

PRIVATE AND CONFIDENTIAL



Puerto Rico Public Corporation Revitalization Authority

Rating Agency Presentation

October 2015

Agenda

- I. Introductions and Situation Overview
- II. Securitization Overview
- III. PREPA Reform
- IV. PREPA Operations
- V. Overview of Billing and Collections
- VI. Storm Experience and Back-up Plans
- VII. Overview of Forecast Methodology
- VIII. Site Tour
- IX. Closing Remarks
- X. Historical Data

I. Introductions and Situation Overview

Participants

- **Javier Quintana**, Executive Director, PREPA
- **Carmen Flores**, Customer Service, PREPA
- **Sonia Miranda Vega**, Planning, PREPA
- **Gregory Rivera**, Planning, PREPA
- **Ernesto Ramos Morales**, CFO, PREPA
- **Lisa Donahue**, Alix Partners
- **Melissa Brown**, Alix Partners
- **Tony Perez-Sales**, Alix Partners
- **Jose Coleman-Tio**, Government Development Bank for Puerto Rico
- **Gerard Gil Olazabal**, Government Development Bank for Puerto Rico
- **Jill Toporek**, Goldman, Sachs & Co.
- **Katrina Niehaus**, Goldman, Sachs & Co.
- **Francisco Brugueras**, Goldman, Sachs & Co.
- **Larry Bauer**, Sidley Austin LLP
- **Matt Hughey**, Sidley Austin LLP

Situation Overview

Securitization and Larger PREPA Reform

Purpose of Transaction	<ul style="list-style-type: none">■ Restructure existing debt service to provide PREPA with cash flow relief as part of the comprehensive PREPA recovery plan■ May also provide proceeds to fund cash tender■ Funding of certain capital improvements
What are the Reforms?	<ul style="list-style-type: none">■ New business plan to turnaround PREPA in a comprehensive manner■ Operational reform focused on reducing costs and implementing industry best practices■ Legislative reform to provide support the business plan■ Governance reform to depoliticize PREPA and allow for long-term planning■ New Capital Structure that deleverages PREPA and provides liquidity relief■ New Rate Structure – first comprehensive revision since 1989
What is being Securitized?	<ul style="list-style-type: none">■ Approximately 80-90% of the outstanding PREPA Revenue Bonds to be exchanged■ Potentially fund certain capital improvements■ Costs associated with securitization
What is the Structure?	<ul style="list-style-type: none">■ Special purpose public corporation – not permitted to file under Chapter 9 or analogous Commonwealth statute■ Tax-Exempt Bonds

The Future of PREPA

The vision is to invest in energy infrastructure and develop a modern, self-sustaining electric system while reducing the cost of energy to consumers over time and complying with environmental laws

New PREPA	
Modern Infrastructure	Upgrade generation and transmission/distribution systems and expand fuel infrastructure
Reform Governance	Create management and board that are more independent of the government and focused on industry best practices
Integrated Rate Structure	Restructure rates to cover operating, debt and capital costs
Financial Stability	Implement sustainable capital structure that also provides flexibility to attract new private investment for infrastructure
Diverse Fuel Mix	Diversify fuel sources and decrease commodity price risk
Environmental Compliance	Achieve compliance with EPA regulations

Proposed Timeline

Preliminary Ratings Evaluation Service feedback is requested by the week of October 12th, 2015

	Date
Week of October 5th, 2015	
Rating Agency Meeting in Puerto Rico	October 5 th , 2015
Preliminary Materials Submitted to Rating Agencies	October 5 th , 2015
Rating Agency Provides Indicative Model Stresses	October 7 th , 2015
Rating Agency Provide Round 1 Questions	October 8 th , 2015
Goldman to Provide Model / Stress Output	October 9 th , 2015
Week of October 12th, 2015	
PREPA / GS Respond to Round 1 Questions	October 12 th , 2015
Rating Agency Provide Round 2 Questions	October 13 th , 2015
PREPA / GS Respond to Round 2 Questions	October 14 th , 2015
PREPA / GS Receive Preliminary RES Feedback	October 14 th , 2015
Submit Legislation	October 15 th , 2015
Week of October 26th, 2015	
PREPA / GS Receive Final RES Feedback	October 26 th , 2015

II. Securitization Overview

Transaction Strengths

Transaction includes same key elements of investor-owned utility securitizations as well as a few additional enhancements. As such, PREPA is targeting a AA rating of the bonds.

✓	Enhanced True-Ups	<ul style="list-style-type: none"> ■ Semi-annual true-ups to correct for any over- or under-collections ■ Optional interim adjustments permitted as necessary ■ Quarterly true-ups after scheduled maturity if necessary
✓	Irrevocable & Non-bypassable Charge	<ul style="list-style-type: none"> ■ Final and effective upon issuance of Bonds ■ Applies to all consumers receiving power through T&D system <ul style="list-style-type: none"> — Fixed per-customer charge for residential customers — All other classes to be charged a per kWh charge
✓	Full Cross-Collateralization	<ul style="list-style-type: none"> ■ Any collection shortfall is allocated among all customer classes
✓	No “Cap” on Level of Charge	<ul style="list-style-type: none"> ■ No limits on securitization charge (“Charge”) that may be imposed on all customers
✓	Resilient Cash Flows	<ul style="list-style-type: none"> ■ Resilient cash flows given true-up and reserve account
✓	Commonwealth Pledge	<ul style="list-style-type: none"> ■ The Commonwealth of Puerto Rico will not take any action that alters or impairs the Restructuring Property (the “Property”) <ul style="list-style-type: none"> — Same constitutional protections as US states
✓	Substantial Debt Service Reserve	<ul style="list-style-type: none"> ■ Significant Debt Service Reserve of [TBD]% to address rating agency liquidity concerns; to be met with a surety policy
✓	Active 3rd Party Servicing	<ul style="list-style-type: none"> ■ Immediate use of 3rd party depository agent and calculation agent to de-link rating of securitization from PREPA’s rating
✓	Reduction of Debt Service Burden	<ul style="list-style-type: none"> ■ Exchange of existing debt results in a reduction of customer debt service burden ■ Initial 5-year interest only period provides customers with initial rate relief
✓	Strong Political Will	<ul style="list-style-type: none"> ■ Part of a long-term plan that addresses long-standing concern of elected and other policy makers, rate payers and noteholders
✓	Third-Party Issuer	<ul style="list-style-type: none"> ■ Issuing entity separate from PREPA credit

Structural Differentiation

PREPA Rating	<ul style="list-style-type: none">■ Significant 3rd party involvement with introduction of Depository Agent and Calculation Agent■ Majority of collections not expected to pass through PREPA's control prior to remittance to the trustee
Transaction Size	<ul style="list-style-type: none">■ Final transaction size will change based on noteholder participation in the exchange offering<ul style="list-style-type: none">— Size is expected to range from approximately \$5 to \$8 billion with rating request for maximum amount
Rate Setting Authority	<ul style="list-style-type: none">■ Under the proposed securitization enabling act, Puerto Rico Energy Commission will have no role in setting the charge■ The Issuer will have a limited role in confirming the mathematical accuracy of the charge
Stability of Charge	<ul style="list-style-type: none">■ Charge is non-bypassable for all customer classes■ Fixed per-customer charge to be implemented for residential customers

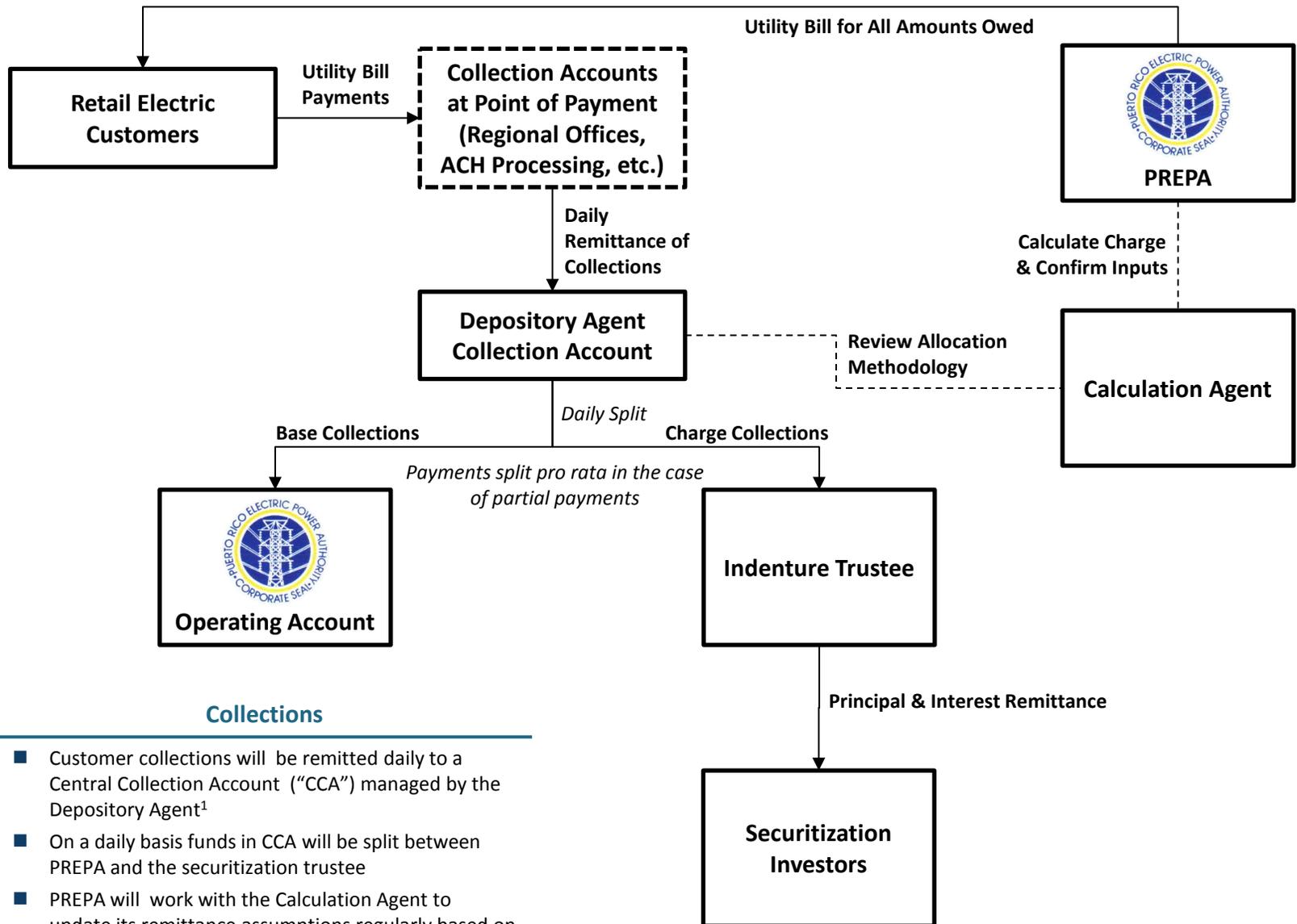
Securitization Term Sheet

Indicative Securitization Term Sheet (as of October 2015)	
Issuer	Puerto Rico Public Corporation Revitalization Authority (the “Issuer”), a special purpose, bankruptcy-remote, public corporation issuer created pursuant to special legislation
Initial Master Servicer	Puerto Rico Electric Power Authority (“PREPA”)
Depository Agent	TBD
Calculation Agent	TBD
Collateral	Newly created Restructuring Property
Collateral Accounts	General collections account, excess funds account, and Debt Service Reserve Account
Debt Service Reserve Account	[TBD]% of the initial principal balance of the Bonds ¹ ; Reserve requirement to be met with a surety policy
Trustee	TBD
Payment Frequency	Semi-annually
Interest	Fixed Rate (Convertible Capital Appreciation Bonds - interest will accrete for first five years after issuance)
Principal	Paid sequentially according to an amortization schedule
True-up Mechanism	Regular semi-annual true-up prior to expected maturity, optional ongoing true-up and quarterly true-up after the scheduled final maturity date if any bonds are still outstanding
Credit Enhancement	True-up mechanism and Collateral Accounts

