



# GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial  
Advisory Authority

## Municipal Secondary Market Disclosure Information Cover Sheet Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access System (EMMA)

### Additional / Voluntary Event-Based Disclosure

**THIS FILING RELATES TO ALL OR SEVERAL SECURITIES ISSUED BY THE ISSUER, OR ALL OR SEVERAL SECURITIES OF A SPECIFIC CREDITOR:**

Issuer's Name: Puerto Rico Electric Power Authority (PREPA)

Other Obligated Person's Name (if any): \_\_\_\_\_

Six-digit CUSIP\* number(s): 745268 and 74526Q

#### TYPE OF INFORMATION PROVIDED:

- A. ☐ Amendment to Continuing Disclosure Undertaking
- B. ☐ Change in Obligated Person
- C. ☐ Notice to Investor Pursuant to Bond Documents
- D. ☐ Communication from the Internal Revenue Service
- E. ☐ Bid for Auction Rate and Other Securities
- F. ☐ Capital or Other Financing Plan
- G. ☐ Litigation / Enforcement Action
- H. ☐ Change of Tender Agent. Remarketing Agent or Other On-going Party
- I. ☐ Derivative or Other Similar Transaction
- J. ☒ Other Event-Based Disclosures: PREPA Public Disclosure dated March 21, 2017

I represent that I am authorized by the issuer, obligor or its agent to distribute this information publicly.

/s/ Mohammad Yassin Mahmud

Mohammad Yassin Mahmud

Puerto Rico Fiscal Agency and Financial Advisory Authority,  
as Fiscal Agent for the Commonwealth

Dated: March 21, 2017



## **PREPA Public Disclosure**

### **March 21, 2017**

As previously announced, on March 14, 2016, the Puerto Rico Electric Power Authority (“**PREPA**”) entered into an Amended and Restated Restructuring Support Agreement (the “**RSA**”) with various creditors.

PREPA (together with Puerto Rico Fiscal Agency and Financial Advisory Authority) executed confidentiality agreements (the “**Confidentiality Agreements**”) with certain Creditors who are members of Ad Hoc Group of Bondholders. Under these Confidentiality Agreements, PREPA agreed to publicly disclose certain confidential information provided to the parties to such agreements. The information included in this notice and its annex is being furnished to comply with PREPA’s obligations under the Confidentiality Agreements.

PREPA presented certain confidential information (the “**Discussion Material**”) to the parties to the Confidentiality Agreements. A copy of the Discussion Material is attached as Annex A hereto.

#### *Forward-Looking Statements*

The information contained in this notice encompasses certain “forward-looking” statements and information. These forward-looking statements may relate to the fiscal and economic condition, financial performance, plans, or objectives of PREPA. All statements contained herein that are not clearly historical facts are forward-looking, and the words “anticipates,” “believes,” “continues,” “expects,” “estimates,” “intends,” “aims,” “projects,” and similar expressions, and future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may,” or similar expressions, are generally intended to identify forward-looking statements. The information contained herein is subjective in many respects and thus subject to interpretation.

These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties, estimates, opinions, expectations and assumptions by PREPA that are difficult to predict and inherently uncertain and many of them are beyond the control of PREPA. The economic and financial condition of PREPA is affected by various financial, social, economic and political factors. These factors can be very complex, may vary from one fiscal year to the next, and are frequently the result of actions taken or not taken, not only by PREPA, but also by entities such as the Commonwealth of Puerto Rico (the “**Commonwealth**”), the government of the United States of America, and other third parties. Because of the uncertainty and unpredictability of these factors, their impact cannot, as a practical matter, be included in the assumptions underlying PREPA’s projections.

The projections set forth in this disclosure were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the officers of PREPA responsible for the preparation of such information, were prepared on a reasonable basis based on information available to PREPA at the time of preparation. This information may be incomplete, however, and any information that subsequently becomes available may have a material impact on the projections. It is not possible for PREPA to forecast all the risks which may emerge from time to time nor is it feasible for PREPA to assess the operational or financial impact that they may have on its business. Any combination of risks and other unforeseen challenges may cause results to differ materially from those contained in this disclosure. As such, readers are cautioned not to place undue reliance on any forward-looking financial information contained herein. Actual future results may differ materially from the forward-looking information presented herein.

