gantt Chart of Work Activities and Schedule
51 • Corporation Ex. 5.04: Summary of Transition Charge Billing and Collection
52 Costs

53 **II. <u>OVERVIEW OF PREPA LEVEL OF EFFORT TO IMPLEMENT SERVICING</u>**

54 Q. **What level of effort is required for PREPA to implement a separate line item on the**
55 **bill for Transition Charges and to support the Servicing functions described in the**
56 **Servicing Agreement?**

57 A. The calculation, billing, and collection of Transition Charges and the appropriate
58 handling of Transition Charge Revenues will be accomplished in four primary stages:

59 1. Pre-Implementation Determination of Transition Charges and Collections
60 2. Billing per Cycle
61 3. Corporation Cash Transfer
62 4. True-Up Mechanism (quarterly or more frequently, if and as authorized)

63 Exhibit 5.02 is a high level overview of the four stages involved, and the work activities
64 that are included in each stage. The following sections describe the work activities in
65 each stage and the source of data that will be used, the calculations being performed, and
66 other matters for each stage.

67 Q. **What is required during the Pre-Implementation Stage?**

68 A. PREPA, as the Servicer, must calculate the Transition Charges, subject to review by the
69 Calculation Agent and, for mathematical accuracy, by the Commission. And, to actually
70 bill those and collect those Transition Charges requires far more effort than just
71 calculating them. Information processing and billing systems must be developed and/or
72 adapted to be capable of applying the charges to individual Customers' bills and capable
73 of supporting subsequent collection activities. The necessary activities must be
74 completed at least one month prior to the effective date of the Transition Charges to
75 allow sufficient time for testing of the changes made to the billing system rates and
76 processes and to minimize the inevitable implementation risks.

77 Activities that PREPA's systems must be able to perform include the following:

78 1. Determining the Amount of the Transition Charge Revenue Requirement. This
79 amount will be based upon the payments required to pay the debt service on the
80 Bonds and related costs as set forth in the Restructuring Resolution (Attachment
81 1.00).

82 2. Adjusting Amount to be Recovered for Uncollectible Accounts. Unfortunately,
83 not all amounts billed to PREPA Customers are collected. To ensure that the
84 Transition Charge is calculated to produce the target revenues, the amount billed

85 will be adjusted to reflect that there will be billed amounts that will not be
86 collected.

87 3. Developing a Composite Collection Curve. PREPA's billing system, Oracle
88 Utilities Customer Care and Billing ("Oracle CC&B"), does not allow payments
89 by Customers to be applied to a specific portion or particular line item on the bill,
90 and in some cases, there will be partial payments or under-collection. Collections
91 will, therefore, be allocated to the Transition Charge through a formula using the
92 applicable collection curve (percentage of a cycle's billings collected at a
93 particular pace or number of days after billing) to determine the amount of
94 Transition Charges collected each day, including from Transition Charges already
95 billed during prior periods.

96 4. Determining the Billing Units and Transition Charges to be billed. Residential
97 Customers will be billed Transition Charges at a flat rate per billing cycle (*i.e.*,
98 per month) based upon the applicable Residential Service Agreement Aggregate
99 Count, as that term is defined in the Appendix 2 of the Restructuring Resolution
100 (Attachment 1.00). All other Customers' (*i.e.* the Non-Residential Customers,
101 including Government Customers) Transition Charges will be calculated based on
102 their own kWh usage. These billing units will be divided into the *pro rata*
103 responsibilities of each Customer group and a rate per month and a rate per
104 kilowatt hour will be developed.

105 Once all of these efforts have been completed and a charge per kilowatt hour and charge
106 per service agreement has been developed for the applicable Customer classes, billing

107 system modifications will be made and testing will be performed to ensure that the system
108 is performing as intended.

109 Q. **What is envisioned to occur during the Billing per Cycle Stage?**

110 A. The Transition Charge will be billed as a separate component on all bills issued in each
111 cycle. In order to calculate the portion of billings and collections for each cycle, the
112 following reports are required:

113 1. Total Customer Charges (including PREPA charges and Transition
114 Charges) billed for the cycle;

115 2. Total Transition Charges billed for the cycle; and

116 3. Percentage Transition Charge billings represented as a percentage of total
117 PREPA charges billed.

118 These Transition Charge percentages will be used to determine the percentage of
119 collections that are attributed to the Transition Charges versus collections for all other
120 Customer charges appearing on the PREPA bill. Under the Servicing Agreement,
121 PREPA is required to transfer all Customer Revenues, including all Transition Charges,
122 to a Depository (as defined in the Servicing Agreement, Appendix 4 to Attachment 1.00)
123 on a daily basis, and in any event within two Business Days of receipt of such
124 revenues. The calculations made in this stage will be used to provide instructions for the
125 Depository.

126 Q. **What is envisioned to occur during the Daily Transition Charge Cash Transfer?**

127 A. Collections of Customer charges will occur, and be reported, on a daily basis. However,
128 PREPA cannot immediately determine how much of each day's collections represent
129 Transition Charge Revenues. Accordingly, PREPA will estimate Customer payments of
130 all charges, including Transition Charges, based upon their payment history and write-off
131 experience. The collection curves developed in the Pre-Implementation stage and,
132 thereafter, for each True-up calculation will be applied to the values billed in the month
133 or prior months, and the result of such application will be used by PREPA to allocate the
134 total amounts collected between Transition Charge and PREPA charges. Such
135 calculation and its results will be provided to PREPA's Finance Department on a daily
136 basis. PREPA will instruct the Depository of the amount of such Customer Revenues
137 held by the Depository which constitute "estimated transition charges" and which must
138 be paid to the Trustee. Upon receipt of such daily instructions, the Depository is required
139 to make transfers to the Trustee and PREPA. Additional details concerning this
140 estimation, remittance, and reconciliation (estimated v. actual collections) process can be
141 found in the Servicing Agreement (Appendix 4 to Attachment 1.00) and the testimony of
142 Michael Mace (Corporation Ex. 4.00).

143 Q. **What is envisioned to occur during the Quarterly True-up?**

144 A. On a quarterly basis (at least), activities analogous to those performed in the Pre-
145 Implementation stage will be repeated to assess whether sufficient funds have been
146 allocated and set aside to pay the Bonds and related costs. To initiate any True-Up
147 Adjustment, the Servicer will make a preliminary calculation of the True-Up Adjustment
148 and will prepare and submit to the Calculation Agent a draft request for adjustment. If

149 there has been an over- or under-collection, that excess or deficiency will either be added
150 to or subtracted from the amount of the Transition Charge Revenue Requirement for the
151 next period. The Composite Collection Curve will be updated in advance of each
152 quarterly true-up. In addition, as stated in the form of the Servicing Agreement
153 (Appendix 4 to Attachment 1.00, Section 3.03(f)), "not later than fifteen days following
154 each calendar quarter, commencing [xx 15, xxxx], the Servicer (a) shall calculate the
155 amount, if any, by which the aggregate Estimated Transition Charge Collections were
156 less than or exceeded Actual Transition Charge Collections deposited into the Allocation
157 Account during the preceding calendar quarter, and (b) shall file with the Depository, the
158 Trustee, the Calculation Agent, the parties to the Ancillary Agreements and the Issuer,
159 and submit to the Commission, for informational purposes, a "Quarterly Reconciliation
160 Certificate" substantially in the form attached as Exhibit B to the Servicing Agreement."

161 III. COST ESTIMATES TO IMPLEMENT AND MAINTAIN THE TRANSITION 162 CHARGE PROCESS

163 Q. **Please describe your methodology for the development of estimates?**

164 A. After gathering information from PREPA customer billing, information technology, and
165 finance staff for the purpose of gaining a common understanding of what the Transition
166 Charge implementation would require, Navigant and PREPA staff identified tasks and
167 functions where incremental resources (people, technology, and other) would be required
168 to both implement and maintain the necessary processes. Navigant then gathered
169 information concerning those tasks and functions, and using its own experience in such
170 activities, developed an overall schedule, assigned resources and costs to the level of
171 effort required, and developed an overall cost estimate.

172 Q. **What special factors did you take into consideration in estimating the costs to**
173 **PREPA of the Servicing function?**

174 A. As indicated previously, the structure of the current Oracle CC&B billing system
175 configuration does not allow PREPA to identify an individual billing component to which
176 a credit for payment can be applied. Rather, the accounts receivables for Customers are
177 maintained as a total amount due from the Customer under its service agreement.
178 Accordingly, there are a number of additional steps (and costs) that PREPA's IT,
179 customer care, and finance divisions will be required to accomplish in order to
180 appropriately manage the process involved. These additional steps require upgrading
181 hardware, other equipment, and software licensing, as well as adequate staffing to make
182 changes to the software and perform testing and manage the change in processes and
183 communication protocols. PREPA may also require additional outside resource
184 participation in order to implement the process, and there will be additional on-going
185 costs incurred to maintain adequate records and processes to accomplish the additional
186 tasks that have been identified.

187 Q. **Can you describe the work required and the estimated costs for PREPA to develop**
188 **and implement the initial capability to bill and collect the Transition Charge?**

189 A. Provided as Exhibit 5.03 is an overview Gantt chart of the work activities and schedule
190 developed in support of this effort. As can be seen, the overall schedule is approximately
191 90 days. The cost associated with this implementation is estimated to be $1,651,119 and
192 a summary of those costs is provided as Exhibit 5.04.

193 Q. **Could you please discuss the components of that cost estimate?**

194 A. Based upon the requirements of the Servicing Agreement, PREPA will need to undertake
195 a series of steps prior to the implementation of the Transition Charge. Those steps
196 include the following:

197 1. Requirements Definition — Detailed specification of requirements and
198 documentation of the processes will be needed before the currently configured
199 Oracle CC&B software can be changed, as well as any additional reports required
200 to support the Transition Charge process can be implemented. This effort will be
201 performed by PREPA staff from the Office of Administrative Strategy ("OAS"),
202 the Office of Business Systems and Procedures ("OBSP"), IT, and finance, with
203 some assistance from contract consultants.

204 2. Hardware/Software Upgrades and Set-up — In order to institute the Transition
205 Charge, as well as any other changes in rates,[3] PREPA needs to upgrade its
206 existing hardware and software to provide for both a development and testing
207 environment, as well as a more robust data warehouse environment. In addition,
208 software licensing is required for tools to assist in quality assurance and testing.
209 This effort will also require the involvement of both PREPA IT staff and Oracle-
210 skilled contract staff.

211 3. CC&B Configuration Changes and Report Creation — This activity constitutes
212 making the necessary changes to the current CC&B implementation to support the
213 Transition Charge line item to be added to the bill, development of daily reports
214 for monitoring the levels of billing and collections, and determining the

[3] Although Transition Charges are not property of PREPA, PREPA will collect those charges as Servicer using a rate.

215 appropriate level of transfer to the Depository (all Customer charges) and to the
216 Trustee (estimated Transition Charges) as required in the Servicing Agreement.
217 This effort will be composed of both PREPA IT staff and Oracle-skilled
218 contractors.

219 4. Testing and Revisions — Because of the criticality of the CC&B system being
220 able to accept the changes instituted without affecting PREPA cash flow, time is
221 required for customer billing and finance personnel to test the new
222 implementation. This effort will be performed primarily by PREPA internal staff
223 from OAS and finance.

224 5. Process Change Management and Training — Because the Transition Charge will
225 be a new line item on the bill and will introduce changes to billing, collections
226 and finance processes, organizational process changes need to be developed and
227 communicated to the relevant stakeholders. These activities will be undertaken
228 by OBSP and the PREPA Press Office.

229 Navigant has reviewed the planned processes with these divisions of PREPA and with
230 their input, has developed both a schedule and a cost estimate of the level of effort
231 required for the implementation of the Transition Charge servicing processes.

232 Q. **Did you perform an analysis of the ongoing costs that PREPA will incur to maintain**
233 **the Transition Charge billing and collection process, as well as the process to**
234 **monitor, calculate, and allocate Transition Charge transfers to the Trustee?**

235 A. Yes, based upon the identification of business and IT processes involved, the potential
236 changes to those processes, and cost estimates provided by PREPA, the incremental cost
237 to maintain the Transition Charge process is estimated to be $184,830 on an annual basis.

238 Q. **What are the major components of your ongoing costs estimate?**

239 A. The majority of the estimated ongoing costs represent two Full Time Equivalent
240 employees from PREPA finance devoted to monitor the accounts and transactions, as
241 well as to affect cash transfers. In addition, ½ Full Time Equivalent from IT will be
242 required to maintain the reports and make changes quarterly as required, including
243 quarterly reconciliation reports. In addition, we estimate $64,000 annually in costs for
244 bank charges for cash transfers and other services.

245 Q. **In your professional experience, is this estimate of ongoing costs reasonable?**

246 A. Yes. Based upon the documents that Navigant has reviewed relating to the functions that
247 are expected to be performed by PREPA as part of the Servicing Agreement and the
248 current environment at PREPA, these costs reflect the level of effort required, the
249 existing capabilities of PREPA systems, and the additional support that PREPA will
250 require to effectively and seamlessly implement the Transition Charge process and
251 servicing.

252 Q. **Based upon your understanding of the processes and systems required to manage**
253 **the Transition Charge process, and your involvement with the PREPA staff charged**
254 **with the implementation, do you believe that PREPA will be able to implement the**
255 **Transition Charge processes and systems and maintain them going forward?**

256 A. Yes, I do. I have discussed with the appropriate PREPA staff the Servicer activities and
257 new billing and processing requirements and there is a clear understanding of what is
258 required. Strategies have been developed to accomplish the identified tasks, and
259 processes are in place to initiate the implementation once approved. I note, however, that
260 there are always operational and cost risks associated with any project of this magnitude.

261 **IV. <u>CONCLUSION</u>**

262 Q. **Given the foregoing analysis, have you reached a conclusion as to whether the**
263 **payments to be made to PREPA under the Servicing Agreement are adequate to**
264 **compensate PREPA for upfront and annual incremental costs it will incur to**
265 **perform the Servicing function?**

266 A. Yes, they will be adequate. PREPA's incremental costs of initially implementing the
267 systems, processes, and tools needed to bill and collect the Transition Charges will be
268 recovered as an Upfront Financing Cost. The ongoing incremental costs of PREPA
269 performing its functions as the Initial Servicer will be covered by the negotiated annual
270 fee, established in the Servicing Agreement (Appendix 4 to Attachment 1.00), of 0.05%
271 of the initial aggregate principal amount of the associated Bonds. In addition, the
272 Servicing Agreement provides that the ongoing fee earned by the Servicer will be
273 escalated annually in accordance with the Consumer Price Index for all Urban Consumers
274 (CPI-U). The presence of this built-in inflation escalator provides PREPA greater
275 protection from long-term cost increases unrelated to its own performance.