1. So long as actual collections during any collection period during the first 10 years of the transaction life are not less than 95% of the Revenue Requirement the interest reserve shall step down to 50% of its original amount

Transaction Diagram

Ongoing Flow of Funds



Collections

- Customer collections will be remitted daily to a Central Collection Account (“CCA”) managed by the Depository Agent¹
- On a daily basis funds in CCA will be split between PREPA and the securitization trustee
- PREPA will work with the Calculation Agent to update its remittance assumptions regularly based on changes in billing and collection performance

1. Payments will be collected via existing PREPA collection practices.

Summary of Servicing

Transaction will include enhanced 3rd party servicing involvement



Function	(Master Servicer)	Depository Agent	Calculation Agent
Meter Reading	✓		
Billing	✓		
Collections (from customers)	✓	✓	
Allocation of Customer Bill	✓	✓	✓
Customer Service	✓		
Managing Customer Delinquencies and Disconnections	✓		
Naming / Branding on Customer Bills	✓		
Forecasting	✓		
True-up Calculation	✓		✓
True-up Implementation	✓		
Ongoing Reporting	✓		✓

True-up Mechanism

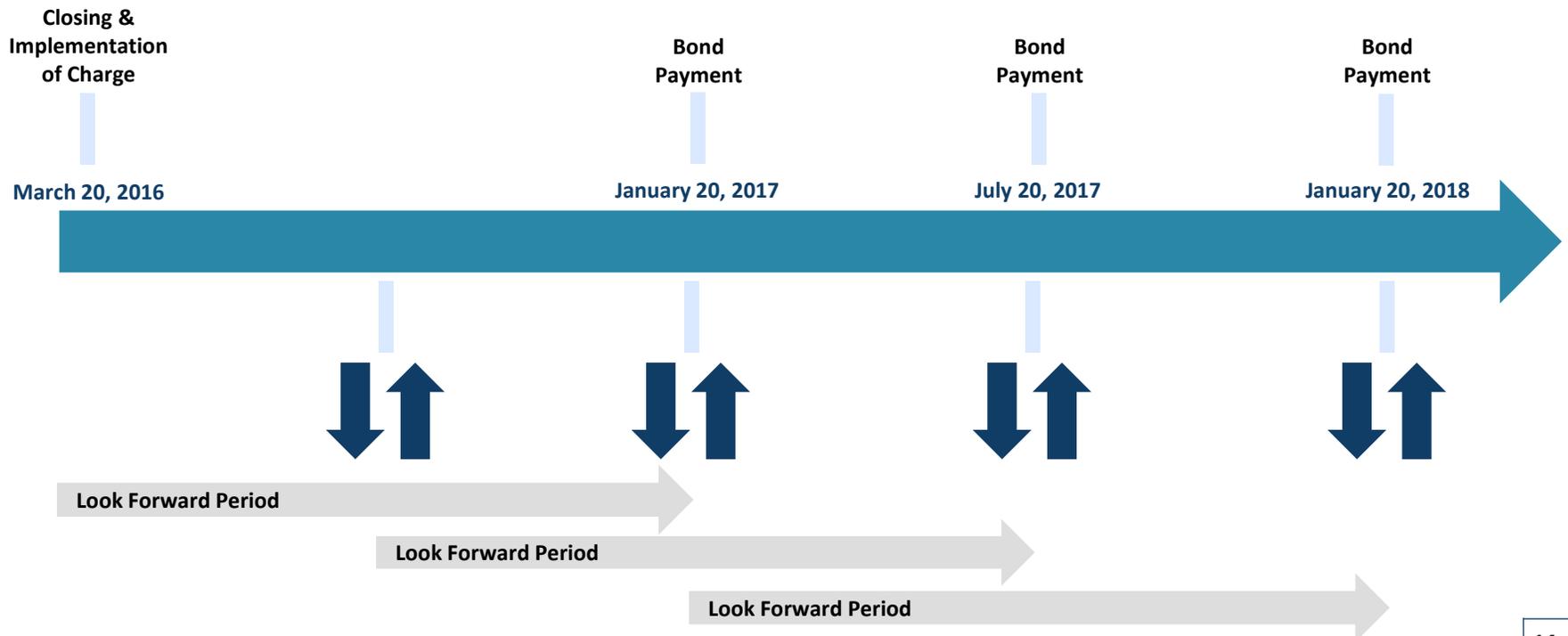
True-up mechanism ensures timely collection of all amounts

Semi-Annual True-up

- Corrects for any over- or under-collections experienced or expected to be experienced
- Ensures expected collections to pay timely principal and interest on the Bonds and timely Ongoing Financing Costs
- If Charge is calculated incorrectly, it will be changed but resulting over- or under-collection will be taken into account in next adjustment

Optional True-up

- To be performed by the Master Servicer at any time
- Ensures expected collections are adequate to pay timely interest and principal on the Bonds and timely Ongoing Financing Costs
- True-up only



Assessment and Remittance of New Charge

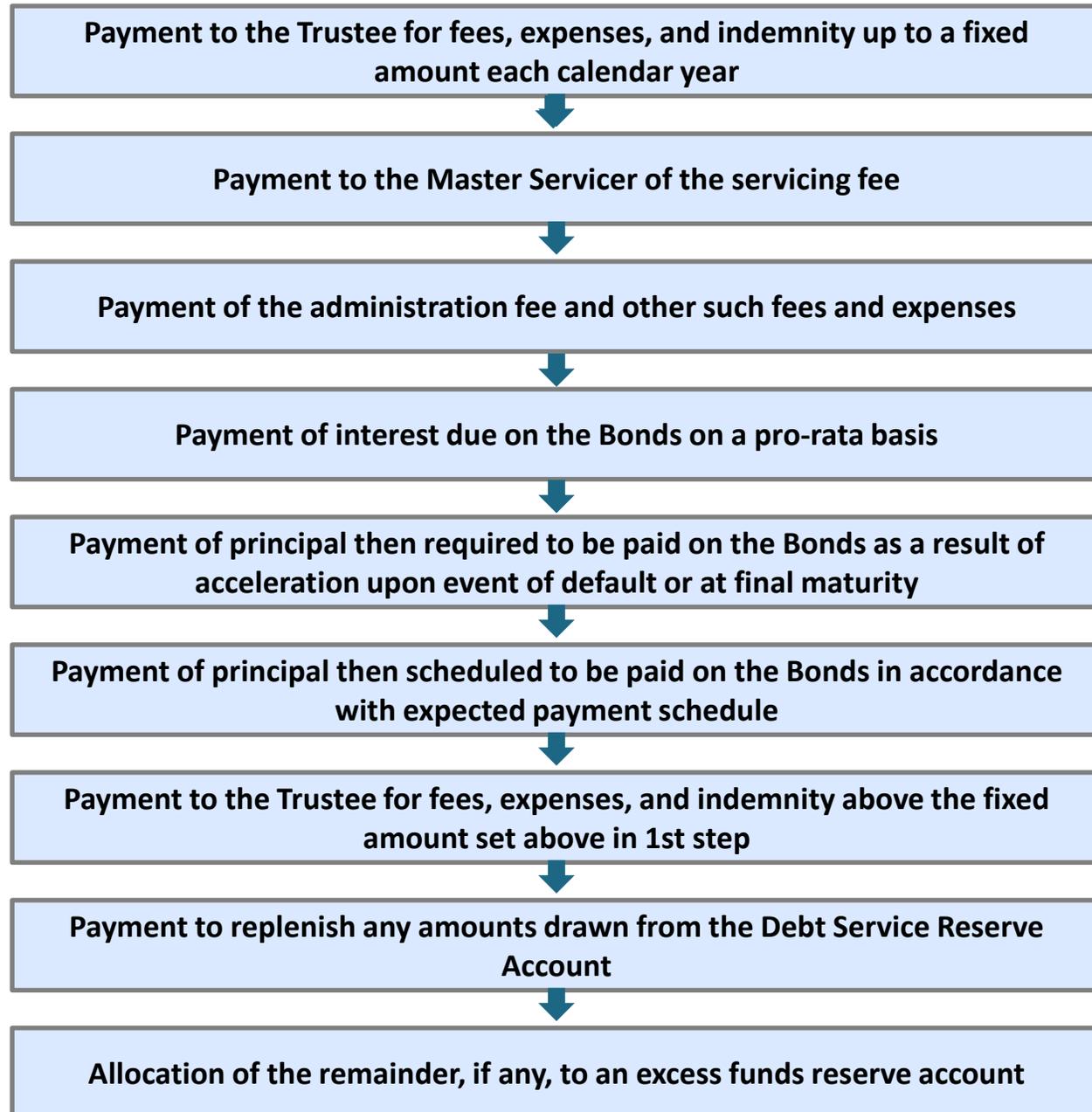
Overview

- PREPA (the “Master Servicer”), will service the bondable Property along with the Depository Agent and a Calculation Agent (together, the “Servicing Team”). The Master Servicer will assess the Charge on customers. The Depository Agent will receive cash on a daily basis, split the charge from PREPA’s collections and remit the Charge collections to the Indenture Trustee daily. The Calculation Agent will assist in the true-up calculation, allocation of cash flows, and ongoing reporting. The Servicing Team will be entitled to an annual servicing fee that will be payable from the Charge collections

Calculation of the Charge

- The Master Servicer and the Calculation Agent will calculate the Charge necessary to meet the debt service payments (plus fees and expenses) through the next 2 true-up dates following the steps below:
 1. Calculate amounts due and accrued for payment of securitization debt service, reserve replenishment and transaction expenses (the “Revenue Requirement”) for the next 2 true-up dates (generally one year)
 2. Mark-up Revenue Requirement for expected system-wide uncollectable amounts
 3. Allocate the Revenue Requirement to each customer class (Residential and Other) based on previous fiscal year usage
 4. Calculate charge for each customer (including adjustment for payment delays) using projections by customer class
 - Residential: Fixed per customer charge on each monthly bill
 - Other: Usage-based charge

Preliminary Transaction Waterfall



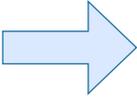
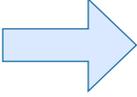
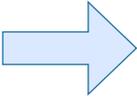
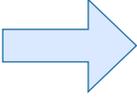
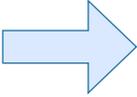
Key Elements of Transaction

Key elements are similar to other utility charge securitizations with numerous enhancements

Key Element	Other Transactions	PREPA Issuance
Legislation Establishes Legal Framework	✓	✓
Creation of Current Property Right	✓	✓
State-Sponsored Issuing Entity	✓	✓ (similar to HI/CT)
Nonbypassable Customer Charge	✓	✓
Mandatory Periodic True-Ups	✓	✓
Irrevocable Financing Order	✓	✓ (similar to LIPA)
Non-Impairment Pledge	✓	✓
Constitutional Protections for Bondholders	✓	✓
Utility & Master Servicer Succession / Replacement Provisions	✓	✓
No “Cap” on Level of Charge	✓	✓
Third Party Depository Agent	⊘	✓
Third Party Calculation Agent	⊘	✓
Meaningful Reserve Account	⊘	✓

Differences Compared to Traditional Deal

Each difference is a function of the public nature of the sponsor and issuer and the particular context of the securitizations

