

**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 PETITION

Direct Testimony of
JAVIER QUINTANA- MÉNDEZ, P.E.

Executive Director,
Puerto Rico Electric Power Authority

May 27, 2016



TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	Witness Identification	1
B.	Summary of Direct Testimony and Attachments.....	1
C.	Qualifications and Professional Background.....	7
II.	OVERVIEW OF PREPA’S STRUCTURE, MISSION, AND VISION	7
III.	THE PREPA RECOVERY PLAN AND ITS IMPROVEMENTS PROGRAM	11
IV.	OVERVIEW OF PREPA’S RATE FILING.....	20
V.	OTHER WITNESSES PRESENTING DIRECT TESTIMONY ON BEHALF OF PREPA	29
VI.	CONCLUSION.....	33

ME

1 **I. INTRODUCTION**

2 **A. Witness Identification**

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

4 A. My name is Javier Quintana- Méndez. I am the Executive Director of the Puerto Rico
5 Electric Power Authority (“PREPA” or the “Authority”). My business address is
6 1110 Ponce de Leon Avenue, San Juan, Puerto Rico 00907.

7 **Q. On whose behalf are you testifying in this proceeding?**


8 A. I am testifying on behalf of PREPA in support of PREPA’s rate Petition to the Puerto
9 Rico Energy Commission (the “Commission”).

10 **B. Summary of Direct Testimony and Attachments**

11 **Q. What are the purposes and subjects of your direct testimony?**

12 A. This rate review will set new “permanent” electric service rates (base rates¹) for PREPA.
13 This rate review also involves proposed provisional rates intended to address PREPA’s
14 imminent liquidity (cash flow) issues. My testimony provides background and basic
15 information for purposes of this rate review.


16 More specifically, first, in Section II of my testimony, I describe at a high level
17 PREPA’s structure, mission, and vision as a public power electric utility. By “public
18 power”, I mean that PREPA is an instrumentality of the Government of the

 ¹ The new rates are “permanent” in the sense that they will remain in effect until changed. They are not literally permanent. They are subject to modification by a formula rate mechanism proposed by PREPA with Commission review and reconciliation and in future rate cases, as noted further below.

An electric utility’s basic rates for electric service, not including charges that are passed through or fluctuate through a tariff rider or other mechanism, often are referred to by the general term “base rates”.

19 Commonwealth of Puerto Rico. This discussion is intended to help provide a larger
20 context for this rate review.

21 Second, in Section III, I discuss at a high level what PREPA is doing to mitigate
22 rate increases with its business plan and the focused efforts to improve PREPA and its
23 operations that began in summer 2014 and continue to this day and going forward. These
24 PREPA recovery efforts reflect the collaborative work of Lisa J. Donahue, Managing
25 Director, AlixPartners, LLP, and Chief Restructuring Officer (“CRO”) of PREPA and her
26 team with PREPA’s management and personnel. Ms. Donahue is presenting direct
27 testimony, PREPA Exhibits (“Exs.”) 2.0 and 11.0, as described later in my testimony.
28 PREPA has made significant operational improvements to date, although that work is and
29 must be ongoing. The improvements have generated significant operational cost savings
30 that already have been achieved as well as estimated future operational cost savings.

31 Third, in Section IV, I provide a high level overview of PREPA’s rate Petition,
32 reasons for this filing and rate impacts for PREPA customers. I also list the other
33 witnesses who are providing direct testimony in support of the rate filing, and I briefly
 34 describe the subject matters of their respective testimony. This descriptive material is
35 intended as a high level “road map” to the other testimony and is not intended to be
36 substantive testimony.


37 **Q. Why has PREPA filed a request for a rate increase?**

38 A. PREPA’s recovery is based on the premise that all stakeholders, including PREPA’s
39 creditors, management, employees, governmental instrumentalities, and municipalities
40 must share the burden to restore PREPA. The recovery plan cannot be built solely on the

41 backs of ratepayers. This filing is one of three components of PREPA's approach to
42 closing this revenue deficiency.