PREPA does not undertake to update or revise this disclosure, except to the extent required by law.

Neither PREPA's independent auditors, nor any other independent auditors, including those of the Commonwealth, have compiled, examined, audited or performed any procedures with respect to the financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability and disclaim any association with such financial information. Neither PREPA's independent auditors, nor any other independent auditors, including those of the Commonwealth, have been consulted in connection with the preparation of this disclosure, and the independent auditors assume no responsibility for its content.

## **Annex A**



# Discussion materials

March 9, 2017

**Confidential**

# Disclaimer

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These confidential discussion materials constitute a non-binding proposal, to be used as a basis for continued discussions. The proposal is not intended to be and should not be construed as an offer, commitment, or agreement to enter into any agreement. The proposal contains statements related to future events or developments that may constitute forward-looking statements. Such statements are based on assumptions that are subject to a number of risks, uncertainties and other factors. None of AAFAF, PREPA or their respective counsel or advisors intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

# Key terms of proposal

## Current RSA

- 15% principal haircut
- 10% DSRF
- Required to be investment-grade
- Election into either:
  - CIBs – cash pay only next five years (4.75% coupon)<sup>1</sup>
  - CABs – zero cash interest over next five years (5.5% coupon)<sup>1</sup>
- Relending Bonds (~10.0% weighted-average coupon) to be economically defeased via the issuance of Mirror Bonds

## Proposal

- Consideration split between 80% in Securitization Bonds and 5% in new PREPA bond (maintain 85% total)
- DSRF ramp up to 3.5% by year 5
- No investment-grade rating requirement
- CIBs / CABs amended as follows:
  - Extend maturity to 2047 (30 year term)
  - 5 year holidays extended to 7 years
  - Minimum 40% CABs election
- Relending bonds to receive CIBs (4.75% coupon)<sup>1</sup> at par
- Relending commitment for July 2017 principal and interest payments (~\$90m)
- Backstop new CIB issue (4.75% coupon)<sup>1</sup> up to \$350m