<p>Commonwealth-Sponsored Entities</p>	<ul style="list-style-type: none"> Commonwealth-sponsored entities are both sponsor and issuer 		<ul style="list-style-type: none"> Issuer is independent of PREPA and does not have power to declare bankruptcy Strong legal framework and political consensus on importance of transaction Precedence for state sponsored issuer in Hawaii and Connecticut
<p>Not “Traditional” Cost Recovery</p>	<ul style="list-style-type: none"> Proceeds are not being used for storm or stranded cost recovery 		<ul style="list-style-type: none"> Exchange expected to result in a net reduction of PREPA debt service obligations
<p>Long Legal Final Maturity</p>	<ul style="list-style-type: none"> Legal final maturity date is long-dated 		<ul style="list-style-type: none"> Strong true-up provision Fixed per-customer residential charge mitigates solar risk PREPA’s reduced debt creates ratepayer savings
<p>No Commission Role for approval of Charge</p>	<ul style="list-style-type: none"> Rate-setting function does not sit with public utility commission 		<ul style="list-style-type: none"> Energy Commission will not have authority to review or approve the Charge Proven framework for transaction without commission involvement in LIPA securitization
<p>Operational Change at PREPA</p>	<ul style="list-style-type: none"> Risk of implementation of promised changes at PREPA 		<ul style="list-style-type: none"> Significant upfront 3rd party servicing involvement Strong successor utility and servicer provisions Governance reform by providing independent, non political directors

Summary of Securitization Legislation

A new statute would be enacted as follows:

1. Creation of a bankruptcy-remote special purpose public corporation and governmental instrumentality (“SPV”) known as the Puerto Rico Public Corporation Revitalization Authority, with power to impose non-bypassable charges (“Charges”) payable by PREPA’s customers to or for the account of the SPV (and not to or for the account of PREPA), to true-up those Charges to meet revenue requirements and to issue bonds (“Restructuring Bonds”) secured by such Charges. Charges will be used to refinance PREPA debt or pay for stranded costs and other closely prescribed purposes (limited amount of capex and partial funding of reserve account). Issuance of Restructuring Bonds will not be subject to review by the Energy Commission.
2. SPV authorized to adjust Charges at least annually to ensure that revenues are sufficient to pay debt service on and other expenses related to Restructuring Bonds (“True-Up”). Such True Up will not be subject to the review of the Energy Commission. Review of True Up (by SPV, Master Servicer, Calculation Agent and EC) will be limited to ascertaining the mathematical accuracy of the calculated adjustment.
3. Restructuring Bonds may additionally be secured by reserve account [see slide 16] available to be drawn in event revenues from Charges are insufficient to pay debt service when due.
4. Restructuring Bonds will be secured by a statutory lien on Charges.
5. Revenues from Charges are owned by SPV and authorized to be pledged to payment of Restructuring Bonds. If PREPA receives any Charges, receipt is as agent of SPV only and required to transfer them as soon as possible to the central depository.
6. Partial payments by customers will be shared pro rata with PREPA’s legacy bondholders (such pro rata allocation to be based upon the relative amounts of the Charges and the PREPA charges as a part of the total bill).
7. Commonwealth statutory pledge not to amend securitization authorization statute, interfere with True-Up process or authorize SPV to file for bankruptcy while any securitization bonds are outstanding. Such statutory pledge will expressly form part of the contract of the holders of the SPV’s bonds.
8. The statute will include a validation procedure and statute of limitations applicable to legal challenges by statutory defendants as follows:
 - a. Validation procedure: action may be brought by SPV.
 - b. Reverse validation procedure: action may be brought by statutory defendants (e.g., PREPA bondholders, ratepayers, PREPA vendors, Puerto Rico Secretary of Justice or any other interested person with standing) only within 60 days after enactment of statute and published notice, and within 60 days after adoption of SPV resolution authorizing issuance of bonds and publication of notice thereof.
 - c. Any litigation challenging the statute or the issuance of the bonds by the SPV shall be placed on an expedited docket in the Court of First Instance in San Juan, with liberal joinder and cross-claim rules to permit all constitutional and validity of SPV bonds issues to be raised and interested parties to participate. Any appeal shall also be placed on an expedited docket and may be appealed only directly to the Puerto Rico Supreme Court.

III. PREPA Reform

Historical PREPA Challenges

Inefficient Operations

- Old and inefficient plants
- Insufficient and / or inconsistent processes and procedures
- Outdated systems and information technology
- Disorganized and ineffective customer service infrastructure

Fuel Dependency / Environmental Compliance

- High dependence on fuel oil and inability to diversify fuel mix
- Lack of environmental compliance plan, including the EPA's Mercury and Air Toxics Standards ("MATS")
- Underinvestment in new capital investment

Inadequate Rate Structure

- Antiquated rate structure insufficient to cover liquidity needs
- Not sufficient to cover costs and current debt service requirement

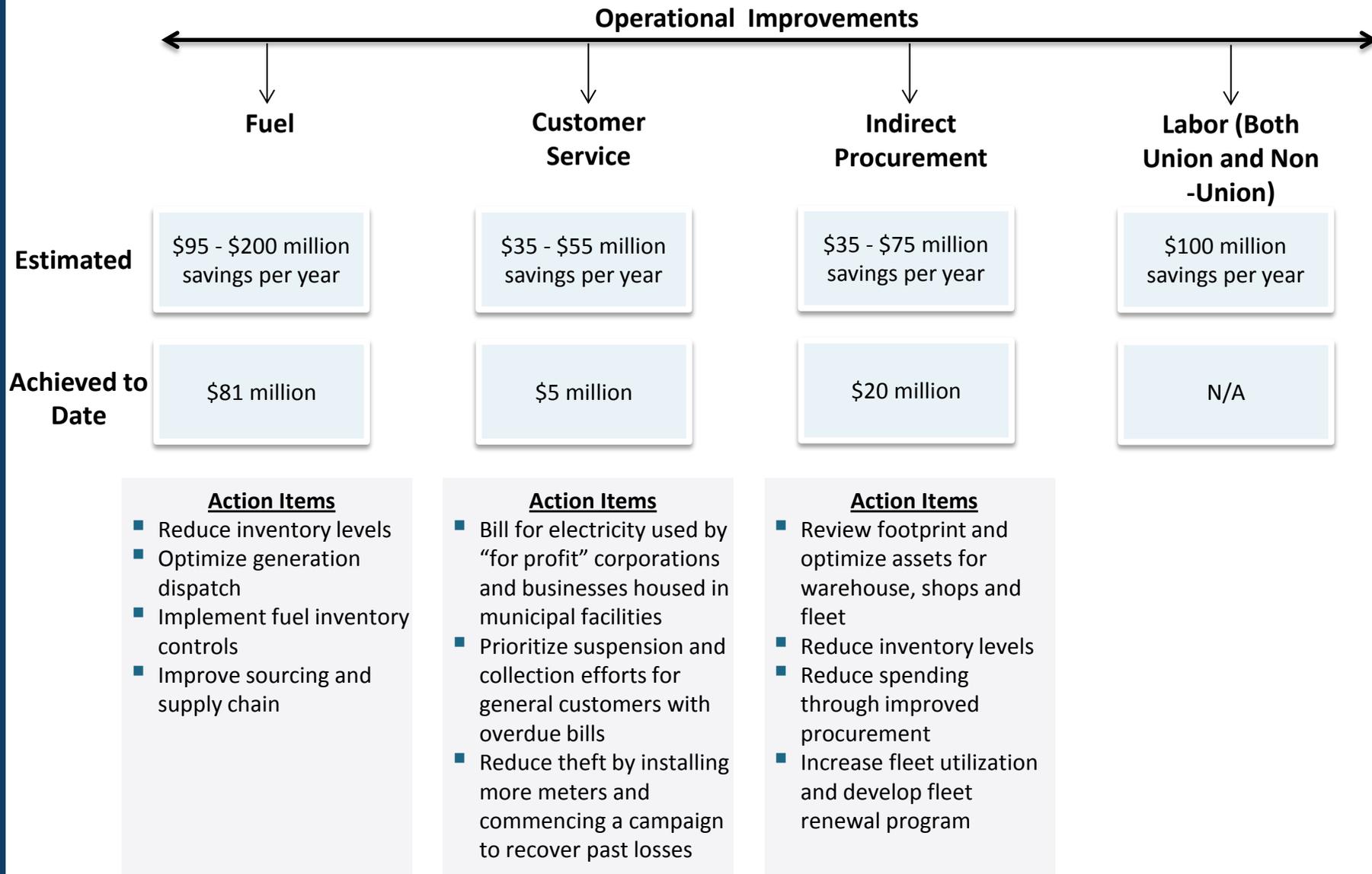
Governance / Political Influence

- Business decisions including staffing and capital investment often driven by political priorities rather than sound business judgement
- Inconsistent direction and policies of different administration

AlixPartners has developed a Business Plan to address these challenges that is already being implemented.

Operational Improvements to PREPA System

Operational Improvements are projected to generate annual savings of \$165– 330 mm



In addition to annual savings, PREPA's current cash balance reflects ~\$70 million of one-time cash savings as a result of operational, contractual and other improvements

New Investment

- PREPA will invest across its generation fleet to achieve compliance with environmental requirements as well as improve the efficiency at multiple units and expand fuel diversification
 - Concurrently with construction of the Aguirre Offshore GasPort Project (the “AOGP”), PREPA will convert the Aguirre Steam and Combined Cycle units to burn gas
 - New units at Palo Seco will be completed and begin operation in FY2021 (MATS Compliance)
 - In subsequent years, PREPA will repower and/or replace units at Aguirre (Steam and CC) and Costa Sur to improve the efficiency of these units
- Investment capex forecast (generation and additional T&D improvements) totals \$3.2 billion (excluding financing costs) during the forecast period

Long Term Rate Policy

PREPA retained Navigant Consulting to assist in a new rate policy. Based on its recommendation, PREPA will propose to the Energy Commission a new rate structure, which will enable more effective cost recovery. Rate case is expected to be submitted mid- to end of November 2015¹.

Current Rate Structure

- Fixed components of rate structure have not been adjusted since 1989, and do not adequately support PREPA's cost structure
- Current rate structure does not include a mechanism to include funding for CapEx needed to modernize PREPA's infrastructure
- The existing fuel and purchased power cost adjustment is overly complex
- Introduction of Distributed Generation and Net Metering were not anticipated when current tariff structure was developed
- CILT / subsidy cost not fully covered by rates

Revised Rate Structure

- Greater transparency to rate structure
 - Visibility into main components of cost structure (T&D charge, fuel and purchased power costs, CILT and subsidies, inclusion of net metering charge and credit)
 - Simplification of fuel and purchased power charge formula including eliminating the mark-up
- Components of rate will be reviewed every three years
 - In the base year, a capital plan for the three year period will be proposed
 - On an annual basis, revenue requirements will be true-up to capture any operating, capital and/or cost variations; True-up formula is reviewed every three years

The PREPA rate structure envisioned will increase transparency and provide a framework to ensure future changes in business operations and costs are appropriately captured

1. Assuming legislative reform by November 15, 2015.

Legislative Reforms

Energy Relief Act:

