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:** 3RD REQUEST FOR CLARIFICATION ISSUED BY THE COMMISSION

RESOLUTION AND ORDER

On April 7, 2016, the Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation") filed before the Puerto Rico Energy Commission (the "Commission") a petition for a Restructuring Order (the "Petition") pursuant to Article 6.25A of Act 57-2014.[1] On April 12, 2016, the Commission issued a Resolution and Order whereby it determined that the Petition was complete for purposes of subsection (c) of Article 6.25A since it includes, in some form, each of the documents required by subsection (e) of Article 6.25A.

Since its filing, the Commission has undertaken a thorough evaluation of the Petition, with the intent of achieving a reasonable balance between its duties and responsibilities as a specialized regulatory entity and the evaluation parameters set forth by Act 4-2016.[2] Accordingly, the Commission has issued two (2) requests for clarification consisting of questions and requests for production of documents and work-papers aimed at allowing the Commission to conduct a comprehensive evaluation of the determinations and conclusions, as well as the calculation methodology for the transition charge and adjustment mechanism, proposed by the Corporation in the Petition.[3]

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After reviewing the clarifications and answers provided by the Corporation, and as part of its continuing effort of fully evaluating the Petition, the Commission hereby notifies a third request for clarifications consisting of a group of questions which, by being answered by the Corporation, the Commission hopes will help to provide sufficient clarity to the Petition to allow the Commission to issue a final determination pursuant to Article 6.25A of Act 57-2014.

In compliance with this Commission's responsibility to review the Corporation's Petition's according to the parameters established by the Act 4-2016, and pursuant to its

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[1] Act No. 57 of May 27, 2014, as amended, known as the Puerto Rico Energy Transformation and RELIEF Act.
[2] Act No. 4 of February 16, 2016, known as the Puerto Rico Electric Power Authority Revitalization Act.
[3] See the April 14, 2016 and April 18, 2016 Resolution and Order issued by the Commission. The Corporation filed its responses to both requests for clarification on April 15, 2016 and April 28, 2016, respectively. The Commission also held two (2) clarification conference calls with representatives from the Corporation with the purpose of clarifying the contents of the Petition. The recordings and transcripts of said clarification conferences will be made available through the Commission's web page.

ample investigative powers[4], the Corporation is hereby ordered to provide its answers to the questions included as part of this request for clarification. The corresponding questions are included as Attachment A of this Resolution and Order. The Corporation shall have until **May 16, 2016 at 4:00 p.m.** to provide its answers to the questions included in Attachment A.

The information requested herein does not constitute additional information which has not been already contemplated in Article 6.25A of Act 57-2014. These questions are questions which the Commission would ordinarily ask during a public hearing. By answering this question in writing, the Corporation will help the Commission evaluate the Petition efficiently.

The Corporation's answers must be submitted by electronic email to the following addresses: legal@energia.pr.gov and afigueroa@energia.pr.gov.

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. Due to the technical nature of the questions provided as Attachment A, the same are included only in the English language.

Be it notified and published.

Agustín F. Carbó Lugo
Chairman

José H. Román Morales
Associate Commissioner

I certify that the Puerto Rico Energy Commission has so agreed on May 9, 2016. Associate Commission Ángel R. Rivera de la Cruz did not intervene. I also certify that on this date a copy of this Resolution 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

[4] *See*, in general, Article 6.3 of Act 57-2014.

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 Order and I have sent a copy thereof to:

Corporación para la Revitalización de la Autoridad de Energía Eléctrica
Quiñones & Arbona, PSC
Edwin Quiñones
Víctor D. Candelario-Vega
Giselle M. Martínes-Velázquez
Richard Hemphill Cabrera
PR Box 10906
San Juan, PR 00902

Dr. Guillermo M. Riera, P.E.
Urb. Estancias Reales
C/ Príncipe Guillermo 147
Guaynabo, PR 00969

Rooney Rippie & Ratnaswamy, LLP
E. Glenn Rippie
Michael Guerra
Mario E. Domíngez
Kingsbury Center, Suite 600
350 West Hubbard Street
Chicago, Ilinois 60654

Instituto de Competitividad y Sostenibilidad Económica de Puerto Rico
p/c Lcdo. Fernando A. Agrait
701 Ave. Ponce de León, Oficina 414
San Juan, PR 00907

Oficina Estatal de Política Pública Energética
Lcdo. Edwin J. Quiñones Porrata
PO Box 41314
San Juan, PR 00940

Oficina Independiente de Protección al Consumidor
Lcda. Coral M. Odiot Rivera
268 Hato Rey Center, Suite 504
San Juan, PR 00918

THRM

Grupo WindMar
Roumain & Associates, PSC
Lcdo. Marc G. Roumain Prieto
1702 Ave. Ponce de León, 2do Piso
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

ATTACHMENT A – THIRD REQUEST FOR CLARIFICATION
VERIFIED PETITION FOR RESTRUCTURING ORDER
CEPR-AP-2016-0001

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I. Please clarify and/or provide a direct and detailed answer the following questions from the April 18, 2016 Resolution and Order:

a. III.B.13(b).
b. III.J.1.
c. III.M

II. Regarding the draft order attached to the Resolution:

a. Provide a version of that same draft order which highlights only those passages that the Corporation deems essential to creating the legal certainty necessary to enable the Corporation to carry out its functions.

b. For each highlighted item, identify and explain any difference from statutory language.

