

A-1 shall present a computation of the change in the Base Rates gross revenue requirement being requested by PREPA. It shall include information on the test year Embedded Cost of Service and pro forma adjusted rate year Embedded Cost of Service as well as the debt service and interest costs. It will also include the proposed coverage on debt service and interest, as well as a comparison of revenues at proposed and current rates.

Operating Expenses	FY 2014	Adjustments	FY 2017
Fuel	\$2,344,999,982	(\$1,689,031,615)	\$655,968,367
Purchased Power	807,619,515	12,287,367	819,906,882
Generation Expenses	160,541,902	(38,131,386)	122,410,515
Transmission Expenses	44,882,530	(10,660,351)	34,222,179
Distribution Expenses	222,007,687	(52,730,538)	169,277,149
Customer Billing Expenses	111,405,645	(26,460,704)	84,944,941
Administrative and General Expenses	195,279,419	(46,382,128)	148,897,292
Total Labor & Other Operating Expenses	734,117,183	(174,365,107)	559,752,076
CILT Subsidy Recovery Required in Base Rate	(27,582,316)	65,267,510	37,685,194
Total Non-fuel O&M Expense	706,534,868	(56,838,676)	649,696,192
Bad Debt Expense	191,533,358	(106,149,591)	85,383,767
Energy Administration Assessment	-	5,800,000	5,800,000
Less Other Income	(18,010,147)	(20,914,698)	(38,924,845)
Total Operating Expense	\$4,422,355,489	(\$2,114,372,500)	\$2,307,982,988
Debt Service (Principal & Interest)	635,326,147	(320,936,408)	314,389,739
Capital Expenditure (Maintenance & Investment)	270,228,429	66,329,379	336,557,808
Total Base Rate Revenue Requirement	5,327,910,065	(2,368,979,530)	\$2,958,930,536
Base Rate Increase Requirement			
Fuel Pass-through	\$3,542,269,097	(\$1,883,982,301)	\$1,658,286,796
Base Rate	1,097,283,000	(18,896,051)	1,078,386,949
Total Revenue	\$4,639,552,097	(\$1,902,878,352)	\$2,736,673,745
Deficiency (Excess)	688,357,968	(466,101,178)	\$222,256,790
Base Rate Change Required	62.7%	-42.1%	20.6%
Debt Service for Securitization	-	394,237,206	394,237,206
Gross-up for Collections Lag and Uncollectible Revenue	-	109,027,031	109,027,031
PREPARC Revenue Requirement (SPV)	\$0	\$503,264,236	\$503,264,236
Total Revenue Requirement including Securitization	\$5,327,910,065	(\$1,865,715,293)	\$3,462,194,772
Base Rate Change Required including TC	62.7%	4.5%	67.3%
Overall Rate Change Required including TC	14.8%	11.7%	26.5%

A-2 shall contain a summary of the Results of Operations for the test year and with PREPA's pro forma adjustments.

Note: this shows results of operations with no rate increase

	FY 2014	Adjustments	FY 2017*
Total Revenues	4,657,562,244		2,775,598,590
Operating Expenses			
Fuel	\$ (2,344,999,982)	\$ 1,581,304,904	\$ (763,695,078)
Purchased Power	(807,619,515)	(20,773,498)	(828,393,012)
Performance Improvement	-	116,212,842	116,212,842
Total Fuel & Purchased Power Expense	(3,152,619,496)	1,676,744,248	(1,475,875,249)
Salaries	(335,242,719)	54,881,858	(280,360,861)
Pension & Benefits	(195,554,701)	40,977,741	(154,576,960)
Total Labor Expenses	(530,797,419)	95,859,598	(434,937,821)
Pension Underfunding	-	-	-
Unclassified division expenses	(188,861,088)	(38,703,167)	(227,564,256)
Total Other Operating Expenses	(188,861,088)	(38,703,167)	(227,564,256)
Customer Service	-	23,750,000	23,750,000
Procurement	-	55,000,000	55,000,000
Other, Net	-	24,000,000	24,000,000
Total Non-Fuel Performance Improvement	-	102,750,000	102,750,000
Bad Debt Expense	(191,533,358)	106,149,591	(85,383,767)
Energy Administration Assessment	-	(5,800,000)	(5,800,000)
Contribution to municipalities (CILT)	(249,310,364)	197,526,543	(51,783,821)
Special Customer Subsidies & Public Lighting	(116,694,478)	(51,618,443)	(168,312,921)
Total Other Expenses	(557,538,200)	246,257,692	(311,280,508)
Total Expenses	(4,429,816,203)	2,082,908,370	(2,346,907,833)
EBITDA	227,746,040	200,944,717	428,690,757
<i>DSCR</i>	<i>0.36</i>	<i>2.24</i>	<i>2.60</i>
Depreciation Expense	(339,493,217)	(17,407,238)	(356,900,456)
Interest Expense	(431,021,147)	288,719,846	(142,301,302)
Net Income	(542,768,324)	472,257,324	(70,511,000)

