

COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

IN RE:

PUERTO RICO ELECTRIC POWER
AUTHORITY REVITALIZATION
CORPORATION,

Petitioner.

NO. CEPR-AP-2016-0001

SUBJECT: Response in Compliance
Commission Order and 3rd Request
Supplemental Information

**THE PREPA REVITALIZATION CORPORATION'S
SUBMISSION OF INFORMATION IN COMPLIANCE WITH THE
COMMISSION'S RESOLUTION AND ORDER OF MAY 9, 2016**

Comes now the Petitioner Puerto Rico Electric Power Authority Revitalization Corporation (the "Corporation") and respectfully submits this response and the electronic information identified herein to the honorable Puerto Rico Energy Commission (the "Commission") in timely compliance with the Commission's Resolution and Order of May 9, 2016 (the "May 9 Order") and the third request for clarification made therein.

The May 9 Order sets forth specific questions in Attachment A thereto and directs the Corporation to "... provide its answers to the questions included in Attachment A." May 9 Order at 2. The questions and the Corporation's responses are included herein. The Corporation believes that these responses fully and fairly respond to those questions. Capitalized terms in the responses have the meanings defined in the Revitalization Act and the Petition.

By responding to these Questions, the Corporation does not concede that all of the inquiries are germane to the statutory jurisdiction of the Commission or the findings the Commission is required or authorized to make under the Puerto Rico Electric Power Authority ("PREPA") Revitalization Act, Act 4-2016 (the "Revitalization Act"). Also, the Corporation does not, however, waive any legal arguments or waive or limit the right to raise other and

further legal theories, arguments, and authorities, in briefs or otherwise, including in response to arguments, evidentiary submissions, pleadings, and briefs of other parties and in response to the continued evolution of the record.

The Corporation's responses do not include or rely upon any information or materials that are legally privileged or protected from discovery by the work product doctrine. Where the Commission asks about legal theories and claims, the Corporation has responded in a manner that does not disclose privileged information or legal work product. No documents were omitted or redacted on such grounds, and no confidential treatment is sought.

QUESTIONS AND RESPONSES

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

A. III.B.13(b): If for some reason the proposed financial restructuring were to be terminated prior to consummation (i.e., prior to the issuing of the new bonds): ... How would the portion of the Upfront financing costs that was incurred through that point be addressed in terms of rate recovery?

RESPONSE: PREPA will advance, subject to reimbursement from Bond proceeds, funds to pay fees of professionals (e.g., attorneys, financial advisors, rate consultants, accountants, certain rating agency charges) for work performed prior to issuance of the Bonds, as PREPA is the beneficiary of the financing. However the large majority of the Upfront Financing Costs will not be incurred unless the Restructuring Bonds are issued. Those costs that will not be incurred include, among others, underwriting expenses, exchange agent fees, solicitation agent retail fees, underwriting fees, and reserve fund premiums.

B. III.J.1: Resolution Conclusion of Law: "7. Neither the Act nor this Restructuring Resolution imposes a cap on the Transition Charge calculated pursuant to the Adjustment Mechanism." ... What statutory provision prevents the Commission from imposing reasonable limits on payments to contractors while imposing no cap on payments to bondholders?

RESPONSE: Article 34 of the Revitalization Act requires that the Adjustment Mechanism ensure the full and timely payment of the Bonds and related Ongoing Financing Costs. Article 6.25A of the Revitalization Act requires the Commission to find in its Order that the “provisions of the Restructuring Resolution ... 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.” The Commission is given specific authority over payments made to PREPA as servicer, but otherwise the Revitalization Act does not empower the Commission to regulate the substance of the Upfront Financing Costs. The Corporation respectfully submits, first, that it is not a question of prohibition. The Commission’s authority over the transaction and the Corporation is not general, but is both created and limited by the language of the Revitalization Act. The Commission is specifically given authority to examine and regulate payments made to PREPA as Servicer, but otherwise is given no authority to impose caps on payments to vendors. The Corporation is a governmental body and is vested with authority to manage those aspects of the transaction.