	Proposed Reforms
Collection Issues¹	<ul style="list-style-type: none"> Agencies and Public Corporations: public corporations and agencies with debt to PREPA to enter into payment plan. Upon noncompliance with payment plan, PREPA is authorize to curtail or disconnect service. Residential Customers: Provide PREPA with clear authority to charge reconnecting fees, report delinquent customers to credit bureaus, increase security deposits and late payment interest charges, deprioritize reconnects
CILT¹	<ul style="list-style-type: none"> PREPA to set a CILT cap for each municipality If cap exceeded, municipality must pay excess in cash currently Include as “statutory debts” amounts owed to PREPA in excess of CILT cap (CRIM may deduct such amounts from amounts payable by CRIM for benefit of municipality) GDB notified of amounts overdue in excess of [90] days will include them as debt outstanding in delinquent municipality’s borrowing margin
Rate Structure¹	<ul style="list-style-type: none"> Rate structure to be revised with a “Formula Ratemaking Mechanism”
Private IPPs	<ul style="list-style-type: none"> IPPs will negotiate and contract with PREPA through a PREPA led process IPPs will be subject to Energy Commission regulation once the power plant comes on-line and is compliant with PREPA contract requirements. Energy Commission will be responsible for reviewing and approving negotiated rates prior to completion of the procurement process Purchased power will be payable as a Current Expense under Trust Agreement
New Debt Issued by PREPA	<ul style="list-style-type: none"> Eliminate the need for the Energy Commission to provide recommendation as to PREPA debt [see below]

PREPA Organic Act:

	Proposed Reforms
Financing	<ul style="list-style-type: none"> PREPA may create liens over its assets (except land), subject to any contractual limitations set forth in the Trust Agreement or other debt documents Energy Commission must submit to GDB any recommendation on PREPA debt no later than [60] days following request by GDB (but Energy Commission has no jurisdiction on debt issued by PREPA in connection with restructuring) [see above]
Governance	<ul style="list-style-type: none"> See “New Governance” section in “Proposed Governance Reforms” slide below
Asset Transfers	<ul style="list-style-type: none"> Liberalize provisions relating to the sale, lease or transfer of any PREPA property unless otherwise prohibited by any contractual limitations, including the Trust Agreement

1. Discussion on-going.

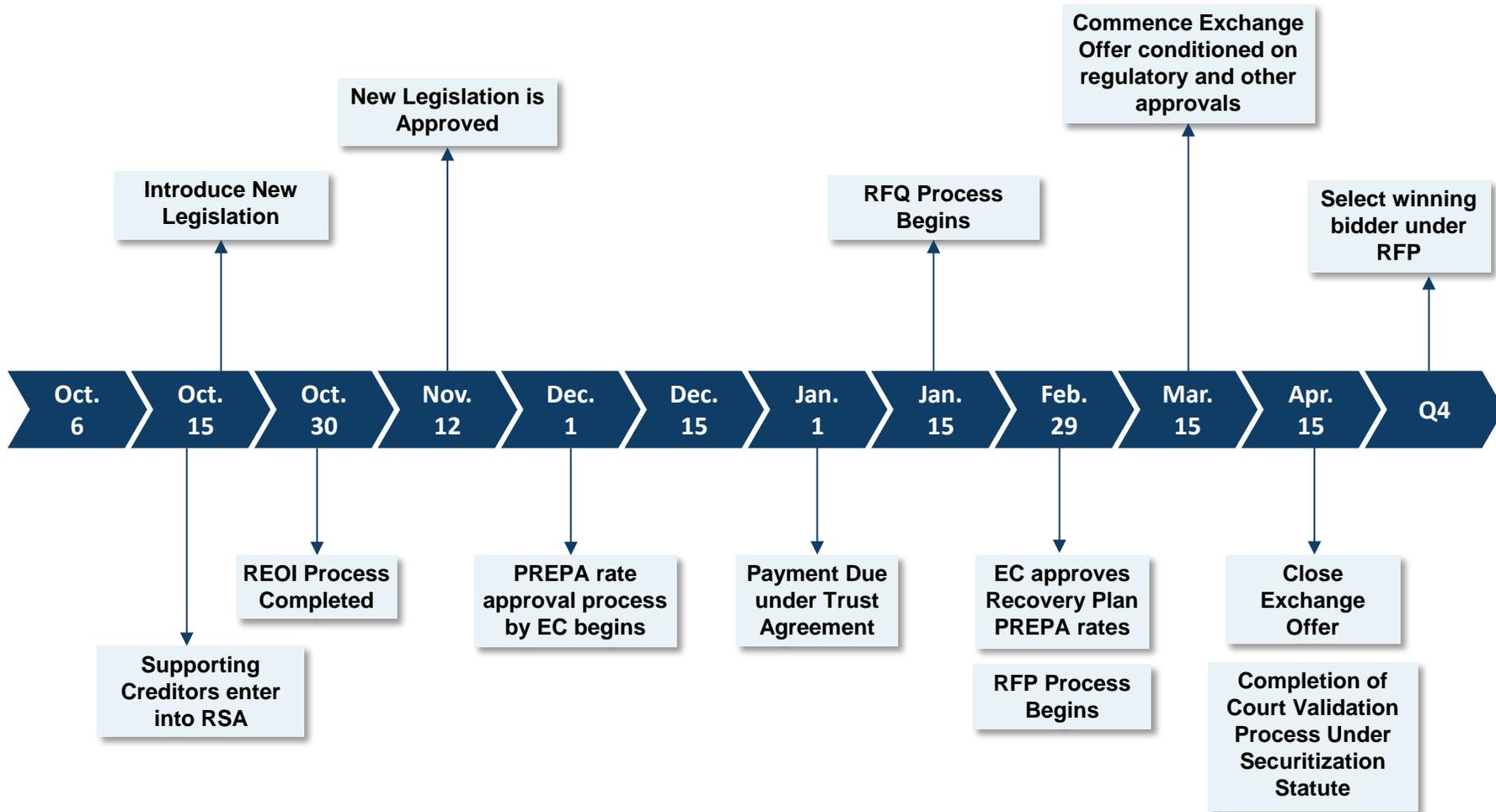
Proposed Governance Reforms

In order to ensure that the reforms at PREPA are long-lasting, the Recovery Plan aims to reduce political influence over PREPA. Below are the governance reforms proposed to achieve this goal

	Proposed Reforms
Board Composition	<ul style="list-style-type: none"> ▪ [7] Board Members appointed by Governor – must include: (i) [2] members ex officio (GDB president and PRIFA executive director); (ii) [1] consumer representative and (iv) [4] independent members selected according to objective criteria from a [10]-person list of candidates prepared by a nationally-recognized search firm, also selected according to objective criteria, which list must include [2] Puerto Rico residents (Governor may request additional candidates subject to similar objective criteria). Board members to be confirmed by the Senate ▪ Committees established by the Board will include at least one independent member. Audit Committee to have majority of independent members ▪ Establish market based compensation comparable to that received by board members of local institutions of similar size, complexity and risks and energy industry in the US
Replacement Mechanics	<ul style="list-style-type: none"> ▪ Initial Board Members to have staggered terms of [2, 3 and 4] years, with a limit of three terms per Board Member ▪ Board Members replaced by Governor, with consent of the Senate; in case of members appointed from independent candidate list, replacements are chosen by the Governor from a [10]-person list of candidates as provided above
Supermajority Voting Requirements	<ul style="list-style-type: none"> ▪ Supermajority voting (2/3 of full board, 5 affirmative votes) is required for PREPA to take certain actions/decisions, including: <ul style="list-style-type: none"> — Any decision on labor relations, pensions and work rules — Any decision on rates and CILTs — Incurrence of debt above a certain threshold — PPP contracts for third party operator and IPPs, and material amendments to those contracts — PPAs and material amendments
Prohibited Activities; Basis for Removal	<ul style="list-style-type: none"> ▪ Specify prohibited political activities applicable to non ex-officio Board members similar to Federal Hatch Act or PRASA Enabling Act ▪ Establish specific basis for removing Board members and management, strictly based on violation of prohibitions above, non-performance, unethical behavior or other improper actions, similar to PRASA Enabling Act
Other	<ul style="list-style-type: none"> ▪ Exemption from civil liability for the Board and its individual directors, and the officers, agents or employees of the Authority for any action taken in good faith in the performance of their duties and responsibilities ▪ New governance provisions to be included as covenants under the Trust Agreement as protection for bondholders ▪ Use of independent search firm described above will sunset in [10] years. ▪ All independent Board Members must meet the Final NYSE Corporate Governance Rules for director independence ▪ Quorum for meetings requires at least [4] members

Restructuring Timeline

The following presents a summary of recent events and upcoming milestones for PREPA’s restructuring process



Note: Preliminary and subject to material change.

IV. PREPA Operations

New PREPA Collection Practices

PREPA is making significant changes to improve its billing and collection processes

Traditional Collection Practices

General Customers

- Cumbersome service suspension process, causing:
 - Longer time to suspend service
 - Delayed collections
 - Backlog of pending suspensions increasing every month
- No collection activity on inactive accounts with past due balance
- Delays / reluctance to suspend service to large wholesale customers, including hospitals
- Deficient administrative process for Act 33 cases with wholesale customers, resulting in significantly increased balances and deposits due to PREPA going uncollected
- Long wait times for payment in the call center through live operator
- Delays in account maintenance, leading to more estimated billings open to dispute

Government Customers

- Deficient billing and collection practices
- Unwillingness to suspend service for non-payment, political interference in the process

Strengthened Collection Practices

General Customers

- Streamlined process for service suspension resulting in 50% reduction in backlog
- Engagement of 3 collection agencies to collect on inactive accounts
- Focus on collections from large wholesale customers, including service suspension actions to hospitals
- Acceleration of process to bring Act 33 cases to arbitration and collect deposit, including 3 additional dedicated FTE's
- Outsourcing of all operator payment calls to a 3rd party call center
- Implementation of a specific task force for account maintenance, resulting in 20% reduction in backlog

Government Customers

- Individualized collection program with 20 largest government corporations
- Serving suspension notices to top-10 government debtors
- Tight follow-up with Puerto Rico Treasury to accelerate payments for state agencies and Act 73 vouchers (industrial subsidies)

Improvements to Customer Service

Past Due A/R with General Customers has improved by more than \$58M from December 2014 to August 2015, offset by a ~\$10M increase in Act 33 cases

- Continuing effort to prioritize service suspensions in Wholesale Accounts and Commercial Offices – moving employees among offices, training, reinforcing adherence to new process and using overtime

A/R for General Customers (Excluding Invoices Objected Under Act 33)

Metric (in \$ MM)	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Change \$ Dec-14 to Aug-15
A/R: 30 – 59 d.	53.9	45.1	49.8	38.6	40.1	37.7	36.2	40.0	32.7	- \$21.2M
A/R: 60 – 89 d.	22.2	22.7	19.2	15.5	12.1	11.5	11.0	10.2	12.9	- \$9.3M
A/R: 90 + days	79.1	69.1	73.7	60.5	58.8	55.3	52.7	50.4	51.3	- \$27.8M
Total A/R > 30 d.	155.2	136.9	142.7	114.6	111.0	104.5	99.9	100.6	96.9	-\$58.3M
Rate - \$/kWh	\$0.25	\$0.23	\$0.22	\$0.22	\$0.22	\$0.21	\$0.21	\$0.21	\$0.19	-\$0.06

Improvements to Customer Service

Focus on pursuing largest debtors among wholesale accounts, including private hospitals , leveraging service suspension notices. Hospitals are scheduled for disconnection one per region to reduce social impact. Process to disconnect a hospital is strict, including 2 notice letters and public announcements.

