Puerto Rico Electric Power Authority

Rating Agency Presentation

March 2, 2010

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1. Introduction

Presentation Participants

PREPA	
Miguel A. Cordero López	Executive Director
Angel L. Rivera Santana	Director of Planning & Environmental Protection
Josué A. Colón Ortiz	Director of Generation, Transmission and Distribution
Martin V. Arroyo	Chief Financial Officer
Otoniel Cruz Carrillo	Client Services Director
José A. Roque Torres	Treasurer
Government Development Bank	
Carlos M. Garcia	Chairman and President
Fernando L. Batlle	Executive Vice President, Financing and Treasury

PREPA Management Team

Executive Director Cordero and his team have moved aggressively to address PREPA's business challenges.

Miguel Cordero – Executive Director

- Over 30 years at PREPA; previously served as Executive Director from 1993 to 2000
- Under his prior tenure at PREPA significant progress achieved
  - Implementation of AES and EcoElectrica cogeneration projects
  - 17% increase in generation facility availability; equal to the construction of a $1 billion plant
  - $76 million reduction in salary expenses

Angel Rivera Santana – Planning and Environmental Protection Director

- Licensed professional engineer and planner
- 33 years at PREPA; previously served as Planning and Environmental Director from 1993 to 2000, Head of Planning Division and Supervisor of the Forecasting Department

Josué A. Colón Ortiz - Generation, Transmission and Distribution Director

- 22 years at PREPA
- Licensed Professional Engineer

PREPA Management Team (continued)

Executive Director Cordero and his team have moved aggressively to address PREPA's business challenges.

Martin V. Arroyo – Chief Financial Officer

- Six years as Chief Financial Officer of PREPA
- Former Professor of Finance and Accounting at the University of Puerto Rico (UPR)
- Served as Budget Director for the UPR System, Director of Accounting for the School Board of Palm Beach County and Director of Accounting for Contracted Programs at the Miami-Dade County School Board

Otoniel Cruz – Client Service Director

- Over 25 years at PREPA in budget, finance and retirement system activities
- Headed PREPA's retirement system for nine years

José Roque – Treasurer

- Over 10 years at PREPA in finance and retirement system activities

2. PREPA is a Fundamentally Strong Credit

Who is PREPA?

PREPA is one of the largest public power agencies

Total Revenues: $4.0 billion

Total Assets: $8.8 billion

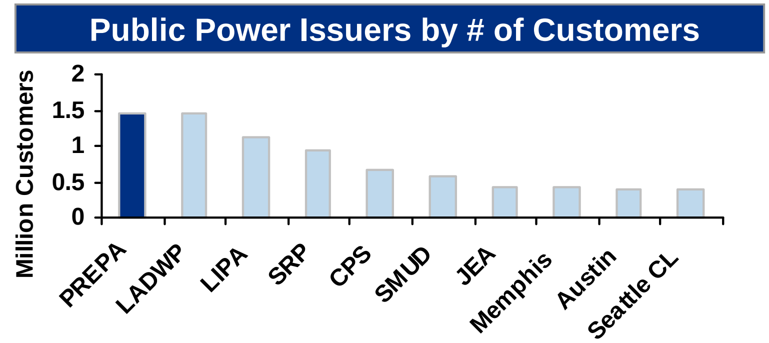
Electric System:

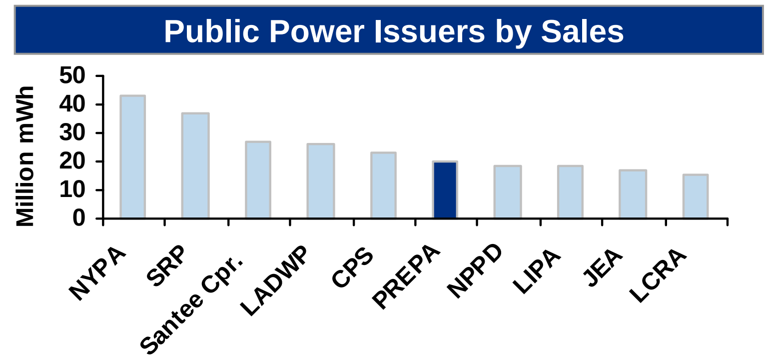
Generating Capacity:	*5,839 MW*
Peak Demand (in 8/09):	*3,404 MW*

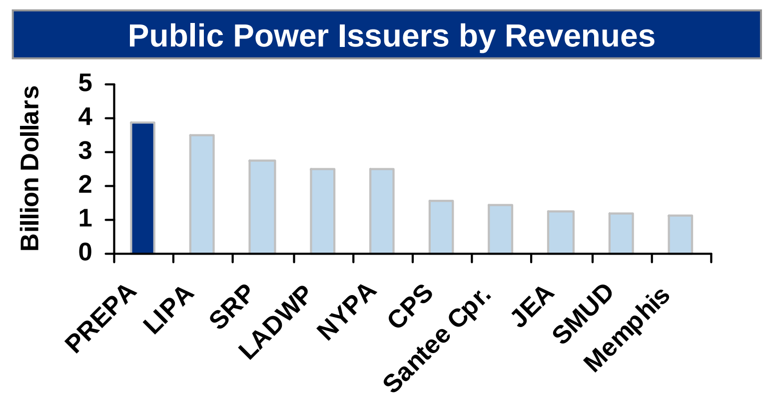
Transmission and Distribution:

Transmission Lines:	*2,419 miles*
Distribution Lines:	*31,156 miles*
38 kV substations:	*283*
115 kV substations:	*51*

Source: PREPA, as of June 30, 2009







Source: American Public Power Association. 2009-10 Annual Directory & Statistical Report

Fundamentals of the PREPA Credit

PREPA is…

An independent, island utility…

With a complete monopoly…

Selling an essential service…

With full rate setting authority.

Credit Strengths

Many elements make PREPA a very strong credit.

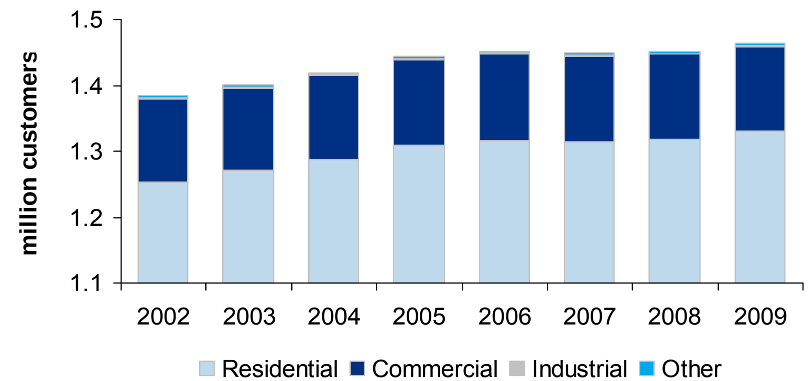
1. Absolute monopoly; sole provider of an essential service
2. Large and growing customer base
3. No customer concentration risk
4. $4 billion of annual revenues representing the broad-based Puerto Rican economy
5. Independent rate setting
6. Pass-through in customer rates of volatile fuel and purchased power expenses
7. Strong reserve margin of 50% of peak load
8. Independent of the central government, but unique among US municipal power agencies with the support of the GDB
9. Conservative debt structure with downward sloping debt profile and no senior bond exposure to variable rates

Stable Revenue and Customer Base

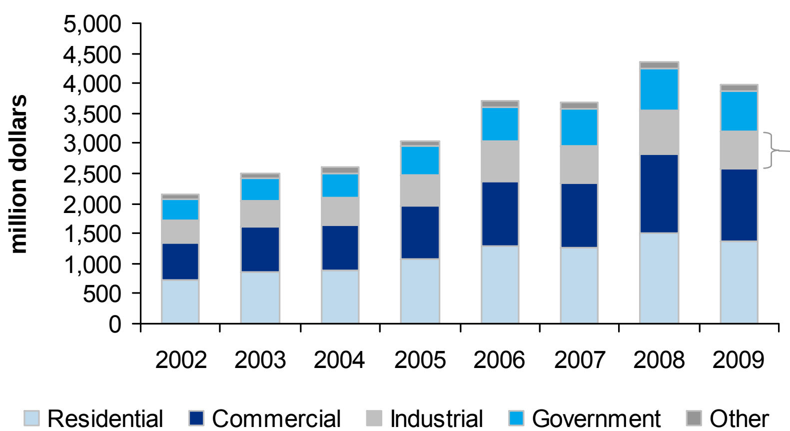
PREPA is a monopoly selling an essential service.

