



**La Cámara de Comercio de Puerto Rico
y sus Comités de Energía y Agua, y APPs presentan el Foro**

CAMBIOS EN EL SECTOR ENERGÉTICO y el Rol de las APPs en la RECONSTRUCCIÓN de Puerto Rico

Banking Industry's Role in the Transformation of the Energy Sector

1 First Bank

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FirstBank Puerto Rico**



Cambios en el Sector Energético y el Rol de las APPs en la Reconstrucción de Puerto Rico

FirstBank Overview

- Founded in 1948
- Headquartered in San Juan, Puerto Rico with operations in PR, Eastern Caribbean (Virgin Islands) and Florida
 - ~ 2,530 FTE employees⁽¹⁾
- Second (2nd) largest financial holding company in Puerto Rico with attractive business mix and substantial loan market share
- Total Assets: \$12.3 billion⁽²⁾
- +\$2 billion commercial loan portfolio in PR
 - Commercial & Industrial: \$1.1 billion
 - Commercial Real Estate: \$0.9 billion

⁽¹⁾ As of December 31, 2017

⁽²⁾ Includes assets in Florida

⁽³⁾ Amounts at inception of transaction

Presence in the Energy Sector

- **PREPA** : \$75 million participation in line of credit
 - Sold in March 2017
- **AES**: \$10 million participation in senior credit facility
- **Renewable Energy (Solar Panels)**: \$10 million loan portfolio

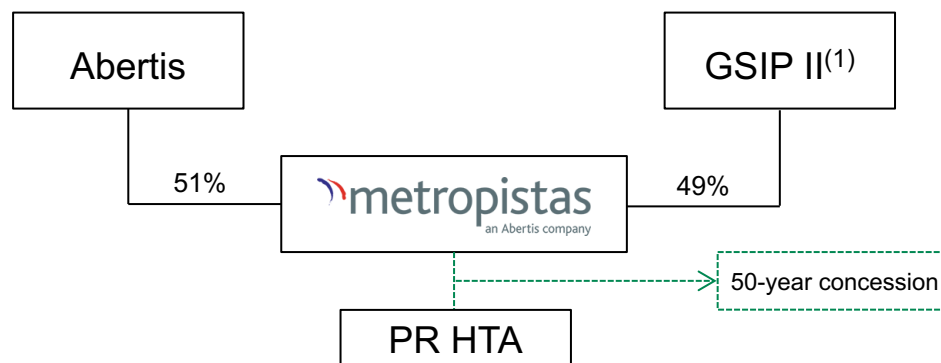
Presence in the P3 Sector⁽³⁾

- **Metropistas (\$69.0 million)**
 - \$35 million participation in the \$435 million senior secured notes
 - \$34 million participation in the \$365 million term loan
- **Aireko Group (\$2.2 million)**
 - Provided financing for the LED conversion project at toll roads PR-22 and PR-5
- **Aerostar (\$25.0 million)**
 - \$20 million participation in the senior secured notes
 - \$5 million participation in the \$10 million revolving facility



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Metropistas Overview



- **Term:** 2011 – 2051 (after 5th amendment: 2011 – 2061)
- 40-year concession agreement between Metropistas and HTA to finance, rehabilitate, operate and maintain existing toll roads PR-22 (José de Diego toll road) and PR-5
- **Contractual Obligations:** additional safety upgrades, operating standards, and compliance with rules and regulations
- **Total Administrative Concession:** \$1,436 million
 - Lease Payment: \$1,080 million
 - Upgrades and Safety Improvements: \$356 million
- **Funding Sources**
 - Senior Bank Debt: \$725 million
 - Private Equity: \$421 million
- **Credit Ratings**⁽²⁾: B1 (Moody's); BBB- (S&P Global)

⁽¹⁾ GSIP II = Goldman Sachs Infrastructure Partners II LP

⁽²⁾ As of December 11, 2017 (Moody's) and January 30, 2018 (S&P)

Key Highlights

- **Experienced Operators:** Metropistas brought together two of the world's most experienced infrastructure investors
 - **Abertis Infraestructuras:** Abertis is a leading European infrastructure operator with presence in 15 countries. The company operates over 3,700 km of toll roads under concession contracts. Abertis also operates airports and telecommunications infrastructures.
 - **Goldman Sachs Infrastructure Partners II LP:** GSIP is one of the largest infrastructure fund managers globally, having raised approximately \$10 billion of capital. GSIP pursues a long-term investment strategy focusing on core infrastructure assets and partnering with best in class operators / management teams.
- **Adequate Capital Structure:** significant equity commitments both externally from the Sponsors and internally in the form of capex / infrastructure upgrades are essential for the sustainability of Metropistas in the long-run and compliance with its obligations and commitments.
- **Long-Term Commitment:** the 50-year concession agreement provides operational stability and constant upgrades to the asset, thus maintaining it in optimal conditions. Over the life of the concession, Metropistas has invested over \$120 million in infrastructure upgrades and capex.
- **Strong Legal Framework & Flow of Funds:** both act 29-2009 and the specifics terms and conditions of the concession agreement allow Metropistas to collect and manage all of its revenues without any government intervention resulting in a significant reduction of risk for capital providers.