276 Q. **Does this conclude your testimony?**

277 A. Yes, it does.

No. CEPR-_____
Corporation Ex. 5.00

ATTESTATION

STATE OF TEXAS)
) ss.
COUNTY OF TRAVIS)

The undersigned, Dan T. Stathos, being of legal age, single, executive and consultant, and resident of Austin, Texas, in his capacity as an Associate Director of Navigant Consulting, Inc., states that the foregoing testimony, presented in written Question and Answer format, is true and correct to the best of his knowledge and belief.

IN WITNESS WHEREOF, I have hereunto signed my name this 7th day of April 2016.

Dan T. Stathos

Associate Director
Navigant Consulting, Inc.

Affidavit No.____

Acknowledged and subscribed before me by Dan T. Stathos, of the personal circumstances above mentioned, in his capacity as an Associate Director of Navigant Consulting, Inc., who is personally known to me, in Austin, Texas this 7th day of April 2016.

NOTARY PUBLIC STATE OF TEXAS
CATHERINE LYNN FRY
Notary ID # 6055895
My Commission Expires
July 13, 2019

Notary Public

IN THE NAME AND BY THE AUTHORITY OF THE STATE OF TEXAS

Notary Public Commission

TO ALL TO WHOM THESE PRESENTS SHALL COME—GREETINGS:

Whereas **Catherine Lynn Fry**

has been appointed by the Secretary of State of Texas a Notary Public in the State of Texas. Now, therefore, the above named person is hereby commissioned a Notary Public for the State of Texas under the laws of the State of Texas with all the rights, privileges and emoluments appertaining to said office.

TERM OF OFFICE: 07/13/2015 - 07/13/2019

NOTARY ID# 605589-5

GREG ABBOTT, GOVERNOR OF TEXAS

Carlos H. Cascos
Secretary of State

NOTARY PUBLIC OATH OF OFFICE

State of Texas
County of TRAVIS

I, Catherine Lynn Fry do solemnly swear (or affirm), that I will faithfully execute the duties of the office of notary public of the State of Texas, and will to the best of my ability preserve, protect, and defend the Constitution and laws of the United States and this state, so help me God.

X Catherine Lynn Fry

Sworn to and subscribed before me on this 5th day of July, 2015.

JOHNETTE CASAREZ
My Commission Expires
June 17, 2018

Seal

Notary Public Signature

NAVIGANT

Dan T. Stathos, CPA*

Associate Director

dstathos@navigant.com
Austin, Texas
Direct: 512.493.5415

Professional Summary

Dan Stathos, an Associate Director in NCI's Austin, Texas office, has been involved with electric, gas, water and telephone utilities for the past forty years, over twenty-five of which have been in providing financial and accounting, regulatory, information systems planning and implementation services and operational improvement. Mr. Stathos is a former Partner with the independent accounting and consulting firm of Deloitte Haskins & Sells (now Deloitte & Touche), a Regional Consulting Manager for Oracle Systems, and a former Assistant Director of Accounting for the Public Utility Commission of Texas.

Areas of Expertise

- **Information Technology Strategy, Planning and Management:** Focuses on the strategic planning for the use and deployment of information technology to gain competitive advantage, provide improved reliability or customer satisfaction, and to reduce overall costs.

- **Utility Accounting, Finance, and Regulatory:** Provides an in-depth knowledge of all aspects of utility accounting, finance and regulatory and rates for investor-owned, public power and governmental providers of utilities services.

- **Change Management and Operational Improvement:** Provides operational reviews, management audits and assists clients in justification for management processes, costs incurred, and process improvement for cost reduction, operational efficiency and improved customer satisfaction.

- **Smart Grid and NERC CIP Management and Implementation:** Provides both management and technical consulting in the implementation of smart meter, grid modernization through the use of technologies, and supports NERC CIP compliance programs related to Critical Infrastructure Protection under the North American Electric Reliability Corporation reliability standards and FERC approved rules

- **Due Diligence and Feasibility Studies:** Has performed numerous projects evaluating the financial feasibility of new business ventures in the electric, natural gas, and telecommunications industries, as well as performing due diligence evaluations for transactions involving electric, gas, telecommunications, and utility sector software and services providers.

NAVIGANT

Dan T. Stathos CPA*

Associate Director

Professional Experience

Information Technology Strategy, Planning and Management:

- Served as acting CIO for a large public power utility with over 1 million customers, providing strategy development, governance facilitation, outsourced contractor management, and specific project management services as required. Activities included establishment of a governance structure both internally and with an outsourced IT provider, oversight of selection and implementation of technology to support operations including GIS, Outage Management, Energy Management, Power Supply Management, Customer Relationship Management, AMI, and Smart Grid.

- An independent review of a large southern California public power agency's information technology organization with emphasis on roles, responsibilities, technology direction, governance, information security, and its ability to provide IT support to various divisions' operations. This assessment was done as part of an overall assessment of the public power agency and performed on behalf of the owner, the City.

- Served as project manager and facilitator for large-scale process improvement and information technology systems implementation projects in the areas of finance, customer billing, customer relationship management and wholesale power markets, and T&D operations.

- For a regional wastewater authority, directed the re-implementation of a failed billing system. This effort included an initial assessment of the current state of the project, identifying root causes for the failed implementation, and managing the gathering of data for use in legal action against a Big Four accounting and implementation firm. .

- For investor-owned electric utilities, public power electric cooperatives and joint action agencies, performed evaluations of their information systems, with particular emphasis on generation management, wholesale power market operations, T&D operations, billing and customer information management.

- As an executive for a large public power utility, managed information technology function and served as facilitator of executive team to identify new technologies, and to implement technology solutions. Also served as the utility member of a City-wide information technology advisory committee.

Utility Accounting, Finance, and Regulatory

- For various clients, supported various aspects of rate requests and regulatory filings. Supported development of revenue requirements, rate base, working capital requirements, treatment of deferred federal income taxes, depreciation expense and other components of regulatory proceedings.

NAVIGANT

Dan T. Stathos CPA*

Associate Director

Professional Experience (Continued)

- For one of the largest electric utilities in the U.S., provided assistance in the assessment of regulatory accounting requirements for a transmission service provider. Included development of recommendations for cost assignment and support for general and administrative costs from affiliated subsidiaries. Further support was provided for the company's initial filing of rates before the regulatory agency.

- For the Auditor's office of a major municipally-owned electric utility, supported the review of a participation agreement and the audit of direct cost assignment to a joint power project. Reviewed requirements of the agreements and reviewed for compliance with components of the agreements.

- As a Partner in the Public Utility Consulting practice, provided services to investor-owned electric utilities, governmental utilities, and telecommunications providers. Services and experience included financial feasibility studies, audit support, development of accounting policies, procedures and requirements definition documents for accounting processes and systems.

- As a Senior Accountant for a multi-state, multi-utility service provider, maintained the corporate books and records, handled all SEC reporting, and was responsible for the annual development of all corporate and special cost allocation methodologies used within the company. Performed annual allocation studies and implemented journal entry processes to perform the allocations. Also responsible for interpreting fuel and purchased power contracts, establishing accounting processes and records for the company and its fuel subsidiaries and affiliates. Managed the risk profile of 500 million portfolios and enabled cash flow and liquidation curve predictions for accounting reports.

- As a member of the accounting staff for a newly formed utility regulatory agency, was responsible for establishment of all accounting and reporting requirements for electric, water, wastewater and telecommunications companies under the jurisdiction of the Commission. This included many municipally-owned utilities, where the respective city councils had passed jurisdiction to the Commission. Participated in review of regulatory filings and developing recommendations and testimony on various matters including revenue requirements, affiliate transactions, fuel adjustment clauses, cost allocations and other accounting matters.

Change Management and Operational Improvement

- As a Director for a large municipally owned utility, established a change team to prepare the organization for deregulation. Facilitated executive management team in setting strategic direction for the organization, managed business process re-engineering for various business units within the utility including generation, transmission and distribution, supply chain, and contractor management.

NAVIGANT

Dan T. Stathos CPA*

Associate Director

Professional Experience (Continued)

- For a large public power utility, developed a Strategy Roadmap for participation in a deregulated market as a competitive affiliate, as well as identifying all changes required to participate in a deregulated retail electric market, and developed options for participation in that market as a "wires only" company. As part of those projects, developed recommendations concerning new business processes, new products and services, organizational requirements, and described new skill sets and job descriptions for the retail energy company. Also performed similar assessment for several electric cooperatives and municipal electric utilities

- For numerous investor-owned and public power electric providers, as well as telecommunications providers, led operational reviews on behalf of executive management, or on behalf of regulators, City Councils, or the courts, served as an independent third party to perform management audits of utilities under their jurisdiction

Smart Grid and NERC CIP Management and Implementation

- For a Northeast public power utility, provided primary support of cyber security requirements for an ARRA-funded Smart-Grid demonstration project. Participation included defining the objectives of the project, establishing the Interoperability and Cyber Security Plan, and evaluation of project plan and proposed vendors to address AMI, Meter Data Management Systems, and Outage Management Systems

- Performed an independent assessment of a municipally-owned electric utility's implementation of a smart meter program, including a review of the planning selection process for the Advanced Metering Infrastructure, meter data management system, the deployment approach, the adequacy of current processes in place, current benefits being realized from the implementation. Identified areas of opportunity for improvement and provided a road map to capture additional value from the implementation.

- Assisted a large public power authority to develop and implement an organization to oversee North American Electric Reliability Corporation (NERC) reliability standards compliance.

    - Performed a detailed review of a large public power agency's review of compliance with NERC's Critical Infrastructure Protection standards 2 through 9 including cyber security for the electronic perimeter.

    - Provided a review of processes and tools for access management under NERC CIP 3, Requirement 4.

NAVIGANT

Dan T. Stathos CPA*

Associate Director

Professional Experience (Continued)

- Currently assisting in conversion to NERC CIP 5, and support of policies and procedures relation to business continuity and disaster recovery and backup.

- Contributed CIP chapters for an industry guide for NERC reliability standards published by LexisNexis Matthew Bender.

- Researched and worked with various software vendors to address functionality sought by utilities required to comply with NERC CIP standards.

Due Diligence and Financial Feasibility

- For various electric, gas distribution, and telecommunications clients, developed complex financial models to determine revenue requirements, develop rates and pricing, and determine the value of assets considered for acquisition.

- For creditors' committees of utilities in financial stress, performed due diligence concerning financial forecasts, pricing estimates, operational efficiency cost reductions and other factors.

- For investors, developed financial models and evaluated both operational and financial performance forecasts, underlying assumptions and participated in the development of valuation for transactions involving electric utilities, wireless carriers, technology vendors, and other types of investments under consideration.

Work History

Associate Director, Navigant	1997 – Present
Division Director, Austin Energy	1991 – 1997
Area Consulting Manager, Oracle	1990 – 1991
Manager, Partner, Deloitte Haskins + Sells	1979 – 1990
Manager, Ernst & Young	1978 -- 1979
Utility Commission of Texas, Asst. Director Accounting	1976 -- 1978
Gulf States Utilities, Senior Accountant	1971 -- 1976

NAVIGANT

Dan T. Stathos CPA*

Associate Director

Certifications, Memberships and Awards

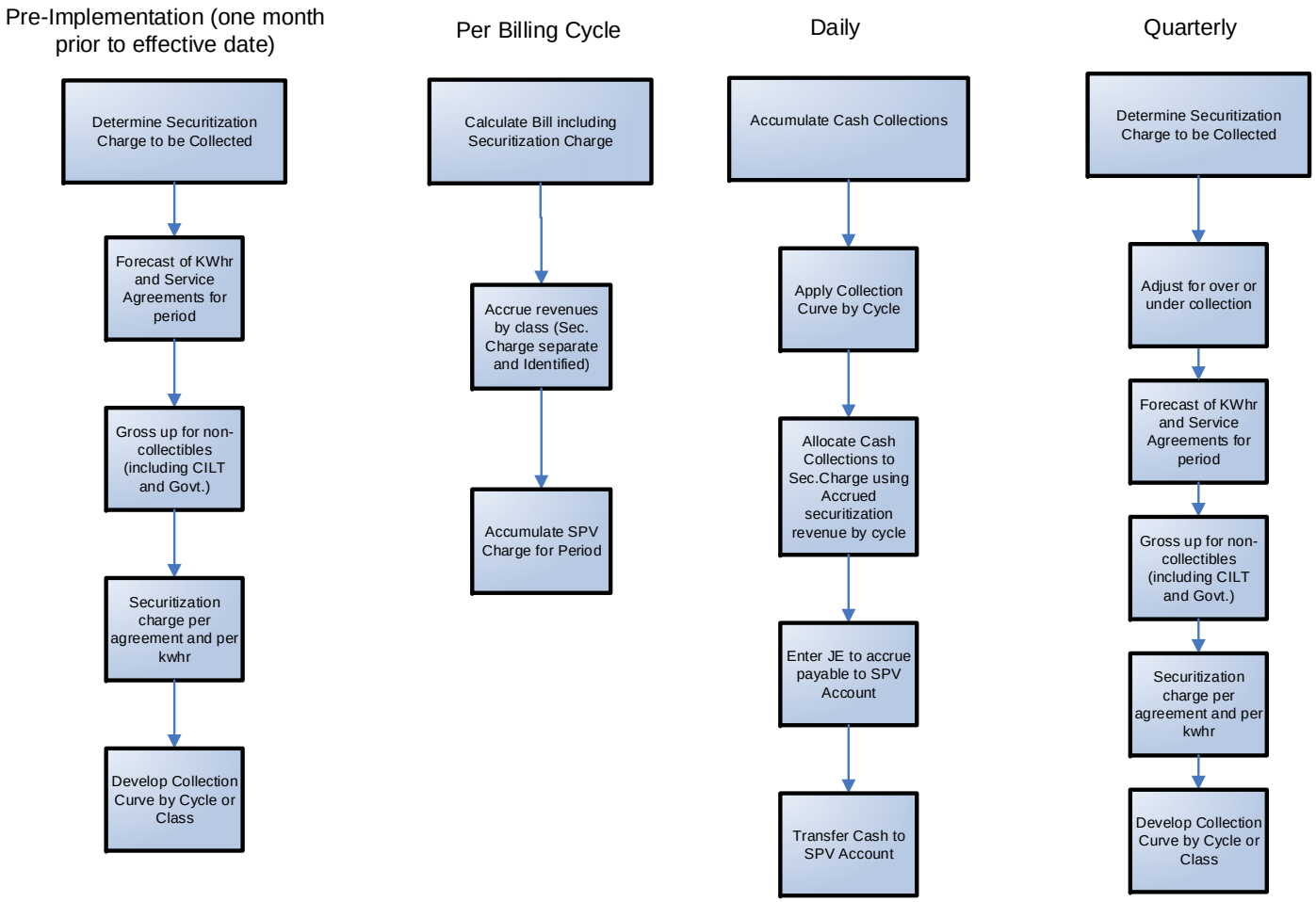
Certified Public Accountant, Texas*

Education

Bachelor of Business Administration, Accounting	University of Texas at Austin

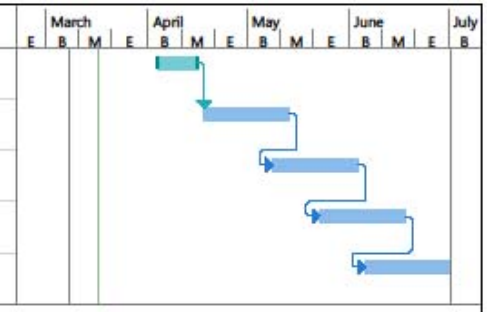
** Mr. Stathos is a CPA registered only in Texas. Neither Mr. Stathos nor Navigant Consulting provide audit, attest and public accounting services in Texas or any other state.*