- More than 1.4 million customers
- Balanced mix of residential, commercial, governmental and industrial customers
- No customer concentration risk
- Industrial customers, the only customer class that realistically could self generate or purchase from an independent power producer, only account for 15% of revenues

Large and Growing Customer Base



Revenues From Broad Based Economy



No Customer Concentration Risk

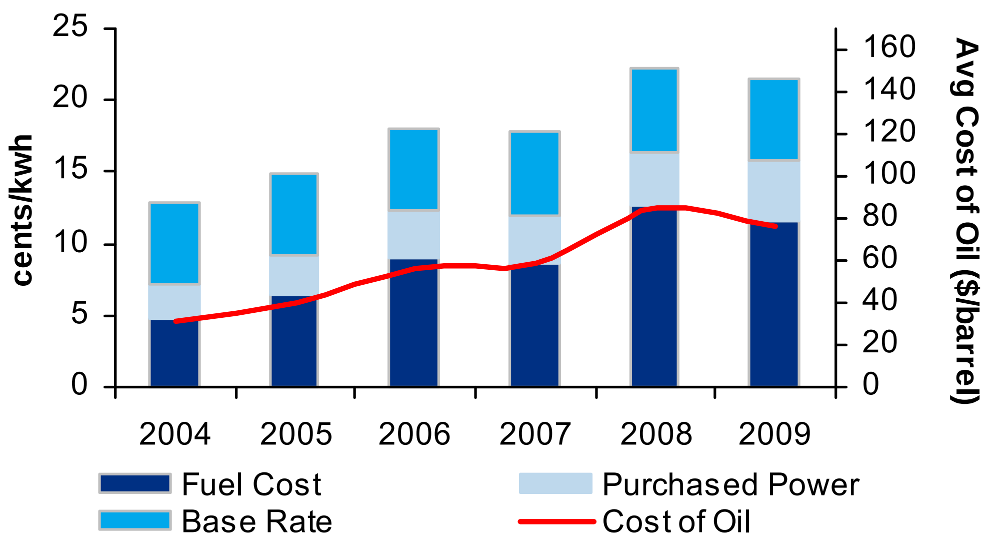
Client Name	Location	% of Total Sales
PR Cement	Ponce	0.57
Amgen Manufacturing	Juncos	0.55
Ayerst Wyeth	Guayama	0.52
Lilly del Caribe	Carolina	0.48
Wyeth Ayerst Lederle	Carolina	0.30
San Juan Cement	Dorado	0.29
Pfizer	Manati	0.28
McNeil Consumers Prod	Las Piedras	0.26
Pfizer	Vega Baja	0.26
Merck Sharp Dohme	Barceloneta	0.24
Bristol Myers Squibb	Manati	0.22

Pass Through in Customer Rates of Volatile Fuel Costs

PREPA passes through its fuel and purchased power costs -- representing 70% of total costs -- to customers on a monthly basis.

- Rates are adjusted on a monthly basis to pass through fuel and purchased power costs to customers
  - Fuel and purchased power represent more than 70% of PREPA's costs
- Thus, increases (or decreases) in fuel and purchased power in a month are recovered in rates two months later

Over 70% of Cost are Directly Passed Through to Customers



Strong Reserve Margins as Confirmed by Palo Seco Outage

Reserve margins are adequate in the short to medium term.

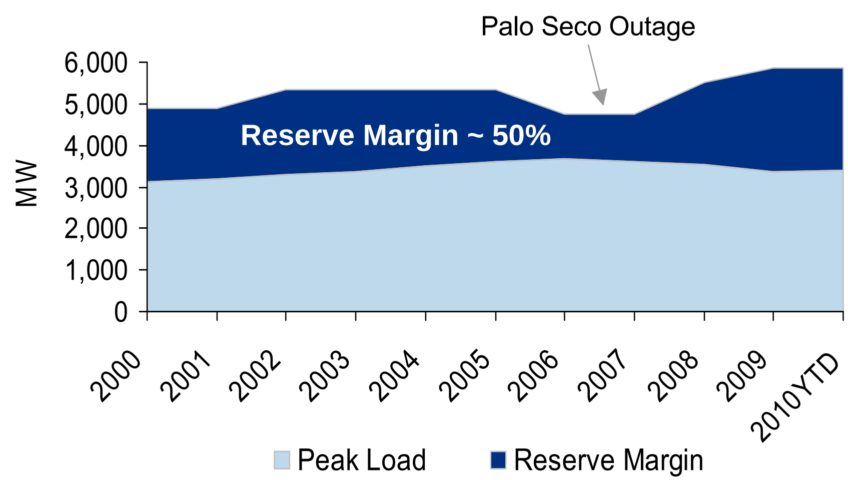
- Fleet of 31 major generating units in 20 facilities located throughout the island
- Palo Seco outage (602 MW) demonstrated island has adequate reserve margin
  - All units operating as of December 2009 (3 out of 4 units were in service by July 2009)
  - Substantially all repair costs and incremental replacement power covered by insurance

Even with Outage, Stable Availability & Forced Outage Rates

Fiscal Year	Avg Equivalent Avail. (with AES and Ecoelec.)	Equiv. Force Outage (without AES and Ecoelec.)	Reserve Margin (with AES and Ecoelec.)
2000	78%	9%	56%
2001	80%	8%	53%
2002	80%	7%	49%
2003	81%	9%	59%
2004	82%	9%	53%
2005	85%	6%	49%
2006	87%	4%	46%
2007[1]	84% (89%)	10% (3%)	32% (49%)
2008[1]	80% (88%)	15% (3%)	34% (51%)
2009[1]	76% (82%)	16% (8%)	57% (75%)

1 - Figures in parenthesis include Palo Seco availability.

Strong Reserve Margins



3. PREPA's Stabilization Plan

Keys to PREPA's Stabilization Plan

Comprehensive plan to address business challenges.

1. Reduce operating costs in line with sales
2. Reduce and refocus the construction improvement program away from new generation and towards transmission and distribution efficiency
3. Burn less expensive fuel and retire and replace inefficient plants
4. Reduce receivables

These steps will help PREPA lower the cost of power, restore liquidity and maintain adequate margins

Management Objectives

PREPA has taken concrete steps to address reduced load, high rates, receivables and liquidity.

Business Challenge	Management Action Plan
Recession Has Caused Drop in Load Growth and Revenues	• $95 million of recurring annual operating cost reductions (2010 budget savings of $86 million) – Reduced positions by 416 ($26 million/year savings) with another 1,000 expected from FY 2010 to 2013 – Reduced retiree health care benefits by $46 million – Reduced overtime and miscellaneous expenses by $23 million • Reducing and refocusing CIP away from new generation and toward fuel diversification and transmission and distribution reliability
Fuel Cost Volatility Has Impacted PREPA Rates	• PREPA plans to reduce oil consumption from 68% today to 48% in 2015 to 26% in the long term • Plans include conversion of facilities from high cost #2 fuel to natural gas • PREPA will contract with renewable energy providers with the long-term goal of increasing renewables mix from 1% to 15% • Planning to contract on a fixed price basis for a portion of PREPA's #2 and #6 oil needs to enhance rate stability

Management Objectives (continued)

Key objectives are re-orienting and reducing CIP, lowering O&M expenses, fuel diversification, reducing receivables and improving liquidity.

Business Challenge	Management Action Plan
Rates are High	• Mid-term fuel diversification plan to replace high cost oil with natural gas • Long term plan to increase generating system efficiency • $86 million annual operating cost reductions in 2010, increasing to over $100 million in 2014
Maintaining Financial Metrics	• $86 million annual operating cost reductions in 2010, increasing to over $100 million in 2014 • Reduced CIP will reduce future borrowings • Aggressive plan to reduce energy theft resulted in $17.6 million billed in CY 2009 and is expected to generate $50 million of annually recurring revenues

Management Objectives (continued)

Key objectives are re-orienting and reducing CIP, lowering O&M expenses, fuel diversification, reducing receivables and improving liquidity.

Business Challenge	Management Action Plan
Accounts Receivable Balances Have Grown	• Central government has repaid its outstanding balance • PREPA has worked with the two public corporations with largest balances to reduce receivables
Liquidity Has Dropped as Lines of Credit are Drawn	• Restructuring working capital lines to provide fixed repayment schedule • Drawn lines should drop by more than $1 billion after 2010 bond issuances • Opens up bank capacity for new lines, improving PREPA liquidity

4. Reduce Operating Costs in Line with Demand

Cost Reductions to Improve Operating Margins

Fixed O&M expenses reduced through headcount reductions, changes to retiree health plans and other miscellaneous costs.