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Aerostar Overview



- Aerostar Airport Holdings, LLC (“Aerostar”) is the public-private partnership, privately held company, and limited liability company that operates and manages the Luis Muñoz Marín Int. Airport in San Juan, PR (“SJU”) on behalf of the Puerto Rico Ports Authority.
 - Aerostar began operating the SJU in February 2013
 - This is considered as the first P3 completed for an international airport under the FFA Pilot Program.
- Aerostar has a 40-year lease to operate, manage, and upgrade the airport
- **Total Investment:** \$2.6 billion
 - Payment to Ports: \$1.167 billion (incl. \$650 million initial payment)
 - Capital Improvements: \$1.4 billion over the term of the contract
- **Credit Rating⁽¹⁾:** Ba2 (Moody’s)

Key Highlights

- **Experienced Operators:** Aerostar is a joint venture between Highstar Capital, an infrastructure investment firm, and Grupo Aeroportuario del Sureste (“ASUR”), a Mexican airport management firm
 - **Grupo Aeroportuario del Sureste:** ASUR is a Mexican airport operator with concessions to operate, maintain and develop 9 airports across Mexico. The Company is listed both on the Mexican Bolsa (ASUR) and on the NYSE (ASR).
 - **AviAlliance:** AviAlliance is one of the world’s leading private industrial airport platforms with a portfolio composed of shareholdings in 4 European airports. AviAlliance is owned by Public Sector Pension Investment Board (PSP Investments), one of Canada’s largest pension investment managers with \$135.6 billion in net assets under management as of March 31, 2017.
- **Robust Capital Structure**
- **Maximization of Resources:** according to Moody’s, the significant improvement in non-aeronautical revenues is the result of the concession’s focus on maximizing commercial and other non-aeronautical revenues.
- **Strong Legal Framework & Flow of Funds:** Aerostar is responsible for the collection of all revenues generated by SJU without any government intervention. Also, a 15-year airline use agreement with signatory airlines provides a stable floor of aeronautical revenues at \$62 million per year, regardless of passenger or enplanement volumes.

⁽¹⁾ As of December 11, 2017

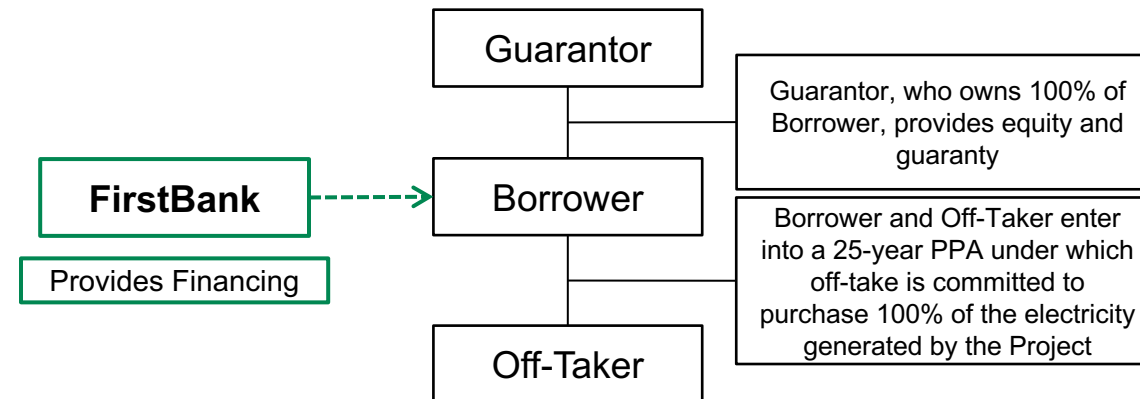


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Renewable Energy Financing (Solar Panels)

- Over the past few years, FirstBank has been positioned as an industry leader in the financing of renewable energy projects, principally involving solar panels.
- In most cases, the financing structure is comprised of a non-revolving credit facility whose proceeds are used to fund project costs, short-term working capital costs acceptable to the lender, and any other costs that may arise during the installation phase of the project.
- Upon completion of the installation phase, the non-revolving credit facility is converted into a permanent, term credit facility.
- Two Types of Solar Panel Projects:
 - Owner-Operated Projects
 - Income-Producing Projects

