

June 2018

Puerto Rico Electric Power Authority – Process and Opportunity Overview

Situation Overview

The Government of Puerto Rico and the Financial Management and Oversight Board (“Oversight Board”) are seeking to transform and modernize the electric system through private ownership or operation of the assets of the Puerto Rico Electric Power Authority. Citigroup Global Markets Inc. (“Citi”) and Rothschild & Co. (“Rothschild”) have been retained as financial advisors in connection with a potential transformational transaction.

Situation Overview

- On January 22, 2018 the Governor of Puerto Rico, Ricardo Rosselló, announced his intent to transform and modernize the electric system through private ownership or operation of the assets of the Puerto Rico Electric Power Authority (“PREPA”), which is the vertically-integrated utility serving approximately 1.5 million customers on the island
- The Transformation will take place in connection with PREPA's ongoing Title III case and in accordance with legislation passed by the Puerto Rico legislature
- General information about the transformation process can be found in the PREPA Fiscal Plan and in Chapter 10 of the New Fiscal Plan for Puerto Rico, in each case as certified by the Oversight Board in April 2018

Process Overview

- Citi and Rothschild are seeking preliminary feedback on interest to take part in the transformation process as well as input on circumstances under which participation would be attractive (e.g. potential transformational transaction structures, process organization, etc.)
- The “base case” transformational transaction structure currently under consideration is as follows:
 - **Transmission and Distribution (“T&D”) Concession / Generation Privatization:** the T&D system remains owned by the government but operated by a private investor under a long-term concession and the generation facilities are sold to independent power producers (“IPPs”)
 - If alternative transformational structures are more attractive, Citi and Rothschild would be interested in exploring them, taking into account certain key objectives

All inquiries and requests should be submitted or directed to Citi and Rothschild¹. **Under no circumstances should PREPA, the local Puerto Rican or Federal Government, the Oversight Board, or any of their affiliates be contacted directly**