### Note

<sup>1</sup> Subject to interest rate step downs based on credit ratings

# Changes to the DSRF

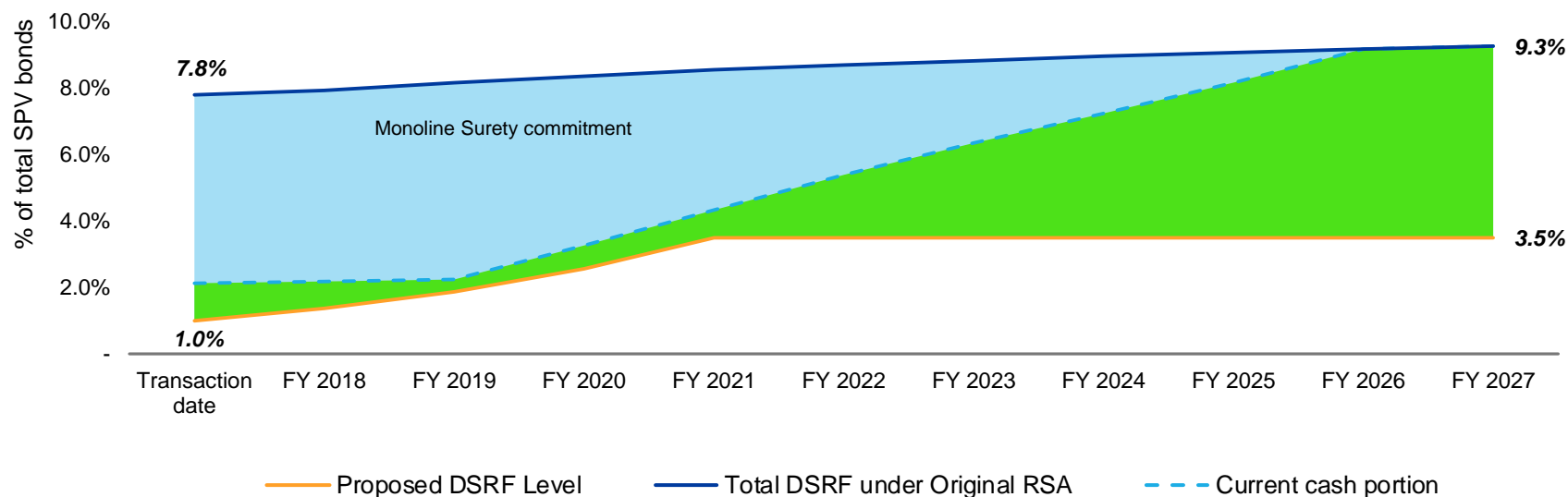
## Current RSA

- 10% Common
- 3.5% Mirror
- \$464m Surety with remaining (~\$166m) paid by PREPA
- Surety replaced with PREPA cash over years 3 – 9