Implemented Operating Cost Reductions

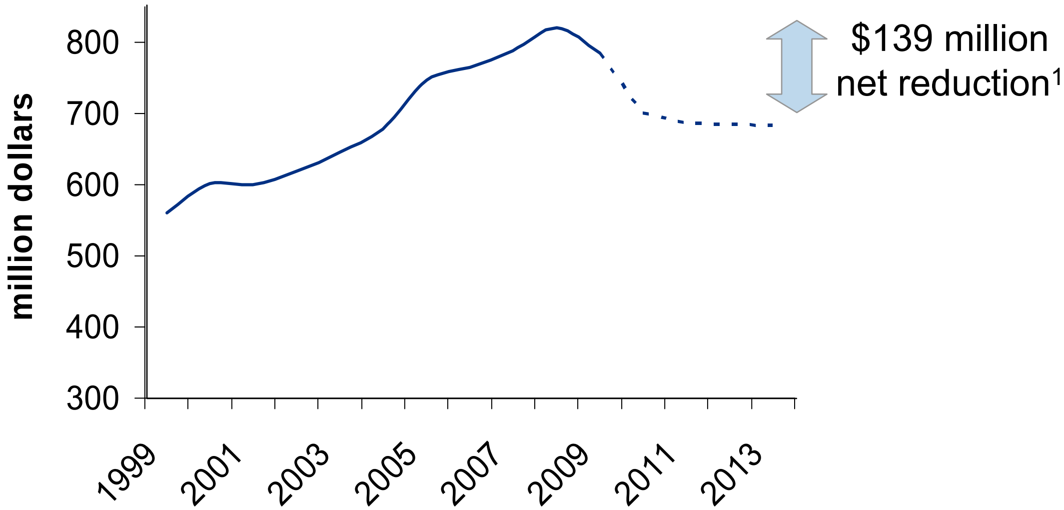
- 416 positions reduced between January 1, 2009 through June 30, 2009 saving $20 million in FY 2010
  - Voluntary Retirement: 153 positions
  - Temporary Workers: 148 positions
  - Eliminated unfilled senior staff positions: 115 positions
- All new hires frozen as of January 2009
- Reduce overtime and miscellaneous expenses (materials, technical services, security) by $23 million
- Reduce cash health care payments to retirees by $46 million
- OPEB changed from defined benefit to defined contribution plans
  - Annual required contribution under GASB reduced by $232 million as of June 30, 2009
  - OPEB unfunded accrued actuarial liability reduced from $3.4 billion to $531 million due to change
  - 2009 annual required contribution was $27 million

Future Operating Cost Reductions

- Reduce headcount through attrition (1,000 employees; 250 per year in each FY 2010 to FY 2013)

Stabilization Plan is Reducing Fixed O&M

Operating Costs (Excluding Fuel & Purchased Power)



Cost Reductions Implemented

(million dollars)	Annual Savings
416 Positions	$26
Reduced overtime and misc	23
Changes to retiree health plans	46
Total	$95

FY 2010 Cost Reductions Planned

(million dollars)	Annual Savings
Attrition (250)	15
Total	15

Impact of the Stabilization Plan Year to Date

- 13% reduction in non-fuel and purchased power O&M thus far in FY 2010 compared with similar period in FY 2009
- Reductions in each O&M category (see Page 34)

Future Cost Reductions Planned

(million dollars)	Annual Savings
Attrition (750 over three years)	46
Total	46

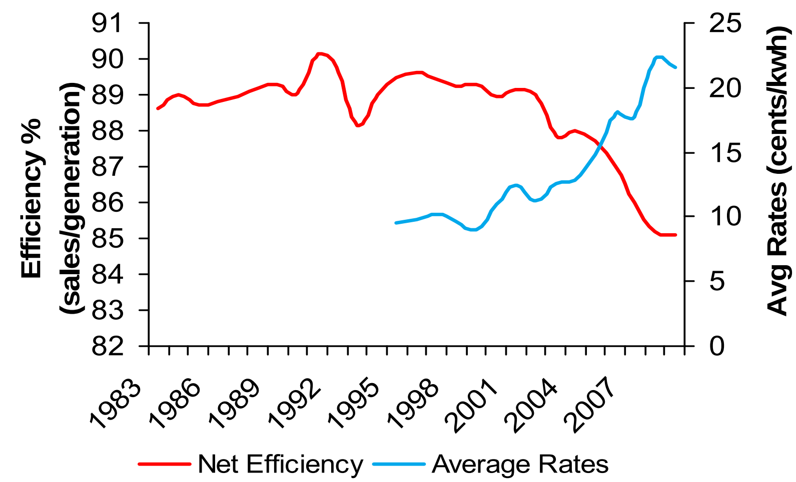
1 – Difference between FY 2008 actual and FY 2013 projected.

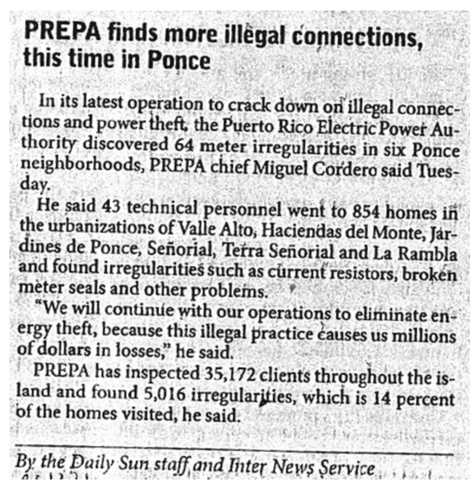
Reducing Theft

The PREPA revenue protection program is designed to increase revenues and discourage clandestine connections.

- Address theft via
  - Increased unannounced door-to-door monitoring
  - Automated meter reading
  - Geographic information system
  - Special meter seals
  - Social awareness campaign
  - Administrative Judge to settle disputes
- “Smart grid” being implemented
  - With smart meters, will be able to show areas where theft is prevalent
  - Will allow remote turn on and shut off
  - First smart meter replacements to start in early 2010
- Initiative expected to generate $50 million improvement in operating margin
  - $16 million improvement budgeted in this year
  - $17.6 million billed in CY 2009

Historical System Performance Efficiency





PREPA finds more illegal connections, this time in Ponce

In its latest operation to crack down on illegal connections and power theft, the Puerto Rico Electric Power Authority discovered 64 meter irregularities in six Ponce neighborhoods, PREPA chief Miguel Cordero said Tuesday.

He said 43 technical personnel went to 854 homes in the urbanizations of Valle Alto, Haciendas del Monte, Jardines de Ponce, Señorial, Terra Señorial and La Rambla and found irregularities such as current resistors, broken meter seals and other problems.

“We will continue with our operations to eliminate energy theft, because this illegal practice causes us millions of dollars in losses,” he said.

PREPA has inspected 35,172 clients throughout the island and found 5,016 irregularities, which is 14 percent of the homes visited, he said.

By the Daily Sun staff and Inter News Service

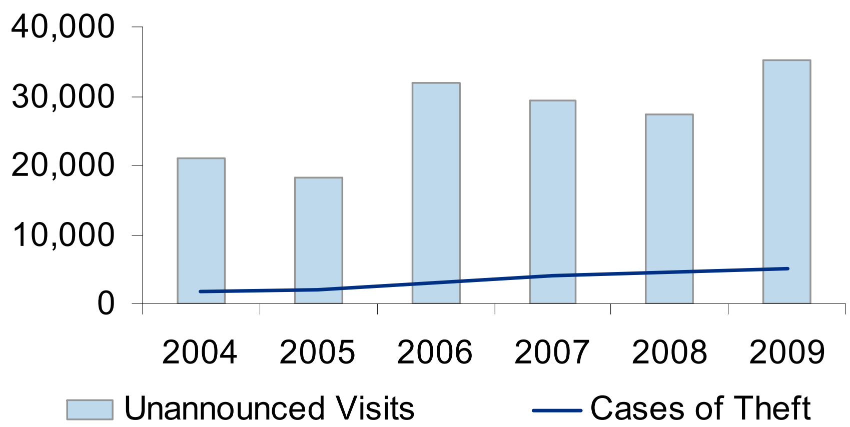
Article from the Daily Sun
February 17, 2010

Door-to-Door Monitoring

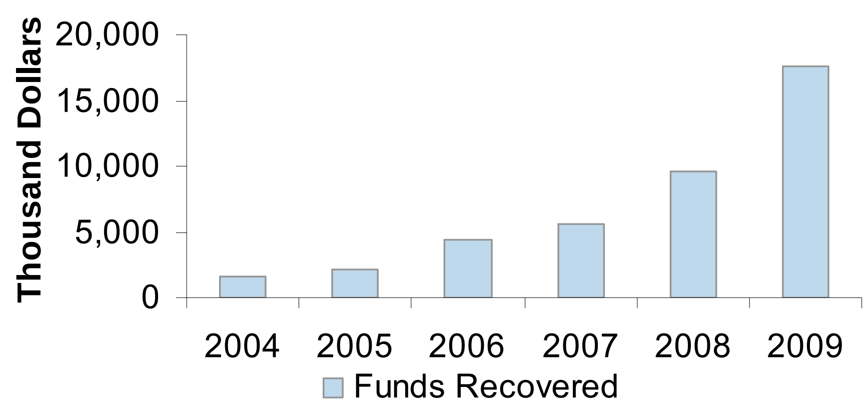
PREPA recovered $17.6 million in 2009 through its theft prevention program.