Securitization Process and Components Requirements Overview



Standard Timeline.vsd

ID		Task Mode	Task Name	Duration	Start	Finish	Predecessors
1			Prepare Requirements	10 days	Mon 4/4/16	Fri 4/15/16	
2			Acquire Hardware/Software	20 days	Mon 4/18/16	Fri 5/13/16	1
3			System Reconfiguration and	20 days	Mon 5/9/16	Fri 6/3/16	2FS-5 days
4			System Testing	20 days	Mon 5/23/16	Fri 6/17/16	3FS-10 days
5			Change Management and Training	20 days	Mon 6/6/16	Fri 7/1/16	4FS-10 days



Project: Securitization set up pr
Date: Thu 3/17/16

Task
Split
Milestone
Summary
Project Summary
Inactive Task
Inactive Milestone
Inactive Summary
Manual Task
Duration-only
Manual Summary Rollup
Manual Summary
Start-only
Finish-only
External Tasks
External Milestone
Deadline
Progress
Manual Progress

Resource	Requirements Definition	Acquire Hardware Software	System Reconfiguration and Reports	System Testing	Change Management	Total Cost
PREPA OAS	$ 12,656	-0-	-0-	44,675	10,000	$ 67,331
PREPA OBSP	17,400	-0-	-0-	-0-	28,200	45,600
PREPA IT Staff	10,000	59,651	118,899	8,000	-0-	192,260
Hardware/software	-0-	800,000	-0-	-0-	-0-	800,000
HPQC Software	-0-	60,000	-0-	-0-	-0-	60,000
Oracle Contract	33,466	111,442	223,218	-0-	-0-	368,126
Consulting	20,000	-0-	-0-	-0-	5,000	25,000
Finance Staff	5,000	-0-	-0-	5,000	5,000	10,000
Training	-0-	-0-	-0-	-0-	18,025	18,025
Total Costs	$ 98,522	$1,030,802	$ 342,118	$ 57,675	$ 122,002	$1,651,119

Corporation Ex. 6.00

COMMONWEALTH OF PUERTO RICO

PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION, Petitioner.	NO. **SUBJECT: TESTIMONY SUPPORTING PETITION FOR RESTRUCTURING ORDER**

Testimony of

RALPH ZARUMBA

Director, Navigant Consulting, Inc.

On behalf of the

Puerto Rico Electric Power Authority Revitalization Corporation

April 7, 2016

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I. INTRODUCTION

A. Witness Identification

Q. **Please state your name, title, employer, and business address.**

A. My name is Ralph Zarumba. I am a Director in the Energy Practice at Navigant Consulting, Inc. ("Navigant"). My business address is 30 S. Wacker Drive, Suite 3100, Chicago, Illinois 60606.

Q. **On whose behalf are you testifying?**

A. I am testifying as a witness on behalf of the Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation").

B. Summary of Direct Testimony and Attachments

Q. **What does your testimony focus upon?**

A. The primary purpose of my testimony is to explain and support how the Calculation Methodology for the Transition Charges[1] and Adjustment Mechanism (collectively, the "Calculation Methodology") operate to distribute Financing Costs[2] and derive and adjust specific Transition Charges in a manner that ensures the full and timely payment of the Restructuring Bonds issued under the Restructuring Resolution (the "Bonds") and other Ongoing Financing Costs. My testimony supports and explains: (1) the determination of Customer classes among which Ongoing Financing Costs are distributed and the mechanics of how those allocations are made; (2) the calculation of Transition Charges

[1] Where I use capitalized terms that are defined in the Petition or the Attachments thereto, I intend the same meaning.

[2] "Financing Costs" are defined in PRA, Art. 31, para. 13. They include Upfront Financing Costs and Ongoing Financing Costs.

for Non-Residential Customers based upon historic energy usage (kWh) data; (3) the calculation of Transition Charges for Residential Customers on a per service agreement basis and the reasoning behind the Corporation's determination to calculate them in that manner; and (4) the calculation of estimated load including load served by net metering or distributed generation ("behind the meter") for the purposes of calculating Transition Charges, and the reasoning behind the Corporation's determination to propose that load be calculated in that manner ("Net Metering Determination"). I verify that the Calculation Methodology is practicable to administer and, based on its design and operation, and Customers' practical inability to bypass it without disconnecting from the system, ensures the full and timely payment of the Bonds.

Q. **How is your testimony organized?**

A. My testimony is organized in the following sections:

I. Introduction

II. Calculation Methodology

A. The Revenue Requirement and Its Distribution to Customer Classes

B. Calculation and Adjustment of Transition Charges

C. Treatment of Delinquencies

D. Net Metering and Behind the Meter Generation

E. Other Calculation Issues

F. Practicable to Administer and Ensures Full and Timely Payment

III. Independent Financial Consultant's Report

IV. Other Transition Charge Issues

V. Conclusion

Q. **Are there any exhibits to your testimony?**

A. Yes. My testimony includes the following exhibits:

- Exhibit 6.01: My resume;
- Exhibit 6.02: Puerto Rico Electric Power Authority's ("PREPA") current tariff classes and a mapping to the "Residential" or "Non-Residential" Customer classes; and
- Exhibit 6.03: Calculation of the Transition Charge. This Exhibit details the calculations supporting the Transition Charge and periodic adjustments thereto and includes the information that would be included in future quarterly reconciliation filings to the Commission. It allows the Commission to replicate the Transition Charge calculations in my testimony and Exhibit thereto.

In addition, while I discuss several Attachments[3], I specifically support the following Attachments to the Petition:

- Attachment 3.02: Identifies and estimates Transition Charges by class and compares estimates of the Transition Charges to estimates of total charges to Customers over the life of the Transition Charge; and
- Attachment 6.00: Independent Financial Consultant's Report provided pursuant to Article 6.25A(e)(3).

[3] To avoid confusion in the designation of documents, attachments to the Petition are designated as "Attachments" and testimony, and documents attached thereto, are designated as "Exhibits."

C. Qualifications and Professional Background

Q. **What are your duties and responsibilities at Navigant?**

A. I lead Navigant's efforts in Retail Regulatory matters. Retail Regulatory matters include pricing, cost of service, determination of revenue requirements for state and local review of utility pricing, and cost of service reviews. The group I lead also advises clients on regulatory policy matters associated with state, territorial, provincial, and local regulatory oversight.

Q. **Prior to your current position, what was your professional background?**

A. For the past 20 years, I have worked in the Energy Practices of a number of consulting firms. From 1985 through 1995, I was employed by a number of regulated electric and combination electric and natural gas Investor-Owned Utilities ("IOU") in the United States which included Illinois Power Company, Eastern Utility Associates, Wisconsin Electric Power Company, and San Diego Gas and Electric Company.

Q. **What is your educational background?**

A. I graduated from Illinois State University, Normal, Illinois, with a Bachelor of Science degree in economics. I received my Master of Arts degree in economics from DePaul University, Chicago, Illinois.

Q. **Have you prepared a resume presenting your background and experience in greater detail?**

A. Yes. My resume is attached as Exhibit 6.01.

Q. **Have you appeared as a witness in other regulatory or legal proceedings?**

A. Yes, I appeared as an expert witness in a number of regulatory and legal proceedings addressing electric generation, transmission and distribution issues, unregulated operations of utility holding companies, asset valuation, and regulatory treatment of Smart Grid investments. I provided testimony before the Federal Energy Regulatory Commission ("FERC"), the Nova Scotia Utility and Review Board, the Massachusetts Department of Public Utilities, the Rhode Island Public Utilities Commission, the Illinois Commerce Commission, the Wisconsin Public Service Commission, the Ontario Energy Board, the New York Public Service Commission, the New Mexico Public Regulation Commission, the Kansas Corporation Commission and the Texas Public Service Commission, as well as a number of other venues.

II. CALCULATION METHODOLOGY

A. The Revenue Requirement and Its Distribution to Customer Classes

Q. **What costs will be recovered in the Transition Charge mechanism?**

A. Ultimately, the Approved Restructuring Costs, including those paid from the proceeds of the Bonds, are recovered over time through the Transition Charge. As provided in Finding of Fact 4 of the Restructuring Resolution (Attachment 1.00):

> The Approved Restructuring Costs to be paid through the issuance of the Bonds and recovered through Transition Charges shall include the costs of (a) retiring the PREPA Bonds in exchange for the Exchange Offer Bonds or the 2016 PREPA Bonds in exchange for Post-Closing Date Bonds; (b) legally or economically defeasing Insured PREPA Bonds and 2016 PREPA Bonds through the issuance of Mirror Bonds and the payment of such Mirror Bonds; (c) restructuring, refunding, redeeming, defeasing (legally or economically through the issuance of additional Mirror Bonds or otherwise), or purchasing PREPA Bonds through the issuance of Syncora Bonds; (d) the retirement of the obligations due and owing by PREPA under the Credit Agreements through the issuance of the Lender Bonds; (e) funding or replenishing any debt service reserve fund or

> account or any other restricted accounts or subaccounts required to be established by the Trust Agreement, and to the extent permitted in the Trust Agreement, any Ancillary Agreement, including an additional reserve fund, to its required level, as provided in the Trust Agreement and, to the extent permitted in the Trust Agreement, any Ancillary Agreement (as the case may be), to secure payment of all or a portion of the Bonds; (f) funding any payment to the Internal Revenue Service (the "IRS") in accordance with any PREPA agreement with the IRS under the voluntary closing agreement or similar program; (g) funding a deposit to the self-insurance fund (the "PREPA Self Insurance Fund"), established pursuant to the trust agreement, dated as of January 1, 1974, as amended, by and between PREPA and U.S. Bank National Association, as successor trustee, in an amount not to exceed $50 million; (h) paying Financing Costs, including the Upfront Financing Costs, in connection with any issuance of Bonds and approved for recovery in the Restructuring Resolution; and (i) refunding, redeeming or purchasing Uninsured PREPA Bonds.

Because some of those costs are paid or financed by the Bonds themselves, the Calculation Methodology recovers those costs over time by establishing Transition Charges that recover "the sum of (a) principal of (in accordance with the scheduled maturity date or dates (including scheduled mandatory sinking fund redemption dates) and interest on the Bonds when due and as accruing through and including the First Bond Payment Date, (b) any amount necessary or expected to be necessary to fund or replenish any debt service reserve fund or account, or any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund, to their required level, as and to the extent such funding or replenishment is required by the Trust Agreement or any Ancillary Agreement (as the case may be) on or prior to the First Bond Payment Date, and (c) all other Ongoing Financing Costs required to be paid or deposited on or prior to the First Bond Payment Date." *Id.*

Q. **Please describe how the Corporation determined the Customer classes among which Ongoing Financing Costs are distributed.**

A. The Revitalization Act specifies that the Transition Charges are to be distributed to Residential and Non-Residential Customer classes.[4] Beyond those broad categories, the determination of Customer classes among which Ongoing Financing Costs are distributed and the distribution of Ongoing Financing Costs among Customer classes is addressed by the Restructuring Resolution and the Calculation Methodology and Adjustment Mechanism to Establish and Adjust the Transition Charge (the "Calculation Methodology") (Attachment 1.00, and Appendix 2 thereto). Exhibit 6.02 to my testimony lists each of PREPA's current tariff classes and maps them to the "Residential" or "Non-Residential" Customer classes for the purposes of the Calculation Methodology. If and when those PREPA rate classes evolve, the effective division will be preserved for Transition Charge calculation purposes.

Q. **Please describe what Customer groups are captured in the "Residential" and "Non-Residential" categories.**

[4] "Customer" means "any Person that is connected to or takes or receives electric service within the Commonwealth by means of the electric generation, transmission or distribution facilities constituting part of Electric System Assets, whether or not those electric generation, transmission, or distribution facilities are owned by PREPA. PREPA shall not be a Customer. Each municipality in the Commonwealth shall be a Customer to the extent that the dollar value of its usage of electric service (including in determining such dollar value of Transition Charges which would otherwise be imposed on such municipality and PREPA charges) in any fiscal year exceeds the dollar value owed by PREPA to such municipality as a contribution in lieu of taxes for such fiscal year." PRA, Article 31, para. 7. For the avoidance of doubt, previous Customers that completely disconnect from Electric System Asset and have no service agreement with PREPA, including for backup, standby, or other service, are no longer considered to be "Customers" for all purposes under the Act and the Restructuring Resolution unless and until said customers reconnect.

A. Residential Customers are those Customers that use electricity for domestic use. For purposes of calculating the Transition Charges, all other Customers, including Governmental Customers, are considered Non-Residential Customers. PREPA generally follows the FERC system of accounts which defines Residential and Non-Residential Customers in this manner.

Q. **How does the Calculation Methodology distribute Ongoing Financing Costs between the Residential and Non-Residential Classes?**

A. The Calculation Methodology established in Appendix 2 to the Restructuring Resolution (Attachment 1.00) distributes the Revenue Requirement to determine specific Residential and Non-Residential Revenue Requirements for the Residential Customer Class and Non-Residential Customer Class (including Government Customers). In particular, the division is made based upon the share of the total actual historical kWh billed to Residential and Non-Residential (including Government) Customers, respectively, in the previous 12-month period ending with the last day of the most recently completed calendar quarter for which data is available.

The historical energy (kWh) usage data for Residential Customers, Non-Residential Customers, and Governmental Customers[5] that is used in the calculation of Transition Charges, by the Adjustment Mechanism, and in the distributions described in Article 6.25A(e)(1)(ii), (iii), (iv), and (vi) is provided in Attachment 5.00, along with prior historical data for reference and information purposes. This data includes, in most

[5] For purposes of calculating the Transition Charges, Governmental Customers are a subset of Non-Residential Customers and are provided in Attachment 5.00 for informational purposes.

cases, usage that is directly measured (*e.g.*, with a meter), but also includes usage that is calculated (*e.g.*, for a light fixture), or estimated (*e.g.*, where a meter fails or cannot be read). This data is the basis of the distributions of the Revenue Requirements between Customer classes and of the kWh calculations underlying the estimated and exemplar Transition Charges discussed in the Corporation's filing. Of course, actual Transition Charges over time will be based on updated data.

