

## Approval of PREPA Revitalization Corporation's Transition Charges

### ATTORNEYS

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### PRACTICE AREAS

- Energy
- Environmental, Energy & Land Use

### An McV Energy Alert

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On June 21, 2016, the Puerto Rico Energy Commission (the “Commission”), approved the Petition for Restructuring Order submitted by the Puerto Rico Electric Power Authority’s Revitalization Corporation (the “Corporation”) under PREPA Revitalization Act, Act 4-2016. The Restructuring Order authorizes the Corporation to impose a Transition Charge to PREPA’s residential, commercial, industrial, and governmental customers.

According to the Restructuring Order, the Transition Charge is the mechanism designed to repay certain Restructuring Bonds to be issued by the Corporation. These Restructuring Bonds are structured with (i) a 15% reduction of PREPA’s pre-existing debt (or legacy debt), and (ii) a lower interest rate. When issued, these Restructuring Bonds (or “restructured debt”) shall substitute current outstanding bonds of participant bondholders.

According to the Commission’s Order, the initial Transition Charge would be of \$0.031 (3.1 cents) per kWh supplied by PREPA to residential, non-residential (e. g., commercial, and industrial), and governmental customers. The Transition Charge shall not apply to fixed block public housing customers and to “grandfathered” net-metering customers. For “non-grandfathered” net metering customers, the Transition Charge shall be computed based on the customer’s gross electricity consumption and shall not consider any credit for electricity produced behind the meter and delivered to PREPA.

If necessary, the Transition Charge will be adjusted quarterly to reflect variances from planned/expected collections.

The Transition Charge shall be included and itemized in the customer’s monthly electric bill, and will be collected by PREPA pursuant to a Servicing Agreement between PREPA and the Corporation. PREPA is required to transfer the funds collected from the Transition Charge to the Corporation for the repayment of the Restructuring Bonds.

The Corporation expects to issue the Restructuring Bonds in the upcoming months, along with the implementation and collection of the Transition Charge described above.



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