- PREPA has increased its door-to-door monitoring program, visiting over 35,000 customers in 2009, up 28% from visits in 2008
  - Over 5,000 cases of theft found
- More effective enforcement has resulted in $17.6 million in theft-related billings in 2009, up 82% from the prior year

Unannounced Visits and Cases of Theft Found



Funds Invoiced Through Theft Prevention Measures



5. Reducing Cost of Electricity Through Fuel Diversity

PREPA's Generating System

Steam Plants (#6 Fired)

Aguirre Units 1&2

Rated:	900 MW
Available:	900 MW
Heat Rate:	10.3, 10.2
In Service:	1975

Costa Sur Units 3,4,5,6

Rated:	990 MW
Available:	990 MW
Heat Rate:	11.6, 11.5, 10.7, 10.9
In Service:	'62,'63,'72,'73

Palo Seco Units 1,2,3,4

Rated:	602 MW
Available:	386 MW
Heat Rate:	10.9, 11.0, --, 10.4
In Service:	'60,'61,'70

San Juan 7,8,9,10

Rated:	400 MW
Available:	300 MW
Heat Rate:	11.2, 11.6, 11.5, 11.6
In Service:	'65,'68,'69

Coal

Guayama (A.E.S)

Contracted:	454 MW
Available:	454 MW
Heat Rate:	9.8
In Service:	2002

Combined Cycle Units (#2 Fired)

Aguirre CC Units 1&2

Rated:	592 MW
Available:	458 MW
Heat Rate:	10.3, 10.2
In Service:	1977

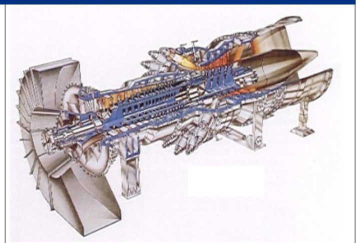
San Juan Units 5,6

Rated:	464 MW
Available:	440 MW
Heat Rate:	8.5, 7.9
In Service:	2008

Combustion Turbines (#2 Fired)

Cambalache

Rated:	247 MW
Available:	236 MW
Heat Rate:	11.6, 11.7, 11.6, 11.7
In Service:	1997



Mayagüez

Rated:	110 MW
Available:	110 MW
Heat Rate:	10.2, 10.1
In Service:	2008

Comb.Cycle (NG)

Peñuelas (EcoElectrica)

Contracted:	507 MW
Available:	507 MW
Heat Rate:	7.5
In Service:	2000

- In addition, PREPA has 70 MW of available capacity from 21 hydroelectric units and 9 MW from 7 Diesel Generators

Notes: Red Indicates purchased power. Heat rate in thousand Btu/kWh.

Generation Plans

PREPA plan is to reduce fuel cost volatility, increase fuel diversity and improve generation facility efficiency.

Near Term (0 to 12 months)

- Enter into fixed price #2 and #6 fuel supply contracts
- Enter into contracts for renewable capacity
- Begin development of Costa Sur combined cycle and Aguirre coal fired units

Mid-Term (1 to 3 years)

- Install infrastructure and begin operation to permit natural gas use at major #2-fired facilities
  - San Juan and Costa Sur combined cycle and Cambalache and Mayaguez gas turbine facilities
- Begin construction of Costa Sur combined cycle and Aguirre coal fired units

Long Term (more than 3 years)

- Operation begins at Costa Sur combined cycle and Aguirre coal fired units

Generation Additions Will Replace Inefficient Oil Units

New generation additions designed to improve efficiency, not provide additional capacity.

- New capacity additions will replace inefficient oil fired units
- No net increase in capacity expected, or needed

Proposed Additions and Retirements (in MW)

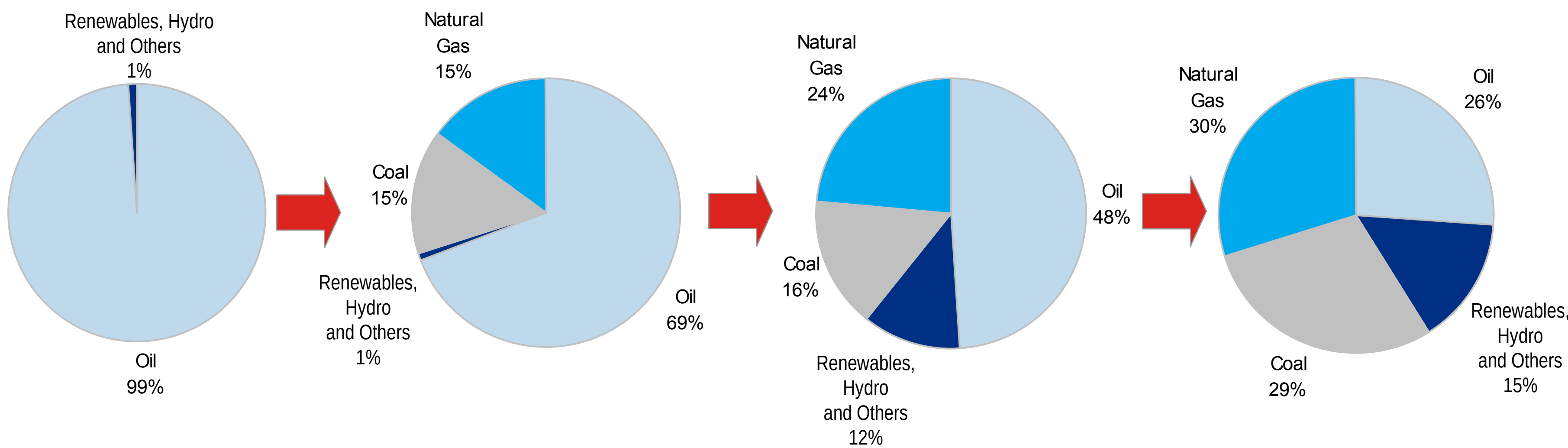
Peak Load	Fiscal Year	Unit Added	Capacity Additions	Retired	Total
3,604	2007				5,363
3,546	2008				5,376
3,351	2009	Mayagüez Combustion Turbine	220	184	5,839
		San Juan Combined Cycle	464		
3,223	2010				5,839
3,190	2011				5,839
3,175	2012				5,839
3,206	2013	Costa Sur Combined Cycle[1]	265	170	5,934
3,248	2014				5,934
3,274	2015				5,934
3,290	2016	Aguirre Coal Plant[2]	500	692	5,742
3,323	2017			184	5,558
3,347	2018			105	5,453
3,370	2019			121	5,332

1 – Replaces Costa Sur #3 and 4. Expected to be privately developed and financed.
2 – Replaces Aguirre #1 and 2. Expected to be privately developed and financed.

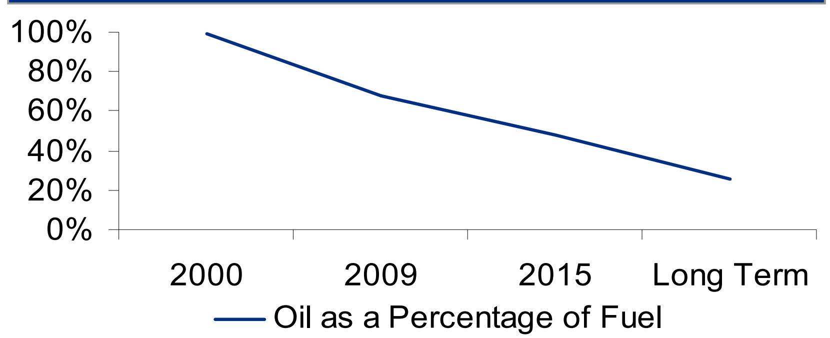
Significant Reduction in Dependence on Oil

In order to stabilize electric prices, we have developed a fuel diversification plan that includes the reduction in fuel oil dependency. The use of oil will be cut in half from 2000 to 2015.

2000	2009	2015[1]	Long-Term[1]

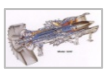


Drop in Oil Consumption



1 - Conversions will allow PREPA to burn either LNG or fuel-oil depending on the commodity price.