III. Provide language committing that the Corporation will submit the final resolution (including final Servicing Agreement) with redlining of all changes made to the one submitted with the Petition, no later than ten (10) days prior to executing it.

IV. Regarding Commission question VI.E.3 of the April 18, 2016 Order, relating to advances from PREPA to the Corporation, the Corporation's response stated: "... PREPA might underestimate the delinquency rate for Customers, causing a cash flow shortfall to the Corporation. Under those circumstances, the Corporation and PREPA might be incentivized to provide cash flow relief to avoid a default on the Bonds, pending a true-up of the Transition Charge." Provide language by which the Corporation and PREPA commit to notifying the Commission prior to such advances, such notice to specify the amounts, the terms, the accounting treatment and the reasons for the advance.

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V. Regarding the Draft Order, ordering paragraph 14 ("14. By its terms, the Calculation Methodology will ensure that Transition Charge Revenues are sufficient to provide for the timely payment of Ongoing Financing Costs.")

a. Is this statement true for all 25 years in which the Transition Charge is in place?

b. The above-quoted item merely restates the statutory language, with no analysis. Provide a rewritten version that reflects whatever uncertainty you deem appropriate to acknowledge.

VI. Please provide copies of the contracts identified in response to III.B.2: Public Finance Management (PFM), Navigant, Rooney Rippie & Ratnaswamy LLP, Sidley Austin LLP, Quiñones & Arbona, PSC, Millstein & Co., Pietrantoni Méndez & Alvarez LLC. If there is also a contract with Cleary Gottleib, please provide.

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VII. In your response to II.A.2 you stated: "...To the Corporation's knowledge, PREPA's financial plans do not currently include a plan for issuance of additional Restructuring Bonds issued beyond those identified in the Petition and the proposed Restructuring Resolution (Attachment 1.00). However, PREPA's plans do include investments (e.g., Aguirre Off-Shore Gas Port) that could be financed, in whole or part, via the issuance of such additional Bonds."

a. What costs, if any, does PREPA envision securitizing through the issuance of additional Restructuring Bonds beyond those identified in the Petition and the proposed Restructuring Resolution?

b. Are any costs associated with the Aguirre Off-Shore Gas Port (AOGP) included in the bonds identified in the Petition and the proposed Restructuring Resolution?

c. Are any costs associated with AOGP included in bonds that have already been issued and are scheduled to be exchanged or defeased pursuant to the Restructuring Resolution?

VIII. During the clarification conference on May 4, 2016, it became apparent that the Transition Charge calculations provided in the Petition in Corporation Exhibit 6.03 did not closely follow the twelve calculation steps enumerated in Act 6.25A and the Corporations Petition (Attachment 1.00, Appendix 2). An offer was made to "re-engineer" the Transition Charge Calculation in order that: (i) it more closely follows the twelve steps enumerated; and (ii) the logic of the calculations be made easier to follow for future generations of analysts that will be required to affirm the accuracy of the calculation. For the avoidance of doubt, the issue here is not the accuracy of the calculation but the transparency of it. Please provide a "re-engineered" version of the Transition Charge calculation provided as Exhibit 6.03. In so doing, please provide a spreadsheet with 12 tabs, each one corresponding with each step of the required calculation. If a complex calculation (e.g. Collections/Gross Up) requires more than one tab, please number them accordingly (e.g., 4.1, 4.2, 4.3, etc.). Also please provide the source data as provided in Corporation Exhibit 6.03. Finally, provide a narrative description of the calculation presented on each tab of the spreadsheet (this requirement is especially important in determining the Collections and Gross Up calculations).

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IX. Refer to Exhibit 6.00. Please replace the table at page 10 to conform to the information presented in Attachment 6.03.

X. Refer to Attachment 1.00, Appendix 2, Calculation Methodology and Adjustment Mechanism. Identify and provide the "collection curve" which is "the most recent 12-month history of collections for which data are available."

XI. Identify and provide PREPA's actual customer billing information for the most recent 12-month period including: (1) identification of each billing cycle, (2) the number of bills issued by rate in each billing cycle, (3) the number of kWh billed in each billing cycle by rate, (4) the number of kWh attributed to each rate that is billed on a monthly charge basis.