*Revenues estimated based on current rate structure

A-3 shall contain a summary of debt service and interest coverage requirements that are used by PREPA to develop its requested revenue requirement

A debt service coverage requirements (DSCR) approach was not used to develop requested revenue requirement, however, below is a calculation of Revenue Requirements using the cash basis method.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Cash Basis	\$ 5,772,069,517	\$ 5,450,646,485	\$ 5,404,635,568	\$ 4,741,564,699	\$ 3,283,158,414	\$ 3,521,462,265
Operating Expense	4,789,287,219	4,511,746,226	4,429,816,203	3,758,592,271	2,656,290,499	2,346,907,833
Depreciation	414,573,000	344,653,000	339,493,217	346,232,659	350,683,694	356,900,456
Legacy Debt Service	568,209,297	594,247,259	635,326,147	636,739,769	276,184,220	314,389,739
Securitization	-	-	-	-	-	503,264,236
DSCR Adder for Shortfall	-	-	-	-	-	-
<i>Minimum DSCR</i>	<i>1.20x</i>	<i>1.20x</i>	<i>1.20x</i>	<i>1.20x</i>	<i>1.20x</i>	<i>1.20x</i>

A-4 shall present a summary of Plant in Service and Accumulated Depreciation for the test year, the previous two (2) years, and estimated for the next three [3] years, as well as projected construction expenditures for the three [3] years following the end of the test year.

Capex / Depreciation	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Gross Fixed Assets - Opening	\$ 12,117,510,257	\$ 12,505,748,423	\$ 12,865,829,371	\$ 13,181,831,616	\$ 13,382,913,902	\$ 13,523,337,902
Additions (Capex)	388,238,165	360,080,948	316,002,245	201,082,286	140,424,000	336,557,808
Gross Fixed Assets - Closing	12,505,748,423	12,865,829,371	13,181,831,616	13,382,913,902	13,523,337,902	13,859,895,710
Depreciation	414,573,000	344,653,000	339,493,217	346,232,659	350,683,694	356,900,456
% of GFA	3.4%	3.4%	2.6%	2.6%	2.6%	2.6%
Accumulated Depreciation	5,736,456,560	6,064,547,616	6,385,962,191	6,730,620,668	7,081,304,362	7,438,204,818
Utility plant, net	6,769,291,863	6,801,281,755	6,795,869,425	6,652,293,234	6,442,033,540	6,421,690,892

A-5 shall present PREPA's financial position, and changes in the financial position through the end of the test year, and as projected for the three [3] years subsequent to the test year.