Fuel Diversification: Capital Investment Strategy

	Capacity	Current Fuel	Dual Capable	Strategy	Status
 ***Costa Sur 1,2,3,4,5,6***	1,090 MW	#6	Yes	Burn #6 and Natural Gas	Short term: Conversion of units 5 & 6 to dual fuel (#6 and LNG); Medium term plan to replace units 1-4 with combined cycle
 ***Palo Seco 1,2,3,4***	602 MW	#6	Yes	Burn #6 and Natural Gas	Medium term plan to install infrastructure to permit use of natural gas
 ***San Juan 7,8,9,10***	400 MW	#6	Yes	Burn #6 and Natural Gas	Medium term plan to install infrastructure to permit use of natural gas
 ***Aguirre CC 1&2***	592 MW	#2	Yes	Convert to Natural Gas	Medium term plan to install infrastructure to permit use of natural gas
 ***San Juan 5,6***	464 MW	#2	Yes	Convert to Natural Gas	Medium term plan to install infrastructure to permit use of natural gas
 ***Cambalache***	247 MW	#2	Yes	Convert to Natural Gas	Medium term plan to install infrastructure to permit use of natural gas
 ***Mayagüez***	110 MW	#2	Yes	Convert to Natural Gas	Medium term plan to install infrastructure to permit use of natural gas
 ***Aguirre 1&2***	900 MW	#6	Yes	Replace with Coal	Longer term plan to replace 500 MW with coal
 ***A.E.S***	454 MW	Coal	N/A	Continue as Coal Fired	
 ***EcoElectrica***	507 MW	LNG	N/A	Continue as Gas Fired	

Central Elements of Fuel Flexibility Program

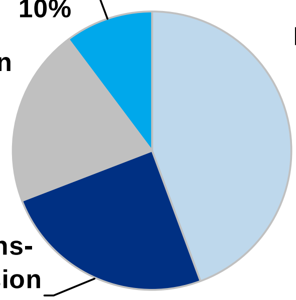
Infrastructure to permit PREPA's gas turbines to burn natural gas will be in place in the intermediate term (goal of 18-36 months).

- PREPA's gas turbines and combined cycle facilities can burn both #2 and natural gas
- Gas unloading and storage facilities must be added to permit gas use
- LNG to fire PREPA's generators will be delivered in bulk to Ecoelectrica's terminal or directly shipped from Trinidad
- LNG will then be transferred to smaller ships and transported to the PREPA generating sites
- Process underway to hire procurement advisor for fuel diversity program

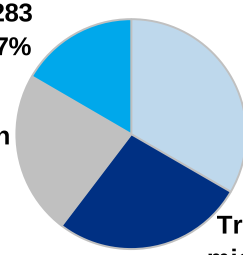
PREPA Has Reduced its Capital Plan

The completion of key projects and demand reduction allow PREPA to focus on fuel mix rather than adding capacity.

2005-2009 CIP ($2.80 billion)



2010-2014 CIP ($1.70 billion)

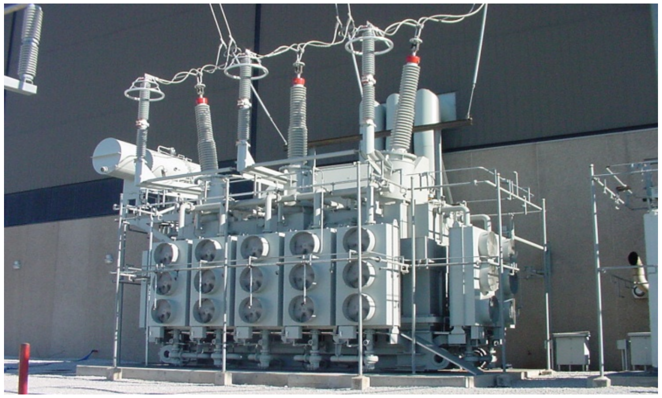


Capital Plan Sources and Uses ($ millions)

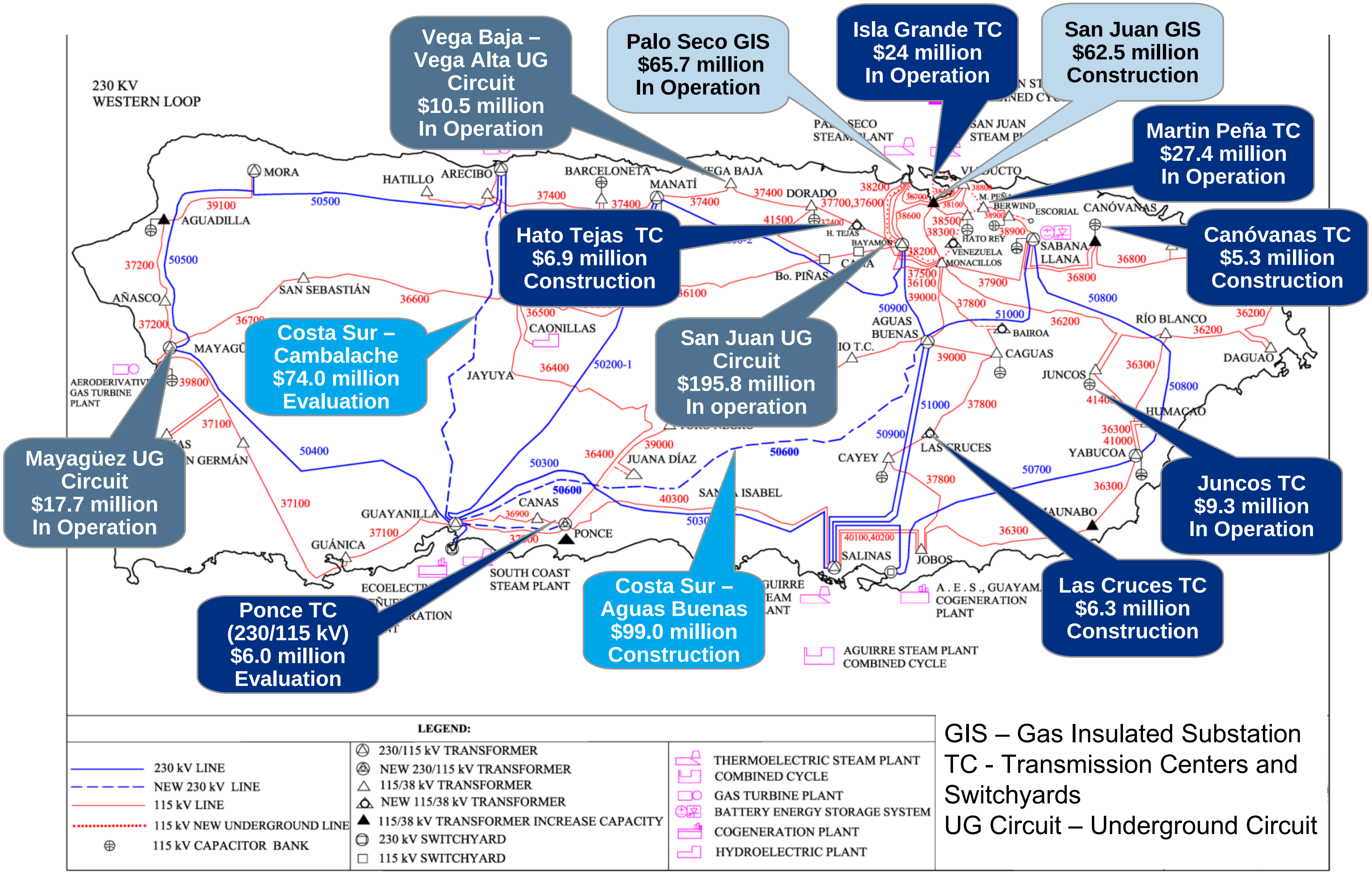
	2010	2011	2012	2013	2014	Total
Uses						
Production Plant	128	104	90	115	162	599
Transmission	117	83	86	79	105	469
Distribution	75	74	76	90	82	397
Other	30	39	48	66	51	235
Total	350	300	300	350	400	1,700
Sources						
Internal Funds	0	20	8	3	1	32
Borrowed Funds	350	280	292	347	399	1,668
Total	350	300	300	350	400	1,700

Improving Transmission and Distribution to Enhance Reliability

- Improve economic dispatch schemes
- Improve energy transfer and reduce transmission system losses
- Improve reliability and system security margins
- Significantly improve voltage stability
- Reduce system islanding events due to frequency instability
- Improve grid performance during double contingencies



Major Planned Transmission Improvements Through 2014



GIS – Gas Insulated Substation
TC - Transmission Centers and Switchyards
UG Circuit – Underground Circuit

6. Improve Liquidity and Reduce Accounts Receivable

Accounts Receivable – Central Government Accounts

Central Government accounts are largely current.

- Central government receivables have dropped by 82%, or $117 million, since March 2009
  - A payment of $42 million was received on January 15, 2010, which covered all past due payments as of June 30, 2009
  - Current receivables balance is less than the average bill for two months ($14 million/month is average central government bill)
- FY 2010 electricity consumption has been budgeted with a source of funds identified

Central Government

	as of 3/31/09	as of 12/31/09
Department of Education	$94,183,567	$10,233,320
Others	48,060,764	15,066,728
Total	**$142,244,331**	**$25,300,048**

Accounts Receivable – Public Corporation Accounts

Significant reductions in PRASA and PBA receivables.