Top Wholesale Delinquent Balances

Corporation	Payment Situation	A/R > 60 d.	Status
Centro Médico del Turabo	<ul style="list-style-type: none"> Not complying with agreed payment plan 	\$7M	<ul style="list-style-type: none"> New payment arrangement made Made \$500K payment on 9/29 to avoid scheduled suspension Negotiation for payment plan for the entire debt over the next 20 days Next suspension date October 19
Hospital Santa Rosa	<ul style="list-style-type: none"> Not paying for past due balances 	\$3M	<ul style="list-style-type: none"> New payment plan signed Bond to be provided by mid-Nov for \$0.5m
Asociación Hospital del Maestro	<ul style="list-style-type: none"> Paying ca. \$50k a week not enough to comply with agreed payment plan 	\$3M	<ul style="list-style-type: none"> Service suspension scheduled
Hospital Hermanos Meléndez Inc.	<ul style="list-style-type: none"> Not paying for past due balances 	\$2M	<ul style="list-style-type: none"> After first disconnection letter \$0.3M payment made – current to agreed payment plan
Blu Caribe	<ul style="list-style-type: none"> Not paying for current use Not complying with payment plan 	\$2M	<ul style="list-style-type: none"> Received \$280K Act 73 voucher that needs to be collected from PR Treasury \$60K payment due by 10/10 to avoid suspension

Improvements to Customer Service

PREPA has engaged three external collection agencies (Best & General, Millenium, Transworld) to collect on inactive accounts

- Two packages with 5,000 inactive accounts each sent to Millenium and B&G on August 14
- Over \$20mm in nominal account value, focused on residential accounts, with a good level of account information for the agencies to work with
- Contract with Transworld signed on 9/24. Will receive package of 10,000 invoices with \$35M in nominal value
- Uncollected accounts will be referred to Credit Bureaus
- Given the new service suspension process launched on July 1, 2015, the backlog of A/R > 90 days will move faster to inactive and thereby fall under the collection agencies' purview
- **Objective:** Transfer inactive accounts to collection agencies before 90 days past due, thereby decreasing A/R > 90 days for non-Government Customers

Improvements to Customer Service

Government receivables higher than 30 days have remained stable during the Dec'14 – Aug'15 period

- Government collections were significantly higher for August at ~\$41M, compared to an average of \$32M for the previous 6 months
- Overall, improvement in A/R > 30 days in Government Agencies by 20.5M, offset by a deterioration in A/R > 30 days with Public Corporations by \$15.3M

Metric (in \$ MM)	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Change from Dec-14 to Aug-15
State Agencies										
Total Payments	5.9	18.9	22.6	15.0	16.3	9.6	8.8	8.8	20.8	\$126.7M Total
Total Billings ¹	14.8	15.1	12.1	16.3	8.3	12.8	10.4	10.5	12.4	\$112.7M Total
Outstanding A/R Balance	74.8	71.0	60.4	61.7	53.7	57.0	58.6	60.3	51.9	-\$22.9M
A/R > 30 days	60.0	55.9	48.3	45.4	45.4	44.2	48.2	49.8	39.5	-\$20.5M
Public Corporations										
Total Payments	22.0	19.6	9.6	35.6	19.2	8.8	19.5	17.4	20.4	\$172.1M Total
Total Billings ¹	21.7	21.6	23.4	22.4	14.7	23.1	18.2	20.3	21.1	\$186.5M Total
Outstanding A/R Balance	214.4	216.4	230.2	216.9	212.4	226.7	225.4	228.4	229.1	+\$14.7M
A/R > 30 days	192.7	194.8	206.8	194.5	197.7	203.6	207.3	208.1	208.0	+\$15.3M
Total Gov. A/R>30	252.7	250.7	255.1	239.9	243.1	247.8	255.5	257.9	247.4	-\$5.3M

1. Reduction in A/R includes \$26.8M in billing adjustments and credits to correct billing errors (there have been no write-offs during the period); actions needed to secure collections.

Improvements to Customer Service

Service Suspension notices sent in late August-early September to several Public Corporations with large balances with PREPA

- After receipt of PREPA's service suspension letter, customers have 20 days to respond before service is suspended

Corporation	Payment Situation	A/R > 60 d.	Status
Urban Train Administration	<ul style="list-style-type: none"> Not paying for current use Not paying for past due balances 	\$27M	<ul style="list-style-type: none"> Conference call held with CEO Waiting for counterproposal to 5 year payment plan or will proceed with suspension
Highway and Transp. Authority	<ul style="list-style-type: none"> Not paying for current use Not paying for past due balances 	\$16.5M	<ul style="list-style-type: none"> Meeting held with CEO Waiting for counterproposal to 5 year payment plan or will proceed with suspension
Metro Bus Authority	<ul style="list-style-type: none"> Paying for current use since January Not paying for past due balances 	\$6.3M	<ul style="list-style-type: none"> Meeting held with CEO Waiting for counterproposal to 5 year payment plan or will proceed with suspension
Maritime Transportation Auth.	<ul style="list-style-type: none"> Paying for current use Not paying for past due balances 	\$1.4M	<ul style="list-style-type: none"> Meeting held with CEO On-going discussions on 5 year payment plan
Solid Waste Authority	<ul style="list-style-type: none"> Paying for current use, missed July Small payments for past due balances 	\$5.9M	<ul style="list-style-type: none"> Meeting held with CEO 5 points of service being disconnected
Land Authority	<ul style="list-style-type: none"> Started paying portion (20%) of current use since May Not paying for past due balances 	\$5.7M	<ul style="list-style-type: none"> Meeting with CEO Negotiating 7-10 yr. payment plan
National Parks Trust	<ul style="list-style-type: none"> Paying partially for current use Small payments for past due balance 	\$3.3M	<ul style="list-style-type: none"> No response yet Moving forward with suspension process
Ports Authority	<ul style="list-style-type: none"> Paying partially for current use 	\$30M	<ul style="list-style-type: none"> No response yet Moving forward with suspension process

Improvements to Customer Service

Municipalities – “For profit facilities” payment is being addressed through the new CILT regulations from the Energy Commission. Projected at \$20-30M in incremental annual revenue for PREPA

- Proposed Regulation for CILT was published by the Energy Commission on May 13th
- Public hearings for the new Regulation were held during June. PREPA testified on June 30th
- New CILT Regulations will be enacted by the Energy Commission sometime in October
- CILT Proposed Regulation treatment of “for profit facilities” is clear and in line with PREPA’s interests:
 - Comprehensive and specific definition of “for profit” facilities, including all activities where any Municipality charges an entry fee or collects other income (i.e., restaurants, parking facilities, any municipal property leased to third parties, etc.)
 - Definition calls for “mixed facilities”, housing both not-for-profit and for-profit activities, to be considered as “for profit” (pushback from the municipalities in their testimony)
 - Municipalities must provide a list of not-for-profit facilities by March 30th each year. Rest of facilities not included in this list are subject to billing / payment. PREPA will have until June 15th each year to review and confirm the list
 - Penalties to the municipalities are included for providing inaccurate information
 - Service suspension is included as a remedy for non-payment. Municipalities must submit to PREPA a list of facilities and the order in which they will be disconnected. If the list is not provided, the regulation establishes a broad list of facilities to be disconnected
 - Service shall not be suspended to health facilities, police stations and public schools
 - For FY15, the list of not-for-profit facilities must be submitted by the Municipalities 60 days after the Regulation is enacted

Improvements to Customer Service

Irregular Consumption of Electric Energy (“ICEE”) – Theft: a comprehensive action plan is in implementation with a target to hit 2,500 positive theft cases identified per month and reduce non-technical losses (“NTLs”) below 5% of net generation

- **Progress to date**

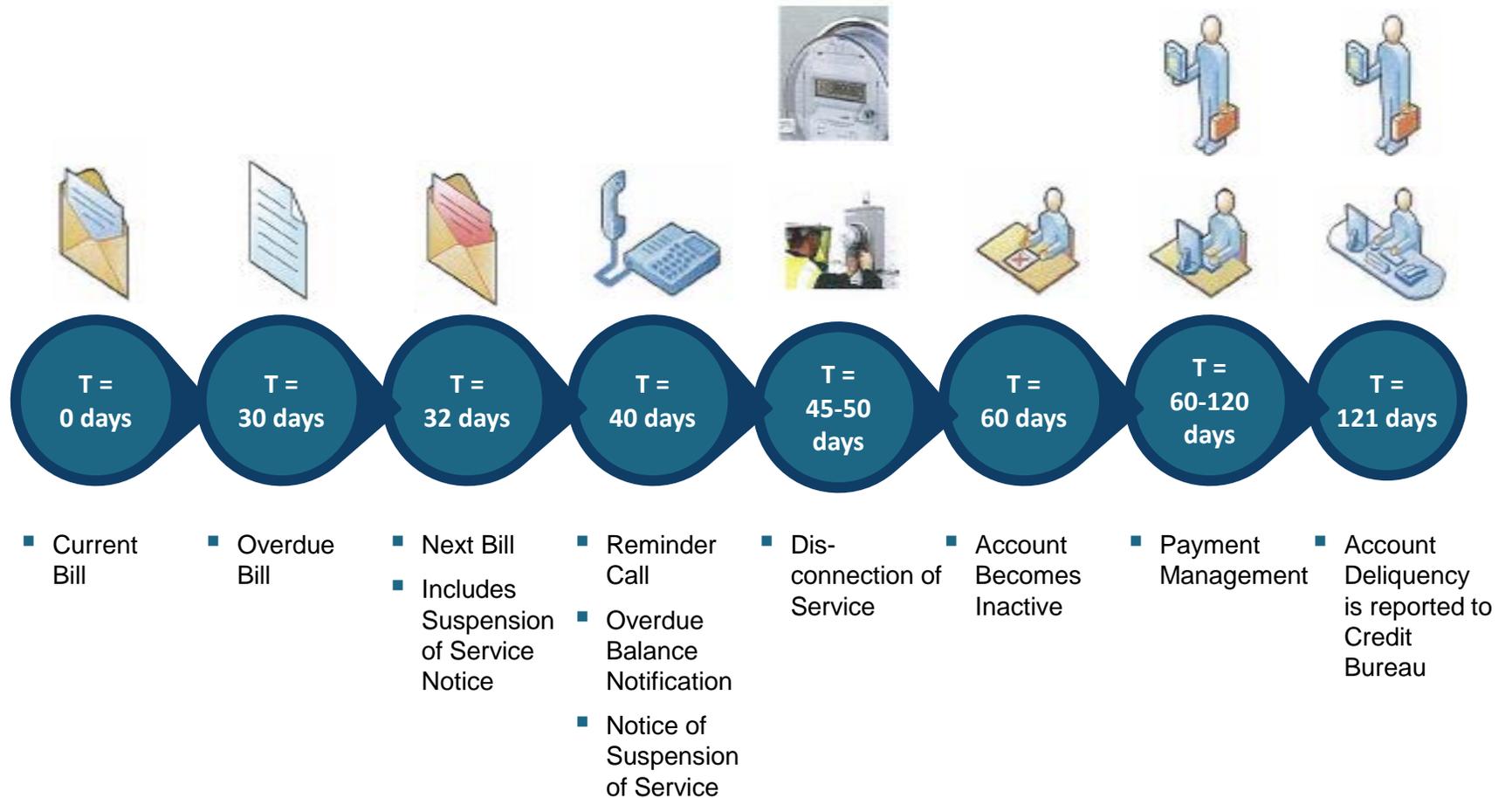
- Increase in recoveries from \$12M in FY14 to \$18M in FY15, with a reduction in NTL from 6.3% in FY14 to 5.9% in FY15

- **Go Forward Plan**

1. Creation of Theft Lead Generation tool and data base, leveraging existing data available in CC&B (billing system), TWACS (Remote Meter System) and other applications. Two dedicated PREPA FTEs, currently supported by AlixPartners team. Partial deliverables and pilot leads in place since August 2015
2. Reorganization of the ICEE (Theft) function at PREPA. Search for a new Division Head in process. Re-definition of Regional structure, adding experienced resources to field investigation and customer facing teams. Change in work descriptions to allow for easier recruiting (internal / external). Backlog of pending positive cases reduced by 500 out of 3,000 total in first 3 weeks of September
3. Launch of Balance of Energy Project. Leveraging measurement at substation / transformer level to identify areas of theft concentration and improve effectiveness of field investigators
4. Redesigned and streamlined ICEE process for all Regional Offices, to be launched with new organization structure and leadership