In addition, the Corporation respectfully submits that the imposition of such before-the-fact limits at the Restructuring Order stage would be inconsistent with the Adjustment Mechanism and the adjustment of the Transition Charge. Debt service requirements (which are anticipated to comprise approximately 98% of revenue requirement for the Bonds) should not vary significantly over time. However, Transition Charges will have to be adjusted not only to reconcile recoveries to actual costs, but also in response to events or factors (sudden or gradual) that affect revenues or costs. Thus, consistent with the Act, there can be no “before the fact” cap on Transition Charges to ensure the full and timely payment of the Bonds and other Financing Costs. Indeed, any cap on the Transition Charge would adversely affect the marketability and

possibly the ratings and interest costs of the Bonds, thus raising the costs to Customers, and could potentially make the Bonds entirely unmarketable. While professional fees are only a small portion of the total Financing Costs, the same logic applies. That is why other Ongoing Financing Costs (*i.e.*, other than payments to PREPA, a regulated entity itself) are controlled by the Corporation and will be negotiated by the Corporation or its agents and must be recovered from Transition Charge revenues.

C. *III.M: Resolution Conclusion of Law: “61. The Commission’s rights to enforce the commitments of the Corporation to the Commission set forth in this Restructuring Resolution shall be limited to specific performance.” What are the statutory basis and public interest basis for this restriction on Commission powers?*

RESPONSE: The Revitalization Act provides that the commitments of the Corporation to the Commission are “enforceable by the Commission.” Article 6.25A(e)(1). The Corporation has confirmed this fact in its testimony. *See* Gil-Olazábal Direct Testimony (Corporation Ex. 3.00), Section V. Creditors, however, are concerned that the Commission might attempt to impose monetary penalties upon PREPA, or otherwise interfere with the PREPA’s servicing functions, in an attempt to induce compliance instead of proceeding to court to enforce its obligations directly, and have requested that the Commission in Restructuring Order and the Corporation in the Restructuring Resolution the Commission reviews, clarify that the Commission will (in the unlikely event that such an action is required) enforce those commitments directly via “specific performance” – that is, an order of a court directing that the commitments be respected. The Corporation believes that the proposed Conclusions of Law merely recites the obvious remedy available to the Commission and does not otherwise limit the discretion of the Commission. Also, given that a fine or other action could have the effect of impairing PREPA’s ability to function as the Servicer and have sufficient cash to meet its

obligations, the Corporation believes that this is a reasonable request. Indeed, the inclusion of the proposed Conclusions of Law should reduce potential or perceived risks to the Creditors and to future Restructuring Bondholders, potentially lowering the cost of the securitization for Customers, which is in the public interest. Accordingly, the Corporation requests that the Commission find, as a Conclusion of Law 6 in the proposed Commission order, that the commitments are enforceable through “judicial action directing that the Corporation act in accordance with their terms.” [Conclusion of Law 6, proposed form of Commission Order.]

Please note: the term “specific performance” in Conclusion of Law 61 of the Restructuring Resolution (referred to in the Question) is intended to be substantially identical to Conclusion of Law 6 in the proposed form of Order. However, the Corporation agrees to revise the language in the proposed Restructuring Resolution to mirror the Commission’s Conclusion of Law 6, in order to avoid any confusion.

