SUMMARY OF THE PETITION FILED BY THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION CORPORATION BEFORE THE PUERTO RICO ENERGY COMMISSION UNDER THE JURISDICTION OF THE PUERTO RICO ELECTRIC POWER AUTHORITY REVITALIZATION ACT

On April 7, 2016, 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"), submitted the Corporation's Verified Petition for Restructuring Order ("Petition") to the 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 that creates Restructuring Property, and provides, among other things, for the collection of Transition Charges to repay the Bonds and to cover other related costs, and describes how the Transition Charges will be calculated and adjusted through the Adjustment Mechanism. The Bonds and related actions authorized by the Restructuring Resolution will, in total and on balance, reduce the then outstanding debt of Puerto Rico Electric Power Authority ("PREPA") and ultimately reduce the costs of debt service and credit agreements to all Customers. Under Article 33(a)(3) of the Revitalization Act, the Corporation may issue the Exchange Offer Bonds and Cash Offer Restructuring Bonds (each, as defined in the Restructuring Resolution) 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 the PREPA revenue bonds refinanced by such Bonds (calculated using the yield on the 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 Corporation's Petition requests that the Commission issue an order ("Restructuring Order") enabling the issuance of the Bonds by making the following findings and determinations set forth in Article 6.25A(b): (1) the provisions of the Restructuring Resolution, 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) of the Revitalization Act 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; (2) 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 (3) 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.

In support of these determinations, the Petition attaches substantiating materials, including sworn written testimonies attesting to the statements of fact therein. The testimony of the following witnesses has been submitted by the Corporation:

Lisa J. Donahue, Chief Restructuring Officer of PREPA and Managing Director of AlixPartners, LLP (Corporation Ex. 1.00)

- Describes the Petition and its purpose and introduces the balance of the testimony.
- Explains the significance of the securitization transactions described in the Restructuring Resolution and how those transactions support the aims of the Revitalization Act and the Restructuring Support Agreement.
- Explains how the costs imposed by PREPA's existing debt — costs that are ultimately borne by all residents Puerto Rico — can be reduced by the issuance of the Bonds and how the Transition Charge supports those new Bonds.

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.
- Explains how the cost savings made possible by the issuance of the Bonds will enable PREPA to better serve Puerto Rico.
- Confirms that PREPA has made certain determinations and provided certain information required by the Revitalization Act.

Gerard Gil-Olazábal, Esq., Senior Vice President of Government Development Bank for Puerto Rico and the Secretary of the Board of the Corporation (Corporation Ex. 3.00)

- Provides background on the formation of the Corporation.
- Attests to the actions and the determinations of the Corporation taken in compliance with the Revitalization Act related to the issuance of the Bonds.

Michael Mace, Managing Director, Public Financial Management, Inc., a financial advisor to both the Corporation and PREPA (Corporation Ex. 4.00)

- Testifies concerning the process of issuing the Bonds and how they are rated and priced.
- Identifies, describes, and estimates the Upfront and Ongoing Financing Costs, explains how they will be included in the Transition Charge.
- Testifies concerning the Servicing Agreement and the role and functions of the Servicer, and of PREPA as the initial Servicer, and confirms that the terms of the Servicing Agreement are usual and customary and appropriate for this transaction.
- Sponsors and explains projections and stress tests provided to rating agencies and explains how the securitization debt restructures or otherwise economically defeases outstanding PREPA debt.

Dan T. Stathos, Associate Director, Navigant Consulting, Inc. ("Navigant") (Corporation Ex. 5.00)

- Identifies how PREPA will meet its functions as the Initial Servicer.
- Confirms that PREPA will recover its incremental costs under the proposed Servicing Agreement, and confirms that those recoveries are reasonable.

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.
- Supports the determination of customer classes among which Ongoing Financing Costs are distributed and the mechanics of how those allocations are made.
- Confirms that Transition Charges for Non-Residential Customers are calculated based upon historic energy usage (kWh) data.
- Confirms the calculation of Transition Charges for Residential Customers on a per service agreement basis.
- Explains the inclusion of estimated load served by net metering or distributed generation ("behind the meter") in the calculation of Transition Charges.
- Presents estimates of the Transition Charges and how they are projected to evolve over time, as well as how they compare to the total electric costs paid by PREPA's residential and non-residential customers.
- 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.
- Verifies that the Calculation Methodology is practicable to administer and ensures, and provides adequate protection of, the full and timely payment of the Bonds.

A Restructuring Order should be entered no later than 75 days after the Corporation Petition Dateor else it will be deemed approved. The Corporation Petition Date is the date the Petition is filed 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 will be seven (7) days thereafter. The Commission will establish a procedure for conducting the required proceedings during this 75-day period. The process will include public hearings at which the Corporation witnesses will appear before the Energy Commission. It will also include an opportunity for the citizens of Puerto Rico to express their opinions to the Commission in writing.