**% cash funded by PREPA**

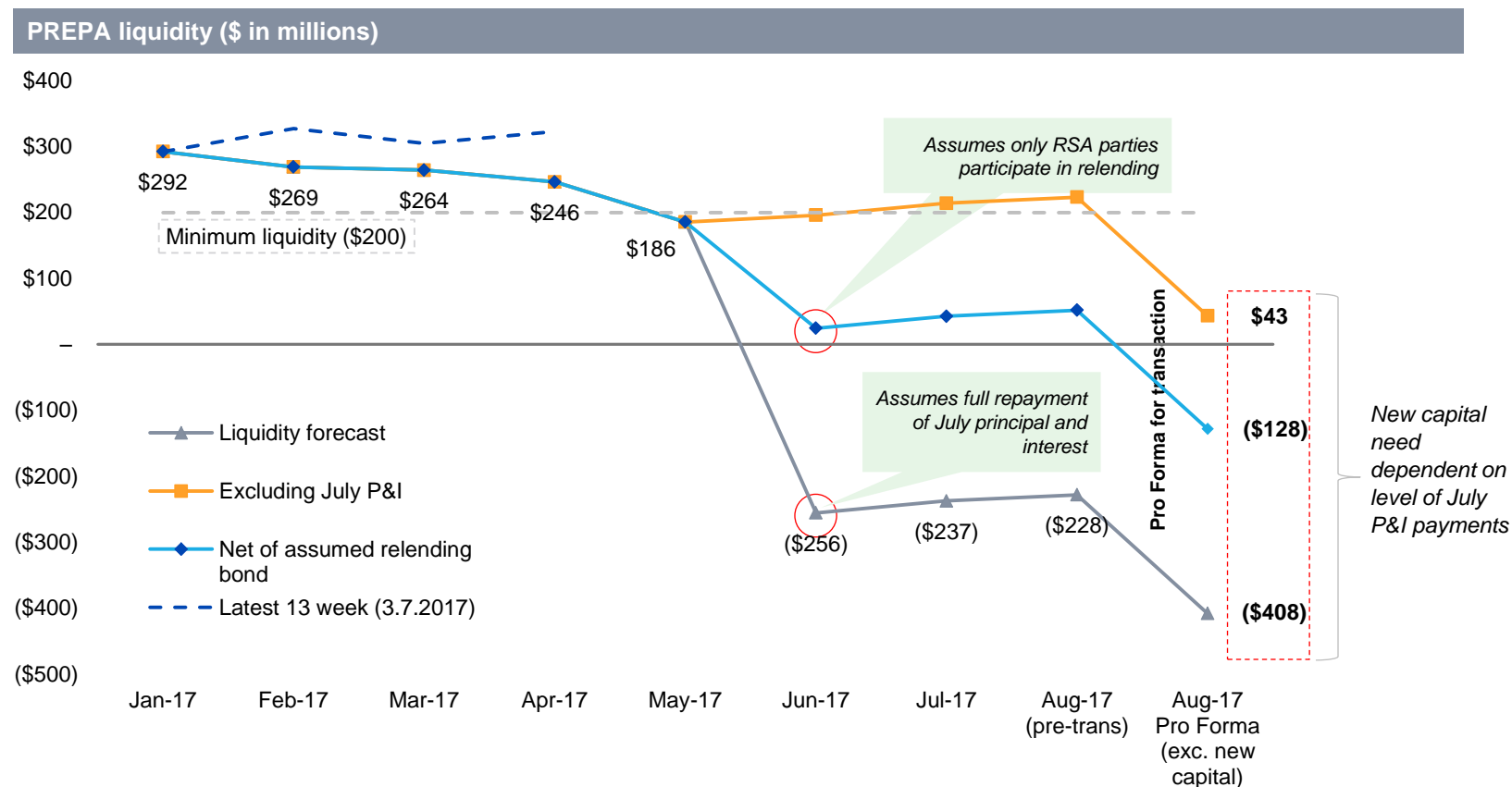
## Proposal

- 1% of total SPV bonds (\$~83m), increasing to 3.5% by year 5 (~\$310m)
- Funded by PREPA cash





