COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

IN RE: PETITION FOR APPROVAL OF TRANSITION ORDER FILED BY THE PREPA REVITALIZATION CORPORATION	**CASE NO.:** CEPR-AP-2016-0001 **SUBJECT:** TECHNICAL HEARING PROCEDURAL ORDER

RESOLUTION AND ORDER

I. Introduction

Article 6.25A of Act 57-2014[1] requires the Puerto Rico Energy Commission ("Commission") to ensure that the evaluation of the Verified Petition for Restructuring Order ("Petition") filed by the Puerto Rico Electric Power Authority Revitalization Corporation ("Corporation") is transparent, agile and flexible.[2] To ensure a thorough evaluation of the Petition within the specific parameters set forth by Article 6.25A of Act 57-2014 and Chapter IV of Act 4-2016[3] and within the limited time-frame specified by said statutes, the Commission establishes the following guidelines which will apply to all participants in the Technical Hearing.[4] The purpose of this Technical Hearing, and of the guidelines stated herein, is to enable the Commission to provide an effective and efficient process for the thorough evaluation of the Petition and the proposed Transition Charge and Adjustment Mechanism.[5]

Sub-section (f)(4) of Article 6.25A of Act 57-2014 establish that the Commission shall issue a determination no later than seventy-five (75) days from the date the Petition was filed, provided said filing was deemed complete by the Commission. The Corporation filed the Petition on April 7, 2016. On April 13, 2016, the Commission issued a Resolution and Order deeming the Petition was complete for purposes of sub-section (e) of Article 6.25A of Act 57-2014. Consequently, the Commission stated that it had until June 21, 2016 to issue its final determination. To ensure compliance with said mandate, during the Technical Hearing, which is scheduled to begin on **Tuesday, May 24, 2016, at 9:00 a.m.** at the Hearing Room of the Puerto Rico Environmental Quality Board, located at Cruz A. Matos

[1] Act No. 57 of May 27, 2014, as amended, known as the Puerto Rico Energy Transformation and RELIEF Act.
[2] *See*, sub-section (f)(3) of Article 6.25A of act 57-2014.
[3] Act No. 4 of February 16, 2016, known as the Puerto Rico Electric Power Authority Revitalization Act.
[4] Through Resolution and Order dated April 13, 2016, the Commission stated that, in light of the particular nature of the above referenced matter, as provided by Chapter IV of Act 4-2016, the Commission would establish the specific rules and guidelines which would govern all procedures before the Commission and that such rules and guidelines would ensure all procedures comply with Act 4-2016 and allow for a timely resolution of the case.
[5] As such terms are defined in Chapter IV of Act 4-2016.

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Building, 1375 Ponce de León Ave. San Juan, Puerto Rico. Said Technical Hearing shall be extended for a period of time that the Commission deems appropriate. Because of the technical nature of the hearing, it will be conducted in the English language, with simultaneous translation to the Spanish language. This shall not prevent the deponents to present their arguments or answer questions in the Spanish language. All participants must conduct themselves efficiently and in full compliance with the procedures set forth herein (or established by the Commission at a later date).

II. Hearing Format

1. The Technical Hearing is organized into panels, each panel addressing a specific topic or issue identified by the Commission. Each panel will be composed of one or more witnesses as selected by the Commission (*see* Exhibit A). Simultaneous appearance by these witnesses provides for better time management and allows for a more detailed and efficient examination of their testimonies and its relationship to the merits of the Petition.

2. There will be nine (9) separate panels. Each of the first seven (7) panels will address specific issues and will consist of Corporation witnesses. The eighth (8th) panel will consist of those intervenor witnesses who address substantive issues (as distinct from legal issues). The ninth (9th) panel will address legal issues and will consist of attorneys from both the Corporation and intervenors.

3. Exhibit A of this Resolution and Order contains a list of the panels, their purposes, the witnesses who will be appearing on each panel and the estimated time on which each panel session will begin.

4. The actual start time of each panel may differ under the circumstances. Therefore, witnesses for any upcoming panel must be at or near the hearing room during the panel that precedes their panel. At each break the Commission will provide tentative guidance concerning when the next panel will begin.