Key Objectives

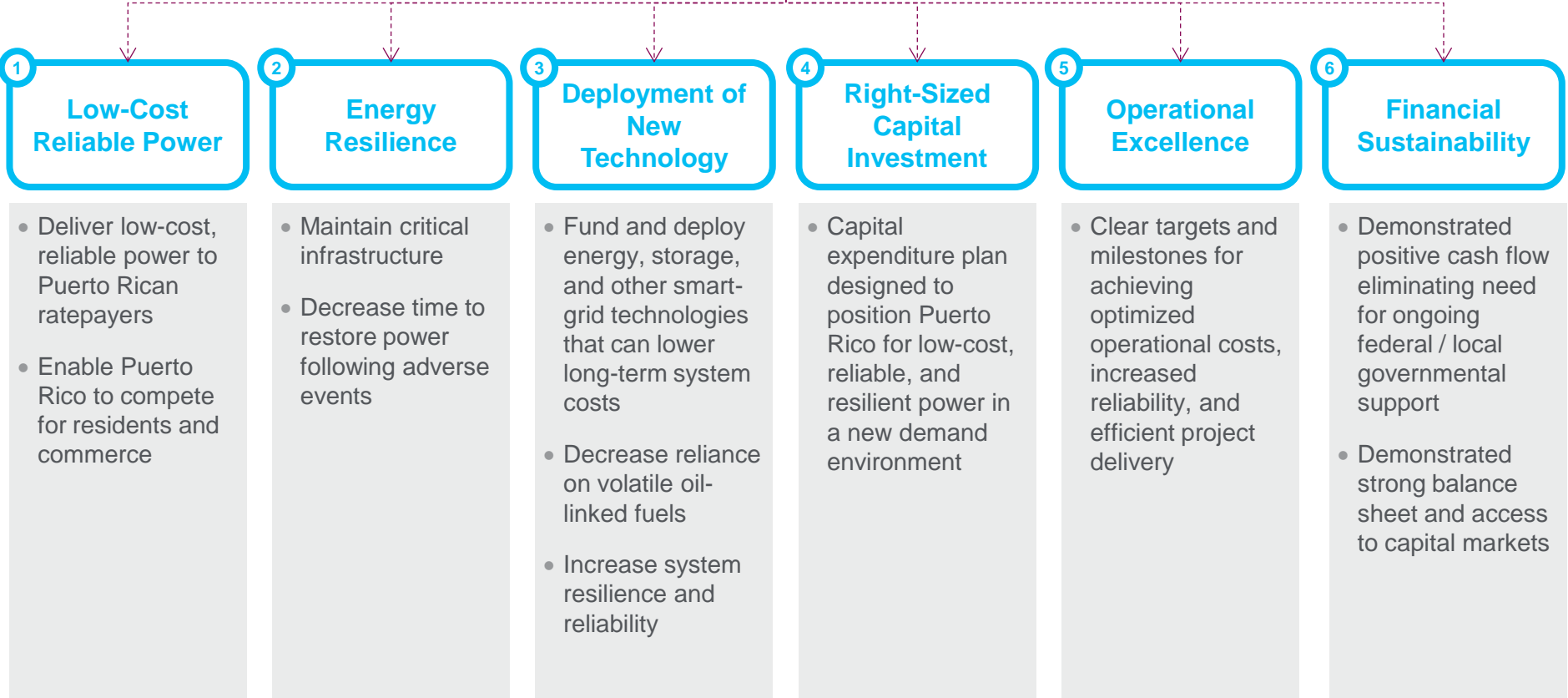


1. Please send any and all inquiries to prepa.opportunity.feedback@citi.com and prepa.opportunity.feedback@rothschild.com.

Key Transformation Objectives

The Government of Puerto Rico and the Oversight Board have identified certain goals they seek to achieve as part of the transformational process, including the below.

The Government of Puerto Rico and the Oversight Board are seeking parties that have a strong commitment to superior utility services and will deliver on key transformation objectives for the ratepayers of Puerto Rico, including the below



PREPA Overview

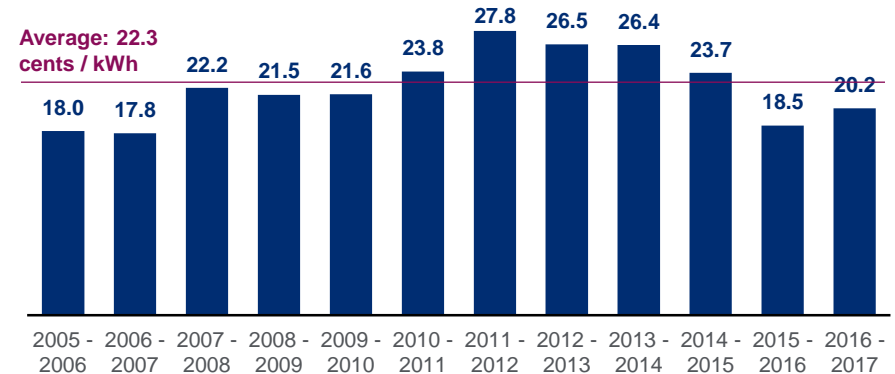
Utility Overview

- PREPA is a government owned and operated vertically integrated utility that serves ~1.5mm customers and employs over 6,000 individuals in Puerto Rico
- PREPA is the sole provider of electricity services in the commonwealth:
 - **Transmission and Distribution**
 - 2,416 miles of transmission lines (230 kV / 115 kV)
 - 30,675 miles of distribution lines (38 kV, 13 kV, 8 kV, 4 kV)
 - 334 substations
 - **Generation**
 - Total system-wide installed capacity of 5,839 MW
 - Owned capacity: 4,878 MW
 - Contracted fossil capacity: 961 MW
 - Contracted renewable capacity: 252 MW
 - 31 major generating units across 20 facilities
 - ~45% of generation output is from oil
- In 2017, PREPA had total revenues of ~\$2.9bn, total assets of ~\$9.4bn and total liabilities of ~\$11.4bn, of which ~\$9.0bn was outstanding debt

Historic Customer Rates

(cents / kWh, per PREPA fiscal year)

Note that these rates reflect what PREPA has historically charged ratepayers, not necessarily full recovery of system costs



Historic Challenges and Remedies

Transmission & Distribution

- Under-investment in T&D Infrastructure
- Significant damage incurred in 2017 hurricanes
- Limited investment in resilience measures making system vulnerable to catastrophic events

Generation

- Aged and under-invested generation fleet with frequent outages
- High dependency on fuel oil; commodity price risk exposure
- Core generation is located away from high load areas in the north