- PRASA is making weekly $3.5 million payments, which approximately cover:
  - Typical weekly bill is $2.5 million
  - Reducing receivables balance by $1.0 million weekly
  - PRASA balance should be eliminated within 18 months
- Public Building Authority made a $25 million payment in September 2009

Public Corporations

	as of 6/30/09	as of 12/31/09
PRASA	$59,559,185	$49,570,021
Public Building Authority	60,007,518	40,728,201
Ports Authority	33,724,366	38,428,464
Medical Services Administration	14,641,642	16,904,926
Cardiovascular Center	11,273,165	11,441,540
University Hospitals	10,592,501	10,914,073
Tren Urbano	9,676,866	13,894,303
Solid Waste Authority	6,361,511	5,222,526
Land Authority	4,578,174	4,196,253
Highways Authority	3,888,648	5,347,256
Subtotal Corporations	**$214,303,576**	**$196,647,563**
Other Corporations	20,593,740	20,262,346
Grand Total	**$234,897,316**	**$216,909,909**

Liquidity – Lines of Credit

GDB has demonstrated willingness to provide emergency liquidity.

Purpose, Arranger	Issue	Maturity	Total Approved	Current Debt	Available Credit	Comments
Operational, BPPR[1]	22-Dec-06	30-Jun-10	$200,000,000	$189,891,755	$10,108,245	$10 million repaid on Feb. 1, 2010. Expected to be taken out with bonds in 2010.
Operational, BPPR	22-Dec-06	30-Jun-14	64,208,070	43,558,070	-	Being amortized by $9 million/year
Emergency Liquidity, GDB	15-May-09	30-Jun-11	96,000,000	84,609,859	11,390,141	
Infrastructure (Muni Settlement), GDB	23-Apr-04	30-Jun-10	57,000,000	56,961,006	38,994	To be taken out with US tax-exempt bonds.
Fuel Oil, BPPR[1]	30-Jun-08	29-Jun-10	275,000,000	275,000,000	-	Expected to be taken out with bonds in 2010,
Gas Pipeline, GDB	17-Aug-09	16-Aug-11	35,000,000	26,171,521	8,828,479	Completion of gas pipeline, being converted for use by PRASA.
Subsidies, BPPR	30-Dec-04	30-Nov-13	41,585,000	16,363,000	-	Being amortized by $6.325 million/year
Palo Seco I, GDB	13-Sep-07	30-Jun-10	100,000,000	50,000,000	-	To be taken out with US tax-exempt bonds.
Palo Seco II, BBVA	20-Dec-07	31-Mar-10	100,000,000	50,000,000	-	Recently reduced by $50 million and remainder to be taken out with US tax-exempt bonds.
CIP, JP Morgan	30-Jun-06	30-Apr-10	200,000,000	200,000,000	-	Recently extended, to be taken out with Bonds
CIP, Citibank[1]	13-Sep-06	30-Apr-10	300,000,000	300,000,000	-	Recently extended, to be taken out with Bonds and likely to be renewed
CIP, FirstBank	15-Dec-09	15-Jun-10	150,000,000	50,000,000	100,000,000	To be taken out with Bonds
CIP (Isabela), GDB	26-Mar-04	30-Jun-18	25,354,054	6,104,310	19,249,744	Paid by central government
Swap Collateral, GDB	26-Nov-08	31-Dec-10	150,000,000	-	150,000,000	
Total			**$1,794,147,124**	**$1,298,659,521**	**$290,127,042**	

1 – Syndicated loan

Liquidity – Lines of Credit after 2010 Bond Issues

PREPA expects to address liquidity concerns.

Purpose, Arranger	Issue	Maturity	Total Approved	Expected Debt after Bond Issues	Available Credit after Bond Issues	Comments
Operational						
Operational, BPPR	22-Dec-06	30-Jun-14	64,208,070	43,558,070	-	Being amortized by $9 million/year
Emergency Liquidity, GDB	15-May-09	30-Jun-11	96,000,000	84,609,859	11,390,141	
Subsidies, BPPR	30-Dec-04	30-Nov-13	41,585,000	16,363,000	-	Being amortized by $6.325 million/year
Subtotal			$**201,793,070**	**$144,530,929**	**$11,390,141**	
Construction Fund						
CIP, Citibank	1-Jan-10	1-Jan-12	$300,000,000	$0	$300,000,000	Expected renewal.
CIP (Isabela), GDB	26-Mar-04	30-Jun-18	25,354,054	6,104,310	19,249,744	
Subtotal			**$325,354,054**	**$6,104,310**	**$309,761,183**	
Swap Collateral, GDB	26-Nov-08	31-Dec-10	**$150,000,000**	**0**	**$150,000,000**	
Total			**$677,147,124**	**$150,635,239**	**$471,151,324**	

- Repayment of bank lines opens up fresh bank capacity for the PREPA credit
- PREPA is negotiating new capital and working capital lines
- New bank lines should materially improve PREPA's liquidity

Derivatives, Hedges and Collateral Posting

No current collateral posting requirements as of December 31, 2009.

Basis Swap (millions)	
Notional amount	1,375
Market value as of December 31, 2009 in favor of PREPA	7
Collateral posting threshold at current ratings	50
Current collateral requirement	0
If PREPA is downgraded by Moody's or S&P	
Collateral posting threshold	30
Collateral requirement	0

Floating Rate Notes (millions)		
Notional amount		846
Market value		
JP Morgan	(44)	
UBS	(23)	
		(67)
Collateral posting threshold at current ratings		0
Current collateral requirement		0
If PREPA is downgraded by Moody's or S&P		
Collateral posting threshold[1]		50
Collateral requirement		0

As of December 31, 2009
1 – Threshold for each swap

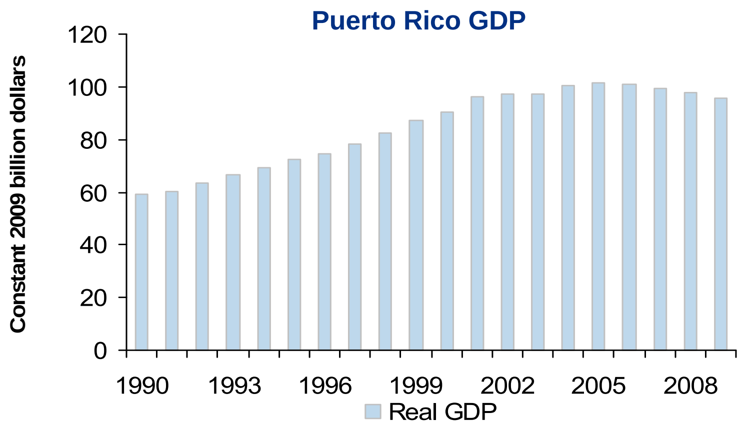
- Basis swap has generated $12.4 million of positive cash flow to PREPA since October 1, 2008
- Basis swap, PREPA has not posted collateral since July 23, 2009
- $150 million dedicated GDB line of credit available to cover swap collateral requirements

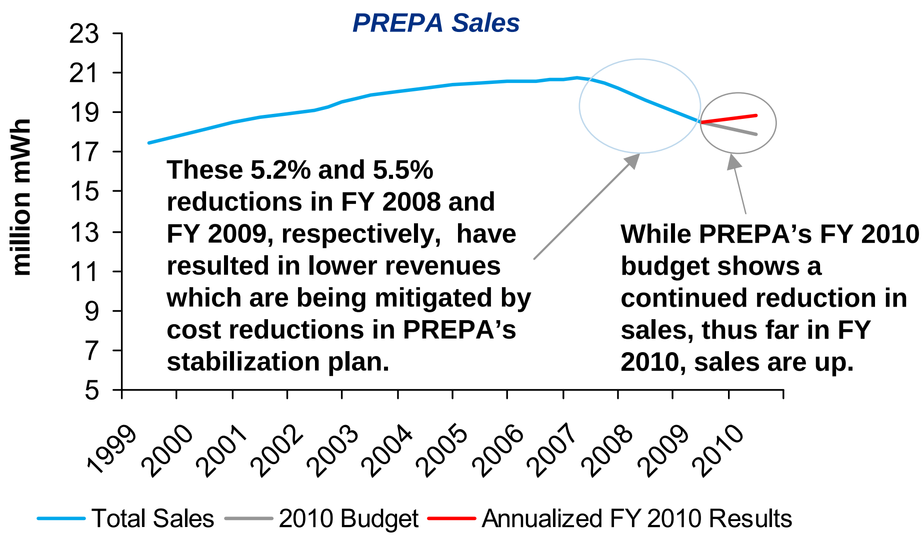
7. Historic and Projected Financial Operations

Revenue Forecasts Assume a Slow Economic Turnaround

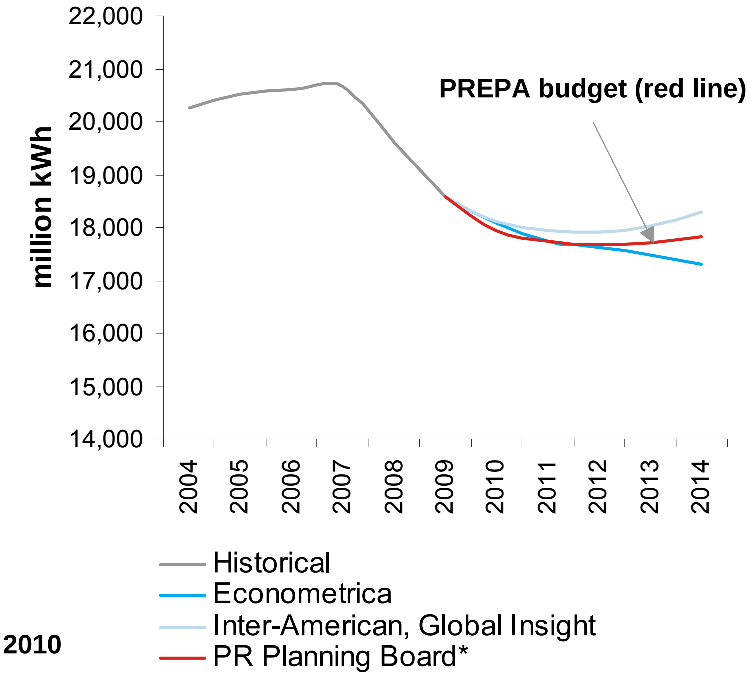
While electricity sales have tracked weak GDP, PREPA conservatively forecasts a slow recovery.