5. The list of topics or issues to be addressed during each panel is not exhaustive and may be modified subject to the Commission's discretion.

III. Hearing Procedure

1. Each panel will consist of questions directed at specific witnesses. Witnesses will not read their testimonies nor make opening statement.

2. Panels one (1) through seven (7) will begin with questions from the Commission's staff to the Corporation's witnesses, followed by questions from intervenors to the Corporation's witnesses.

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3. Panel eight (8) will begin with questions from the Commission's staff to the intervenor witnesses, followed by questions from the Corporation to intervenor witnesses, and questions from other intervenors.

4. Panel nine (9) will be composed of the attorneys for the Corporation and the intervenors, and will consist mainly of questions made by the Commission's staff.

5. With respect to questions asked by Corporation or intervenors, only one attorney from each party may question a particular witness, although different attorneys from a party may ask questions to different witnesses.

6. Corporation and intervenor questioners must refrain from making repetitive questions which were already made during the proceeding but may reference such questions if the latter question is related and will not elicit a repetitive answer.

7. In answering questions, witnesses must refrain from repeating answers previously given and their response must be succinct but sufficient to adequately answer each question.

8. Only the witness to whom a question is addressed may answer that question.

9. For Panel nine (9), it is permissible for a party to have multiple attorneys only if each attorney will address a separate topic. No more than one attorney per party may address a specific topic.

10. Each witness must have available at the hearing their full testimony, all exhibits and all responses the Corporations has provided to the Commission's information requests. The Commission's questioners will be referring to these documents but will not bring extra copies.

IV. Oral Arguments

Should there be sufficient time after Panel nine (9), the Commission may provide, at its discretion, an opportunity to the Corporation or any intervenor to make verbal expressions regarding the issues discussed during the technical hearing.

V. Timing of the Technical Hearing

1. Attached to this Resolution and Order is the schedule of the technical hearing (see, Exhibit B). The Commission has based this schedule on estimates of the time it believes will be necessary to thoroughly address all topics related to each panel. The Commission will, at all times, ensure adequate time management so as to prevent delays in the proceedings and promote efficient use of time and resources.

2. The technical hearing will start each day at 9:00am and shall conclude by 5:00pm. The Commission will provide a fifteen (15) minute break every two (2) hours and

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one (1) hour for lunch. The Commission may extend the hearing past 5:00pm if it is necessary to conclude any panel discussion and comply with the established hearing schedule.

3. Each panel, or portion thereof, will begin at the time set forth in the schedule provided as Exhibit B. Any questioner who is not present at the moment he/she is called may forfeit his/her turn.

VI. Pre-Hearing Conference

1. The Commission will hold a Pre-Hearing Conference on **May 23, 2016, at 9:00am** at the Hearing Room of the Puerto Rico Environmental Quality Board, located at Cruz A. Matos Building, 1375 Ponce de León Ave. San Juan, Puerto Rico.

2. Any objections or questions related to the procedures described herein must be submitted to the Commission through written motion **no later than Thursday, May 19, 2016 at 4:00p.m.** and must take into account the legal and time constraints placed on the Commission by Act 4-2016. Pre-hearing motions must be filed at the Clerk's Office, temporarily located at the Puerto Rico Telecommunications Regulatory Board, and copy of such motion must be sent via email to the Commission, the Corporation and intervenors.

3. As part of the pre-hearing motions, intervenors shall identify the witnesses to whom they anticipate they will ask question. Intervenors must confirm who will be their witnesses for Panel eight (8).

4. The Corporation shall identify whether they anticipate they will ask questions during Panel eight (8). The Corporation and intervenors shall also identify who will be their legal representatives during Panel nine (9), and the topics and issues to be addressed by each, and who will be in charge for questioning witnesses during all other panels.

5. The Commission will address any questions or objections raised through pre-hearing motions. The Commission may also address any other matters such as, but not limited to, marking of exhibits and submission of corrections.

6. The Commission will not address any procedural or legal objection or request during the technical hearing, unless such objection or request is the result of an unforeseen circumstance which could not have been addressed during the Pre-Hearing Conference.

