

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION**

IN RE: THE PUERTO RICO ELECTRIC
POWER AUTHORITY

INITIAL RATE REVIEW

No. CEPR-AP-2015-0001

SUBJECT: TESTIMONY IN SUPPORT
OF TEMPORARY RATES

Direct Testimony of

DAN T. STATHOS CPA

Associate Director, Navigant Consulting, Inc.

On behalf of the

Puerto Rico Electric Power Authority

May 27, 2016

TABLE OF CONTENTS

I. INTRODUCTION 1
A. Witness Identification 1
B. Summary of Testimony..... 1
C. Professional Background and Education 1
II. REVENUE REQUIREMENTS FOR TEMPORARY RATES 2

1 **I. INTRODUCTION**

2 **A. Witness Identification**

3 **Q. Please state your name, title, employer, and business address.**

4 A. My name is Dan T. Stathos, and I am an Associate Director at Navigant. My business
5 address is 98 San Jacinto Blvd., Suite 900, Austin, Texas 78701.

6 **Q. On whose behalf are you testifying?**

7 A. I am testifying on behalf of the Puerto Rico Electric Power Authority (“PREPA”), a
8 publicly-owned (public power) electric utility and instrumentality of the Government of
9 the Commonwealth of Puerto Rico (the “Commonwealth”).

10 **B. Summary of Testimony**

11 **Q. What is the purpose of your testimony?**

12 A. I am testifying in support of PREPA’s Petition requesting that the Puerto Rico Energy
13 Commission (the “Commission”) approve and establish new rates for PREPA. More
14 specifically, my testimony presents and supports the revenue requirements that are
15 required to support PREPA’s proposed Temporary Rates.¹

16 **C. Professional Background and Education**

17 **Q. Would you please describe your educational background and professional
18 experience?**

19 A. My background and qualifications have been previously presented as part of PREPA
20 Exhibit (“Ex.”) 5.0 in this proceeding. My resume, which reviews my education,

¹ These temporary rates also sometimes are referred to as “provisional” rates, as in the Commission’s Regulation No. 8720, Section 2.02.

21 professional qualifications, and experience in detail, has been previously provided as
22 PREPA Ex. 5.03.

23 **II. REVENUE REQUIREMENTS FOR TEMPORARY RATES**

24 **Q. Please describe the Revenue Requirements used to develop the proposed Temporary**
25 **Rates.**

26 A. The temporary rates proposed by PREPA and presented in Mr. Ralph Zarumba's
27 testimony, also of Navigant, provided as PREPA Ex. 12.0, are based on the same revenue
28 requirements and revenue deficiency calculated for purposes of establishing new
29 "permanent" rates, as is addressed in the direct testimony of Messrs. Frank Pampush,
30 Lucas Porter, and myself, all also from Navigant, PREPA Ex. 5.0. Thus, the temporary
31 rates, in terms of their underlying revenue requirements and revenue deficiency, are
32 supported by the same extensive information and materials that PREPA has submitted in
33 support of the proposed "permanent" rates. Those revenue requirements for the rate year
34 2017 (*i.e.*, PREPA's Fiscal Year 2014, which ran from July 1, 2013, to June 30, 2014,
35 adjusted for known and measureable adjustments through Fiscal Year 2017) are
36 presented in PREPA Ex. 5.04. Mr. Zarumba's testimony, PREPA Ex. 12.0, shows how
37 that same revenue requirement and revenue deficiency have been translated into the
38 proposed Temporary Rates, no more and no less. In order to maintain the operations of
39 the utility until an order is issued in this proceeding and new "permanent" rates go into
40 effect, which likely will be late in 2016, the company seeks temporary rates to address
41 the revenues shortfalls experienced under the current rates. See the testimony of Ms. Lisa



42 Donahue, of AlixPartners LLP and Chief Restructuring Officer of PREPA, PREPA
43 Ex. 10.0.

44 Q. **Does this conclude your testimony?**

45 A. Yes.

A handwritten signature in black ink, appearing to be the name 'Donahue', is located in the lower right quadrant of the page.

ATTESTATION

Affiant, Dan T. Stathos, being first duly sworn, states the following:

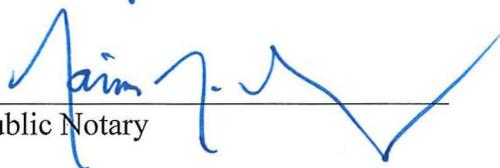
The prepared pre-filed Direct Testimony and the Schedules and Exhibits attached thereto and the Schedules I am sponsoring constitute the direct testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the pre-filed Direct Testimony if asked the questions propounded therein at the time of the filing. Affiant further states that, to the best of his knowledge, his statements made are true and correct.



Dan T. Stathos

Affidavit No. 3,572

Acknowledged and subscribed before me by Dan T. Stathos, of the personal circumstances above mentioned, in his capacity as Managing Consultant of Navigant Consulting, Inc., who is personally known to me or whom I have identified by means of his driver's license number Passport call C10696434, in San Juan, Puerto Rico, this 26th day of May 2016.



Public Notary

EXENTO PAGO ARANCEL
LEY 47
4 DE JUNIO DE 1982