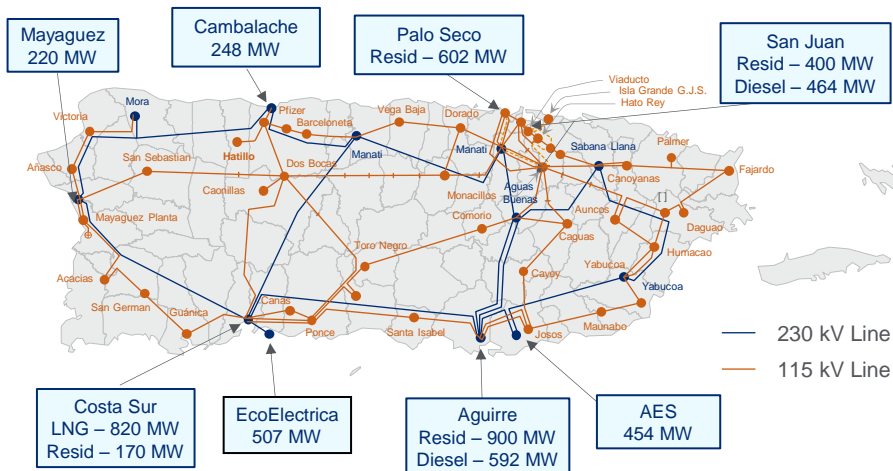
Collections / Customer Service

- Relatively high rates of technical losses
- Disorganized customer service infrastructure
- Underdeveloped technology systems for timely collections and services

While PREPA has had challenges in the past, a highly qualified utility operator will be able to bring operational best practices and capital investment to help permanently transform Puerto Rico's power landscape

PREPA Overview (Cont'd)

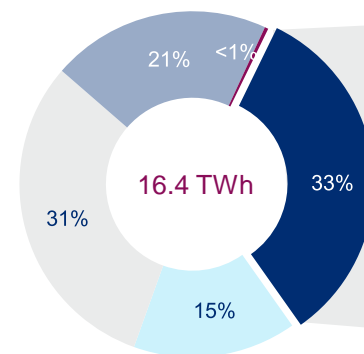
Geographic Footprint



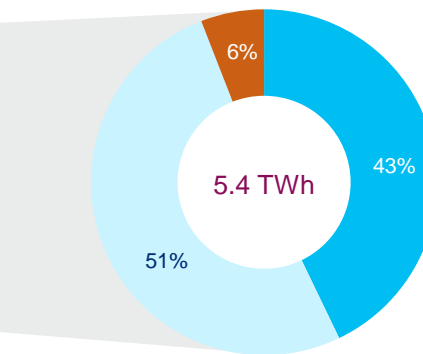
Generation Mix

(2017)

Total Generation



Contracted Generation



■ IPP ■ Gas ■ Diesel ■ Oil ■ Coal ■ Renewables ■ Hydro

Core Existing Generation Fleet¹

	PREPA Owned						Contracted	
Facility								
Capacity (MW)	592 / 900	248	990	220	602	464 / 400	454	507
Location	Salinas	Arecibo	Guayanilla	Mayaguez	Cataño	San Juan	Salinas	Peñuelas
COD	1975 – 1976 / 1971	1997 – 1998	1960 – 1972	2009	1959 – 1968	2008 / 1964 – 1966	1994	2000
Technology	CCGT / ST	CT	ST	CT	ST	CCGT / ST	ST	CCGT
Fuel Type	Diesel / Oil	Diesel	Gas / Oil	Diesel	Oil	Diesel / Oil	Coal	Gas
Operational Post-Maria	✓✓	✓	✓	✓	✗	✓	✓✓	✓✓

1. Please see appendix for a full list of PREPA's generation assets.
 2. Reflects plants with 50% restored operational capacity or greater.