For the benefit of all the parties involved, the Commission issues this Resolution and Order in both Spanish and English languages. Should any discrepancy between each version arise, the content and provisions of the Spanish version shall prevail. Attachments A and B are provided only in the English language.

Be it notified and published.

Agustín F. Carbó Lugo
Chairman

Ángel R. Rivera de la Cruz
Associate Commissioner

I certify that the Puerto Rico Energy Commission has so agreed on May 17, 2016. Associate Commissioner José H. Román Morales did not intervene. I also certify that on this date a copy of this Resolution and Order was notified via email to: guillermo.m.riera@gmail.com, mgrpcorp@gmail.com, agraitfe@agraitlawpr.com, edwin.quinones@aae.pr.gov, codiot@oipc.pr.gov, equinones@qalawpr.com, glenn.rippie@r3law.com.

Brenda Liz Mulero Montes
Interim Clerk

CERTIFICATION

I certify that the foregoing is a true and exact copy of the Resolution and Order issued by the Puerto Rico Energy Commission. I further certify that on May _____, 2016 I have proceeded with the filing of this Resolution and Order and I have sent a copy thereof to:

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San Juan, PR 00909

For the record, I sign this in San Juan, Puerto Rico, today, May _____, 2016.

_____
Rafael O. García Santiago
Clerk of the Puerto Rico
Telecommunications Regulatory Board

EXHIBIT A – PANEL DESCRIPTION
TECHNICAL HEARING
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Panel 1:
Description of the Restructuring Debt to be Recovered Through the Transition Charge

Purpose: To describe the proposed and possible future securitized debt and the reasons why securitization is necessary.

Topics:

1. PREPA's current debt situation;
2. How PREPA reached a point where its revenues were insufficient to meet debt payments;
3. Process of negotiating the Restructuring Support Agreement (RSA);
4. Progress and status of PREPA's efforts to regain financial strength and operational sufficiency;
5. Assumptions underlying the comparative debt analysis, mechanics of the securitization process;
6. Maximum amount of securitization bonds to be issued;
7. Relationship of interest on the securitization bonds to current interest rates;
8. Reactions of credit rating agencies;
9. Clarification of the "savings test";
10. Debt remaining on PREPA's books after securitization (including its relation to the 1974 Trust Indenture);
11. Current expectations for bondholder participation;
12. Likelihood of request for additional securitizations;
13. Status of the 2016 issuances;
14. Plans for Aguirre in terms of securitization.

Latest Start Time: Tuesday, May 24, 2016 at 9:15 a.m.

Witnesses: Donahue, Quintana-Méndez, Mace, Gil-Olazábal.

Panel 2:
Technical Design of the Calculation Methodology and Adjustment Mechanism

Purpose: To clarify the Calculation Methodology and the accompanying Adjustment Mechanism.

Topics:

1. The methodology and the mechanism;
2. Assumptions about collectability;

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3. Mechanics of the "collection curve";
4. Mechanics of reallocation costs assigned to delinquent or departing customers;
5. Treatment of under-collections and over-collections;
6. Purposes of the projections of future consumption;
7. Timing and procedure for determining and verifying the actual bond costs for purposes of calculating the charge;
8. Procedures for submitting the first charge and for making quarterly adjustments;
9. Procedures for determining and correcting mathematical errors.

Latest Start Time: Tuesday, May 24, 2016 at 2:45 p.m.

Witnesses: Zarumba, Quintana-Méndez, Mace.

Panel 3:
Cost Allocation and Rate Design

Purpose: To clarify how the costs recovered through the charge will be allocated among customer groups and recovered from individual customers.

Topics:

1. Clarification of whether the Transition Charge is additive to current rates or replaces costs subtracted from current rates (in light of confusion in press reports);
2. Reasons for selecting a per-customer charge rather than a per-kWh charge for residential customers;
3. Possible consequences of such selection in terms of differences among customers at different income levels;
4. Quality of the consumption data used to allocate costs;
5. Effects on the Commission's ability to allocate costs and design rates in the rate case;
6. Clarification and appropriateness of proposed treatment of net-metering and "behind-the-meter" customers (including possible effects on renewable energy penetration).