General Transaction Structure (Income-Producing)



Typical Terms and Conditions:

- Amortization:** Up to 15 years
- Term:** Up to 10 years
- Maximum Loan-to-Cost:** 75%
- Minimum Equity Contribution:** 25%



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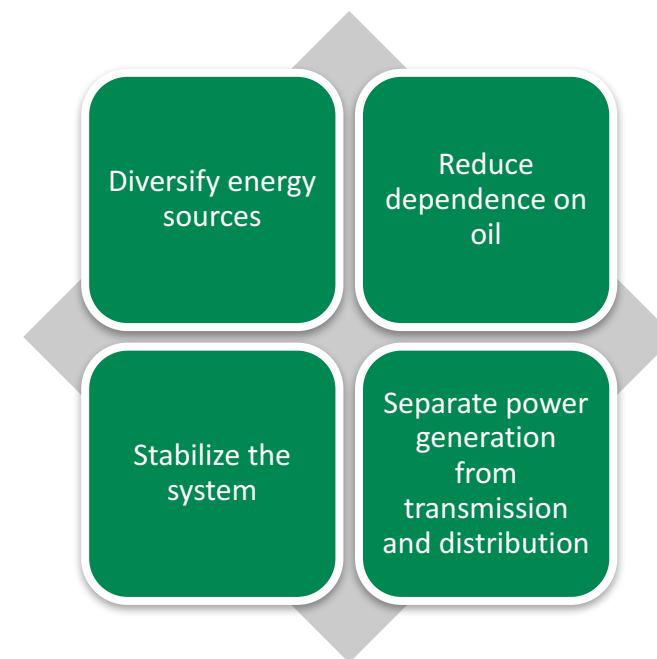
Potential P3s in the Energy Sector

Several Areas of Opportunity⁽¹⁾

- **Sale of the Existing Generation Assets**
- **Concession of the Transmission & Distribution System**
 - Delivery and retail utility functions provided by single private concessionaire using publicly-owned wires and retail service assets subject to conditions and rate and performance regulation
 - Concessionaire must make and fund necessary investments not otherwise publicly funded; title to all assets remains public
 - Concessionaire receives retail rate revenues set generally under established rate standards
- **Renewable Generation**
 - Solar PV: low cost, no reliable fuel component, can reduce fuel burn if planned properly (cost / environmental)
 - Waste to Energy
 - Hydroelectric Energy
- **Battery Storage**
 - Reliability in case of power plant outages, load shifting for low cost generation (reliability)
- **Public Lighting Outsourcing (P3)**
 - Conversion of public light fixtures with LED bulbs. Switching to LED street technology can save between 50% and 80% in energy costs, in addition to reduced maintenance costs.

Critical Success Factors

- Promote Economic Growth
- Strong Legal Framework
- Independent Energy Regulator / Commission
 - Oriented to reduce energy costs and ensuring affordable energy rates for consumers and business