Statement of Financial Position	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Assets						
Cash and Equivalents	184,728,854	112,623,928	137,301,077	359,656,715	361,890,136	139,633,346
Accounts receivable, excluding CILT	592,816,255	722,279,424	837,599,745	928,812,332	928,812,332	928,812,332
Accrued CILT	668,840,403	668,840,403	668,840,403	668,840,403	668,840,403	668,840,403
Fuel oil inventory	228,681,218	323,729,656	194,072,598	120,313,747	120,313,747	120,313,747
Materials and supplies inventory	194,386,771	197,785,896	196,886,813	183,809,456	160,000,000	160,000,000
Prepayments and other	552	5,020,845	390,781	3,793,002	3,793,002	3,793,002
Total Current Assets	1,869,454,054	2,030,280,153	2,035,091,418	2,265,225,655	2,243,649,620	2,021,392,830
Non-Current Receivables						
	89,080,080	103,030,080	108,959,199	108,959,199	108,959,199	108,959,199
Cash held by trustees	337,506,130	369,380,927	328,532,117	625	625	625
Investments held by trustees	636,635,106	553,601,969	674,395,212	386,178,134	13,437,084	13,437,084
Construction fund & other	296,668,755	83,420,351	325,923,279	185,606,451	97,869,771	97,869,771
Total Restricted Assets	1,270,809,990	1,006,403,248	1,328,850,608	571,785,209	111,307,480	111,307,480
Utility plant, net	6,769,291,863	6,801,281,755	6,795,869,425	6,652,293,234	6,442,648,719	6,422,932,156
Deferred debits, net	290,829,473	194,652,325	147,739,150	149,008,449	149,008,449	149,008,449
Total Assets	10,289,465,459	10,135,647,562	10,416,509,800	9,747,271,747	9,055,573,467	8,813,600,113
Liabilities						
Short Term Loan	-	-	-	-	-	-
Notes Payable to Banks	604,377,149	754,822,674	731,897,568	731,124,914	731,124,914	621,456,177
Accounts payable and accrued liabilities, excluding CILT	351,098,144	618,326,612	901,434,837	787,202,143	787,202,143	787,202,143
Accrued CILT liability	668,840,403	668,840,403	668,840,403	668,840,403	668,840,403	668,840,403
Customer deposits, including accrued interest	14,310,374	14,531,042	15,726,720	15,694,514	15,694,514	15,694,514
Total Current Liabilities	1,638,626,070	2,056,520,731	2,317,899,527	2,202,861,975	2,202,861,975	2,093,193,238
Current portion of long-term debt	379,974,775	419,646,230	432,280,869	452,118,958	45,955,149	42,635,271
Accrued interest on payable bonds and notes	185,757,238	187,431,681	218,839,280	211,192,652	211,192,652	211,192,652
Other current liabilities	51,545,945	39,594,009	60,614,056	42,254,749	42,254,749	42,254,749
Total Current Liabilities from Restricted Assets	617,277,958	646,671,921	711,734,205	705,566,359	299,402,550	296,082,673
Power revenue bonds, net of unamortized debt discount	8,145,758,534	7,890,371,144	8,285,007,831	8,048,536,068	818,084,851	758,985,028
New Issue Capex Financing	-	-	-	-	-	-
Securitized Debt (PREPARC)	-	-	-	-	6,846,372,427	6,770,656,463
Non current portion, accounts payable, and accrued sick leave	139,903,694	122,355,965	114,517,998	114,517,998	114,517,998	114,517,998
Accrued unfunded OPEB	130,712,230	136,049,906	119,174,776	127,015,776	127,015,776	127,015,776
Customer deposit - noncurrent	161,836,863	166,950,166	168,854,958	168,854,958	168,854,958	168,854,958
Total Long-Term Liabilities	8,578,211,319	8,315,727,182	8,687,555,563	8,458,924,801	8,074,846,011	7,940,030,223
Total Liabilities	10,834,115,348	11,018,919,833	11,717,189,295	11,367,353,136	10,577,110,537	10,329,306,135
Total Equity	(544,649,889)	(883,272,272)	(1,300,679,496)	(1,620,081,388)	(1,521,537,070)	(1,515,706,022)
	-5%	-9%	-12%	-17%	-17%	-17%
Total Liabilities & Equity	10,289,465,459	10,135,647,562	10,416,509,800	9,747,271,747	9,055,573,467	8,813,600,113

A-6 shall present all charges and costs included under "Fuel Adjustment" and "Energy Purchase Adjustment" as of the effective date of Act 57-2014 and shall detail PREPA's proposed method of recovering fuel and purchased power costs. PREPA's proposed method for recovery of fuel and purchased energy costs must conform with the following requirements from Act 4-2016: The Commission shall approve under the "fuel adjustment" and "energy purchase adjustment" items only those costs directly related to the purchase of fuel and the purchase of energy, respectively, or such variable portion in the fuel and energy price that is not included in the basic rate, as the case may be. No other expense or charge may be denominated nor included as "fuel adjustment" or "energy purchase adjustment."

