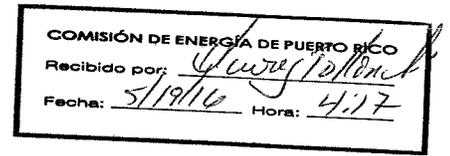


COMMONWEALTH OF PUERTO RICO  
PUERTO RICO ENERGY COMMISSION



IN RE:

PUERTO RICO ELECTRIC POWER  
AUTHORITY REVITALIZATION  
CORPORATION,

Petitioner.

NO. CEPR-AP-2016-0001

**SUBJECT:** Motion to Reconsider  
and Revise Order Establishing the  
Technical Hearing Procedure

**THE PREPA REVITALIZATION CORPORATION'S  
INFORMATIVE MOTION AND RESPONSE TO THE COMMISSION'S  
MAY 17, 2016 TECHNICAL HEARING PROCEDURE ORDER**

Comes now the Petitioner Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation") and moves the honorable Puerto Rico Energy Commission (the "Commission") to consider certain revisions to its Resolution and Order of May 17, 2016 establishing procedures for the Technical Hearing (the "Procedures Order") to be held on May 24-27, 2016. The Corporation is contemporaneously filing a separate Motion respectfully requesting that the Commission revise and supplement the Procedures Order. If that Motion is denied, either in part or in whole, the Corporation respectfully submits this Informative Motion and Response to the Procedures Order. The purpose of this pleading is to: 1) propose changes to panel composition to better conform the identified topics to the appropriate witnesses' testimony, 2) accommodate OIPC's schedule conflict and 3) respond to the questions to Corporation contained in the Procedures Order (at IV paragraph 4).

In support of this Motion, the Corporation states:

1. With respect to panel composition and scheduling, the Corporation proposes the following revisions to Exhibit A of the Procedures Order:

- a) Gerard A. Gil-Olazábal should be removed from Panel 1. He does not provide testimony regarding any of the topics identified. His testimony in this docket is limited to attesting that the Corporation made particular certifications and took certain actions.
- b) Javier Quintana Méndez should be removed from Panels 2 and 3. He does not provide any testimony on the topics identified and the answers can be better provided by other members of these Panels.
- c) Javier Quintana Méndez should be removed from Panel 4. He can address Question 7 for this Panel and, therefore, the Corporation suggests that this question be moved to Panel 1 for him to address.
- d) Question 8 on Panel 4 should be answered by Ralph Zarumba. The Corporation suggests either adding him to Panel 4 to address this question, or moving the question to Panel 3 where he already is a witness.
- e) Regarding Panel 5, questions 4 and 6 are legal questions and should be moved to Panel 9.
- f) Corporation witness Michael Mace should be added to Panel 6. He is the principal witness on several topics relating to fees.
- g) Question 9 on Panel 5 is a question that Corporation witness Michael Mace can address. He should be added to this panel or the question should be moved to Panel 6 with him as a witness.
- h) Regarding Panels 3 and 7, Corporation witness Lisa Donahue should be removed because she does not testify regarding the subjects identified for this Panel.

i) If the OIPC motion to move the Panel 8 date is granted, the Corporation suggests exchanging that panel with Panel 7 and having that panel go forward on Thursday May 26, 2016.

2. Regarding the Commission's question, (Procedures Order at IV paragraph 4) as to whether the Corporation anticipates questions to the Intervenors, the answer is yes, the Corporation anticipates that it will have questions for Panel 8.

3. Regarding the Commission's second question, (Procedures Order at IV paragraph 4) as to the composition of the Legal Panel 9, the Corporation proposes Glenn Rippie of Rooney, Rippie and Ratnaswamy LLP, Eric Tashman of Sidley and Austin LLP, and Victor Candelario and Richard Hemphill of Quiñones and Arbona.

4. The Corporation, therefore, respectfully suggests that the Commission revise Exhibit A to its Procedures Order to incorporate the proposals contained herein.

**WE HEREBY CERTIFY** that the foregoing was sent via email to: José Pérez-Velez, Esq., (jperez@oipc.pr.gov); Coral M. Odio-Rivera, Esq., (codiot@oipc.pr.gov); Marc G. Roumain Prieto, Esq., (mgrprcorp@gmail.com); Fernando Agrait, Esq., (agraitfe@agraitlawpr.com); Edwin J. Quiñones Porrata, Esq., (edwin.quinones@aee.pr.gov); José G. Maeso Gonzalez, Esq. (jose.maeso@aae.pr.gov); Victor Luis Gonzalez, Esq., (victorluisgonzalez@yahoo.com); Alicia P. Perez Caballero, Esq., (aperez@fgrlaw.com); and Melissa Hernandez Carrasquillo, Esq. (mehernandez@fgrlaw.com); and Dr. Guillermo M. Riera, PE (guillermo.m.riera@gmail.com).