# Liquidity forecast



Source Alix CY17 Cash Forecast per dataroom

## Appendix A. Precedent DSRF study

# DSRF levels in precedent power securitizations

## Rate analysis

State	Entity	Date	Approx. Size (\$mm)	Ratings (S / M / F)	Approx. Initial Residential		Debt Service Reserve	
					Charge	Account		
New York	Long Island Power Authority	September-16	\$469.5	AAA / Aaa / AAA	0.20%	1.50%		
Florida	Duke Energy Florida	June-16	1,294	AAA / Aaa / AAA	2.70%	0.50%		
New York	Long Island Power Authority	March-16	638	AAA / Aaa / AAA	1.00%	1.50%		
New York	Long Island Power Authority	October-15	1,002	AAA / Aaa / AAA	2.50%	1.50%		
Louisiana	Entergy Louisiana	July-15	99	AAA / Aaa / NR	4.02%	3.00%		
Hawaii	Department of Business, Economic Development, and Tourism	November-14	150	AAA / Aaa / AAA	1.00%	0.50%		
Louisiana	Entergy Louisiana	July-14	71	AAA / Aaa / NR	1.40%	0.50%		
Louisiana	Entergy Louisiana	July-14	244	AAA / Aaa / NR	1.40%	0.50%		
Michigan	Consumers Energy	July-14	378	AAA / Aaa / NR	1.00%	0.50%		
New York	Long Island Power Authority	December-13	2,022	AAA / Aaa / AAA	6.70%	0.50%		
West Virginia	AEP West Virginia	November-13	380	AAA / Aaa / NR	2.40%	0.50%		
Ohio	AEP Ohio	July-13	267	AAA / Aaa / NR	1.70%	0.50%		
Ohio	FirstEnergy	June-13	445	AAA / Aaa / AAA	1.70%		CEI Funding LLC - 0.50%; TE Funding - 1.75%	
Texas	AEP Texas Central	March-12	800	AAA / Aaa / AAA	3.00%	0.50%		
Texas	CenterPoint Energy Houston Electric	January-12	1,695	AAA / Aaa / AAA	2.20%	0.50%		
Louisiana	Entergy Louisiana	September-11	207	AAA / Aaa / AAA	2.93%	0.50%		
Arkansas	Entergy Arkansas	August-10	124	AAA / Aaa / AAA	1.00%	0.50%		
Louisiana	Entergy Louisiana	July-10	469	AAA / Aaa / AAA	2.40%	0.50%		
Louisiana	Entergy Gulf States Louisiana	July-10	244	AAA / Aaa / AAA	1.90%	0.50%		
West Virginia	Potomac Edison Company	December-09	22	AAA / Aaa / AAA	1.00%	0.50%		
West Virginia	Monongahela Power Company	December-09	64	AAA / Aaa / AAA	1.00%	0.50%		
Texas	CenterPoint Energy	November-09	665	AAA / Aaa / AAA	1.00%	0.50%		
Texas	Entergy Texas	November-09	546	AAA / Aaa / AAA	5.20%	0.50%		
Louisiana	Entergy Louisiana	August-08	278	AAA / Aaa / AAA	3.20%	0.50%		
Louisiana	Entergy Gulf States Louisiana	July-08	688	AAA / Aaa / AAA	2.50%	0.50%		
Louisiana	Oleco Power	February-08	181	AAA / Aaa / AAA	1.00%	0.50%		
Texas	CenterPoint Energy	January-08	488	AAA / Aaa / AAA	0.30%	0.50%		
Maryland	Baltimore Gas & Electric	June-07	623	AAA / Aaa / AAA	4.00%	0.50%		
Texas	Entergy Gulf States	June-07	330	AAA / Aaa / AAA	3.50%	0.50%		
Florida	Florida Power and Light	May-07	652	AAA / Aaa / AAA	0.90%	0.50%		
West Virginia	Monongahela	April-07	344	AAA / Aaa / AAA	5.90%	0.50%		
West Virginia	Potomac Edison	April-07	115	AAA / Aaa / AAA	6.40%	0.50%		
Texas	AEP Texas Central	September-06	1,740	AAA / Aaa / AAA	4.14%	0.50%		
New Jersey	Jersey Central Power & Light	August-06	182	AAA / Aaa / AAA	0.90%	0.50%		
Texas	CenterPoint Houston	December-05	1,851	AAA / Aaa / AAA	2.10%	0.50%		
California	Pacific Gas & Electric	November-05	844	AAA / Aaa / AAA	1.50%	0.50%		
Pennsylvania	West Penn Power	September-05	115	AAA / Aaa / AAA	n.a.	0.50%		
New Jersey	Public Service Electric & Gas	September-05	103	AAA / Aaa / AAA	0.30%	0.50%		
Massachusetts	Nstar (Boston Edison)	February-05	675	AAA / Aaa / NR	8.50%	0.5%		
California	Pacific Gas & Electric	February-05	1,888	AAA / Aaa / AAA	3.10%	0.50%		
New Jersey	Rockland Electric	July-04	46	AAA / Aaa / AAA	2.80%	0.50%		
Connecticut	State of Connecticut (CL&P/UIC)	June-04	205	AAA / Aaa / AAA	1.25%	1.00%		
Texas	TXU Electric Delivery	May-04	790	AAA / Aaa / AAA	0.80%	0.50%		
New Jersey	Atlantic City Electric	December-03	152	AAA / Aaa / AAA	4.10%	0.50%		
Texas	Oncor Electric Delivery	August-03	500	AAA / Aaa / AAA	0.60%	0.50%		
New Jersey	Atlantic City Electric	December-02	440	AAA / Aaa / AAA	4.10%	0.50%		
New Jersey	Jersey Central Power and Light	June-02	320	AAA / Aaa / AAA	1.70%	0.50%		
Texas	Central Power and Light	January-02	797	AAA / Aaa / AAA	4.20%	0.50%		
New Hampshire	Public Service of New Hampshire	January-02	50	AAA / Aaa / AAA	2.60%	1%; Grows to 1.5%		
Michigan	Consumers Energy	October-01	469	AAA / Aaa / AAA	1.80%	0.50%		
Texas	Reliant Energy	October-01	749	AAA / Aaa / AAA	1.20%	0.50%		
Massachusetts	Western Massachusetts	May-01	155	AAA / Aaa / AAA	4.20%	0.50%		
New Hampshire	Public Service of New Hampshire	April-01	525	AAA / Aaa / AAA	11.90%	0.50%		
Connecticut	Connecticut Light & Power	March-01	1,438	AAA / Aaa / AAA	8.30%	0.50%		
Michigan	Detroit Edison	March-01	1,750	AAA / Aaa / AAA	3.70%	0.50%		
Pennsylvania	PECO Energy	February-01	805	AAA / Aaa / AAA	11.80%	0.50%		
New Jersey	PSE&G	January-01	2,525	AAA / Aaa / AAA	6.90%	0.50%		
Pennsylvania	PECO Energy	April-00	1,000	AAA / Aaa / AAA	12.60%	0.50%		
Pennsylvania	West Penn Power	November-99	600	AAA / Aaa / AAA	9.32%	0.50%		
Pennsylvania	Pennsylvania Power & Light	July-99	2,420	AAA / Aaa / AAA	12.30%	0.50%		
Massachusetts	Boston Edison	July-99	725	AAA / Aaa / AAA	9.30%	0.50%		
California	Sierra Pacific Power	March-99	24	Aaa	20.12%	0.50%		
Pennsylvania	PECO Energy	March-99	4,000	AAA / Aaa / AAA	12.60%	0.50%		
Illinois	Illinois Power	December-98	864	AAA / Aaa / AAA	6.70%	0.50%		
Illinois	Commonwealth Edison	December-98	3,400	AAA / Aaa / AAA	8.20%	0.50%		
Montana	Montana Power	December-98	63	NR / Aaa / AAA	2.50%	0.50%		
California	San Diego Gas & Electric	December-97	658	AAA / Aaa / AAA	14.20%	0.50%		
California	Southern California Edison	December-97	2,463	AAA / Aaa / AAA	13.50%	0.50%		
California	Pacific Gas & Electric	November-97	2,901	AAA / Aaa / AAA	13.60%	0.50%		
Min			\$22.0		0.20%	0.50%		
Median			500		2.75%	0.50%		
Mean			786		4.48%	0.59%		
Max			4,000		20.12%	3.00%		