Please Refer to Exhibit 4.0 for detailed discussion of current and proposed fuel and purchased power cost recovery mechanism. Below is a list of costs recovered under the "Fuel Adjustment" and "Energy Purchase Adjustment"

Costs Included in the Fuel Purchase Adjustment Clause:

A. Purchase Fuels

- 1) Residual Number 6
- 2) Light Distillate No. 2 (Diesel)
- 3) Natural Gas
- 4) Propane
- 5) Additives

B. Cost of Fuel Transportation (40 ¢ per barrel)

C. Inspection

D. Laboratories

E. Storage

F. Handling

G. Delays

H. Taxes (taxes)

- 1) Municipal Patent (applies to fuel No. 6 and 2)
- 2) Excise Tax (applies to fuel No. 2)
- 3) Federal Tax (applies to fuel No. 6 and 2)

I. Fuel Hedging

Costs Included in the Power Purchase Adjustment Clause:

A. Energy Purchase to cogenerators AES and EcoEléctrica

- 1) Payment for Energy
- 2) Payment for Capacity

B. Energy Purchase to Renewable Energy Projects

- 1) Payment for Energy
- 2) Costs Associated with Renewable Energy Certificates (REC's)
 - a) Registration in the North American Renewables Registry (NAR)

Below is an illustration of how cash flows are and would be categorized under the current and proposed approach. The current approach includes a provision for CILT & Subsidies in the Fuel and Purchased Power Adjustment Clause. The proposed approach will collect CILT & Subsidy costs separately and directly from customers as a pass through, such that the Fuel & Purchased Power Adjustment Clause will not be adjusted to collect for these expenses.

Current Method

	FY 2014	FY 2015	FY 2016	FY 2017
Fuel & Purchased Power Expense				
Fuel	\$2,344,999,982	\$1,900,553,552	\$1,078,267,293	\$763,695,078
Purchased Power	\$807,619,515	\$783,894,944	\$759,089,846	\$828,393,012
Performance Improvement	\$0	\$0	(\$63,043,392)	(\$116,212,842)
Fuel & Purchased Power Expense	\$3,152,619,496	\$2,684,448,496	\$1,774,313,748	\$1,475,875,249
CILT in F&PP Adjustment Clause	\$389,649,601	\$331,785,769	\$219,297,205	\$182,411,548
Total F&PP Adjustment Clause	\$3,542,269,097	\$3,016,234,265	\$1,993,610,952	\$1,658,286,796
Contribution to municipalities (CILT)	245,372,807	235,261,237	59,709,663	51,783,821
Public Lighting	-	-	100,804,774	93,241,901
Special Customer Subsidies	116,694,478	115,684,250	82,471,339	75,071,019
Total Cost of Subsidies	\$362,067,285	\$350,945,487	\$242,985,776	\$220,096,742
Recovery Required in Base Rate	(27,582,316)	19,159,718	23,688,571	37,685,194

Note: the definition of CILT changed since 2014. See Schedule E-8 for more detail

Proposed Method

	FY 2017	FY 2018	FY 2019	FY 2020
Fuel & Purchased Power Expense				
Fuel	\$763,695,078	\$1,078,952,737	\$1,097,301,005	\$1,125,068,239
Purchased Power	\$828,393,012	\$882,777,834	\$954,238,566	\$1,025,449,111
Performance Improvement	(\$116,212,842)	(\$74,552,264)	(\$61,622,987)	(\$61,185,345)
Fuel & Purchased Power Expense	\$1,475,875,249	\$1,887,178,307	\$1,989,916,585	\$2,089,332,006
CILT in F&PP Adjustment Clause	\$0	\$0	\$0	\$0
Total F&PP Adjustment Clause	\$1,475,875,249	\$1,887,178,307	\$1,989,916,585	\$2,089,332,006
Contribution to municipalities (CILT)	\$51,783,821	\$52,628,550	\$54,199,213	\$55,480,842
Public Lighting	\$93,241,901	\$101,875,967	\$104,618,781	\$106,743,143
Special Customer Subsidies	\$75,071,019	\$83,787,403	\$87,337,326	\$89,310,851
Total Cost of Subsidies	\$220,096,742	\$238,291,920	\$246,155,320	\$251,534,836
CILT Subsidy Recovery Required in Base Rate	\$220,096,742	\$238,291,920	\$246,155,320	\$251,534,836