RESPECTFULLY SUBMITTED,

IN SAN JUAN, PUERTO RICO, THIS 19<sup>th</sup> DAY OF MAY, 2016

**PUERTO RICO ELECTRIC POWER  
AUTHORITY REVITALIZATION CORPORATION**

Edwin Quiñones  
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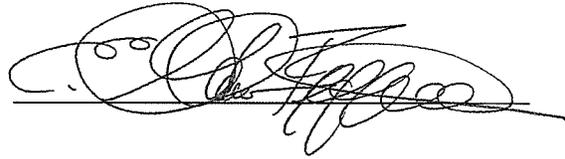
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\* Pursuant to Admisión por Cortesía  
\*\* Pursuant to Moción Suplementaria de Solicitud de  
Admisión por Cortesía (pending)

By: \_\_\_\_\_



By: \_\_\_\_\_



**Exhibit A – PANEL DESCRIPTION  
TECHNICAL HEARING  
CEPR-AP-2016-0001**

**Scope:** The Technical Hearing will focus on taking evidence allowing the Commission to address two questions:

1. Does the evidence support each of the findings and determinations that the Commission is being asked to make under paragraph (b) of Article 6.25A? Those findings and conclusions are that:
  - (a) the provisions of the Restructuring Resolution, including the calculation methodology for the Transition Charges and the Adjustment Mechanism related to such Restructuring Bonds, are consistent with the criteria set forth in paragraph (d) of Article 6.25A of the PREPA Revitalization Act, and are sufficient for and provide for adequate protection of the full and timely payment of the Restructuring Bonds in accordance with their terms and other Ongoing Financing Costs;
  - (b) the Upfront Financing Costs and Ongoing Financing Costs proposed, to be recovered from the Restructuring Bonds proceeds or the Transition Charge Revenues, are consistent with Article 6.25A and Chapter IV of the PREPA Revitalization Act; and
  - (c) the servicing costs proposed, to be recovered by PREPA in its role as the initial Servicer are necessary, reasonable and sufficient to compensate PREPA for the incremental costs of performing its functions as Servicer.
2. Does the proposed Restructuring Order approve the adoption of a Restructuring Resolution that meets those criteria and is otherwise appropriate in form and substance to ensure the timely and full payment of the Restructuring Bonds, and other Ongoing Financing Costs, in accordance with their terms?

In addition, the Commission will inquire of witnesses concerning background matters that may aid it in its general understanding of the entities involved and pertinent aspects of the nature of the transactions and agreements that the Restructuring Resolution would authorize.

**Panel 1:  
Description of the Restructuring Debt to  
be Recovered Through the Transition Charge**

**Purpose:** To describe the proposed securitized debt and the purpose and function of each type of such debt, information that will assist the Commission in assessing the Petition's compliance with the statutory criteria.

**Topics:**

1. PREPA's current debt situation;
2. Progress and status of PREPA's efforts to regain financial strength and operational sufficiency;
3. Types and amount of debt to be issued;
4. Assumptions underlying the comparative debt analysis, mechanics of the securitization process;
5. Maximum amount of securitization bonds to be issued;
6. Relationship of interest on the securitization bonds to current interest rates;
7. Reactions of credit rating agencies;
8. Clarification of the "savings test" and how the transaction is expected to meet it;
9. Debt remaining on PREPA's books after securitization (including its relation to the 1974 Trust Indenture);
10. Current expectations for bondholder participation;
11. Status of the 2016 issuances.
12. Efforts within PREPA to prepare for Year 6 (including improvements to operations, collections, construction schedules, environmental compliance, fuel procurement efficiency); and
13. PREPA's fiscal situation in Year 6 (when "holiday" ends).

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

**Witnesses:** Donahue, Quintana-Méndez, Mace.

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**Panel 2:****Finding 1: Consistency of the Calculation Methodology and Adjustment Mechanism with Statutory Criteria – Design of the TC**

**Purpose:** To clarify the Calculation Methodology and the accompanying Adjustment Mechanism and verify its consistency with the statutory criteria.

**Topics:**

1. The methodology and the mechanism;
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).
7. Assumptions about collectability;
8. Mechanics of the "collection curve";
9. Mechanics of reallocation costs assigned to delinquent or departing customers;
10. Potential for bypassing the Transition Charge;
11. Treatment of under-collections and over-collections;
12. Purposes of the projections of future consumption;
13. Timing and procedure for determining and verifying the actual bond costs for purposes of calculating the charge;
14. Procedures for submitting the first charge and for making quarterly adjustments;
15. Procedures for determining and correcting mathematical errors; and
16. 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).