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.***

RESPONSE: The Corporation respectfully submits that the entire draft Order as submitted is “essential to creating the legal certainty to enable the Corporation to carry out its functions.” The Corporation’s function is to issue and pay Restructuring Bonds as contemplated in order (in this case) to restructure PREPA debt agreement in accordance with the Agreement with Creditors and thereby both allow PREPA to meet several statutory goals and achieve significant present value savings for Customers. The Corporation believes that the provisions of the draft Order are designed to create an appropriate level of legal certainty required to offer the Restructuring Bonds to Creditors and investors, and to do so in the matter that maximizes those

savings to Customers. The purpose of provisions of the draft Order (in particular, the Ordering Paragraphs and the Conclusions of Law) is to allow the Commission express its interpretation of provisions of the Act in matters which are germane to potential Creditor and investor concerns that could prejudice the marketability of the Bonds, affect their rating, or increase their costs. The draft Order informs the marketplace, enhances the marketability of the Bonds, and is aimed at reducing future interest costs to Customers. Even if Bonds could still be issued without one or more of those assurances, removing them is not in the public interest.

The Corporation has highlighted in its Response to Question II.B those provisions of the Order which provide interpretations of selected provisions of the Act intended to inform the marketplace, and the reasons why the provisions are necessary and appropriate.

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

RESPONSE: Conclusion of Law (“CL”) 6. For the reasons stated in response to Question III.M above, the Commission is asked to explicitly define the method by which it will enforce the Corporation’s commitments. The explanatory language at the end of Conclusion of Law 6 is the Corporation’s interpretation of the Revitalization Act, and the Corporation requests that the Commission adopt this interpretation for the reasons stated in III.M above.

CL 14. Article 6.25A(e)(10) of the Act requires the Corporation to submit with the Restructuring Resolution “a proposed form of the Servicing Agreement and any other document to support the information required in accordance with this Article 6.25A as required by the Commission within five (5) days of filing of the petition....” The Commission has not required the filing of any additional financing document with the Commission. Other than the approval of the initial Servicing fee charged by PREPA, the financing documents are not subject to the

approval of the Commission. The proposed CL 14 is intended to assure the Corporation, Creditors and potential bondholders of this fact.

CL 15. Article 6.25A(e)(8)(i) states the estimates of debt service on the Restructuring Bonds and other cost estimates are “non-binding.” The proposed CL 15 confirms the straightforward meaning of “non-binding,” *i.e.*, that any failure to realize any projections or estimates shall not affect the Restructuring Resolution or the Restructuring Order.

CL 16. In its Petition and related testimony, the Corporation has explained its election to include estimated load served by net metering and distributive generation in the calculation of the Transition Charges. Petition, ¶¶ 35-43; Zarumba Direct Testimony (Corporation Ex. 6.00). In CL 16, the Corporation proposes that the Commission concur with its conclusion that the treatment of net metering and distributive generation load is consistent with the requirement of Article 4 of Law No. 114-2007. Specifically, in paragraph 43 of the Petition, the Corporation states:

“The Corporation requests that the Commission, in making the required findings concerning the calculation of the Transition Charge, take notice of the Corporation’s determinations and evaluate and determine that the criteria of Article 4 of Act 114-2007, as amended by Article 29 of the Revitalization Act, are met, and the Commission should accept the Corporation’s proposal that load of Customers who are net metered or have other “behind the meter” generation, for the purposes of distributing Financing Costs among Customer classes and calculating those Transition Charges that are based on kWh usage, be based on estimated total electric consumption as described herein and in the Restructuring Resolution.”

Conclusion of Law 16 addresses this request.

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.*

RESPONSE: The Corporation notes that the Servicing Agreement must be subject to changes, based upon rating agency and investor comments, through the end of the bond

marketing period. Those changes would occur within days of a bond closing. Further, the Revitalization Act requires the Corporation to approve the Restructuring Resolution no later than five business days after approval of the Commission Order. Accordingly, the Act provides only very limited time for the Corporation to submit the revised Restructuring Resolution to the Commission. That being said, the Corporation will commit to submit to the Commission (i) a copy of the final version of the Restructuring Resolution submitted to the Corporation Board for its approval (marked to show changes from the version submitted with the Petition) at the same time as the Corporation provides the resolution to its Board for approval, and (ii) a substantially final version of the Servicing Agreement, marked to show changes from the version submitted with the Petition, at least five days prior to its execution. These submissions will be for information purposes only.