Latest Start Time: Wednesday, May 25, 2016 at 11:15 a.m.

Witnesses: Zarumba, Quintana-Méndez, Donahue.

Panel 4:
Will the Transition Charge Achieve its Statutory and Contractual Goals?

Purpose: To explore whether the Transition Charge will succeed in achieving its intended purposes.

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Topics:

1. Two concepts of "stress test" (i.e., effects of alternative scenarios on actual Transition Charge revenues and on PREPA's overall financial condition);
2. Explanation and defense of existing stress test;
3. Responsibility for carrying out additional stress tests;
4. Financial flexibility available to PREPA given the 5-year "principal holiday";
5. PREPA's fiscal situation in Year 6 (when "holiday" ends);
6. Possible effects on ratings for PREPA's bonds other than the securitized bonds;
7. Efforts within PREPA to prepare for Year 6 (including improvements to operations, collections, construction schedules, environmental compliance, fuel procurement efficiency);
8. Potential for bypassing the Transition Charge.

Latest Start Time: Wednesday, May 25, 2016 at 2:30 p.m.

Witnesses: Donahue, Quintana-Méndez, Mace

Panel 5:
Revitalization Corporation: Structure, Operations and Relationship to PREPA

Purpose: To examine the preparedness of the Corporation to carry out its functions timely, cost-effectively and lawfully.

Topics:

1. Corporation's readiness to carry its obligation in terms of logistics and personnel;
2. Who will "answer the phone" at Corporation when the Commission has questions or concerns;
3. Existence or absence of arm's-length relationship between Corporation and PREPA;
4. Methods for resolving disputes between the two entities concerning performance or fees;
5. Whether the Corporation's consultants will be able to criticize PREPA (and vice versa) when the same consultants work for both entities;
6. Actions the Commission can take to ensure Corporation's compliance with its obligations;
7. Procedures by which PREPA will "advance" funds to Corporation;
8. Corporation's governance structure and procedures;
9. How Corporation will manage and invest funds it holds for payment to bondholders and how it will account for any interest earned.

Latest Start Time: Thursday, May 26, 2016 at 9:00 a.m.

Witnesses: Quintana-Méndez, Gil-Olazábal

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Panel 6:
Fees

Purpose: To identify the known and unknown fees, assess their reasonableness and determine what methods of accountability exist to ensure the fees are and remain reasonable.

Topics:

1. Bases for the $124 million estimate;
2. Amount spent so far;
3. Updated estimates for future spending;
4. Amounts avoidable prospectively;
5. Process by which existing contractors were chosen;
6. Contracts negotiated and fees established;
7. Roles of Corporation, PREPA and Commission in ensuring that fees are reasonable and performance is sufficient to justify them;
8. Wisdom of and alternatives to Corporation's proposal to have no limit on the fees;
9. Practical effect on bondholders if the Commission limits fees;
10. Alternative methods for limiting fees.

Latest Start Time: Thursday, May 26, 2016 at 11:15 a.m.

Witnesses: Quintana-Méndez, Gil-Olazábal, Stathos.

Panel 7:
PREPA as Servicer

Purpose: To assess PREPA's readiness to be an cost-effective and professionally competent Servicer.

Topics:

1. PREPA's past performance as collector of revenues;
2. Actions taken to improve performance;
3. Bases for the proposed fee to be paid to PREPA for servicing function;
4. Appropriateness of estimated set-up costs;
5. Methods by which PREPA will be held accountable for its servicing activities;
6. Role of Commission and Corporation in overseeing PREPA's servicing activities;
7. Sufficiency of proposed staffing;
8. Criteria by which Corporation or others would disqualify PREPA as servicer;
9. Process by which PREPA would be replaced.

Latest Start Time: Thursday May 26, 2016 at 2:45 p.m.

Witnesses: Donahue, Quintana-Méndez, Gil-Olazábal, Stathos.

Panel 8:
Intervenor Substantive Issues

Purpose: To explore all non-legal substantive issues raised by intervenors.