Q. **Why are the various existing PREPA rate classes consolidated into two Customer classes (Residential and Non-Residential) for purposes of distributing the Ongoing Financing Costs?**

A. The Calculation Methodology will not change over the life of the Bonds and, thus, it would undoubtedly become obsolete if it tracked PREPA's current rate classes. Nor is there any need for a more granular allocation of the Transition Charges in the Calculation Methodology. Maintaining two broad Customer classes in the Calculation Methodology gives the Commission and PREPA more flexibility to adjust rate classes down the road. For example, if the Commission at some point in the future seeks to approve a different rate design that eliminates a particular Customer class, it would be difficult to implement the change if that class was hard-wired in the Calculation Methodology.

Cost allocations shift over time between classes depending on a multitude of factors including energy use, economic issues, technology, expansion/contraction of the grid and other factors that we have no way of knowing far in advance. The Commission has broad discretion over the allocation of PREPA costs in rate cases. Simply stated, the allocation of PREPA's costs will be addressed in the Embedded Cost of Service analysis

filed in the upcoming and future PREPA rate cases. Moreover, because the Commission retains jurisdiction over PREPA's rates, it can effectively allocate the total cost paid by Customers without altering, or being able to alter, in any way the Transition Charges or their distribution among Customer Classes.

Q. **Please provide an example of how the Calculation Methodology distributes Revenue Requirement between the Residential and Non-Residential Customer classes.**

A. The following is an illustrative projected example of the calculation used as part of the development of Attachment 6.03, the Transition Charge calculation:

	Estimated KWH (No CILT) Billed 12 Months Ending 3/31/16	Customer Distribution
Residential	6,354,141,574	38%
Non-Residential	10,174,334,514	62%
Total	16,528,476,088	100%

In this example, for Residential Customers, the total actual historical kWh billed in the previous 12-month period (ending with the end of the most recently completed calendar quarter for which data is available) or 16,528,476,088 kWh is divided into the actual historical kWh billed to Residential Customers, or 6,354,141,574, resulting in a 38% distribution of the Revenue Requirement to Residential Customers.

B. <u>Calculation and Adjustment of Transition Charges</u>

Q. **Please describe the Calculation Methodology including the Adjustment Mechanism and the manner of calculation of Transition Charges.**

A. For both Residential and Non-Residential Customers, the Calculation Methodology distributes Financing Costs and determines class-specific Revenue Requirements. Mathematically, the Calculation Methodology established in Appendix 2 of the Restructuring Resolution (Attachment 1.00) provides:

(a) Step 1: Calculate Customer Class Revenue Requirement Shares. As I discuss above, the Calculation Methodology distributes Financing Costs to determine a Residential Net Revenue Requirement and a Non-Residential Net Revenue Requirement based on the Residential Customer Allocation and the Non-Residential Customer Allocation, respectively. To do this, it specifies shares, which sum to 100%, of the total Revenue Requirement:

(1) Divide the Aggregated Actual kWh Billed for the previous 12-month period ending with the end of the most recently completed calendar quarter for which data are available into the Actual kWh Billed to Residential Customers during that same 12-month period. The resultant percentage is the "Residential Customer Allocation."

(2) Divide the Aggregated Actual kWh Billed for the previous 12-month period ending with the end of the most recently completed calendar quarter for which data are available into the Actual kWh Billed for all Non-Residential Customers and Government Customers during the same 12-month period. The resultant percentage is the "Non-Residential and Government Customer Allocation."

This process meets the requirements of Article 6.25A(d)(ii)(1). As provided by Article 6.25A(e)(1)(vi), for net metering Customers and Customers with "behind the meter" generation, the Corporation has determined that it should

include their gross usage for purposes of calculating Transition Charges. This subject is discussed below in Section II.D of my testimony. Exhibit 6.03 demonstrates these distribution calculations.

(b) **Step 2: Compare the Projected Transition Charge Revenues to the Required Revenues.** The Calculation Methodology provides for a direct mathematical comparison between the costs that must be recovered and the expected Transition Charge Revenues. The Adjustment Mechanism (Appendix 2 to Attachment 1.00) describes the steps as follows:

(3) Project the Transition Charge Revenues expected to be held by the Trustee on the proposed True-Up Adjustment Date after payment of Ongoing Financing Costs due on or prior to such date (but excluding amounts held or to be held on such date by the Trustee in any debt service reserve fund or account, or in any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund), and add to that amount the Transition Charge Revenues expected to be received by the Trustee after the True-Up Adjustment Date and during the First Collection Period from bills rendered prior to the True-Up Adjustment Date based on the Transition Charges then or previously in effect.

(4) Calculate the sum of (a) principal of (in accordance with the scheduled maturity date or dates (including scheduled mandatory sinking fund redemption dates)) and interest on the Bonds when due and as accruing through and including the First Bond Payment Date, (b) any amount necessary or expected to be necessary to fund or replenish any debt service reserve fund or account, or any other restricted accounts or sub accounts required to be established by the Trust Agreement or any Ancillary Agreement as a an additional reserve fund, to their required level, as and to the extent such funding or replenishment is required by the Trust Agreement or any Ancillary Agreement (as the case may be) on or prior to the First Bond Payment Date, and (c) all other Ongoing Financing Costs required to be paid or deposited on or prior to the First Bond Payment Date.

(5) Subtract the amount in clause (3) from the amount in clause (4) to determine the "Net Revenue Requirement" for the First Collection Period.

This is a mathematically sound and accurate way of determining over time the quantity of Transition Charge Revenues that are required to cover the Financing Costs. It complies with the requirements of Article 6.25A(d)(1) by providing for "the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs… ." Exhibit 6.03 demonstrates how the calculations in Step 2 are calculated.

(c) **Step 3: Calculate the Gross Billing Requirements required to collect necessary Transition Charge Revenues for each Customer class and period.** In order to calculate a correct Transition Charge, the required revenues must be adjusted or "grossed up" to take into account the fact that not all Customers pay and all Customers who do pay over time, pay at varying rates. To accomplish this, the Adjustment Mechanism calculates a Gross Billing Requirement for both the Residential and Non-Residential Classes for each relevant period. Those Gross Billing Requirements adjust (or gross up) the Net Revenue Requirement to account for historical billing data, the Composite Collection Curve – which I will discuss further below – and the write-off assumption, so that the Transition Charge Revenues expected to be remitted to the Trustee meet the calculated Revenue Requirements. The Adjustment Mechanism (Appendix 2 to Attachment 1.00) describes this step as follows:

> (6) Adjust (or gross up) the Net Revenue Requirement [to give effect to the number of billing cycles, the Composite Collection Curve and the write-off assumption,] to ensure that the Transition Charge Revenues expected to be remitted to the Trustee during the First Collection Period will satisfy the Net Revenue Requirement for the First Collection Period on a timely basis and will result in the Excess Funds Account held under the Trust

Agreement to be zero by the First Bond Payment Date. The result will be the "Gross Billing Requirement" for the First Collection Period.

Functionally, as I explain below, this results in the proper allocation of delinquencies – Transition Charges that are not collected from Customers – as I discuss in Section II.C, below, and it takes into account lag in the payment of Transition Charges. Exhibit 6.03 demonstrates how the Step 3 calculations will be performed.

(d) **Step 4: Calculate Transition Charge.** For Non-Residential Customers (which includes all Customers of PREPA other than Residential Customers), the Transition Charge is based on kWh consumption of each Customer by applying a rate derived from the Non-Residential Net Revenue Requirement and the total historical kWh usage of Non-Residential Customers, as specified above. For Residential Customers, the Transition Charge is a flat charge based on the Residential Net Revenue Requirement and the Residential Service Agreement Count, defined as the average number of Residential Service Agreements used for billing purposes during the previous 12-month period ending with the end of the most recently completed calendar quarter for which data is available as of the date of any calculation. The Adjustment Mechanism (Appendix 2 to Attachment 1.00) describes these steps as follows:

(7) Multiply the Gross Billing Requirement for the First Collection Period by the Residential Customer Allocation. The result will be the "Residential Gross Billing Requirement" for the First Collection Period.

(8) Multiply the Gross Billing Requirement for the First Collection Period by the Non-Residential and Government Customer Allocation. The result

will be the "Non-Residential and Government Gross Billing Requirement" for the First Collection Period.

(9) Divide the Residential Gross Billing Requirement for the First Collection Period by the Residential Service Agreement Aggregate Count for First Collection Period to produce a $/per service agreement Transition Charge. The result will be the first possible Transition Charge for each Residential Customer to be effective on the True-Up Adjustment Date.

(10) Divide the Non-Residential and Government Gross Billing Requirement for the First Collection Period by the Actual kWh Billed for Non-Residential Customers and Government Customers during the comparable period to the First Collection Period in the prior 12-month period for which data are available (i.e., the calendar dates one year prior to the calendar dates in the First Collection Period, to produce an estimated volumetric (per kWh) Transition Charge. Subject to clause (12), the result will be the first possible Transition Charge (per kWh) for all Non-Residential and Government Customers to be effective on the True-Up Adjustment Date.

(11) Repeat the calculations described in clauses (3) through (10), inclusive, to determine the Transition Charges necessary to satisfy the revenue requirement for each consecutive Collection Period which ends during the Annual Calculation Period, replacing "First Bond Payment Date" with "Second Bond Payment Date" and "First Collection Period" with "Second Collection Period," etc. through the Third and Fourth Collection Periods (if any) respectively.

(12) Compare the revenues produced by each set of Transition Charges resulting from the calculations above (i.e., one set for each Collection Period). The set of Transition Charges which is expected to produce the greatest revenue by the end of the First Collection Period will be the set of Transition Charges to be effective on the True-Up Adjustment Date.

These steps assure that the Transition Charges that go into effect assure a level of charges sufficient to pay the Bonds and related costs on each payment date. Exhibit 6.03 demonstrates how the calculations in Step 4 would be performed.

(e) **Step 5: True-Up and prospectively adjust the Transition Charge quarterly or more frequently, if required.** Transition Charges are initially established and are thereafter trued-up and prospectively adjusted, at least quarterly, through the formulaic Adjustment Mechanism. This mechanism accounts, over time, both for changes in the Revenue Requirement and for variations and changes in other parameters influencing the calculation of the Transition Charges and their collection. The Restructuring Resolution and the Calculation Methodology provide that PREPA, as the Servicer will recalculate the Transition Charge, subject to review by the Calculation Agent. For the purpose of assuring the mathematical accuracy of the calculations, true-ups will be conducted: (a) quarterly, beginning no more than three months from issuance of the Bonds and continuing until the Bonds and all other Ongoing Financing Costs are paid in full, and (b) at any other time if the Corporation, the Commission, the Calculation Agent, or any party to an Ancillary Agreement or the requisite bondholders determine that such adjustment is required to assure the timely payment of the Bonds and other Ongoing Financing Costs. The Adjustment Mechanism (Appendix 2 to Attachment 1.00) states:

> The Corporation will adjust the Transition Charges for each Class as requested in each True-Up Letter, and such Transition Charges will be effective on the date specified in the True-Up Letter, so long as such effective date is at least 30 days after the filing with the Commission of such True-Up Letter, subject only to the correction of any mathematical errors by the Commission as set forth in the next sentence. Any adjustment to correct the mathematical inaccuracy, if ordered by the Commission, shall be made by the Servicer no later than the next succeeding True-Up Adjustment on which such adjustment can practically be made without delaying the effective date set forth in the True-Up Letter.

Those periodic adjustments will (i) correct for any over-collections or under-collections of Transition Charges by adjusting the revenues required going forward, and (ii) to ensure that expected Transition Charge remittances to the Trustee, after taking into account assumed charge-offs and payment delays, are adequate (a) to pay timely principal of (in accordance with the expected amortization schedule) and interest on the Bonds in the next 12-month period, (b) to replenish the debt service reserve fund or account (or in any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as a rate stabilization or additional reserve fund) to its required level no later than the date specified in the Trust Agreement and other operative documents, and (c) to make timely payment of all other Ongoing Financing Costs.

Q. **Why, as reflected in Step 4, has the Corporation determined that Transition Charges applicable to Residential Customers should be a flat charge calculated on a per service agreement basis?**

A. The per service agreement determination is administratively simple and will be able to be administered in a consistent manner over the life of the Transition Charges. Moreover, the per service agreement determination is reasonable because low income users tend to have a higher kWh usage due to PREPA's legacy flat charge rate design and generally inefficient electric use among these Customers. A Transition Charge based on kWh usage would place a significantly higher burden on these Customers than the per service agreement basis.

Q. **How are Transition Charges calculated at each Adjustment date for a Collection Period?**

A. The Transition Charge is calculated to meet all payments due during the Collection Period in the 12-months following the rate effective date. The rate must be calculated to collect sufficient funds to meet scheduled payments of Ongoing Financing Costs (including debt service on the Bonds) as they become due.

Q. **Please describe the process where PREPA as the Servicer will monitor the level of collections and determine if an adjustment is required to assure the timely payment of the principal and interest on the Bonds.**

A. After month-end data is available, PREPA as the Servicer will prepare monthly reports which will compare the actual collection of revenues for the Transition Charge to that which was estimated for that month. The Calculation Methodology describes the steps as follows:

> To initiate any True-Up Adjustment, the Servicer will make a preliminary calculation of the True-Up Adjustment and will prepare and submit to the Calculation Agent a draft request for adjustment (a "True-Up Letter"). The Calculation Agent will review the draft True-Up Letter, including the mathematical calculations related to the proposed True-Up Adjustment, and forward any corrections or modifications to the Servicer. The Servicer will then file the True-Up Letter, reflecting any such corrections or modifications, with the Corporation, the Commission and the Trustee, not later than 30 days prior to the proposed effective date of the adjustment set forth in the True-Up Letter (such effective date being referred to as the "True-Up Adjustment Date").
>
> Each True-Up Adjustment will be designed (i) to correct for any over-collections or under-collections of Transition Charges through the proposed True-Up Adjustment Date and (ii) to ensure that expected Transition Charge Revenues remitted or to be remitted to the Trustee, after taking into account assumed charge-offs and payment delays, are adequate (A) to pay timely principal of (in accordance with the scheduled maturity

date or dates (including scheduled mandatory sinking fund redemption dates)) and interest on the Bonds on each of the Payment Dates that occurs during the related Annual Calculation Period (defined below), (B) to fund or replenish any debt service reserve fund or account or any other restricted accounts or subaccounts required to be established by the Trust Agreement or any Ancillary Agreement as an additional reserve fund) to its required level, as provided in the Trust Agreement or the Ancillary Agreement (as the case may be), and (C) to make timely payment of all other Ongoing Financing Costs during the related Annual Calculation Period.

Q. **Explain how the filing provides information sufficient to allow the Commission to replicate the Transition Charges for Non-Residential and Residential Customers.**

A. For any level of Revenue Requirement, the data provided with the filing would allow the Commission to replicate the calculation of the Transition Charges that I have performed. Attachment 3.02 estimates the Transition Charges by class and compares the estimates to the total charges to Customers over the life of the Transition Charges. Exhibit 6.03 details all of the calculations supporting the Transition Charge calculation and contains the information that would be provided in future quarterly reconciliation filings to the Commission. The calculations in this Exhibit are straightforward and allow the Commission to replicate each step of the process to understand precisely how the Transition Charge was calculated.