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.

RESPONSE: The Corporation commits to add, as new last sentence of Section 5.10 of the Servicing Agreement, the following: "Prior to making any advance to the Corporation, the Servicer shall provide notice to the Commission of the amounts, the terms, the accounting treatment and the reasons for the advance."

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?*

RESPONSE: Yes, so long as the Calculation Methodology remains in force.

- 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.*

RESPONSE: The Corporation proposes to replace the quoted sentence in paragraph 14 of the proposed Restructuring Order with the following: “As described in the following paragraphs, the Calculation Methodology is a self-adjustment mechanism to set and adjust Transition Charges mathematically in accordance with and in response to changes in the Ongoing Financing Costs to be recovered or in the revenues collected. It also incorporates features (among others) including quarterly true-up adjustments to address payment and usage variability and the reallocation and spreading of uncollectible Transition Charges among all Customer classes to avoid over-reliance on any one Customer class. Through these features, the Calculation Methodology is designed to ensure that Transition Charge Revenues are sufficient to provide for the timely payment of Ongoing Financing Costs.”

- 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, Quinones & Arbona, PSC, Millstein & Co., Pietrantonio Mendez & Alvarez LLC. If there is also a contract with Cleary Gottlieb, please provide.*

RESPONSE: Copies of currently executed contracts with named firms retained by or to perform work on behalf of PREPARC on matters relating to the securitization that are expected to be included in the Upfront Financing Costs are provided as Appendix VI. Additional contracts will be provided in a supplemental filing shortly. In light of the Commission’s additional request, contracts with Cleary Gottlieb Steen & Hamilton LLP, which is advising PREPA on its restructuring efforts, are also attached. However, the fees and expenses of Cleary

Gottlieb are not included in Upfront Financing Costs. A copy of the Memorandum of Understanding between PREPA and GDB in connection with these services is also provided.

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?*

RESPONSE: The Corporation has inquired and PREPA does not presently envision requesting it to seek authority to issues any additional Restructuring Bonds beyond those identified in the Petition and the proposed Restructuring Resolution. However, as stated, PREPA is aware of potential future investment needs (including investments in AOGP) and is aware that circumstances in the future may be such that financing through the issuance of Restructuring Bonds is in the public interest. Thus, while there is no such current intention, PREPA and the Corporation must leave that option open.

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?*

RESPONSE: No.

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?*

RESPONSE: PREPA has incurred ~\$50 million in initial costs in connection with the AOGP project, primarily related to onshore conversion. These costs were funded by PREPA.

Investigation continues, and the Corporation will supplement this response if additional information becomes available.

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).

RESPONSE: A revised model is provided as Corporation Ex. 9.01, attached to the rebuttal testimony of Mr. Ralph Zarumba filed with the Commission this same date. This revised model is computationally equivalent to the original model (Corporation Ex. 6.03). However, the model has been reformatted to increase its clarity and to detail the specific steps in the calculation process in the same order and using the same language as in Attachment 1.00, and using separate tabs as requested. Both models implement the Calculation Methodology set out in Attachment 1.00, but the revised model does so in a way that is more readily visible and verifiable.

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

RESPONSE: A replacement table appears below.

| | Actual kWh (No CILT) | FY 2015 Customer Allocation |
|---------------------|-------------------------|-----------------------------------|
| Residential | 6,249,541,676 | 37.83% |
| Non- Residential | 10,270,239,212 | 62.17% |
| Total | 16,519,780,888 | 100.00% |

- 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."*

RESPONSE: Please see Appendix X. A working copy of the spreadsheet is also being provided to the Commission and parties electronically.

- 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.*

RESPONSE: PREPA's information services team is currently extracting and verifying this data. It will be submitted to the Commission and parties shortly in a supplemental response.

- 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?*

RESPONSE: Yes.