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XII. Refer to Attachment 1.00, Appendix 2, Calculation Methodology and Adjustment Mechanism. Is the "Composite Collection Curve" contained anywhere in the Corporation Exhibit 6.03 Excel file?

a. If not, explain fully why not, and provide the Composite Collection Curve?

b. If so, identify exactly where in the Corporation Exhibit 6.03 Excel file the Composite Collection Curve is contained.

XIII. Will the funds that are being held by the Corporation be invested in interest bearing accounts?

a. If not, explain fully why not.

b. If so, explain how the interest will be accounted for and applied to offset the costs of the Corporation.

XIV. When Corporation Exhibit 6.03 was prepared did PREPARC have knowledge of PREPA's billings and billing cycles for an actual 12-month period?

a. If not, explain fully why not.

b. If so, explain why PREPA's actual billing information and billing cycles were not used.

XV. Refer to the Corporation Exhibit 6.03 Excel file. Refer to the tabs containing calculations of the residential and non-residential payment lags.

a. Has the calculated payment lag in the model been impacted by the assumption made that 1/365th of the 1,327,733.25 residential "Historical Period Service Agreements" were billed on every calendar day of the year? Identify, quantify and explain fully.

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b. How were the 1,327,733.25 residential "Historical Period Service Agreements" actually billed by PREPA during the historical period?

c. During the historical period, what billings for the 1,327,733.25 residential "Historical Period Service Agreements" were actually issued by PREPA on weekends and holidays?

d. Has the calculated payment lag in the model been impacted by the assumption made that 1/365th of the 901,304,874 non-residential "Historical Period kWh" were billed on every calendar day of the year? Identify, quantify and explain fully.

e. How were the 901,304,874 non-residential "Historical Period kWh" actually billed by PREPA during the historical period?

f. During the historical period, what billings for the 901,304,874 non-residential "Historical Period kWh" were actually issued by PREPA on weekends and holidays?

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g. Was it arbitrary to assume that in the Corporation Exhibit 6.03 Excel file calculations that residential billings would be issued on weekends and holidays? If not, explain fully why not.

h. Was it capricious to assume that in the Corporation Exhibit 6.03 Excel file calculations that residential billings would be issued on weekends and holidays? If not, explain fully why not.

i. Was it arbitrary to assume that in the Corporation Exhibit 6.03 Excel file calculations that non-residential billings would be issued on weekends and holidays? If not, explain fully why not.

j. Was it capricious to assume that in the Corporation Exhibit 6.03 Excel file calculations that non-residential billings would be issued on weekends and holidays? If not, explain fully why not.

k. If the calculations of the payment stream in Corporation Exhibit 6.03 Excel file had reflected PREPA's actual billing cycles rather than assumptions that billings would be issued on holidays and weekends, what impact would that have on the estimated collections? Identify, quantify and explain.

l. If the calculations of the payment stream in Corporation Exhibit 6.03 Excel file had reflected PREPA's actual billing cycles rather than assumptions that billings would be issued on holidays and weekends, what impact would that have on the methodology that is reflected by the model? Identify, quantify and explain.

XVI. Refer to the Corporation Exhibit 6.03 Excel file. Refer to the tab entitled "KWH,Cust,$" which indicates that the following at the top of the tab: SOURCE: "Consumption and Revnues (total y gov) Fiscal 2014-15-Certified by Planning" Excel file. Please provide the PREPA Excel file that was the source for such information.

XVII. Refer to Corporation Exhibit 6.03 Excel file. Refer to the tab entitled "kWh Sales FY2015-All Cust" which indicates that the following at the top of the tab: SOURCE: "kWh Sales - FYs 2010-2016 - Certified by Planning.xlsx" Excel file. Please provide the referenced PREPA Excel file.

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XVIII. Refer to the Corporation Exhibit 6.03 Excel file. Refer to the tabs entitled "Coll Curve Sheet 1" and "Coll Curve Sheet 2". Do those sheets constitute the complete "collection curve" information specified in Attachment 1.00, Appendix 2 that was used to develop the Calculation Methodology?

XIX. In developing the "collection curve" in the Calculation Methodology was the following definition applied: "A collection curve is data reflecting the timing of payments of outstanding billings during a 12-month period, adjusted to assume that any Transition Charges which are not collected within 120 days of billing are written off"? If not, explain fully why not.

XX. In applying the definition of "collection curve" as "A collection curve is data reflecting the timing of payments of outstanding billings during a 12-month period, adjusted to assume that any Transition Charges which are not collected within 120 days of billing

are written off" is having accurate information about the billing dates and quantities billed on each billing date important? If not, explain fully why not.

XXI. Refer to step 6 on Attachment 1.00, Appendix 2, Calculation Methodology and Adjustment Mechanism.

a. What does "the number of billing cycles" mean in that provision?

b. How many billing cycles does PREPA have each month?

c. What rates are billed by PREPA in each billing cycle?

d. Show and explain specifically how "the number of billing cycles" was given effect in the Calculation Methodology depicted in the Corporation Exhibit 6.03 Excel file.

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