## Appendix B. Liquidity forecast

# Liquidity projections and sources & uses

## Summary cash flows – January 2017 to August 2017

(\$ in millions)

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Total (pre transaction)
<b>PREPA cash flow (pre debt &amp; restructuring)</b>	<b>\$5</b>	<b>(\$16)</b>	<b>\$14</b>	<b>(\$10)</b>	<b>(\$53)</b>	<b>\$18</b>	<b>\$22</b>	<b>\$13</b>	<b>(\$8)</b>
Professional fees	(15)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(39)
Fuel line interest	(4)	(4)	(15)	(4)	(4)	(4)	–	–	(36)
Bond interest	–	–	–	–	–	(214)	–	–	(214)
Bond maturities	–	–	–	–	–	(237)	–	–	(237)
<b>Net cash flow</b>	<b>(\$14)</b>	<b>(\$23)</b>	<b>(\$5)</b>	<b>(\$18)</b>	<b>(\$61)</b>	<b>(\$441)</b>	<b>\$18</b>	<b>\$9</b>	<b>(\$535)</b>
Beginning cash balance	306	292	269	264	246	186	(256)	(237)	306
<b>Ending operating cash</b>	<b>292</b>	<b>269</b>	<b>264</b>	<b>246</b>	<b>186</b>	<b>(256)</b>	<b>(237)</b>	<b>(228)</b>	<b>(228)</b>
<u>Memo:</u>									
Restricted GDB cash	146	146	146	146	146	146	146	146	

Source Alix CY17 Cash Forecast per dataroom

## RSA Transaction – Sources and Uses

*Relending RSA  
Party only payments  
& Backstopped New  
Capital*



### Sources

AHG July 2017 Relending P&I <sup>1</sup>	\$90
Monoline July 2017 Relending P&I <sup>1</sup>	190
New Capital	328

**Total sources**

**\$608**

### Uses

Cash shortfall	\$228
Cash on balance sheet	200
PREPA funding of DSRF	83
SIF top up	50
Transaction costs	47

**Total uses**

**\$608**

Reflects proposed 1% of  
all SPV bonds

### Note

<sup>1</sup> Estimated balances for illustrative purposes