Recession Has Negatively Impacted Load Growth





Forecasts are Conservative

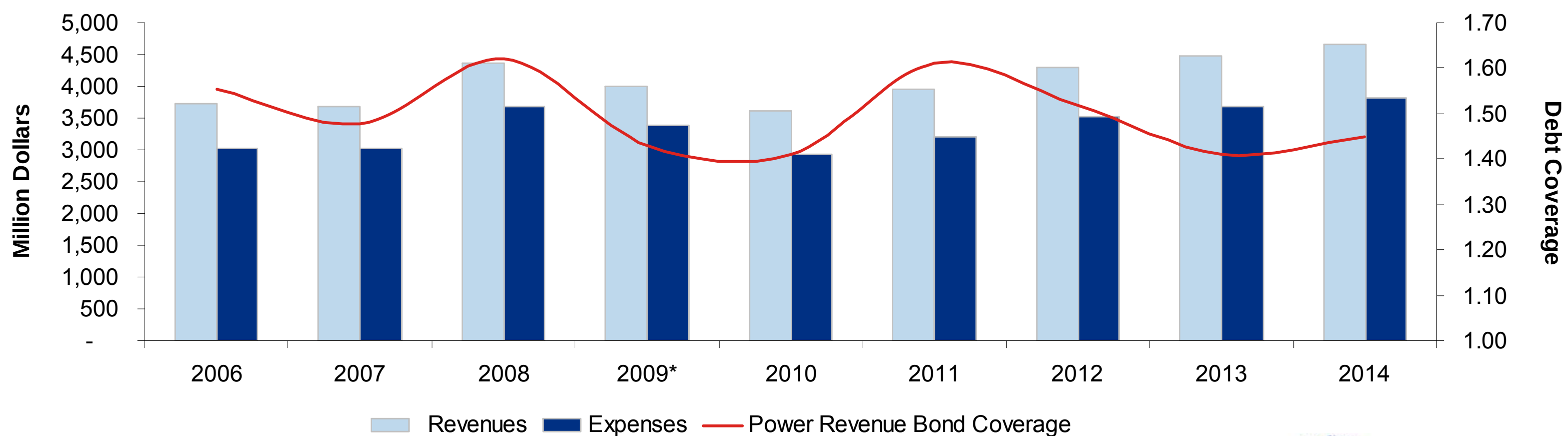


* PR Planning Board forecasts used for PREPA's projections.

Historical and Projected Operating Results and Coverage

	Historical				Projected				
Years Ended June 30	**2006**	**2007**	**2008**	**2009[1]**	**2010**	**2011**	**2012**	**2013**	**2014**
Electricity Sales (mwh)	20,620	20,672	19,602	18,516	17,929	17,739	17,667	17,700	17,827
Average Rate (cents/kwh)	17.99	17.76	22.19	21.53	19.90	21.85	23.94	24.86	25.40
Revenues	$ 3,732	$ 3,687	$ 4,369	$ 4,007	$ 3,605	$ 3,945	$ 4,299	$ 4,470	$ 4,597
Expenses									
Fuel	1,666	1,717	2,303	1,920	1,530	1,804	2,102	2,230	2,362
Purchased Power	603	625	661	672	712	716	735	756	728
Fuel Extra Expense	-	(114)	(96)	-	-	-	-	-	-
Other Current Expenses	765	787	820	786	700	686	684	682	681
Total Expenses	3,034	3,015	3,688	3,378	2,942	3,206	3,521	3,668	3,771
Net Revenues	$ 698	$ 672	$ 681	$ 629	$ 663	$ 739	$ 778	$ 802	$ 826
Total Power Rev. Debt Service[2]	$ 449	$ 455	$ 420	$ 435	$ 471	$ 459	$ 493	$ 538	$ 575
Power Rev. Bond Coverage[2]	**1.55**	**1.48**	**1.62**	**1.45**	**1.41**	**1.61**	**1.58**	**1.49**	**1.44**

Revenues, Debt Service and Coverage



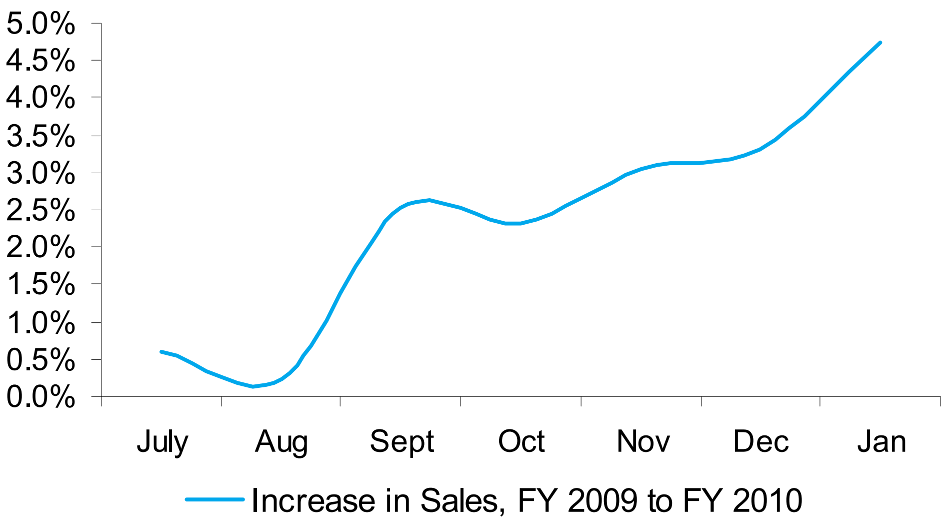
1 – Audited
2 – After 2010 transactions

Favorable Initial FY 2010 Results

Through the first seven months of the year, non-fuel and purchased power operating costs are down and sales are up.

- Operating expenses, excluding fuel and purchased power, are down by 13%
  - Reduction is based on first seven months of fiscal year compared with similar period in FY 2009
  - Indicates initial impact of the stabilization plan to reduce operating expenses
- Sales are up 2.3%
  - First seven month increase in sales since FY 2006

Sales are Up Each Month in FY 2010



Operating Expense are Down in FY 2010 ($000's)

	7/2008-1/2009	7/2009-1/2010	% Change
Other production	38,658	35,514	-8%
Transmission and distribution	103,685	91,803	-11%
Maintenance	140,035	116,607	-17%
Customer accounting and collection	69,278	63,633	-8%
Administrative & general	138,754	119,289	-14%
Total O&M, excl. fuel & purch. power	490,410	426,846	-13%

8. Finance Plan

Plan of Finance

Transaction funds FY 2010 CIP, repays loans used to fund prior CIP and refunds outstanding bonds providing savings.