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

RESPONSE: Please see the "Coll Curve Sheet 1" and "Coll Curve Sheet 2" tabs in the originally filed Exhibit 6.03. The composite collection curve is also included in the revised model (Corporation Exhibit 9.01) in Tabs 6.1b and 6.1c.

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

A. If not, explain fully why not.

RESPONSE: Transition Charge revenues needed for the payment of other Ongoing Financing Costs (including debt service), and Restructuring Bond proceeds deposited with the Trustee to pay costs of issuance (Upfront Issuance Costs) will be invested in short term investments that will mature or be redeemable prior to the date when payment of such costs will be made. Bond proceeds or other amounts held in a debt service reserve account or any other reserve fund (such as an overcollateralization account) will be invested in accordance with the parameters set forth in the Trust Agreement and consistent with any applicable credit rating agency criteria.

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

RESPONSE: Any interest earned on any such investment will be retained in the accounts established under the Trust Agreement, and used to pay debt service or other Ongoing Financing Costs. Accordingly, the interest earnings will reduce the next revenue requirement in the next Transition Charge True-Up adjustment.

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.

RESPONSE: Yes.

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

RESPONSE: The model was intended to both be representative and illustrative of actual calculations and data (including data that in actual operation will relate to future periods, and

cannot be fully known at this time) and practical to construct. PREPA's Simplifying assumptions are appropriate when they introduce no bias and do not lead to results that deviate from the range of results actually expected. PREPA does bill Residential and Non-residential customers on a monthly basis which is what was assumed in Exhibit 6.03. PREPA also bills daily including weekends and holidays. This daily billing was also used in Exhibit 6.03. The only simplifying assumption made was to evenly spread the total monthly kWh and service agreement billings to each day of a given billing month. PREPA's staff has reviewed this simplifying assumption and believes that trying to project and use actual daily billings would not yield a materially different result. In addition, there is no reasonable way to develop a more precise distribution of those collections over the model life. This is further supported by the Response to Questions XV.E and XV.F below.

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.

RESPONSE: The referenced value (1,327,733) is the FY 2015 average customer service agreement count, which was used as the monthly amount for each month in 2015. That monthly amount was then divided by the number of days in each given month. Subject to that qualification, yes. The impacts and resulting payment lags are shown in the payment lag tabs ("Rate 1 – Res Pymt Lag", "Rate 2 – Res Pymt Lag", etc) of Exhibit 6.03. The impacts and resulting payment lags are also shown on Tabs 6.0, 6.2 and all of the 6.3 tabs of Exhibit 9.01.

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

RESPONSE: Collection of the requested data is underway, but has not yet been completed. The Corporation will submit a supplemental response as soon as the data is available.

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?*

RESPONSE: The referenced value (1,327,733) is the FY 2015 average customer service agreement count, which was used as the monthly amount for each month in 2015. The number of residential bills issued on weekends and holidays during FY 2015 was as follows:

- Sundays: 251,519
- Saturday: 339,244
- Holiday: 186,154

Please note that these values are billing data, not adjusted statistical data from which the 1,327,733 is derived. The adjustments can include re-bills, canceled bills and unbilled portions related to the current fiscal year.

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.*

RESPONSE: The referenced value (901,304,874) is the kWhs for the month of July only. Other months use their corresponding historical values. Each monthly amount is divided by the number of days in each given month. Subject to this qualification, yes. The impacts and resulting payment lag are shown in Exhibit 6.03 and on Tabs 6.0, 6.2 and all of the 6.4 tabs of Exhibit 9.01.

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

RESPONSE: Collection of the requested data is underway, but has not yet been completed. The Corporation will submit a supplemental response as soon as the data is available.

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?

RESPONSE: The referenced value (901,304,874) is the kWhs for the month of July only. The number of Non-Residential bills during FY 2015 that were issued on weekends and holidays is as Non-Residential bills were issued on weekends and holidays as follows:

- Sundays: 17,741
- Saturday: 35,855
- Holiday: 12,785

Please note that these values are billing data, not adjusted statistical data from which the 901,304,874 is derived. The adjustments can include re-bills, canceled bills and unbilled portions related to the current fiscal year.