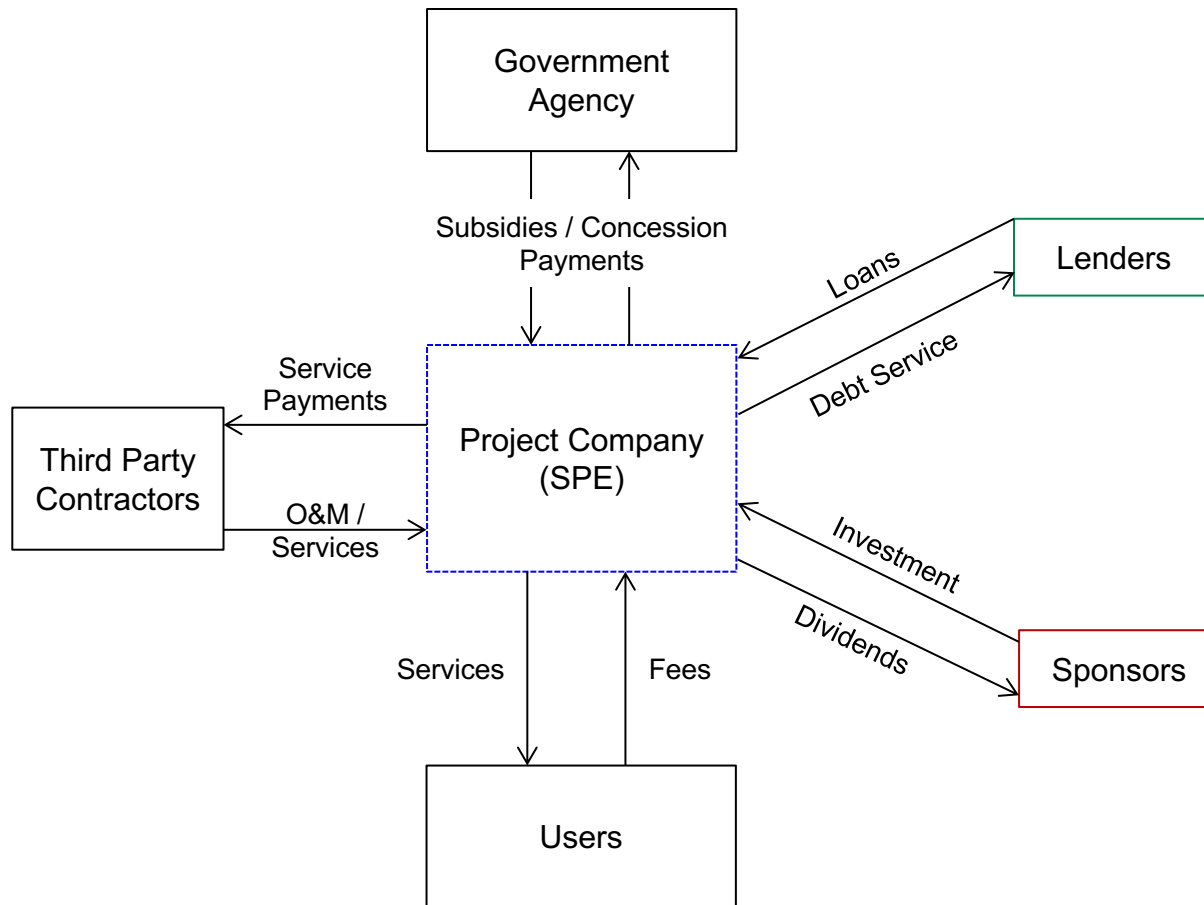
⁽¹⁾ Source: PREPA Fiscal Plan Draft dated April 5, 2018



Cambios en el Sector Energético y el Rol de las APPs en la Reconstrucción de Puerto Rico

Structuring & Financing a P3

Example: P3 Project Structure & Flow of Funds⁽¹⁾



Other Comments

- In 2015, the US Treasury Department issued a report outlining some of the key benefits of P3s⁽²⁾
 - “When the private sector takes on risks that it can manage more cost-effectively, a PPP may be able to save money for taxpayers and deliver higher quality or more reliable service over a shorter timeframe compared to traditional procurement”
 - “When sponsors contract with private partners that support strong labor standards, PPPs can also provide local economic opportunity and create good, middle-class jobs that benefit current and aspiring workers alike”
- Other Key Value Drivers
 - Feasible Revenue Projections
 - Creation of Operational Efficiencies
 - Long-Term Commitment (Construction / Capex)
 - Economic Growth

⁽¹⁾ Source: “Finance Structures for PPP”, PPP Reference Guide, Volume 3

⁽²⁾ Source: “Expanding the Market for Infrastructure Public-Private Partnerships”, US Department of Treasury, April 2015



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Structuring & Financing a P3 (Cont'd.)

Critical / Essential Elements

- According to the Public-Private Partnerships Reference Guide, there are five qualities that successful P3 Programs should have:
 - Public Policy
 - Legal Framework
 - Transparent Process
 - Financial Management
 - Oversight & Compliance
- Special Purpose Entity (SPE)
- Sponsor's Proven Track Record & Financial Capacity
 - Transfer of Operational Risk from Government to SPE
- Clearly defined revenue stream for duration of investment period
 - Stand-alone revenue generating assets over long periods of time
 - Direct access to revenues (not paid by public entity) (student housing, parking, ports)
 - Revenues are safe from bankruptcy proceedings and not pledged to bondholders (currently the biggest distraction)
 - Cash Flow Waterfall: Revenues → O&M → Reserves → Debt Service

Potential Financing Sources & Structures

- A combination of **federal grants**, **taxes** and **user fees** are essential elements to incent private capital to participate in P3 projects.
- **Equity**
 - Private equity enhances the overall value of the project
 - It also facilitates raising debt financing for the project
 - Sponsors with strong financial capacity is a key element that lenders typically look for when financing P3s
- **Debt (Bank Debt / Bonds)**
 - “At the most basic level, governments need to ensure that the project design is bankable—that is, the SPE can raise debt” – PPP Knowledge Lab
 - Identifiable source of repayment funded through long-term operating cash flows generated by the SPE
 - Operating cash flows need to be high enough to cover debt service plus an acceptable margin



Gracias

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