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

**Witnesses:** Zarumba, Mace

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**Panel 3:**

**Finding #1: Consistency of the Calculation Methodology and Adjustment Mechanism with Statutory Criteria – Workings of the TC in Operation**

**Purpose:** To explore whether the Transition Charge will operate in accordance with the statutory criteria.

**Topics:**

1. How does the design of the Transition Charge address stress conditions or economic possible economic changes in Puerto Rico?
  - a. What is the purpose and value of "hypothetical" stress test cases;
  - b. Two concepts of "stress test" (i.e., effects of alternative scenarios on actual Transition Charge revenues and on PREPA's overall financial condition);
  - c. Explanation and defense of existing design and testing;
  - d. Are additional stress tests needed?
2. Corporation's readiness to carry its obligations
  - a. Logistics and personnel (e.g., Who will "answer the phone" at Corporation when the Commission has questions or concerns);
  - b. Actions the Commission can take to ensure Corporation's compliance with its obligations;

3. 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:** Wednesday, May 25, 2016 at 1:15 p.m.

**Witnesses:** Gil-Olazábal, Zarumba, Mace

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**Panel 4:**  
**Finding #2: Upfront and Ongoing Financing Costs:**  
**Consistency with Statutory Criteria**

**Purpose:** To take evidence concerning the Upfront Financing Costs and Ongoing Financing Costs proposed to be recovered from the Restructuring Bonds proceeds or the Transition Charge Revenues and whether they are consistent with Article 6.25A and Chapter IV of the PREPA Revitalization Act.

**Topics:**

1. Nature and purpose of the various categories of Upfront Financing Costs and Ongoing Financing Costs;
2. Bases for the \$124 million estimate;
3. Amount spent so far;
4. Amounts avoidable prospectively (Updated estimates for future spending); and
5. Bases for concluding that the Upfront Financing Costs and Ongoing Financing Costs are reasonable and appropriate.

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

**Witnesses:** Mace, Gil-Olazábal, Stathos.

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**Panel 5:**  
**Finding #3: PREPA Servicing Costs Are Necessary, Reasonable and Sufficient To**  
**Compensate PREPA for the Incremental Costs Of Performing its Functions as Servicer**

**Purpose:** To assess PREPA's readiness to be an cost-effective and professionally competent Servicer (Criteria #1) and to determine if the costs to be recovered by PREPA in its role as the initial Servicer are necessary, reasonable and sufficient to compensate PREPA for the incremental costs of performing its functions as Servicer (Criteria #3).

**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 27, 2016 at 11:15a.m.

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

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**Panel 6:  
Intervenor Non-Legal Issues**

**Purpose:** To explore all non-legal substantive issues raised by intervenors, including whether and how those issues relate to the statutory criteria and findings.

**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;
4. Purpose and appropriateness of Corporation's projections for consumption;
5. Effects of the proposed Transition Charge on renewable energy (including net-metering and behind-the-meter customers);
6. Effect of the proposed Transition Charge on rate design;
7. Commission decisions that the Transition Charge might foreclose;
8. Asserted necessity to determine customer rate levels (and customer responses to those levels) before assessing the appropriateness of the Transition Charge;
9. Appropriateness of securitization generally;
10. Asserted need for accurate demand forecasts as a basis for evaluating the Transition Charge;
11. 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:** Thursday, May 26, 2016 at 2:15p.m.

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

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**Panel 7:  
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. Is the proposed Restructuring Order authorized and consistent with Act 4
2. Various implications of language used in the Resolution's "Findings of Fact," "Conclusions of Law" and "Resolved" paragraphs.
3. Actions available to the Commission to ensure Corporation's compliance with its obligations and the Commission's legal powers should Corporation fail to comply with its obligations;
4. Adequacy of commission notice of this proceeding;
5. Commission's authority to require changes in the methodology if it the Transition Charge is failing to achieve its purpose;
6. Meaning of the "arbitrary and capricious" standard in Act 4;
7. Definition of "default" as applied to PREPA as servicer;
8. Commission's authority to replace PREPA as servicer;
9. Commission's authority to require a cap on fees;
10. Commission's authority to recommend or order changes to the Resolution after it is approved;
11. Authority of the Commission to reject Corporation" selection of the per-customer charge in favor of a per-kWh charge;
12. Whether Commission approval of a per-customer charge in this proceeding constrains the Commission's decisions in the rate case proceeding;
13. Whether the proposed treatment of net-metering customers constrains the Commission's decisions in the rate case proceeding;
14. Whether the timing of the Transition Charge and possible provisional charge sought in the rate case creates a gap or overlap in cost recovery;

15. Legal procedures should Corporation seek additional securitizations; and
16. Roles of Corporation, PREPA, and Commission in ensuring that fees are reasonable and performance is sufficient to justify them.

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

**Attorneys:** Attorneys from Corporation and intervenors.