Q. **Does the distribution of responsibility for Transition Charges among Customer classes and Customers limit the discretion of the Commission in addressing the allocation of responsibility for the PREPA revenue requirement in any PREPA rate case?**

A. No. In PREPA's general rate proceedings, the cost of service analysis will reflect all of the components of PREPA's revenue requirement, as well as debt service on the Restructuring Bonds and related costs. This approach would be utilized whether or not a debt restructuring occurs. Thus, for rate design purposes, PREPA will include the debt service of the Restructuring Bonds in the cost of service analysis while including the revenues from the Transition Charge as a revenue credit. In future PREPA rate cases, the Commission will approve a design for PREPA rates that allocates all total costs billed to Customers (including debt service and other costs associated with the Bonds). While the decisions in those cases cannot affect the Transition Charges themselves, they can adjust how PREPA costs are allocated among Customers, preserving the full discretion of the Commission over how the Transition Charges impact Customers.

Q. **Please describe how costs are allocated to rate classes in the PREPA rate case.**

A. The Embedded Cost of Service Study ("ECOSS") will be performed without regard to the existence of the Transition Charges, and will allocate total costs using a methodology generally accepted in the industry. After the overall responsibility for revenue requirements has been determined for each rate class under an ECOSS methodology, the revenues from the Transition Charge will be deducted and the remaining PREPA revenue requirement will be recovered from base rates and other rate design components. (In the event that the Commission elects to rely on a Marginal Cost of Service Study, the same principles will apply and the overall allocation of charges will simply be driven by marginal as opposed to embedded costs.) Transition Charges will be calculated and collected as established by the Restructuring Resolution and the Revitalization Act and

remain unaffected by PREPA rate cases, while the Commission retains jurisdiction over the overall costs assessed to, and price signals sent to, particular rate classes.

Q. **Please explain what would occur in a rate case if the Transition Charges imposed on a particular Customer class collect more than the share of debt service costs attributed to that class in a cost study.**

A. If the Transition Charges impute more than a particular class' debt service share (as determined by the cost of service study), the overall cost allocation (including debt service and other costs), with all else being equal, will be adjusted downward so that the allocation of total costs and determination of rates for that class is equitable.[6] Again, that does not change the Transition Charges themselves, but it preserves the Commission's authority of the design of the rates that govern the total liability of Customers for electric service, including the PREPA rates.

C. <u>Treatment of Delinquencies</u>

Q. **Will Customer delinquencies in any period be added to the revenue requirement of the next period and allocated among all Customer classes consistent with the methodology described above?**

A. Yes. The Restructuring Resolution includes a provision that delinquencies of any class of Customers will be distributed among all Customer classes as previously described and included in the Adjustment Mechanism (Appendix 2 to Attachment 1.00). Consistent

[6] By way of illustration only, and using entirely hypothetical numbers for ease of explanation, if the Commission desired to reduce the economic effect of a fixed $2.00 Transition Charge on a group of Customers, it could reduce the allocation of PREPA charges to that group of Customers by $1.00. While the Transition Charge would remain payable by those Customers without change, the effective change in those Customer's total bill due to the imposition of the Charge would have been modulated.

with Article 6.25A(d)(3) of the Revitalization Act, the calculation of the Gross Billing Requirement in the Adjustment Mechanism allocates delinquencies among all Customer classes consistently with how other Financing Costs are allocated.

Q. **What is a Composite Collection curve and how is it used in the Calculation Methodology?**

A. A Composite Collection Curve is used to determine the appropriate gross-up factor for the collections lag. Using historical data, the Composite Collection Curve calculates the estimated time it takes all Customers to pay their bills. This estimated time is then used to determine the amount of collections relative to when debt service payments are due. Following is a description of the Composite Collection Curve in the Adjustment Mechanism (Appendix 2 to Attachment 1.00):

> In estimating the expected receipts of Transition Charges for any period the Servicer will apply a "collection curve" reflecting the most recent 12-month history of collections for which data are available. In connection with each True-Up Adjustment filing, the Servicer will develop one collection curve reflecting payment history for all Customers (the "Composite Collection Curve"). A collection curve is data reflecting the timing of payments of outstanding bills during a 12-month period, adjusted to assume that any Transition Charges which are not collected within 120 days of billing are written off. Each month's billings are divided into aging buckets based on the number of days for which such billings have been outstanding (e.g., 0 to 29 days, 30 to 59 days, 60 to 89 days, and 90 to 119 days outstanding). The aging buckets are then used to estimate the dollar amount of each month's billings collected within 30, 60, 90 and 120 days, as well as the dollar amount not collected within 120 days (amount written off) for the 12-month period. For such 12-month period, the collection curve is calculated by dividing each of the total dollar amount of billings collected within 30, 60, 90, and 120 days by the total dollar amount of billings collected within 120 days. The Composite Collection Curve will also be used to calculate the Days Sales Outstanding referred to in Annex 3 to the Servicing Agreement

Q. **Is the use of a Composite Collection Curve in the Calculation Methodology an appropriate tool to forecast receipts of Transition Charge revenues?**

A. Yes. The Composite Collection Curve utilizes past collection experience to forecast the amount of revenue that is expected to be received from the Transition Charges. A Composite Collection Curve represents the amount and timing by which outstanding bills have been paid during a collection period[7] adjusted to assume that any Transition Charges which are not collected within 120 days of billing are written off. A description of the Composite Collection Curve in the Adjustment Mechanism (Appendix 2 to Attachment 1.00) is provided in the answer to the immediately preceding question.

Q. **How frequently will the Composite Collection Curve be updated?**

A. The Composite Collection Curve will be updated with each reconciliation adjustment is filed with the Commission.

D. <u>Net Metering and Behind the Meter Generation</u>

Q. **Does the Calculation Methodology include the estimated load served by net metering or distributed generation ("behind the meter")?**

A. The Corporation has made a determination, as I recommend, that Transition Charges will be calculated based on total gross load of Customers, including total behind the meter consumption, as it becomes practicable to measure or estimate that load reliably. The Net Metering Determination is reflected in the Calculation Methodology (Appendix 2 to Attachment 1.00) which defines "Actual kWh Billed," for this purpose, "without regard

[7] "Collection Period" means, for the purposes of any True-Up Adjustment, the period which commences on a True-Up Adjustment Date and which ends five (5) Business Days prior to a designated Bond Payment Date. Adjustment Mechanism (Appendix 2 to Attachment 1.00).

to any offset for net-metering and adjusted for estimated distributed generation usage." Initially, the Corporation proposes that Customers be charged the total kWh measured by the billing meter, with no offset for exported – or "net metered" – kWh. As it becomes practicable over time, and as meter data measuring the output of the distributed generation itself becomes available, the load of such Customers for these purposes will include the gross output of the distributed generation plus the net deliveries from PREPA.

Q. **Will the Net Metering Determination materially affect all classes of Customers?**

A. No. Due to the Corporation's per service agreement determination, the Net Metering Determination will mainly prevent Non-Residential net metering Customers from bypassing the Transition Charges. Residential Customers will not be affected in any material respect because each service agreement – whether net metering or not – will be subject to a flat Transition Charge. Thus, the amount of load behind the meter will not affect the Transition Charge to an individual Residential net metering Customer.

Q. **Please explain the reasons for the Corporation's Net Metering Determination to include estimated load served by net metering or estimated distributed generation ("behind the meter") in determining Customer energy usage.**

A. Absent the Net Metering Determination, these Customers could reduce their responsibility to pay Transition Charges, and the responsibility for those avoided charges would be transferred to other Customers. This is not equitable given that the Financing Costs recovered through the Transition Charges result from historical PREPA operating and fuel costs and investment expenditures. Those costs and expenditures are reflected in

the PREPA legacy debt burden that the restructuring should mitigate. Current Customers should not be permitted to bypass paying their share of costs related to those historical obligations – and shift their share to other Customers – by deciding to install behind the meter generation. This cost shift would also disproportionately impact those Customers that could not afford to purchase such equipment to bypass the charges.

Allowing Customers to avoid their share of those costs would also create an artificial incentive to install and use such generation behind the meter and send an improper price signal encouraging the bypass of system electric supply even when not economic. Indeed, the increase in other Customers' Transition Charges would itself also create an even greater uneconomic incentive to bypass the PREPA system This would increase further the inequitable shift in the responsibility for Transition Charges.

Q. **In light of the Corporation's Net Metering Determination, will the rates charged to net metering Customers satisfy the criteria set out in Article 4 of Law No. 114-2007, as amended by Article 29 of the Revitalization Act ("Article 4 requirements") that charges to net metering Customers "be just?"**

A. Yes. The application of Transition Charges to net metering Customers' entire load is just because, as I mention above, these charges cover historical operating and fuel costs and investment expenditures. They were incurred to benefit all Customers and, therefore, should be distributed to all Customers. It would be not be just to allow net metering Customers to bypass the Transition Charges because doing so would place a greater burden on other Customers, including those who cannot afford to install distributed generation.

Q. **In light of the Corporation's Net Metering Determination, will the rates charged to net metering Customers satisfy the Article 4 requirements that charges to net metering Customers "will cover operational and administrative costs of network services that the consumer received with the Net Metering Agreement?"**

A. Yes. The imposition of a Transition Charge will not affect how the overall rates charged to net metering Customers cover operational and administrative costs of network services that the consumer receives through the Net Metering Agreement. The overall rates charged to these Customers cover the operational and administrative costs related to serving them.

Q. **In light of the Corporation's Net Metering Determination, will the rates charged to net metering Customers satisfy the Article 4 requirements requiring that charges "never will be excessive or established in such a way that it becomes an obstacle to the deployment of renewable energy projects?"**

A. Yes. In making the determination to include estimated load served by net metering in determining Customer energy usage, the Corporation and PREPA considered this Article of the Revitalization Act and believe that the Transition Charges will not affect the justness of charges to net metering Customers or the coverage of operational and administrative costs of network services provided to these Customers under their Net Metering Agreement with PREPA. In addition, the Transition Charges are not being established in a way that makes them an obstacle to the deployment of renewable energy projects.

I have reviewed the Transition Charges and how they are applied to net metering Customers. Here, the Transition Charge is just and will be paid by all Customers and will not be a greater burden on net metering Customers versus other PREPA Customers. Furthermore, it is very important that the Transition Charges remain neutral with no incentive – or disincentive – to implement behind the meter distributed generation. Either would create uneconomic incentives/disincentives to implement such technology. Thus, the inclusion of estimated load served by net metering in determining Customer energy usage should not play a role in a Customer's decision whether to implement behind the meter distributed generation.

Q. **Will the inclusion of estimated load served by net metering or estimated distributed generation ("behind the meter") in determining Customer energy usage limit the Commission's authority over the overall charges paid by such Customers?**

A. No. The Commission retains authority over the design of PREPA's rates, including the charges applicable to net metering Customers. As I testified earlier, the Corporation's calculation of the Transition Charge, including how load is measured, will not affect that authority or limit the design of the PREPA rate charged to such Customers.

Q. **Will the methodology for the inclusion of the estimated load served by net metering or distributed generation ("behind the meter") in the calculation of Transition Charges, in accordance with the Net Metering Determination, ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs?**

A. Yes. Not allowing Customers who use behind the meter generating equipment to avoid paying a Transition Charge reflecting their actual and, typically, historical load will enhance the assurance that the Corporation will make full and timely payment of the Bonds.

Q. **Can you confirm that the methodology for including the estimated load served by net metering or distributed generation ("behind the meter") in the calculation of Transition Charges, in accordance with the Net Metering Determination, is practical to administer?**

A. Yes. The inclusion of the estimated load served by net metering Customers in the calculation of Transition Charges is practical to administer. I am familiar with PREPA's billing systems and customer information systems and do not see any issue with administering this methodology.

Q. **How will PREPA practically extract and provide the gross usage of net metering Customers as required in administering the calculation of the Transition Charges on a quarterly basis?**

A. Currently, PREPA has advanced electronic meters for all net metering Customers, measuring both total kWh used by the Customer from PREPA and total kWh exported to PREPA. Both of these separate values are transmitted by the remote metering systems and stored in the Billing System, where they are later netted out in the current rate structure. This enables PREPA to use the total kWh delivered from the PREPA system to calculate Transition Charges without an exported kWh offset, regardless of how other rates are calculated. As it becomes practicable, a second meter will be installed or

enabled in the largest net metering Customers to measure the true gross generation, and determine the total behind the meter kWh.

E. <u>Other Calculation Issues</u>

Q. **What are contributions in lieu of taxes ("CILT") of municipalities?**

A. As a public corporation, PREPA is not required to pay property and other taxes, including to municipalities. CILT is a payment which PREPA provides to municipalities in lieu of taxes which they would be required to pay if they were a privately owned enterprise.

Q. **Does the Calculation Methodology include the entire estimated load of municipalities including the portion covered by CILT?**

A. No. The definition of "Customer" under the Article 31 of the Revitalization Act provides that "(e)ach municipality in the Commonwealth shall be a Customer to the extent that the dollar value of its usage of electric service (including in determining such dollar value of Transition Charges which would otherwise be imposed on such municipality and PREPA charges) in any fiscal year exceeds the dollar value owed by PREPA to such municipality as a contribution in lieu of taxes for such fiscal year." PRA, Article 31, para. 7. Thus, only the usage of municipalities that exceeds CILT is included in the Calculation Methodology.

Q. **Will the Calculation Methodology permit the Commission to discharge its obligation to require PREPA (or other Servicer) to demonstrate that PREPA (or such other Servicer) has been prudent in addressing late payments, past-due bills, and non-payments?**

A. Yes. The Calculation Methodology includes an adjustment for late payments, past-due bills, and non-payments. Nothing in the Calculation Methodology prevents or interferes with the Commission's ability to require PREPA (or any subsequent Servicer) to demonstrate that it has been prudent in addressing late payments, past-due bills, and non-payments. Any finding of imprudence, however, will not – as provided by Article 6.25A(d)(3) – affect the allocation of delinquencies.

Q. **How are the above concerns addressed?**

A. Detailed collection data will be included in each quarterly filing which will provide the Commission with the necessary information to discharge its obligation to require PREPA (or other Servicer) to demonstrate that PREPA (or such other Servicer) has been prudent in addressing late payments, past-due bills, and non-payments.

F. <u>Practicable to Administer and Ensures Full and Timely Payment</u>

Q. **Is the Calculation Methodology "designed to provide for the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs?"**

A. Yes. As is demonstrated in my testimony, the mechanism which has been designed will ensure that the Restructuring Bonds will receive full and timely payment.

Q. **Is the share of Financing Costs to be recovered from each Customer class calculated "in such manner which is practicable to administer?"**

A. Yes. The calculation supporting the distribution of Financing Costs to each Customer class (*i.e.* Residential and Non-Residential) is based upon kWh sales adjusted for

collections. The data required to perform these calculations is produced in the normal course of business at PREPA and is readily available.