✗ Limited-to-no operational capacity

✓ Partially operational²


✓✓ Fully operational

Potential Transformational Transaction Structures

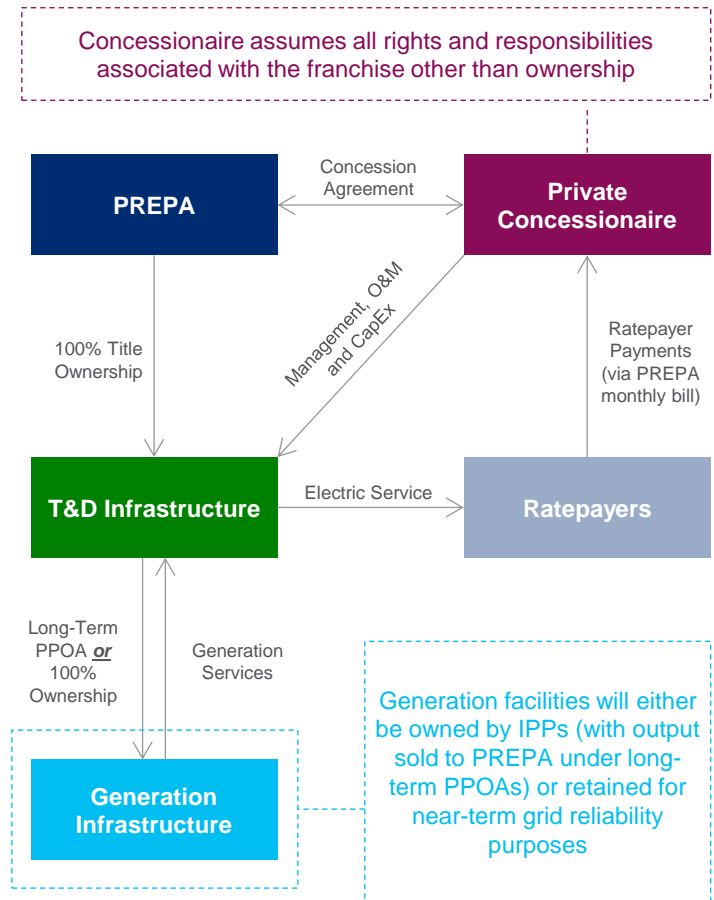
PREPA is primarily considering a T&D Concession / Generation Privatization in order to successfully execute a transformation.

Transformational Transaction Overview

T&D Concession / Generation Privatization

Transaction Description	<ul style="list-style-type: none"> Concessionaire operates <u>T&D</u> infrastructure under a long-term contract Concessionaire invests in grid modernization Generation capacity is owned by IPPs with power sold to concessionaire under competitively-sourced long-term power-purchase and operation agreements (“PPOAs”)
T&D Ownership	<ul style="list-style-type: none"> Operated by concessionaire but governmental ownership maintained
Generation Ownership	<ul style="list-style-type: none"> IPPs
T&D Concessionaire Compensation	<ul style="list-style-type: none"> Return on capital invested and / or management fees Potential opportunity for incentive fees at certain operational milestones
Generation Owner / Concessionaire Compensation	<ul style="list-style-type: none"> Competitive, long-term PPOAs payable to the generation owners (IPPs)
Role in Restoration	<ul style="list-style-type: none"> PREPA manages hurricane-related repairs and restoration of the utility system Concessionaire implements modernization plan and designs future grid
Federal Funding	<p style="text-align: center;">  Retains optionality for federal restoration funding under the Stafford Act </p>

Illustrative Concession Structure



PREPA's primary focus is delivering on its key objectives for Puerto Rican ratepayers. Citi and Rothschild are willing to entertain alternative transformational structure proposals if it better aligns a potential partner to execute on the key objectives