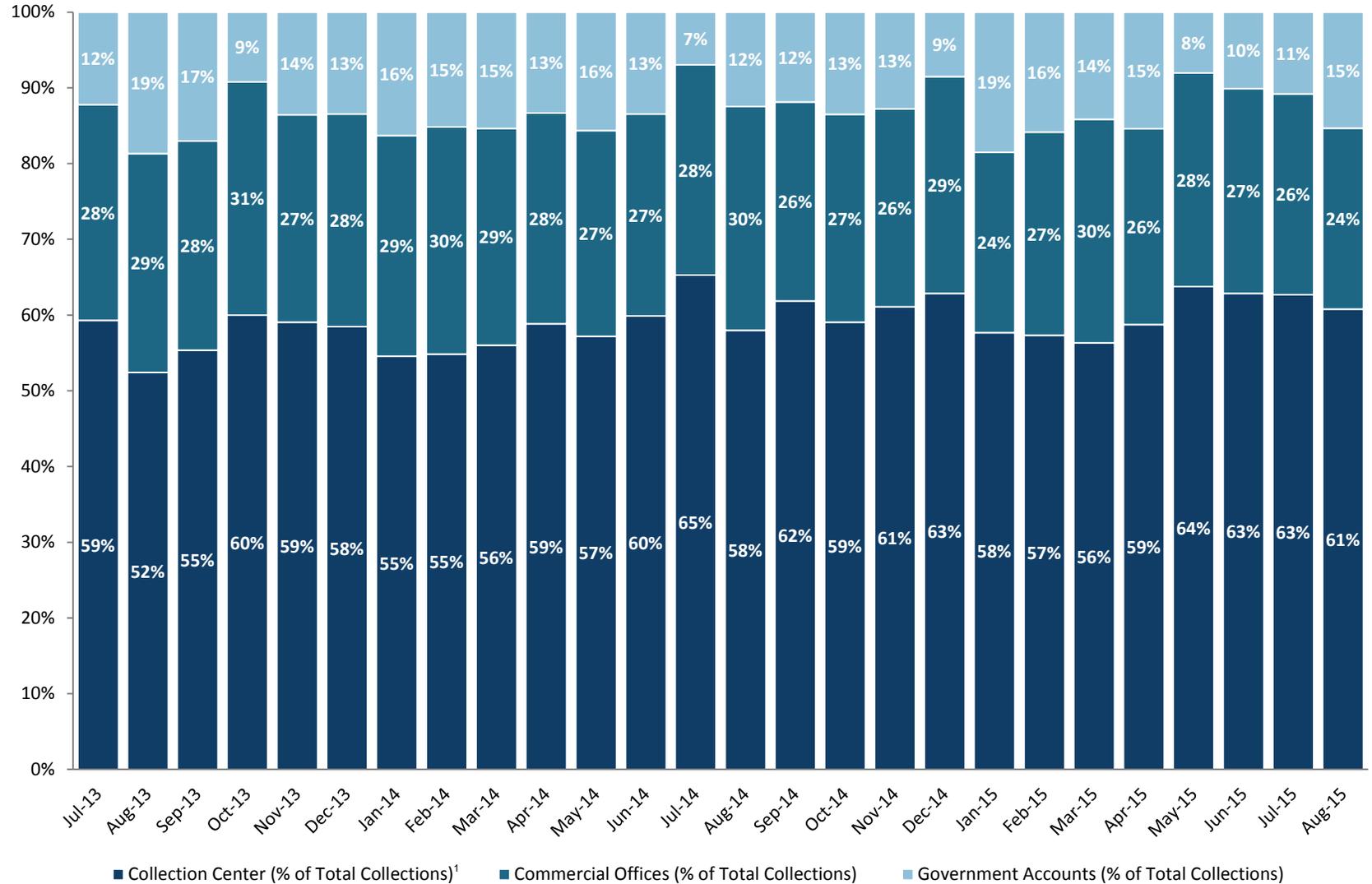
V. Overview of Billing and Collections

New Collection Timeline



Overall Payment Distribution

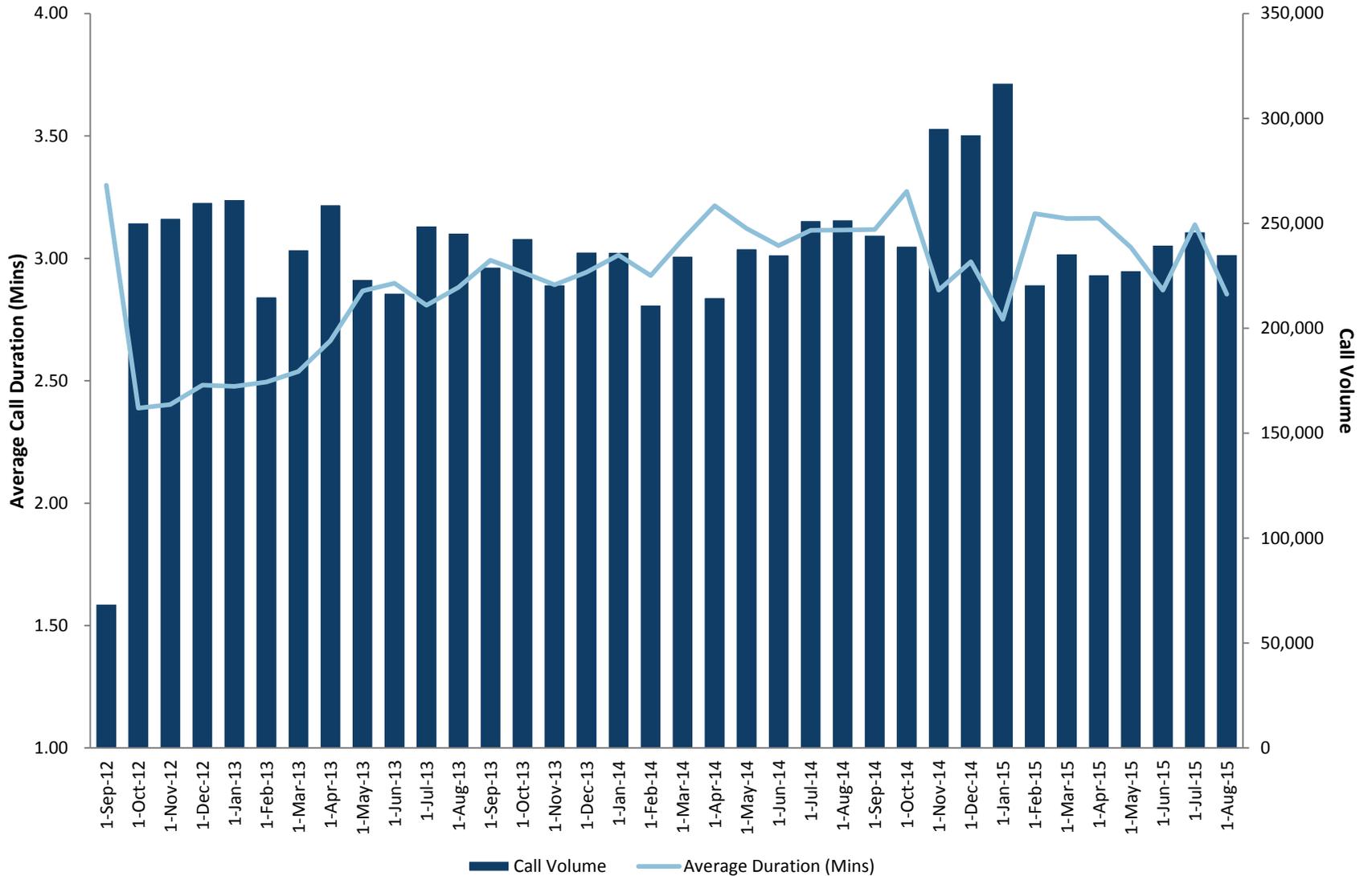
Distribution of Payments as % of Total \$ Collections



1. Collection Center payments include those made through via telephone, check, internet, direct debit, and electronic transfers.

PREPA Customer Service Call Duration and Volume

Average Call Duration (Mins) and Total Call Volume



VI. Storm Experience and Back-up Plans

Summary of Recent Storms and Recovery

Our Last Storm Experience: Erika – August 27 – 28, 2015

Characteristics:

- Sustained winds of about 45 mph
- Gusts reached up to 75 mph
- Forecasted path North-East
- Real path South-West

Facts & Actions:

- Automatic Reclosing of transmission lines were disabled
- Load-Generation Balance was achieved according to plans
- System Restoration began as soon as personnel could patrol the affected area (10 am Friday, August 28, 2015)
- Four 230kV Transmission Lines were affected

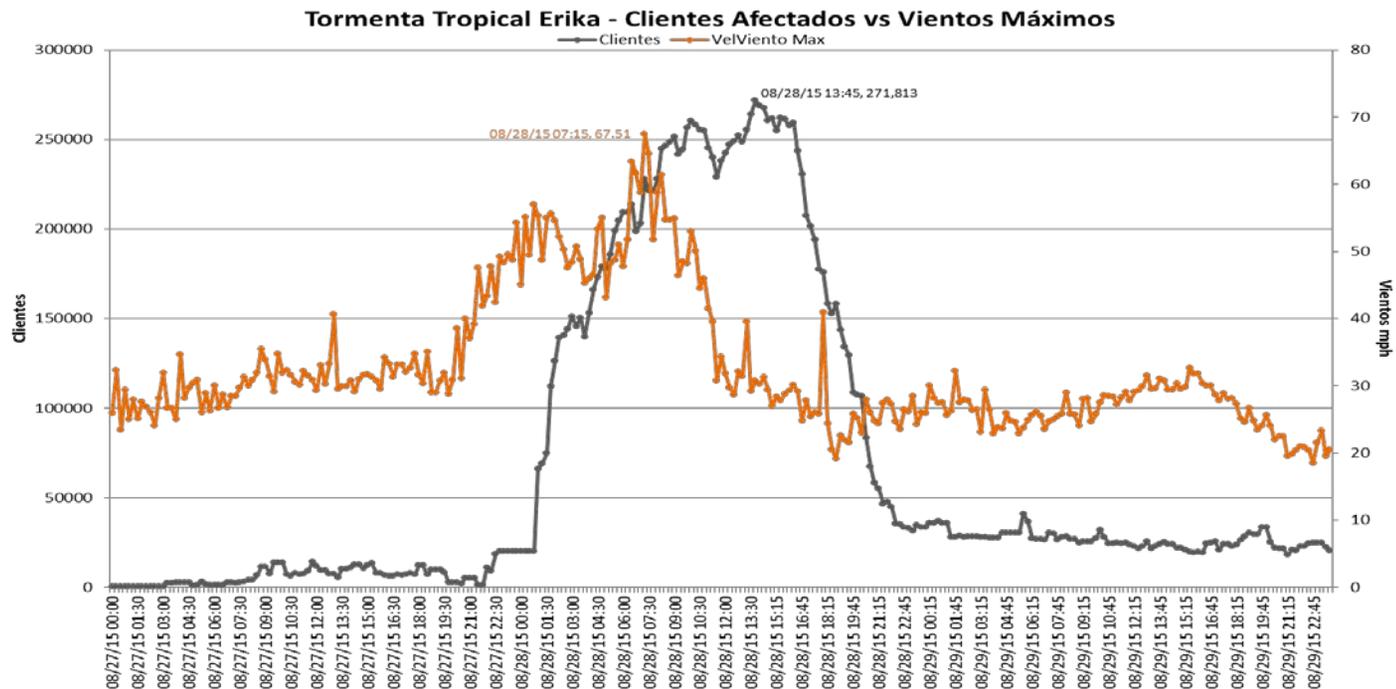


Summary of Recent Storms and Recovery

Tropical Storm Erika August 27-28, 2015 (T&D)

- 271,813 (17.31%) Customers w/o service
- 225,000 (14.33%) Customers service restored before 11:00 AM the next day
- 46,813 (2.98%) Remote Rural Customers restored in the next 6-7 days
- 59 Transmission line operations
- Parts of the Mayagüez, Ponce, Caguas, Arecibo, and San Juan regions affected
- The recovery was performed based on generation and transmission lines availability. It emphasized load centers and critical facilities
- Work was planned taking into account the drastic reduction of personnel due to Act 66-2014

Affected Customer Count vs. Maximum Winds



Back-up Business / Operational Planning

Tropical Storm Erika August 27-28, 2015 (T&D)

- Every year, PREPA reviews its contingency plan for the hurricane season. The preparation involves:
 - Vehicle repair
 - Materials supply
 - Personnel preparation – T&D, Customer Service, Generation
 - Safety (throughout the year)
 - Identify contractors
 - Review procedures with FEMA, GAR and other local and federal government offices
- Continue with the system preventive maintenance (PM) programs such as tree trimming, pole replacement, underground distribution system, etc. Some of this PM is performed on a limited basis, the PM personnel are the same who operate the system.
- Tree interference is a major cause of outages. Tree trimming is performed all year.
- Continue to emphasize to our customers to not plant under electrical lines. PREPA must charge for this rule violation.
- Improve line inspections, in particular transmission line inspections.