Q. **Is the share of Financing Costs to be recovered from each Customer class calculated in a manner "which ensures the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs?"**

A. Yes. The Calculation Methodology provides reasonable assurance that timely payment of the Bonds will occur. The following provisions are included in the calculation which ensures compliance with the Act: (1) calculations are based upon forward looking information; (2) trends in the number of service agreements and kWh sales are captured in the calculation; and (3) periodic reconciliations are performed in order to reduce significant variations form projected costs.

Q. **Please explain the basis for the Corporation's determination that the Transition Charges and Adjustment Mechanism are designed and calculated to ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs.**

A. The Restructuring Resolution, and Appendices thereto, set forth the Calculation Methodology and contain a form of Servicing Agreement under which PREPA, as the initial Servicer, will remit Transition Charge Revenues which are each designed to ensure adequate funds are available to pay debt service on the Bonds when due as well as other Ongoing Financing Costs. As I describe in more detail in the Independent Financial Consultant's Report, attached to the Petition as Attachment 6.00, we have compared the projections of the Ongoing Financing Costs to the revenues expected from the Transition

Charges and conclude that the Calculation Methodology, including this periodic application of the Adjustment Mechanism, will ensure that the Transition Charge Revenues are sufficient to provide for the timely payment of Ongoing Financing Costs.

Q. **Are the provisions of the Restructuring Resolution, including the Calculation Methodology for the Transition Charges and the Adjustment Mechanism related to such Restructuring Bonds, consistent with the criteria set forth in Article 6.25A(d)?**

A. Yes. The provisions of the Restructuring Resolution, including the Calculation Methodology for the Transition Charges and the Adjustment Mechanism related to such Restructuring Bonds, are consistent with the requirements of Article 6.25A(d) and are sufficient for and provide for adequate protection for the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs.

III. INDEPENDENT FINANCIAL CONSULTANT'S REPORT

Q. **Are you an independent financial consultant with recognized expertise in financing public electric utilities?**

A. Yes. My personal qualifications are stated above. Navigant has provided similar services to other clients.

Q. **Does the Petition include or attach a report as described in Article 6.25A(e)(2)?**

A. Yes, I sponsor the Independent Financial Consultant's Report attached to the Petition as Attachment 6.00. The Independent Financial Consultant's Report, among other things, sets forth historical energy (kWh) usage by Customer class, includes a projection of Ongoing Financing Costs and Transition Charges during the term of the Restructuring Bonds and any other material assumptions used in the Report, and concludes that such

Transition Charges have been calculated as provided in Section 6.25A(e)(1) and, in accordance with the assumptions included in such Report, will ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds. In reaching that conclusion, I assume that the Calculation Methodology is properly administered and that accurate information is used.

Q. **What additional information is included in the Report?**

A. The Report includes: (a) historical energy (kWh) usage, a projection of Ongoing Financing Costs and Transition Charges during the term of the Restructuring Bonds and any other material assumptions used in the report; (b) my conclusion that the Transition Charges have been calculated as provided in clauses (ii), (iii), (iv) and (vi) of Article 6.25A(e)(1), as applicable; and (c) my conclusion that in accordance with the assumptions included therein, that the Transition Charges will ensure the full and timely payment of the Restructuring Bonds in accordance with their terms and all other Ongoing Financing Costs during the term of the Restructuring Bonds.

IV. <u>OTHER TRANSITION CHARGE ISSUES</u>

Q. **Can you estimate the initial Transition Charges by Customer class including the percentage of the charge to total charges?**

A. Yes. That information is shown in the table below:

Line No.	Item	Amount
1	**Residential Customers**	
2	Average Monthly Revenue per Customer - FY 2014	$99.34
3	Proposed Transition Charge - $/Service Agreement	$11.98
4	Transition Charge as a Percentage of 2014 Monthly Revenues	12.1%
5		
6	**Non-Residential Customers**	
7	Average Revenue per KWH - FY 2014	$0.26418
8	Proposed Transition Charge - $/KWH	$0.03055
9	Transition Charge as a Percentage of 2014 Average Revenue per KWH	11.6%

Q. **Have you also estimated Transition Charges and how they compare to total charges to Customers for electric service over the life of the Transition Charges?**

A. Yes. Attachment 3.02 sets forth estimates of Transition Charges by class and provides a comparison of Transition Charges to total charges to Customers, each over the life of the Transition Charges. The estimate is based upon the number of services agreements and kWh usage in the current transition charge calculation and the estimated level of debt service and other costs which will be captured in each time period.

Q. **How was the comparison of projected Transition Charges to total charges made?**

A. Two estimates were used to provide these estimates, one for Residential Customers and one for Non-Residential Customers.

Q. **Please describe the approach used to estimate the projected Transition Charge to the bills of Residential Customers.**

A. The average Residential Customer's bill for the time period fiscal year 2015 was used the denominator of the equation. The numerator of the equation is the transition charge, as stated in dollars per service agreement, as estimated above.

Q. **Please describe the approach used to estimate the projected Transition Charge to the bills of Non-Residential Customers.**

A. Non-Residential Customers are not as homogenous as Residential Customers. Further, the Transition Charge for these Customers is calculated on a per kWh basis. Therefore, the Transition Charge stated in dollars per kWh was compared to the average revenue per kWh for PREPA's non-residential tariff classes for the fiscal year.

Q. **Your calculations estimating the impacts of the Transition Charge on Customers assumes that PREPA's rate is constant over the long-run. Is that assumption realistic?**

A. PREPA's rate can be expected to change over time and will be impacted by a multitude of factors such as the cost of capital, fuel costs, and other factors. Adoption of the assumption that the average or average rate remains constant over time is a conservative assumption and will in all likelihood overstate the impact of the Transition Charge.

Q. **Will the Transition Charges be collected through a separate rate rider?**

A. Yes. The transition charge will be collected through a new Rider XX.

V. <u>CONCLUSION</u>

Q. **Does this complete your testimony?**

A. Yes.

No. CEPR-_____
Corporation Ex. 6.00

ATTESTATION

The undersigned, RALPH ZARUMBA, being of legal age, married, executive and consultant, and resident of City of Evanston, County of Cook, State of Illinois, in his capacities as Director of Navigant Consulting, Inc., states that the foregoing testimony, presented in written Question and Answer format, is true and correct to the best of his knowledge and belief.

IN WITNESS WHEREOF, I have hereunto signed my name this ____ day of April 2016.

_____
RALPH ZARUMBA

Director
Navigant Consulting, Inc.

Affidavit No.____

Acknowledged and subscribed before me by Ralph Zarumba, of the personal circumstances above mentioned, in his capacities as Director of Navigant Consulting, Inc., who is personally known to me, in San Juan, Puerto Rico, this ____ day of April 2016.

_____
Notary Public

NAVIGANT

Ralph Zarumba

Director

Ralph.zarumba@navigant.com
30 S. Wacker Drive, Chicago, IL 60606
Mobile: 312.342.4387

Professional Summary

Ralph Zarumba is a Director in the Energy Practice with 30 years of experience specializing in regulatory issues and economic analysis associated with energy utilities in North America, Europe and Asia. Mr. Zarumba has appeared as an expert witness in a number of regulatory and legal proceedings addressing electric generation, transmission and distribution issues, unregulated operations of utility holding companies, asset valuation and regulatory treatment of Smart Grid investments.

He has also assisted clients in other matters including Depreciation Studies, Transfer Pricing Mechanisms and evaluation of the results of competitive bidding for electric generation services. These testimonies have been presented before the Nova Scotia Utility and Review Board, the Federal Energy Regulatory Commission ("FERC"), the Massachusetts Department of Public Utilities, the Rhode Island Public Utilities Commission, the Illinois Commerce Commission, the Wisconsin Public Service Commission, the Ontario Energy Board, the New York Public Service Commission, the New Mexico Public Regulation Commission, the Kansas Corporation Commission as well as a number of other venues.

Mr. Zarumba has provided a number of papers and presentations on various regulatory and market analysis issues.

NAVIGANT

Ralph Zarumba

Director

Recent Whitepapers

» White Paper Prepared for the Ontario Energy Board on Approaches to Rate Mitigation for Transmitters and Distributors

http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2010-0378/EB-2010-0378_Navigant_Report.pdf

» White Paper Prepared for the Ontario Energy Board Cost addressing Distributor Efficiency

http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2012-0397/Navigant_Report_Elect-Dist-Efficiency_20130225.pdf

» White Paper Prepared for the Ontario Energy Board Cost addressing Cost Assessment Models for Regulators

http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/319593/view/Cost%20Assessment%20Model%20Report_Jan%2013%202011_20120116pdf.PDF

» Economic Issues Related to Tariff Development (with Thomas Welch) http://www.erranet.org/index.php?name=OE-eLibrary&file=download&id=6052&keret=N&showheader=N

Recent Publications

» Public Utilities Fortnightly "Pricing Social Benefits - Calculating and allocating costs for non-traditional utility services" Ralph Zarumba, Benjamin Grunfeld and Koby Bailey, August 2013

» American Gas "Modernization: The Quest for 21st Century Utilities" Ralph Zarumba and Peter Haapaniemi, November 2012

» Public Utilities Fortnightly "Pre-Funding to Mitigate Rate Shock" Sherman Elliot and Ralph Zarumba, September 2012

Professional Experience

Cost of Service

» Provided testimony in the proceedings reviewing the 2014 Nova Scotia Power Cost-of-Service study (NSPI-P-892-/M05473).

» Prepared and sponsored before the FERC a cost-of-service filing supporting a Reliability Must-Run filing on the Cayuga Operating Company.

NAVIGANT

Ralph Zarumba

Director

- Managed a project team which completed a Remaining Life Study for the Western Minnesota Municipal Power Agency.
- For a confidential client reviewed the cost-of-service application for a natural gas distributor in Central Canada.

Regulatory and Pricing

- Assisted the Ontario Energy Board in formulating a regulatory process and pricing design for Revenue Decoupling.
- Prepared a white paper on rate mitigation mechanisms for the Ontario Energy Board.
- Prepared a white paper for the Ontario Energy Board on apportion of regulatory commission costs to various stakeholders.
- Prepared a number of working capital studies for various distributors and transmitters in the Province of Ontario.
- Prepare a functional cost separation study for a regulated electric utility in Ontario.
- For a confidential client prepared a benchmarking analysis of the costs of regulatory proceedings associated with the introduction of new electric generation.
- Prepared an analysis of the pricing of voluntary renewable energy products for a Midwestern public power association.
- Led a team that prepared a cost of service, rate design, legal evaluation and financial analysis for the Puerto Rico Electric Power Authority.
- Performed a Pricing Strategy for the South Carolina Public Service Company (Santee Cooper).
- Prepared a financial plan, electric rate design and phase-in plan for a new electric generation plan for Fayetteville (North Carolina) Public Works Commission.
- Assisted Commonwealth Edison Company in their Electric Rate Request (Illinois Commerce Commission Docket No. 10-0467).
- Prepared proposals for Retail Conjunctive Billing Pricing filed in Illinois and Wisconsin which were filed before the Illinois Commerce Commission and the Wisconsin Public Service Commission.
- Developed the Wisconsin Electric Power Company's first Curtailable Electric Tariff available to commercial customers.
- Negotiated complex service contracts with thermal energy customers which led to a major expansion of the Wisconsin Electric Steam System.

NAVIGANT

Ralph Zarumba

Director

- Assisted Indianapolis Power & Light in preparing a cost recovery plan for Energy Efficiency and Demand Side Management Expenditures.
- Trained regulatory staffs in the Republic of Macedonia, Bosnia and Herzegovina, Croatia and Albania.
- Prepared proposals for ancillary services pricing based upon market-based mechanisms for San Diego Gas and Electric Company.
- Completed the development of wholesale and retail rate designs for a southeastern G&T, an analysis of stranded cost exposure for a northeastern utility, and prepared a strategic plan for a large municipal utility.
- Developed a proposal for electric generation transfer pricing that would be used as a transition mechanism between the existing vertically integrated utility and a deregulated environment.
- Filed testimony in Wisconsin proposing that state's first Demand Response Program.

Demand Response

- Assisted the Building Owners and Managers of Chicago (BOMA/Chicago) develop a program where they can bid demand response based ancillary services into the PJM market.
- Prepared a presentation for the Public Utilities Commission of Ohio on Commercial and Industrial Dynamic Pricing and Demand Response in an unregulated regulatory environment.

Electric Transmission

- Assisted the Long Island Power Authority to purchase distribution, transmission and regulatory assets and prepared its non-jurisdictional open-access transmission tariff.
- Prepared the pricing portion of a FERC open access tariff (Docket No. ER96-96-43.000) for San Diego Gas and Electric Company; testified on revenue requirements and pricing including opportunity costs.

Generation Market Analysis

- For a major public power generation owner prepared a strategy of internal coal versus natural gas generation dispatch protocols including the treatment of liquidated damages.
- Co-authored a report for Nalcor on the feasibility and economics of the proposed development of the Lower Churchill Hydroelectric project.
- Prepared a number of electric market price forecasts for many regions of the United States and Central America.

NAVIGANT

Ralph Zarumba

Director

- Supported the electric pricing and infrastructure analysis for a Least-Cost Resource Plan for San Diego County.
- Prepared an analysis of the saturation of coal-fired electric generation technology in the Western Electric Coordinating Council.
- Developed a long-run electric expansion plan for the Railbelt System in Alaska.
- Managed a team that prepared a long-term capacity and energy forecast for a medium-sized municipal utility.
- For Manitowoc Public Utilities prepared a resource plan evaluating various generation expansion options.

Merger, Acquisition and Divesture

- On behalf of the Minnesota Public Service Commission. Mr. Zarumba co-authored an analysis of the merger savings associated with the proposed Primergy Merger (the proposed combination of Northern States Power and Wisconsin Energy). The analysis included a detailed review of cost savings that would emanate from the merger and regulatory commitments made by the companies to regulatory authorities in Minnesota.
- The Ontario Energy Board desired to identify factors that potentially impede the combination of regulated distributors in that province. Mr. Zarumba co-authored a study which identified those factors and discussed policies in other jurisdictions.
- For the Manitowoc Public Utilities prepared an analysis that evaluated the divesture of its transmission assets to the American Transmission Company.

International

- Currently assisting the Israel Public Utility Authority is electric tariff reviews for the Israel Electric Company and the Jerusalem District Electric Company.
- Mr. Zarumba assisted the electric regulator in the Republic of Macedonia with various regulatory issues including pricing design, revenue requirements and privatization issues. Included in the assistance was the development of market designs for the electricity sector.
- Completed a tariff implementation plan proposal for the privatization of the distribution companies of the Bulgarian Electric Utility.
- Led a team to implement regulatory procedures and methodology for the electric power industry in Bosnia and Herzegovina.
- Conducted a study of the electric power market in El Salvador including a quantification of the level of generation market power using the Lerner Index.