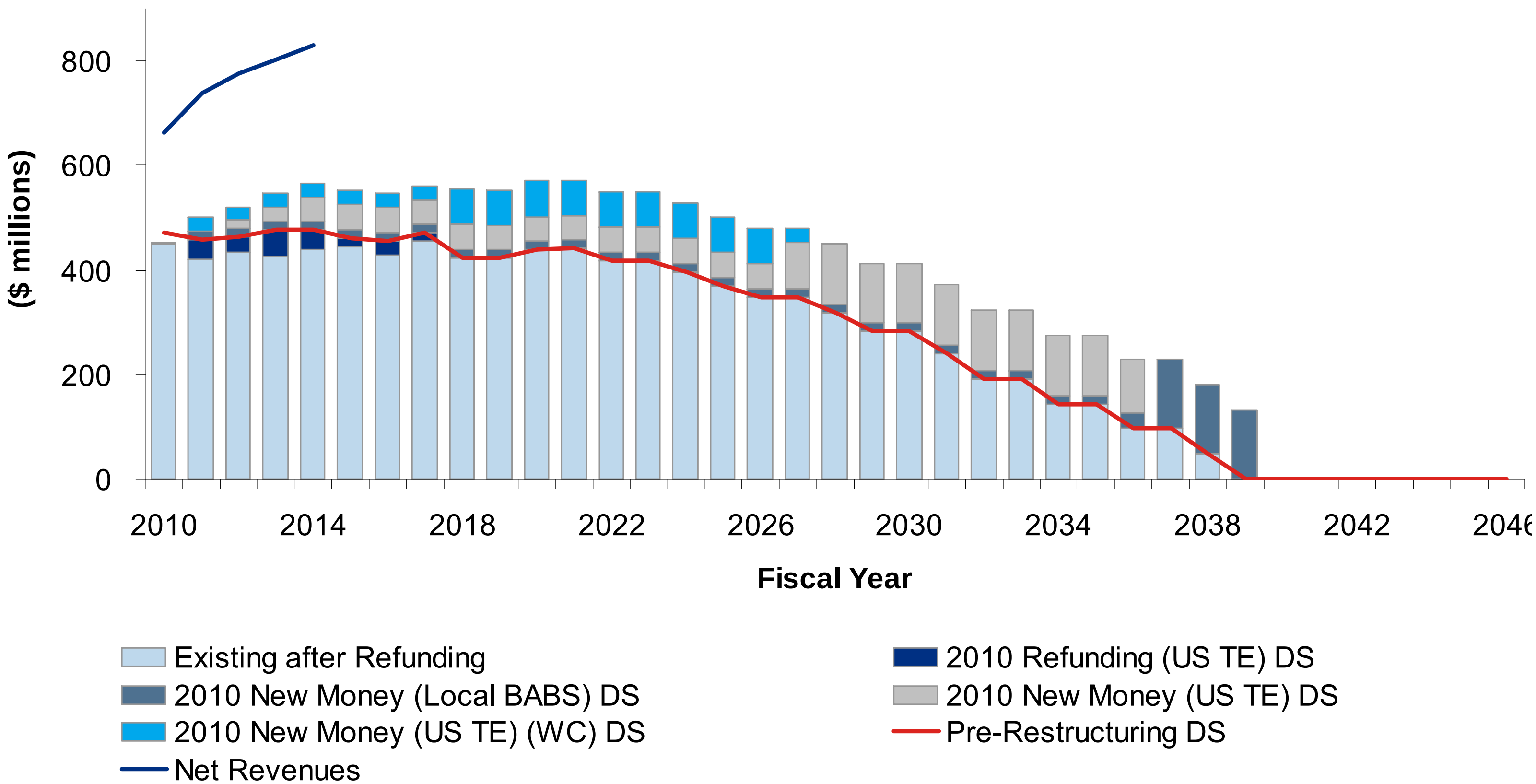
Market	Expected Par (in million dollars)	Use of Proceeds
US Tax-exempt	825	Repay loans used to fund construction improvement program
Local Tax-exempt (BABs)	375	Fund FY 2010 construction improvement program
US Tax-exempt[1]	485	Establish fixed payment plan for working capital lines; Likely completed in late FY 2010
US Tax-exempt	250	Refunding for savings
Total	1,935	

1 – Subject to bond counsel review.

Power Revenue Bond Debt Service Profile

PREPA will continue to have conservative, downward-sloping debt profile.

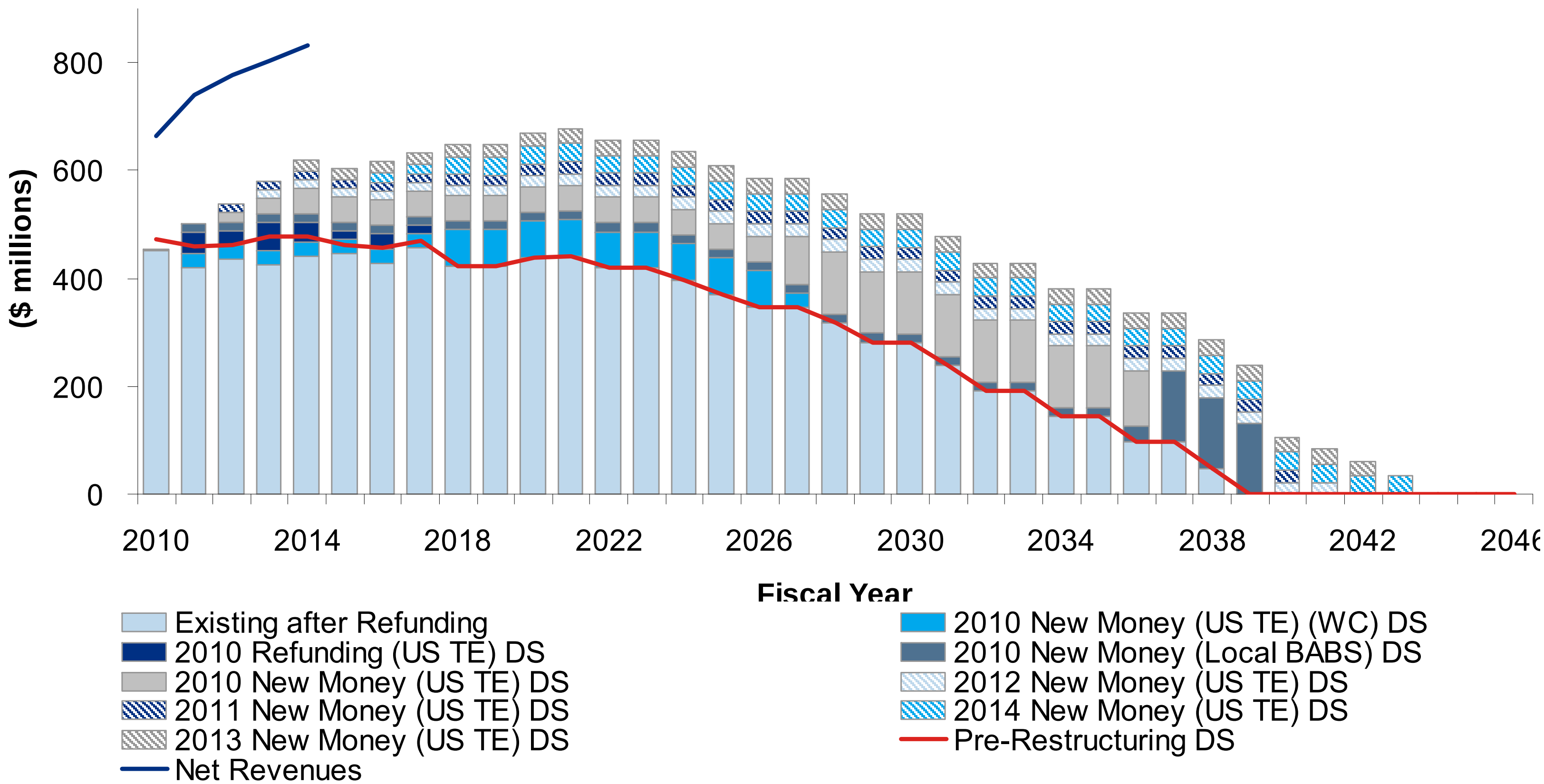
Power Revenue Bond Debt Service After 2010 Transactions



Power Revenue Bond Profile after Funding Next 5 Years CIP

Adequate coverage after funding Construction Improvement Program from FY 2010 to FY 2014.

Power Revenue Bond Debt Service After 2010-2014 Transactions[1]



1 - Assumes full funding of the 2010 to 2014 CIP, See Page 14.

9. Strengths of the PREPA Credit

Fundamentally Strong Credit

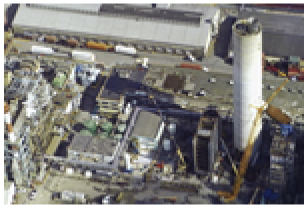
PREPA is taking proactive steps to address its business challenges.

Credit Strengths

- Independent, island utility
- Complete monopoly
- Selling an essential service
- Independent rate setting power

Stabilization Plan Designed to Help PREPA Lower the Cost of Power, Restore Liquidity and Maintain Adequate Margins

1. Reduce operating costs in line with sales
2. Reduce and refocus the construction improvement program away from new generation and towards transmission and distribution efficiency
3. Burn less expensive fuel and retire and replace inefficient plants
4. Reduce receivables



Summary of PREPA Credit

Many strong credit features and feasible plan to address business issues.

Business Fundamentals

- Sole provider of an essential service
- Diverse set of customers; no concentration
- Full rate setting authority
- Fuel and purchased power passed through
- Independent of Commonwealth

Financial Performance

- Satisfactory coverage
- Active implementation of cost reduction initiatives
- Reduced capital improvement program
- Aggressive revenue protection program

Resource Mix

- Strong reserve margin
- Improving reliability
- Power resource diversification plan
- Capital program focused on improving reliability and fuel diversification

Financing Schedule

February 2010

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						

March 2010

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Event	Expected Date
Ratings Received	March 8
Mail POS	March 9
Price Bonds	March 17
Close	March 30