Back-up Business / Operational Planning

Tropical Storm Erika August 27-28, 2015 (Customer Service)

- Start five regional call centers to attend customer calls
- Move staff from the District Offices of San Juan and Bayamón to reinforce the main call center in Santurce
- Customer Service linemen help T&D employees in the restoring service
- Administrative personnel coordinate the purchase and distribution of food to the field employees
- PREPA has support for emergency invoice printing outside of Puerto Rico
- PREPA has an offsite for the Customer System database (IT)

VII. Overview of Forecast Methodology

Forecast Methodology

As part of the financial and the system planning, PREPA updates its five year period forecast on an annual basis

Estimate - Current Fiscal Year

- PREPA estimates gross production, consumption and clients by class
- Methodology: Extrapolation based of the behavior of the variable to be estimated

Five Year Forecast Consumption and Clients

- Econometric models used to forecast the three main classes: Residential, Commercial, and Industrial
- For the smaller customer classes, the consumption and clients are fixed with the estimated values for the current fiscal year
- For the industrial client forecast, PREPA uses the average of the absolute change in last year's value

Variables Used in the Models

- Puerto Rico Economic Indicators
- Average Cost (kWh) by main class
- The last year variable being forecast (lag), autoregressive

PR Economic Indicators

- The Gross National Product (GNP), the Gross Domestic Product (GDP) and the Disposable Personal Income (DPI) from three independent sources: Puerto Rico Planning Board (Government), Interamerican University-Global Insight (Private) and Advanced Business Consulting (Private)

VIII. Site Tour

IX. Closing Remarks

X. Historical Data

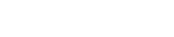
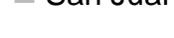
Map of Territory



Legend

-  Commercial Office
-  Client Offices
-  Local Office

Regions

-  Bayamón
-  Carolina
-  Ponce
-  Vega Baja
-  Vega Alta
-  Toa Baja
-  Toa Alta
-  Naranjito
-  Aguas Buenas
-  Caguas
-  Juncos
-  Naguabo
-  Humacao
-  Las Piedras
-  Ceiba
-  Fajardo
-  Culebra
-  Vieques
-  San Juan
-  Mayagüez

Top Ten Largest Customers

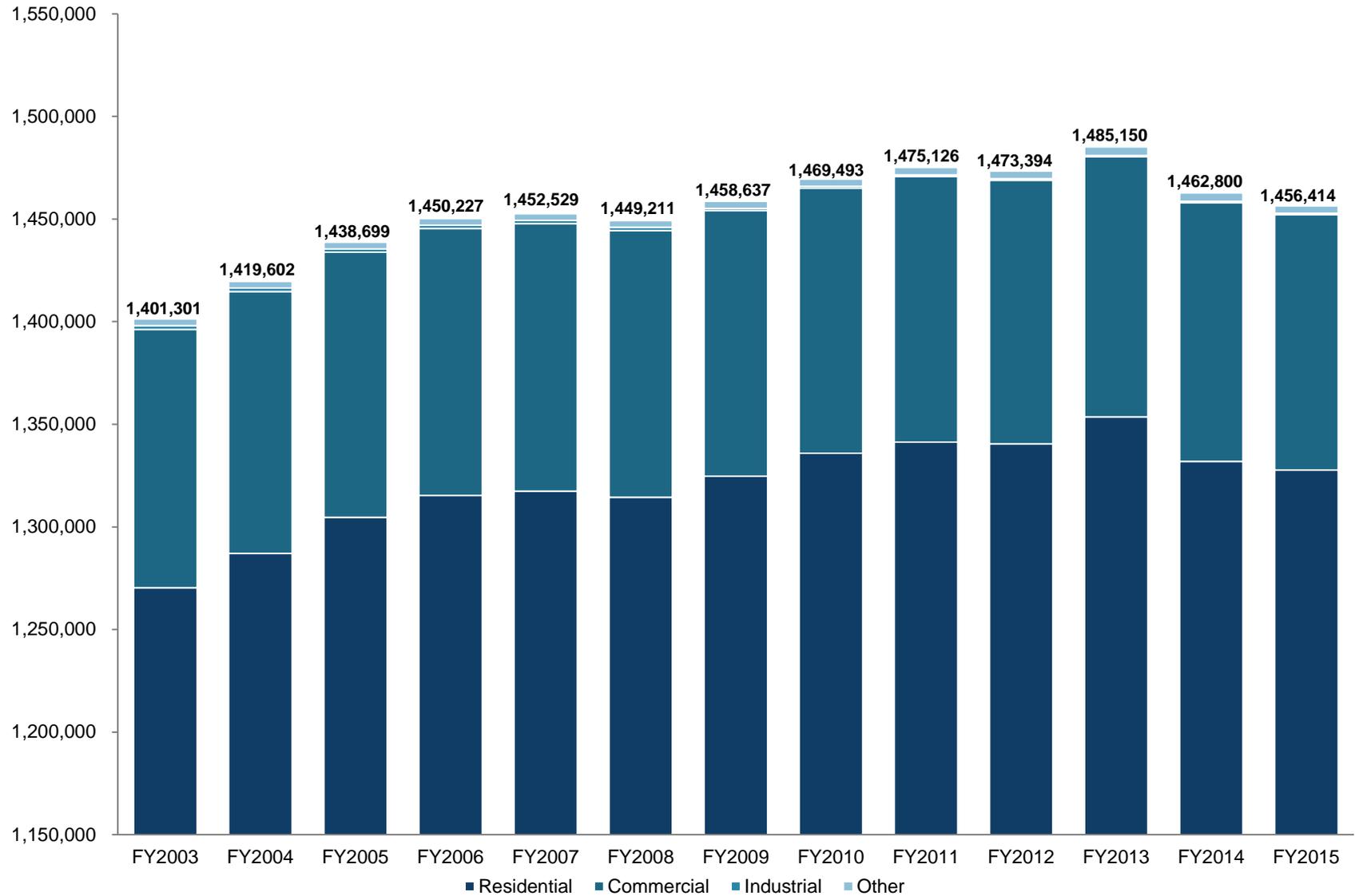
Top Customers (Non-Government) 2015

Industry	kWh Sales (000's)	% Share of Total kWh Sales	Revenues (\$000's)	% Share of Total Revenues
Pfizer Pharmaceuticals LLC (3 Accounts)	164,146	0.95%	\$33,429	0.82%
Amgen Manufacturing LTD	153,636	0.89	29,333	0.72
Aerostar Airport Holdings LLC	132,870	0.77	28,680	0.70
Lilly del Caribe Inc.	94,462	0.55	19,068	0.47
Johnson & Johnson Business Services (2 Accounts)	91,447	0.53	18,634	0.46
PR Cement Co.	60,541	0.35	12,306	0.30
Cooper Vision Caribbean	42,734	0.25	8,606	0.21
Bristol Myers Squibb Holdings Pharma	42,683	0.25	8,850	0.22
Essroc San Juan Inc.	34,338	0.20	7,357	0.18
CCI Limited Partnership	33,740	0.20	7,073	0.17
TOTAL	\$850,597	4.94%	\$173,336	4.25%

Top ten customers account for approximately 4.25% of total revenues and 4.94% of total kWh sales

Historical Customer Count (by Customer Class)

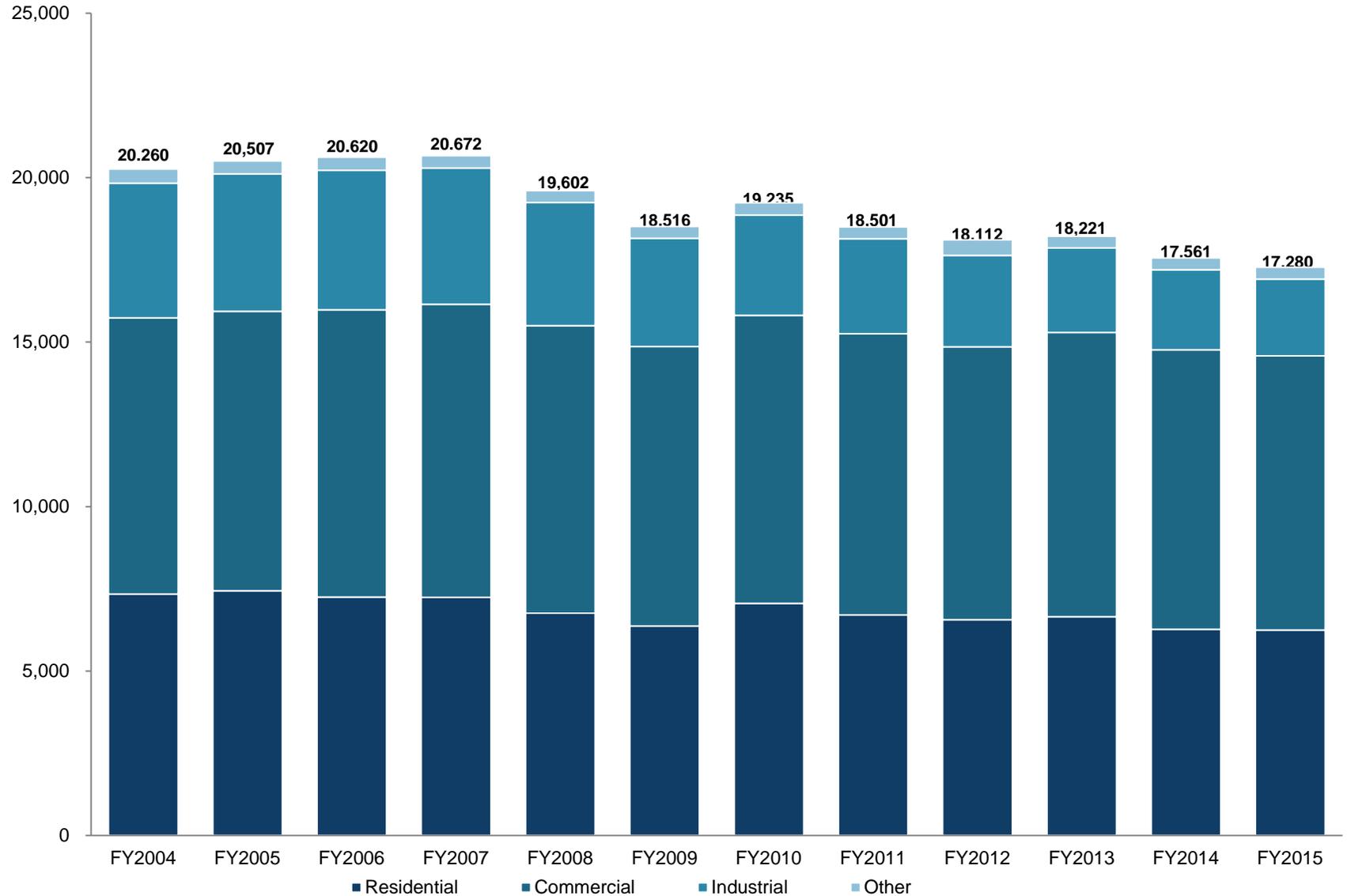
Average Active Customers



1. "Other" includes Public Lighting, Agricultural, and Other customers.