NAVIGANT

Ralph Zarumba

Director

Work History

Director, Navigant Consulting
Director, Science Applications International Corporation
President, Zarumba Consulting
Management Consultant, Sargent & Lundy Consulting Group
President, Analytical Support Network, Inc.
Manager, Pricing Practice, Synergic Resources Corporation
Senior Analyst – San Diego Gas & Electric Company
Senior Analyst – Wisconsin Electric Power Company
Analyst 4 – Eastern Utilities Associates
Analyst – Illinois Power Company

Education

MA, Economics	DePaul University, Chicago, IL
BS, Economics	Illinois State University, Normal, IL

Tariff Code	Tariff Class	Tariff	Voltage	Description
RH3 103	Residential	RH3	Secondary	Public Housing administered by the Government. Customers with monthly consumption over 425 kWh.
RH3 104	Residential	RH3	Secondary	Public Housing administered by the Government with fuel subsidy. Customers with monthly consumption of 425 kWh or less.
LRS 109	Residential	LRS	Secondary	Rate for customers who fulfill the Nutritional Assistance Program with fuel subsidy. Customers monthly consumption must not exceed 425 kWh.
LRS 110	Residential	LRS	Secondary	Rate for customers who fulfill the Nutritional Assistance Program.
GRS 111	Residential	GRS	Secondary	General Residential Service with fuel subsidy to students, handicapped and 65 years or older customers. The monthly consumption must not exceed 425 kWh.
GRS 112	Residential	GRS	Secondary	General Residential Service.
RFR 105	Residential	RFR	Secondary	Rate for customers that live in public housing under the Public Housing Administration ownership and apply for the rate. One room housing.
RFR 106	Residential	RFR	Secondary	Rate for customers that live in public housing under the Public Housing Administration ownership and apply for the rate. Two or three rooms housing.
RFR 107	Residential	RFR	Secondary	Rate for customers that live in public housing under the Public Housing Administration ownership and apply for the rate. Four or five rooms housing.
Unmetered Services 050-056	All Classes	PLG	Secondary	"Dusk-to-Dawn" Luminaires
GSS 211	Commercial	GSS	Secondary	General Commercial Service at Secondary Distribution Voltage.
GSP 212	Commercial	GSP	Primary	General Commercial Service at Primary Distribution Voltage.
GST 213	Commercial	GST	Transmission	General Commercial Service at Transmission Voltage.
TOU-P 862	Commercial	TOU-P	Primary	Commercial customer with Time of Use Rate at Primary Distribution Voltage with demand between 1,000 and 3,000 kVA
TOU-T 863	Commercial	TOU-T	Transmission	Commercial customer with Time of Use Rate at Transmission Voltage with demand between 1,000 and 3,000 kVA.
TOU-P SBS 892	Commercial	SBS	Primary	General Commercial Service at Primary Distribution Voltage with Standby Service (Firm Services) with demand between 1,000 and 3,000 kVA.
TOU-T SBS 893	Commercial	SBS	Transmission	Time of Use Rate Commercial at Transmission Voltage with Standby Service (firm services) with demand between 1,000 and 3,000 kVA.
Unmetered Services CATV 070-071	Commercial	CATV	Secondary	Cable TV
USSL 082	Commercial	USSL	Secondary	Applies to the services of electrical equipment installed on Authority's poles or structures that operate 24 hours daily. The consumption of those equipments must not exceed 200 kWh monthly.
GSS 311	Industrial	GSS	Secondary	General Industrial Service at Secondary Distribution Voltage.
GSP 312	Industrial	GSP	Primary	General Industrial Service at Primary Distribution Voltage.
GST 313	Industrial	GST	Transmission	General Industrial Service at Transmission Voltage.
PPBB 343	Industrial	PPBB	Transmission	Rate apply to large power producers connected to the 230 kV bus bar.
GSP SBS 352	Industrial	SBS	Primary	General Industrial Service at Primary Distribution Voltage with Standby Service (firm services).
GST SBS 353	Industrial	SBS	Transmission	General Industrial Service at Transmission Voltage with Standby Service (firm services).
TOU-P 362	Industrial	TOU-P	Primary	Time of Use Rate at Primary Distribution Voltage with a demand higher than 3,000 kVA.
TOU-T 363	Industrial	TOU-T	Transmission	Time of Use Rate at Transmission Voltage with a demand higher than 3,000 kVA.
TOU-C 372	Industrial	TOU-P	Primary	Time of Use Rate for Cool Storage Air Conditioning Systems. Industrial Customers at Primary Distribution Voltage.
TOU-C 373	Industrial	TOU-P	Transmission	Time of Use Rate for Cool Storage Air Conditioning Systems. Industrial Customers at Transmission Voltage.
GSP SBS-I 382	Industrial	SBS	Primary	General Industrial Service at Primary Distribution Voltage with Standby Service (interruptible services).
TOU-T SBS 393	Industrial	SBS	Transmission	Time of Use Rate Industrial Service at Transmission Voltage with Standby Service (firm services) with a demand higher than 3,000 kVA.
TOU-P 962	Industrial	TOU-P	Primary	Time of Use Rate Industrial Service at Primary Distribution Voltage with demand between 1,000 and 3,000 kVA.
TOU-T 963	Industrial	TOU-T	Transmission	Time of Use Rate Industrial Service at Transmission Voltage with a demand between 1,000 and 3,000 kVA.
TOU-P SBS 992	Industrial	SBS	Primary	Time of Use Rate Industrial Service at Primary Distribution Voltage with Standby Service (firm services) with demand between 1,000 and 3,000 kVA.
TOU-P SBS 993	Industrial	SBS	Transmission	Time of Use Rate Industrial Service at Transmission Voltage with Standby Service (firm services) with demand between 1,000 and 3,000 kVA.
LIS 333	Industrial	LIS	Transmission	Rate apply to industries connected to 115 kV service with a demand equal to or higher than 12,000 kW and less than 25,000 kW.
LIS 933	Industrial	LIS	Transmission	Rate apply to industries connected to 115 kV service with a demand of 25,000 kW or higher.
SR-GST 603	Industrial	GST	Transmission	General Service at Transmission Voltage - Shall apply to new industries.
SR-GST 613	Industrial	GST	Transmission	General Service at Transmission Voltage - Shall apply to industries with expansion areas.
SR-TOU-T 623	Industrial	TOU-T	Transmission	Time of Use Rate at Transmission Voltage - Shall apply to new industries with demand equal to or higher than 1,000 kVA and less than 3,000 kVA.
SR-TOU-T 633	Industrial	TOU-T	Transmission	Time of Use Rate at Transmission Voltage - Shall apply to industries with expansion areas with demand equal to or higher than 1,000 kVa and less than 3,000 kVA.
SR-TOU-T 643	Industrial	TOU-T	Transmission	Time of Use Rate at Transmission Voltage - Shall apply to new industries with a demand higher than 3,000 kVA.
SR-TOU-T 653	Industrial	TOU-T	Transmission	Time of Use Rate at Transmission Voltage - Shall apply to industries with expansion areas with a demand higher than 3,000 kVA.
SR-LIS 663	Industrial	LIS	Transmission	Large Industrial Service (115 kV) - Shall apply to new industries with demand equal to or higher than 12,000 kW and less than 25,000 kW.
SR-LIS 673	Industrial	LIS	Transmission	Large Industrial Service (115 kV) - Shall apply to industries with expansion areas with demand equal to or higher than 12,000 kW and less than 25,000 kW.
SR-LIS 683	Industrial	LIS	Transmission	Large Industrial Service (115 kV) - Shall apply to new industries with a demand higher than 25,000 kW.
SR-LIS 693	Industrial	LIS	Transmission	Large Industrial Service (115 kV) - Shall apply to industries with expansion areas with a demand higher than 25,000 kW.
SR-TOU-C 903	Industrial	TOU-P	Secondary	Time of Use Special Rate for Cool Storage Air Conditioning Systems - Shall apply to new industries.
SR-TOU-C 913	Industrial	TOU-P	Secondary	Time of Use Special Rate for Cool Storage Air Conditioning Systems - Shall apply to industries with expansion areas.

Tariff Code	Tariff Class	Tariff	Voltage	Description
LP-13 414	Public Lighting	LP-13	Primary	Sport fields's outdoor illumination. Service at Primary Distribution Voltage.
PLG 422	Public Lighting	PLG	Secondary	General Public Lighting - Public Plazas (recreational places)
PLG 423	Public Lighting	PLG	Secondary	General Public Lighting - Traffic Lights
PLG 424	Public Lighting	PLG	Secondary	General Public Lighting - Ball Parks and other parks of free admission
PLG	Public Lighting	PLG	Secondary	General Public Lighting - temporary electric power service for limited use in streets, carnivals, and others. It'll be billed according the GSS Rate.
PLG 421	Public Lighting	PLG	Secondary	General Public Lighting - Public Lighting for Streets and Roadways Systems without Operation, Maintenance and Materials Renewal Costs.
Unmetered Services 01-045	Public Lighting	PLG	Secondary	General Public Lighting - Public lighting for streets and roadways, urban and rural zones.
Unmetered Services 060-061	Public Lighting	PLG	Secondary	General Public Lighting - Lighting service for Telephone Booths.
Unmetered Services 072	Public Lighting	PLG	Secondary	General Public Lighting - Lighting service for bus shelters.
Unmetered Services 073	Public Lighting	PLG	Secondary	General Public Lighting - Police Strobe Lights.
Unmetered Services 080	Public Lighting	PLG	Secondary	
GSP 512	Other Public Authorities	GSP	Primary	General Service at Primary Distribution Voltage (GSP) to NAVY accounts.
GST 513	Other Public Authorities	GST	Transmission	General Service at Transmission Voltage (GST) to NAVY accounts.
GAS 711	Agriculture	GAS	Secondary	General Agricultural Service and Aqueducts Pumps operated by rural communities. Service at Secondary Distribution Voltage.
Spare Others	Other Public Authorities	PREPA Use & Others	Secondary	Spare Others
PREPA Use	PREPA Use	PREPA Use & Others	PREPA Use	Puerto Rico Power Authority (PREPA) use accounts (primary and secondary commercial service).

Tab 1 Rate Change

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Transition Charge for Securitized Debt Service
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

Line No	Item	Units	Amount	Reference
1				
2	Proposed Residential Charge	$/Mo	$ 11.98	Tab 3
3	Proposed Non-Residential Charge	$/kWh	$ 0.03055	Tab 3
4				
5	Prior Residential Charge	$/Mo	$ -	
6	Prior Non-Residential Charge	$/kWh	$ -	
7				
8	Increase in Residential Charge		$ 11.98	[2] - [5]
9	Increase in Non-Residential Charge		$ 0.03055	[3] - [6]
10				
11	Increase in Residential Charge	%	NA	[2] / [5]
12	Increase in Non-Residential Charge	%	NA	[3] / [6]

Tab 2 Customer Impact

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Transition Charge for Securitized Debt Service
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

CUSTOMER IMPACT

Line No.	Item	Amount		Reference
1	**Residential Customers**			
2	Average Monthly Revenue per Customer - FY 2014	$	99.34	
3	Proposed Transition Charge - $/Service Agreement	$	11.98	Tab 3
4	Transition Charge as a Percentage of 2015 Monthly Revenues		12.1%	[3] / [2]
5				
6	**Non-Residential Customers**			
7	Average Revenue per KWH - FY 2014	$	0.26418	
8	Proposed Transition Charge - $/KWH	$	0.03055	Tab 3
9	Transition Charge as a Percentage of 2015 Average Revenue per KWH		11.6%	[8] / [7]

Tab 3 Rate Comparison

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Calculation of Transition Charge for Securitized Debt Service
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

RATE COMPARISON

Line No	Item	Unit								Reference
1	**Highest Revenue Rate Pair**									
2	Residential Rate							$	11.98	[24]
3	Non-Residential Rate							$	0.03055	[25]
4										
5	**Rate Comparison**									
6										
7	**Residential**			**RATE 1**		**RATE 2**		**RATE 3**		**RATE 4**	
8	Rate 1 Period Service Agreement Months			3,983,200		3,983,200		3,983,200		3,983,200	Tab 4
9	Uncollectible Factor			9.83%		9.83%		9.83%		9.83%	Uncollectible Workpaper
10	Adjusted Service Agreements			3,591,561		3,591,561		3,591,561		3,591,561	[8] x (1 - [9])
11	Collection Lag Factor			51.80%		51.80%		51.80%		51.80%	Collection Lag Workpaper
12	Total Adjusted Service Agreements			1,731,003		1,731,003		1,731,003		1,731,003	[10] x (1 - [11])
13	Residential Rate	$/Mo	$	0.27	$	0.17	$	0.16	$	11.98	Tab 4
14	Total Residential Revenues for Rate 1 Period		$	460,531	$	301,806	$	277,351	$	20,745,252	[12] x [13]
15											
16	**Non Residential**										
17	Rate 1 Period kWh			2,703,034,293		2,703,034,293		2,703,034,293		2,703,034,293	Tab 5
18	Uncollectible Factor			9.83%		9.83%		9.83%		9.83%	Uncollectible Workpaper
19	Adjusted kWhs			2,437,264,794		2,437,264,794		2,437,264,794		2,437,264,794	[17] x (1 - [18])
20	Collection Lag Factor			51.82%		51.82%		51.82%		51.82%	Collection Lag Workpaper
21	Total Adjusted kWhs			1,174,254,624		1,174,254,624		1,174,254,624		1,174,254,624	[19] x (1 - [20])
22	Non Residential Rate	$/kWh	$	0.00064	$	0.00029	$	0.00041	$	0.03055	Tab 4
23	Total Non-Residential Revenues for Rate 1 Period		$	756,548	$	342,700	$	479,636	$	35,877,901	[21] x [22]
24											
25	Total Revenues by Rate Pair		$	1,217,079	$	644,506	$	756,987	$	56,623,153	[14] + [23]
26	Residential Rate		$	0.27	$	0.17	$	0.16	$	11.98	[13]
27	Non-Residential Rate		$	0.00064	$	0.00029	$	0.00041	$	0.03055	[22]

Tab 4 Residential Charge

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Calculation of Transition Charge for Securitized Debt Service
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