Appendix

PREPA Generation Portfolio Details

PREPA-Owned Generation Facilities

Facility	Capacity (MW)	COD	Technology	Fuel Type	Heat Rate ¹	Key Facility Equipment		Current Status	Capacity Factor	
						Turbine-Generator	Boiler		March 2018	April 2018
Aguirre										
Aguirre 1	450	1971	ST	Fuel Oil	10,600	ABB	Combustion Engineering	Operational	18.0%	61.9%
Aguirre 2	450	1971	ST	Fuel Oil	10,600	ABB	Combustion Engineering	Operational	49.0	0.0
Aguirre CC1	296	1976	CCGT	Diesel	10,580	GE Frame 7B CTs and STs	N/A	Suspended Due to Economics	1.0	2.5
Aguirre CC2	296	1975	CCGT	Diesel	10,580	GE Frame 7B CTs and STs	N/A	Suspended Due to Economics	1.0	0.8
Total Aguirre Capacity (MW)	1,492									
Cambalache										
Cambalache 1	83	1997	CT	Diesel	12,000	ABB -GT11N1	N/A	Non-operational	0.0%	0.0%
Cambalache 2	83	1997	CT	Diesel	12,000	ABB-GT11N1	N/A	Suspended Due to Economics	0.0	7.5
Cambalache 3	83	1998	CT	Diesel	12,000	ABB-GT11N1	N/A	Suspended Due to Economics	3.0	14.1
Total Cambalache Capacity (MW)	248									
Costa Sur										
Costa Sur 3	85	1960	ST	Fuel Oil	13,000	N/A	N/A	Non-operational	0.0%	0.0%
Costa Sur 4	85	1962	ST	Fuel Oil	13,000	N/A	N/A	Non-operational	0.0	0.0
Costa Sur 5	410	1969	ST	Fuel Oil / Gas	11,000	GE	Combustion Engineering	Operational	45.0	33.7
Costa Sur 6	410	1972	ST	Fuel Oil / Gas	11,000	GE	Combustion Engineering	Operational	7.0	12.4
Total Costa Sur Capacity (MW)	990									
Mayaguez										
Mayaguez 1	55	2009	CT	Diesel	10,300	Pratt & Whitney FT8 Tw in Pack	N/A	Operational	23.0%	19.2%
Mayaguez 2	55	2009	CT	Diesel	10,300	Pratt & Whitney FT8 Tw in Pack	N/A	Non-operational	0.0	0.0
Mayaguez 3	55	2009	CT	Diesel	10,300	Pratt & Whitney FT8 Tw in Pack	N/A	Partially-operational	12.0	12.8
Mayaguez 4	55	2009	CT	Diesel	10,300	Pratt & Whitney FT8 Tw in Pack	N/A	Operational	10.0	17.0
Total Mayaguez Capacity (MW)	220									

1. Reflects facility heat rate at full load.

PREPA Generation Portfolio Details (Cont'd)

PREPA-Owned Generation Facilities										
Facility	Capacity (MW)	COD	Technology	Fuel Type	Heat Rate ¹	Key Facility Equipment		Current Status	Capacity Factor	
						Turbine-Generator	Boiler		March 2018	April 2018
Palo Seco										
Palo Seco 1	85	1959	ST	Fuel Oil	11,200	N/A	N/A	Non-operational	15.0%	0.0%
Palo Seco 2	85	1959	ST	Fuel Oil	11,200	N/A	N/A	Non-operational	0.0	0.0
Palo Seco 3	216	1967	ST	Fuel Oil	10,600	N/A	N/A	Scheduled Outage	33.0	45.5
Palo Seco 4	216	1968	ST	Fuel Oil	10,600	N/A	N/A	Scheduled Outage	0.0	0.0
Total Palo Seco Capacity (MW)	602									
San Juan										
San Juan 5	232	2008	CCGT	Diesel	8,300	ST- Ansaldo, CT - Westinghouse/Mitsubishi 501F		Operational	63.0%	69.7%
San Juan 6	232	2008	CCGT	Diesel	8,300	ST- Ansaldo, CT - Westinghouse/Mitsubishi 501F		Operational	26.0	73.7
San Juan 7	100	1964	ST	Fuel Oil	11,400	GE	B&W	Scheduled Outage	80.0	43.0
San Juan 8	100	1964	ST	Fuel Oil	11,400	GE	B&W	Operational	43.0	25.1
San Juan 9	100	1966	ST	Fuel Oil	11,400	GE	Combustion Engineering	Scheduled Outage	0.0	0.0
San Juan 10	100	1965	ST	Fuel Oil	11,400	GE	Combustion Engineering	Non-operational	0.0	0.0
Total San Juan Capacity (MW)	864									
Other										
Various CTs (22 units)	386	1971 – 1973	CT	Diesel	13,500	GE Frame 5	N/A	Various	18.0%	19.8%
Various Hydro Units	98	1929 – 1953	HT	River & Reservoir	N/A	N/A	N/A	Various	5.0	5.6
Total Other Capacity (MW)	484									
Total PREPA-Owned Capacity (MW)	4,900									

1. Reflects facility heat rate at full load.

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