Topics:

1. Relationship of Corporation's proposal to actions in Congress, the U.S. Supreme Court and the Commonwealth's new moratorium law;
2. Relationship of Corporation's proposal to conditions in the securities market and to PREPA's integrated resource plan;
3. Purpose and appropriateness of Corporation's projections for consumption;
4. Effects of the proposed Transition Charge on renewable energy (including net-metering and behind-the-meter customers);
5. Effect of the proposed Transition Charge on rate design;
6. Commission decisions that the Transition Charge might foreclose;
7. Asserted necessity to determine customer rate levels (and customer responses to those levels) before assessing the appropriateness of the Transition Charge;
8. Appropriateness of securitization generally;
9. Asserted need for accurate demand forecasts as a basis for evaluating the Transition Charge;
10. Appropriateness of the fixed charge for residential customers; the need for additional information on residential customer consumption patterns in order to assess the feasibility of a per-kWh charge;
11. Appropriateness of the charge on renewable energy providers;
12. Appropriateness of the fees paid by the Corporation; appropriateness of using 2014 rather than 2015 data for kWh consumption;
13. Methods by which the Commission should communicate with consumers.

Latest Start Time: Friday, May 27, 2016 at 9:00 a.m.

Witnesses: OICP, OEPPE, Grupo WindMar, ICSEPR (witnesses to be determined).

Panel 9:
Legal Issues

Purpose: To educate the Commission on legal issues arising under Act 4 and Act 57, as those Acts apply to or affect the Application.

Topics:

1. Actions available to the Commission to ensure Corporation's compliance with its obligations;
2. Adequacy of commission notice of this proceeding;

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3. Commission's authority to require changes in the methodology if it the Transition Charge is failing to achieve its purpose;
4. Meaning of the "arbitrary and capricious" standard in Act 4;
5. Definition of "default" as applied to PREPA as servicer;
6. Commission's authority to replace PREPA as servicer;
7. Lawfulness of the relationship between PREPA and Corporation if it is not an arm's-length relationship;
8. Commission's authority to require a cap on fees;
9. Commission's authority to recommend or order changes to the Resolution after it is approved;
10. Authority of the Commission to reject Corporation'' selection of the per-customer charge in favor of a per-kWh charge;
11. Whether Commission approval of a per-customer charge in this proceeding constrains the Commission's decisions in the rate case proceeding;
12. Whether the proposed treatment of net-metering customers constrains the Commission's decisions in the rate case proceeding;
13. Whether the timing of the Transition Charge and possible provisional charge sought in the rate case creates a gap or overlap in cost recovery;
14. Commission's legal powers should Corporation fail to comply with its obligations
15. Legal procedures should Corporation seek additional securitizations;
16. Various implications of language used in the Resolution's "Findings of Fact," "Conclusions of Law" and "Resolved" paragraphs.

Latest Start Time: Friday, May 27, 2016 at 1:15 p.m.

Attorneys: Attorneys from Corporation and intervenors.

EXHIBIT B – SCHEDULE
TECHNICAL HEARING
CEPR-AP-2016-0001

Panel	Hours	Day and Time	Panel Title
1	4	Tues 9:15-11:15; 11:30-12:30; 1:30-2:30	Panel 1: Description of the Restructuring Debt to be Recovered Through the Transition Charge
2	4	Tues 2:45-4:45; Wed 9:00-11:00	Panel 2: Technical Design of the Calculation Methodology and Adjustment Mechanism
3	2	Wed 11:15-12:15; 1:15-2:15	Panel 3: Cost Allocation and Rate Design
4	2	Wed 2:30-4:30	Panel 4: Will the Transition Charge Achieve its Statutory and Contractual Goals?
5	2	Thurs 9:00-11:00	Panel 5: Revitalization Corporation: Structure, Operations and Relationship to PREPA
6	2	Thurs 11:15-12:15; 1:30-2:30	Panel 6: Fees
7	2	Thurs 2:45-4:45	Panel 7: PREPA as Servicer
8	3	Fri 9:00-11:00, 11:15-12:15	Panel 8: Intervenor Substantive Issues
9	3	Fri 1:15-4:15	Panel 9: Legal Issues

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