RESIDENTIAL TRANSISTION CHARGE

Line No	Item	From	To	Units	Amount	Reference
1	**RATE 1**					
2	Gross Billing Requirement	7/1/2016	9/30/2016		$ 1,059,726	Tab 6
3	Monthly Service Agreements	7/1/2016	9/30/2016		3,983,200	Corresponding Historical Data (See Timeline workpaper)
4	Residential Charge			$/Mo	$ 0.2660	[2] / [3]
5						
6	**RATE 2**					
7	Gross Billing Requirement	7/1/2016	12/31/2016		$ 1,388,968	Tab 6
8	Monthly Service Agreements	7/1/2016	12/31/2016		7,966,400	Corresponding Historical Data (See Timeline workpaper)
9	Residential Charge			$/Mo	$ 0.1744	[7] / [9]
10						
11	**RATE 3**					
12	Gross Billing Requirement	7/1/2016	3/31/2017		$ 1,914,629	Tab 6
13	Monthly Service Agreements	7/1/2016	3/31/2017		11,949,599	Corresponding Historical Data (See Timeline workpaper)
14	Residential Charge			$/Mo	$ 0.1602	[12] / [13]
15						
16	**RATE 4**					
17	Gross Billing Requirement	7/1/2016	6/30/2017		$ 190,947,035	Tab 6
18	Monthly Service Agreements	7/1/2016	6/30/2017		15,932,799	Corresponding Historical Data (See Timeline workpaper)
19	Residential Charge			$/Mo	$ 11.98	[17] / [18]

Tab 5 NonResidential Charge

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Calculation of Transition Charge for Securitized Debt Service
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

NON-RESIDENTIAL TRANSISTION CHARGE

Line No	Item	From	To	CILT	Units	Amount	Reference
1	**RATE 1**						
2	Non-Residential Gross Billing Requirement				$	$ 1,741,509	Tab 6
3	kWh	7/1/2016	9/30/2016	kWh - NO CILT	kWh	2,703,034,293	Corresponding Historical Data (See Timeline workpaper)
4	Non-Residential Charge				$/kWh	$ 0.00064	[2] / [3]
5							
6	**RATE 2**						
7	Non-Residential Gross Billing Requirement				$	$ 1,554,234	Tab 6
8	kWh	7/1/2016	12/31/2016	kWh - NO CILT	kWh	5,325,556,195	Corresponding Historical Data (See Timeline workpaper)
9	Non-Residential Charge				$/kWh	$ 0.00029	[7] / [8]
10							
11	**RATE 3**						
12	Non-Residential Gross Billing Requirement				$	$ 3,146,422	Tab 6
13	kWh	7/1/2016	3/31/2017	kWh - NO CILT	kWh	7,703,129,367	Corresponding Historical Data (See Timeline workpaper)
14	Non-Residential Charge				$/kWh	$ 0.00041	[12] / [13]
15							
16	**RATE 4**						
17	Non-Residential Gross Billing Requirement				$	$ 313,794,487	Tab 6
18	kWh	7/1/2016	6/30/2017	kWh - NO CILT	kWh	10,270,239,212	Corresponding Historical Data (See Timeline workpaper)
19	Non-Residential Charge				$/kWh	$ 0.03055	[17] / [18]

Tab 6 Gross Up

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Calculation of Total Revenue Requirement
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

Line No	Item	Units	Residential	Non Residential	Total	Reference
1	**RATE 1**					
2	Revenue Requirement Before Gross Up		$ 472,883	$ 777,117	$ 1,250,000	Tab 7
3	Collection Lag Factor	%	50.51%	50.51%	50.51%	Weighted Average Collection Lag Workpaper
4	Revenue Requirement Adjusted For Collection Lag		$ 955,531	$ 1,570,280	$ 2,525,810	[2] / (1 - [3])
5	Uncollectibles Factor	%	9.83%	9.83%	9.83%	Uncollectible Workpaper
6	Gross Billing Requirement For Collection Period		$ 1,059,726	$ 1,741,509	$ 2,801,235	[4] / (1 - [5])
7						
8	Collection Lag Adjustment		$ 482,647	$ 793,163	$ 1,275,810	[4] x [3]
9	Uncollectible Adjustment		$ 104,195	$ 171,230	$ 275,425	[6] x [5]
10	Uncollectibles and Collection Lag Adjustment		$ 586,842	$ 964,393	$ 1,551,235	[8] + [9]
11						
12	**RATE 2**					
13	Revenue Requirement Before Gross Up		$ 945,766	$ 1,554,234	$ 2,500,000	Tab 7
14	Collection Lag Factor	%	24.48%	24.48%	24.48%	Weighted Average Collection Lag Workpaper
15	Revenue Requirement Adjusted For Collection Lag		$ 1,252,401	$ 2,058,145	$ 3,310,546	[13] / (1 - [14])
16	Uncollectibles Factor	%	9.83%	9.83%	9.83%	Uncollectible Workpaper
17	Gross Billing Requirement For Collection Period		$ 1,388,968	$ 2,282,573	$ 3,671,542	[15] / (1 - [16])
18						
19	Collection Lag Adjustment		$ 306,635	$ 503,911	$ 810,546	[15] x [14]
20	Uncollectible Adjustment		$ 136,567	$ 224,429	$ 360,996	[17] x [16]
21	Uncollectibles and Collection Lag Adjustment		$ 443,202	$ 728,340	$ 1,171,542	[19] + [20]
22						
23	**RATE 3**					
24	Revenue Requirement Before Gross Up		$ 1,418,650	$ 2,331,350	$ 3,750,000	Tab 7
25	Collection Lag Factor	%	17.83%	17.83%	17.83%	Weighted Average Collection Lag Workpaper
26	Revenue Requirement Adjusted For Collection Lag		$ 1,726,377	$ 2,837,057	$ 4,563,434	[24] / (1 - [25])
27	Uncollectibles Factor	%	9.83%	9.83%	9.83%	Uncollectible Workpaper
28	Gross Billing Requirement For Collection Period		$ 1,914,629	$ 3,146,422	$ 5,061,050	[26] / (1 - [27])
29						
30	Collection Lag Adjustment		$ 307,728	$ 505,707	$ 813,434	[26] x [25]
31	Uncollectible Adjustment		$ 188,251	$ 309,365	$ 497,616	[28] x [27]
32	Uncollectibles and Collection Lag Adjustment		$ 495,979	$ 815,071	$ 1,311,050	[30] + [31]
33						
34	**RATE 4**					
35	Revenue Requirement Before Gross Up		$ 149,142,526	$ 245,094,680	$ 394,237,206	Tab 7
36	Collection Lag Factor	%	13.38%	13.38%	13.38%	Weighted Average Collection Lag Workpaper
37	Revenue Requirement Adjusted For Collection Lag		$ 172,172,616	$ 282,941,381	$ 455,113,997	[35] / (1 - [36])
38	Uncollectibles Factor	%	9.83%	9.83%	9.83%	Uncollectible Workpaper
39	Gross Billing Requirement For Collection Period		$ 190,947,035	$ 313,794,487	$ 504,741,522	[37] / (1 - [38])
40						
41	Collection Lag Adjustment		$ 23,030,090	$ 37,846,701	$ 60,876,792	[37] x [36]
42	Uncollectible Adjustment		$ 18,774,419	$ 30,853,106	$ 49,627,525	[39] x [38]
43	Uncollectibles and Collection Lag Adjustment		$ 41,804,509	$ 68,699,807	$ 110,504,316	[41] + [42]
44						
45	The uncollectibles factor includes all customers excluding CILT that do not pay within 120 days. Embedded in the uncollectibles factor is the government uncollectibles.					
46	For FY 2015, the percentage of government customers that did not pay within 120 days was 58.63%					

Tab 7 Customer Distribution

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Calculation of Customer Class Revenue Requirement
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

DISTRIBUTION TO CUSTOMER CLASSES

Line No	Item	Units	From	To	CILT	Residential	Non-Residential	Total	Reference
1	**RATE 1**								
2	Kwh Sales	kWh	7/1/2014	6/30/2015	kWh - NO CILT	6,249,541,676	10,270,239,212	16,519,780,888	Historical Data (see Timeline workpaper)
3	All Customer Average Charge	$/kWh	7/1/2014	6/30/2015		$ 0.0001	$ 0.0001	$ 0.0001	Tab 8
4	Distributed Revenue Requirement Before Gross Up					$ 472,883	$ 777,117	$ 1,250,000	[2] x [3]
5									
6	**RATE 2**								
7	Kwh Sales	kWh	7/1/2014	6/30/2015	kWh - NO CILT	6,249,541,676	10,270,239,212	16,519,780,888	Historical Data (see Timeline workpaper)
8	All Customer Average Charge	$/kWh	7/1/2014	6/30/2015		$ 0.0002	$ 0.0002	$ 0.0002	Tab 8
9	Distributed Revenue Requirement Before Gross Up					$ 945,766	$ 1,554,234	$ 2,500,000	[7] x [8]
10									
11	**RATE 3**								
12	Kwh Sales	kWh	7/1/2014	6/30/2015	kWh - NO CILT	6,249,541,676	10,270,239,212	16,519,780,888	Historical Data (see Timeline workpaper)
13	All Customer Average Charge	$/kWh	7/1/2014	6/30/2015		$ 0.0002	$ 0.0002	$ 0.0002	Tab 8
14	Distributed Revenue Requirement Before Gross Up					$ 1,418,650	$ 2,331,350	$ 3,750,000	[12] x [13]
15									
16	**RATE 4**								
17	Kwh Sales	kWh	7/1/2014	6/30/2015	kWh - NO CILT	6,249,541,676	10,270,239,212	16,519,780,888	Historical Data (see Timeline workpaper)
18	All Customer Average Charge	$/kWh	7/1/2014	6/30/2015		$ 0.02386	$ 0.02386	$ 0.02386	Tab 8
19	Distributed Revenue Requirement Before Gross Up					$ 149,142,526	$ 245,094,680	$ 394,237,206	[17] x [18]

Tab 8 All Cust Avg Chrg

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Calculation of Customer Class Revenue Requirement
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

ALL CUSTOMER AVERAGE CHARGE

Line No	Item	From	To	CILT	Units	Amount	Reference
1	**RATE 1**						
2	Total Revenue Requirement Before Collectible Adjustment	7/1/2016	9/30/2016		$	$ 1,250,000	Tab 9
3	Total kWh	7/1/2014	6/30/2015	kWh - NO CILT	kWh	16,519,780,888	Historical Data (see Timeline workpaper)
4	All Customer Average Charge					$ 0.0001	[2] / [3]
5							
6	**RATE 2**						
7	Total Revenue Requirement Before Collectible Adjustment	7/1/2016	12/31/2016		$	$ 2,500,000	Tab 9
8	Total kWh	7/1/2014	6/30/2015	kWh - NO CILT	kWh	16,519,780,888	Historical Data (see Timeline workpaper)
9	All Customer Average Charge					$ 0.0002	[7] / [8]
10							
11	**RATE 3**						
12	Total Revenue Requirement Before Collectible Adjustment	7/1/2016	3/31/2017		$	$ 3,750,000	Tab 9
13	Total kWh	7/1/2014	6/30/2015	kWh - NO CILT	kWh	16,519,780,888	Historical Data (see Timeline workpaper)
14	All Customer Average Charge					$ 0.0002	[12] / [13]
15							
16	**RATE 4**						
17	Total Revenue Requirement Before Collectible Adjustment	7/1/2016	6/30/2017		$	$ 394,237,206	Tab 9
18	Total kWh	7/1/2014	6/30/2015	kWh - NO CILT	kWh	16,519,780,888	Historical Data (see Timeline workpaper)
19	All Customer Average Charge					$ 0.0239	[17] / [18]

Tab 9 Rev Req Before Gross Up

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Calculation of Total Revenue Requirement
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

REVENUE REQUIREMENT BEFORE GROSS-UP

Line	Item	Date	Rate 1	Rate 2	Rate 3	Rate 4	Reference
1	Securitized Debt Service Obligation		$ 1,250,000	$ 2,500,000	$ 3,750,000	$ 394,237,206	Tab 10
2	Projected Trustee Balance at	7/1/2016	$ -	$ -	$ -	$ -	Tab 11
3	Collections Received After 07/01/16 From Previous TUA Rates		$ -	$ -	$ -	$ -	1
4	Net Revenue Requirement Before Gross Up		$ 1,250,000	$ 2,500,000	$ 3,750,000	$ 394,237,206	[1] - [2] - [3]
5							
6	1) Calculated during TUA filing preparation						

Tab 10 Secutized Debt

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Calculation of Customer Class Revenue Requirement
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

Line No	Item	Date	Rate 1	Rate 2	Rate 3	Rate 4	Reference
1	**Payments During Collection Period**						
2	Payment 1	9/30/2016	$ 1,250,000	$ 1,250,000	$ 1,250,000	$ 1,250,000	Debt Service Schedule Workpaper
3	Payment 2	12/31/2016		$ 1,250,000	$ 1,250,000	$ 1,250,000	Debt Service Schedule Workpaper
4	Payment 3	3/31/2017			$ 1,250,000	$ 1,250,000	Debt Service Schedule Workpaper
5	Payment 4	6/30/2017				$ 390,487,206	Debt Service Schedule Workpaper
6	Total Payments During Collection Period		$ 1,250,000	$ 2,500,000	$ 3,750,000	$ 394,237,206	Sum of Lines 2 - 5

Tab 11 Trustee Balance

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Calculation of Customer Class Revenue Requirement
Proposed for Period July 2016 to September 2016
True Up Adjustment Period #1

Line No	Item	Date	Rate 1	Rate 2	Rate 3	Rate 4	Reference
1	Collections Cutoff Date	4/30/2016					
2							
3	**Projected Trustee Balance at 07/01/16**						
4	Actual Collections as of Collections Cutoff Date		$ -	$ -	$ -	$ -	1
5	Projected Collections Between Collections Cutoff and TUA Rate Effective Date		$ -	$ -	$ -	$ -	1
6	Debt/Obligation Payments		$ -	$ -	$ -	$ -	1
7	Trustee Balance	7/1/2016	$ -	$ -	$ -	$ -	Sum of Lines 4 - 6
8							
9	1) Calculated during TUA filing preparation						

Tab 12 Monthly Reconciliation

THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALITZATION CORPORATION

Reconciliation of the Non-Residential Transition Charge Revenues
For the Three Months of the Current Quarterly Period
True Up Adjustment Period #1

MONTHLY RECONCILIATION

Line No.	Item				Reference
1					
2	Collection Month	7/31/2016	8/31/2016	9/30/2016	
3	Corresponding Historical Month	7/31/2014	8/31/2014	9/30/2014	
4					
5	**Residential Reconciliation**				
6	Estimated Service Agreements	1,327,733	1,327,733	1,327,733	KWH & SER AGREEMENT DATA Workpaper
7	Actual Service Agreements				
8	Difference	(1,327,733)	(1,327,733)	(1,327,733)	[7] - [6]
9					
10	Actual Residential Charge	$ -	$ -	$ -	Tab 1
11					
12	Over / (Under) Recovery	$ -	$ -	$ -	[8] x [10]
13					
14	**Non-Residential Reconciliation**				
15	Estimated kWh	901,304,874	899,272,479	902,456,940	Timeline Workpaper
16	Actual kWh				
17	Difference	(901,304,874)	(899,272,479)	(902,456,940)	[16] - [15]
18					
19	Actual Non-Residential Charge	$ -	$ -	$ -	Tab 1
20					
21	Over / (Under) Recovery	$ -	$ -	$ -	[14] x [16]