Historical kWh Sales (by Customer Class)

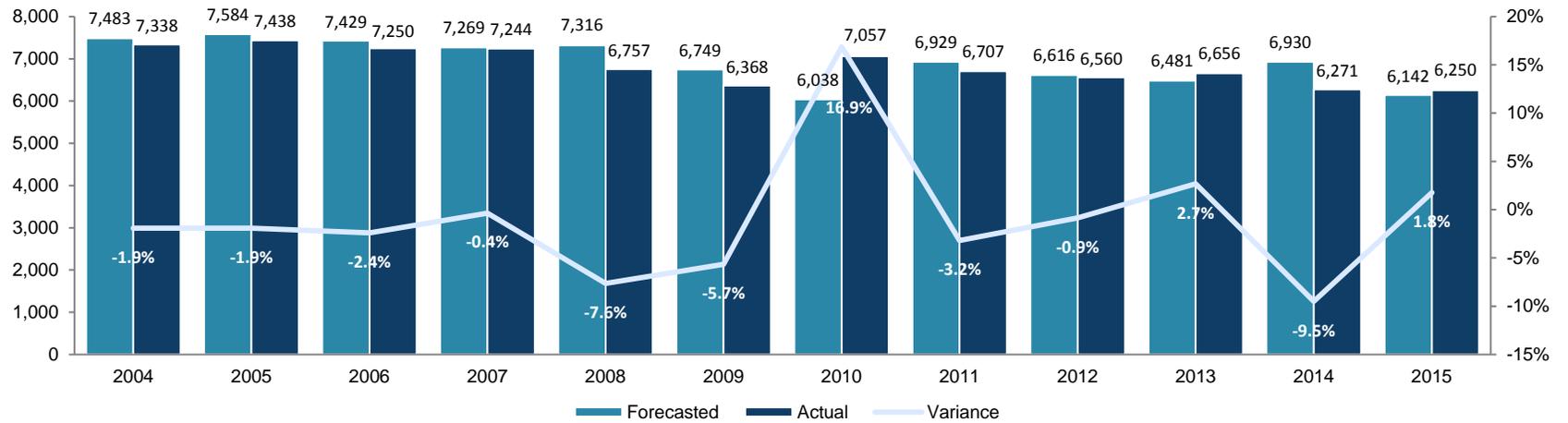
**Total kWh Sales
(millions of kWh)**



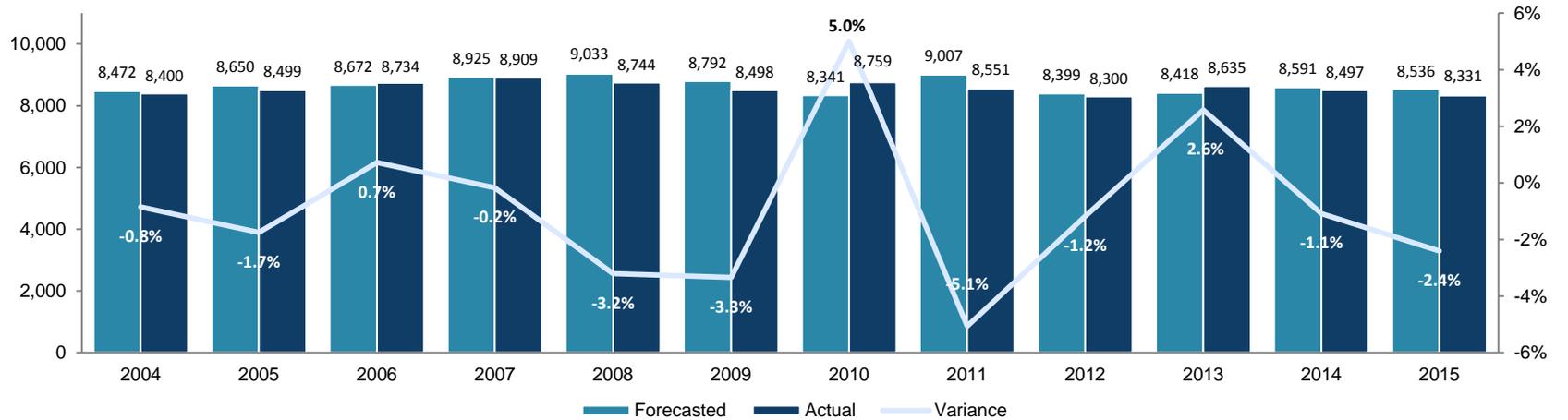
1. "Other" includes Public Lighting, Agricultural, and Other customers.

Customer Class Historical Forecast Variances

**Residential Forecast Variance
(millions of kWh)**

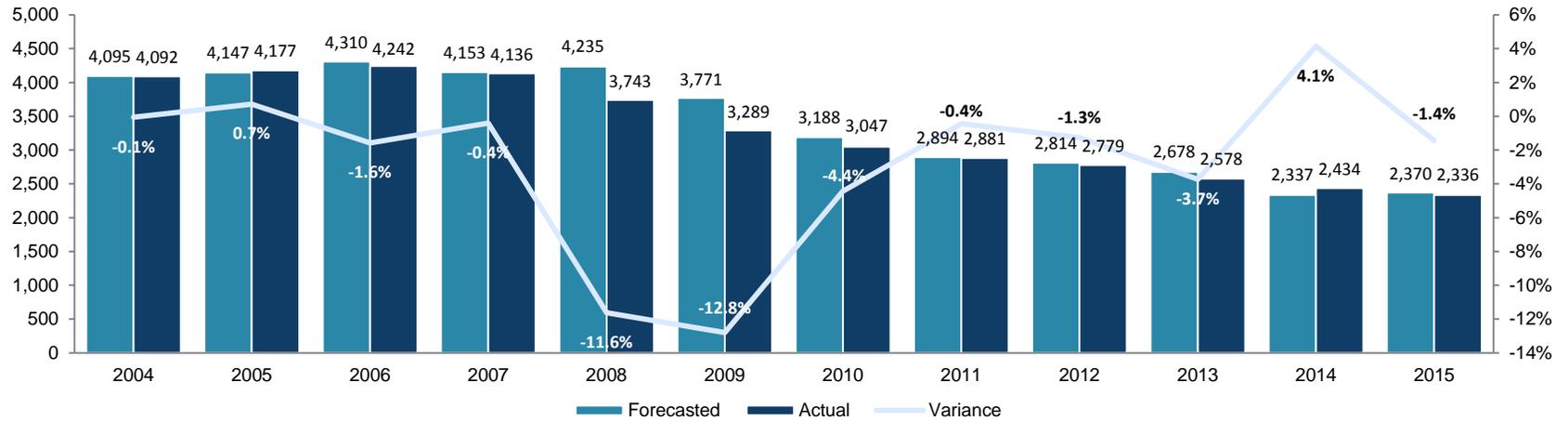


**Commercial Forecast Variance
(millions of kWh)**

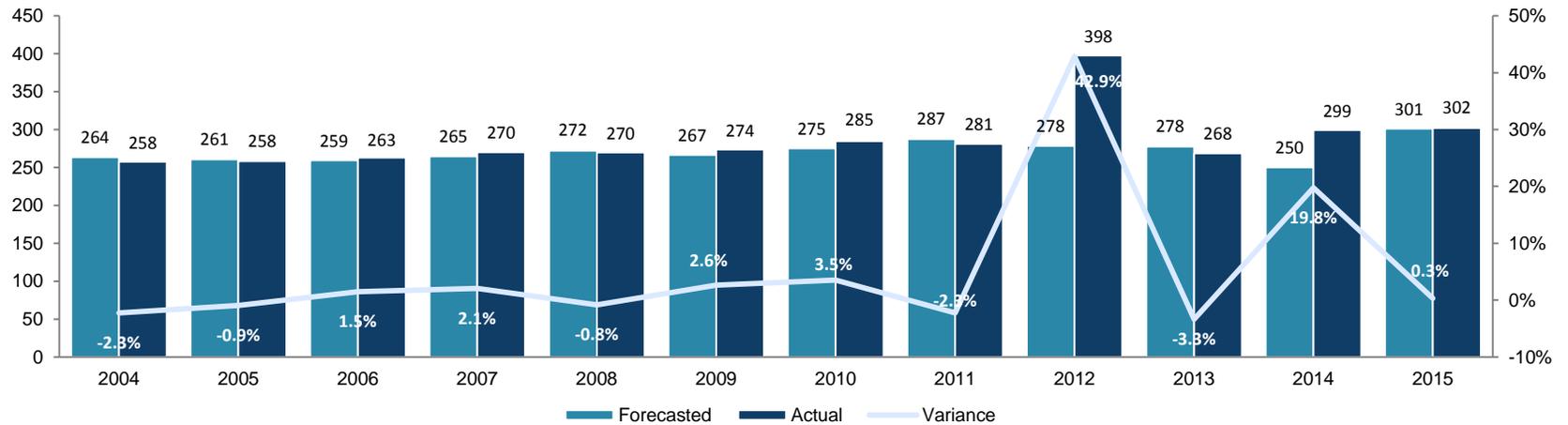


Customer Class Historical Forecast Variances

**Industrial Forecast Variance
(millions of kWh)**



**Public Lighting Forecast Variance
(millions of kWh)**



Appendix: Exchange Overview

Exchange Overview

Methodology

Participation/Method	<ul style="list-style-type: none"> Ad Hoc Group shall commit to exchange all of their unwrapped legacy bonds Non-Forbearing Bondholders shall have option to exchange or tender legacy bonds for cash Lenders under fuel lines of credit may have the option to exchange into securitization bonds
Exchange Ratio	<ul style="list-style-type: none"> 85% of existing exposure of participating creditors (unwrapped legacy bonds and fuel line lenders)
Interest Rate	<ul style="list-style-type: none"> Weighted average interest rate across maturities (based on yield curve) shall be fixed at the specified rates, subject to the final rating
Structure, Amortization & Maturity	<ul style="list-style-type: none"> <u>Option A</u>: Current Interest Bonds (“CIBs”) <u>Option B</u>: Convertible Capital Appreciation Bonds (“Convertible CABs”) Bonds will receive interest (in cash or capital appreciation) only for the first five years following issuance Scheduled maturity in 2043; final legal maturity at least two years after scheduled maturity

Process

Exchange	Launch exchange offer in Q1 2016
Tender	<ul style="list-style-type: none"> PREPA may also offer cash tender price to Non-Forbearing Bondholders in conjunction with exchange offer Ad Hoc Group will provide a backstop for financing of cash tender (exact terms under negotiation)
Minimum Participation	<ul style="list-style-type: none"> Participation from Non-Forbearing Bondholders such that principal amount of bonds held by non-exchange Non-Forbearing Bondholders does not exceed \$700mm 100% participation from Ad Hoc Group