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.

RESPONSE: No. Residential billings are issued on weekends and holidays. But, in any event, the use of daily billing would not have been arbitrary.

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.

RESPONSE: No. Residential billings are issued on weekends and holidays. But, in any event, the use of daily billing would not have been capricious.

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.

RESPONSE: No. Non-Residential billings are issued on weekends and holidays. But, in any event, the use of daily billing would not have been arbitrary.

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.

RESPONSE: No. Non-Residential billings are issued on weekends and holidays. But, in any event, the use of daily billing would not have been capricious.

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.

RESPONSE: Not applicable. As noted above, PREPA does bill on weekends and holidays.

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.

RESPONSE: Not applicable. As noted above, PREPA does bill on weekends and holidays. In any event, the calculation methodology would not change. The billing dates are an input, not part of the methodology.

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 Revenues (totaly gov) Fiscal 2014-15-Certified by Planning" Excel file. Please provide the PREPA Excel file that was the source for such information.*

RESPONSE: Please see Appendix XVI. A working copy of the spreadsheet is also being provided to the Commission and parties electronically.

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.*

RESPONSE: Please see Appendix XVII. A working copy of the spreadsheet is also being provided to the Commission and parties electronically.

XVIII. *Refer to the Corporation Exhibit 6.03 Excel file. Refer to the tabs entitled "Coli Curve Sheet 1" and "Coli 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?*

RESPONSE: Yes. The referenced tabs constitute the composite collection curve.

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.*

RESPONSE: Yes.

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.*

RESPONSE: Yes.

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?*

RESPONSE: The number of billing cycles refers to the billing cycles that occur every month in PREPA's billing system. This includes 20 standard billing cycles, plus two for special end of month bills and adjustments.

B. *How many billing cycles does PREPA have each month?*

RESPONSE: 22. See Response to Question XXI.A.

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

RESPONSE: Collection of the requested data is underway, but has not yet been completed. The Corporation will submit a supplemental response as soon as the data is available.

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.*

RESPONSE: As stated in response to previous Questions, actual billings associated with each billing cycle are issued on almost all the days in a given month, and when all cycles are combined, there are billings that are issued on every day. The payment lag tabs ("Rate 1 Res – Pymt Lag", "Rate 2 Res – Pymt Lag", etc) in Exhibit 6.03 reflect daily billing. The 6.3 and 6.4 tabs of Exhibit 9.01 reflect daily billing.

WE HEREBY CERTIFY that the foregoing was sent via email to: José Pérez-Velez, Esq., (jperez@oipc.pr.gov); Coral M. Odier-Rivera, Esq., (codier@oipc.pr.gov); Marc G. Roumain Prieto, Esq., (mgrprcorp@gmail.com); Fernando Agrait, Esq., (agraitfe@agraitlawpr.com); Edwin J. Quiñones Porrata, Esq., (edwin.quinones@aae.pr.gov); José G. Maeso Gonzalez, Esq., (jose.maeso@aae.pr.gov); Victor Luis Gonzalez, Esq., (victorluisgonzalez@yahoo.com); Alicia

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RESPECTFULLY SUBMITTED,

IN SAN JUAN, PUERTO RICO, THIS 16th DAY OF MAY, 2016

**PUERTO RICO ELECTRIC POWER
AUTHORITY REVITALIZATION CORPORATION**

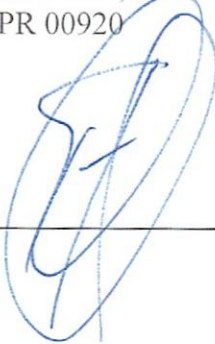
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** Pursuant to Moción Suplementaria de Solicitud de Admisión por Cortesía (pending)

By: _____



By: _____