43 First, with approximately \$9 billion of debt, creditor concessions are necessary to
44 close the rate deficiency. Under the recovery plan agreed upon as part of PREPA's
45 restructuring support agreement ("RSA"),² creditors have agreed to exchange their power
46 revenue bonds at a discount for new securitization bonds to be issued by the new Puerto
47 Rico Electric Power Authority Revitalization Corporation (the "Revitalization
48 Corporation"), another instrumentality of the Government of the Commonwealth of
49 Puerto Rico. The transactions contemplated by the RSA will result in significant debt
50 service savings and liquidity relief for PREPA and will ultimately reduce the costs of
51 energy for consumers. However, the savings and relief provided under the RSA are
52 possible only if PREPA fulfills its obligations under the RSA, which includes, among
53 other things, obtaining the Commission's approval of a provisional rate by June 30, 2016.
54 Thus, approval of this Petition is a necessary condition for the consummation of
55 PREPA's recovery plan.

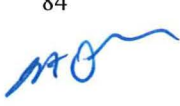
56 Second, PREPA, through its management and employees, is also contributing to
57 closing the rate deficit as part of the recovery plan. PREPA has made operational
58 improvements to core business functions that significantly reduce this rate. These efforts
59 have increased efficiency, improved customer service, centralized controls and decision-
60 making utilizing industry best practices, increased revenue generation, and improved
61 workplace safety. As discussed in more detail in the panel testimony of Sonia Miranda of



² A copy of the RSA is attached to Ms. Donahue's testimony.

62 PREPA and Antonio Pérez Sales and Virgilio Sosa of AlixPartners (PREPA Ex.
63 3.0)(“Business Plan Testimony”), thus far, PREPA has achieved approximately \$165
64 million in one-time cash savings and approximately \$200 million in recurring annual
65 savings. Additional operational improvement initiatives are ongoing and expected to
66 benefit PREPA with targets of approximately \$120 million in additional recurring annual
67 and \$100 million of one-time cash savings. In addition, efforts to date have enabled
68 PREPA to lower its bad debt expense and corresponding assumption, which has in turn
69 lowered the forward looking revenue requirement by approximately \$67 million. Since
70 June of 2014, PREPA has also reduced headcount by more than 1,100 full time
71 employees, generating annual payroll savings of approximately \$124 million.

72 Third, the remaining rate deficiency is addressed in this proceeding. This case is
73 PREPA’s first attempt to set new “permanent” electric service rates for PREPA in 27
74 years. PREPA’s current rates do not cover PREPA’s costs, including operating expenses,
75 capital improvements and debt service. PREPA’s proposed new rates are just, reasonable
76 and allow for the provision of reliable service and legal compliance at the lowest
77 reasonable cost. PREPA’s proposed new permanent rates are necessary for PREPA to
78 attract new investment in infrastructure, to meet its operating expenses and debt service
79 costs, to comply with its legal obligations, and to provide service to its Customers in
80 accordance with their needs and the objectives of Puerto Rico law. Operating with
81 insufficient revenues has led to degradations of PREPA’s infrastructure systems and
82 services. For example, PREPA’s transmission system is deteriorated, and this has led to
83 reduced reliability, a problem which will only worsen if the system is not maintained and
84 improved.



85 The proposed provisional rates serve to address PREPA's significant cash flow
86 problems in the interim period before the new "permanent" rates go into effect, as
87 discussed by Ms. Donahue. The proposed interim rates will be in effect until collections
88 begin under the permanent rates and will be the subject of a Commission review and
89 reconciliation.

90 I believe that PREPA's outlook is strong, if the restructuring is implemented,
91 liquidity issues are managed, and proper new rates are set. The changes occurring today
92 are enabling a new era of efficiency, reliability, and safety. PREPA can transform itself
93 through efficiencies in our processes and stronger planning of capital investment.
94 PREPA's restructuring is a balanced solution in which all stakeholders, including
95 PREPA's creditors, contribute to the utility's transformation. The securitization of debt
96 and substantial creditor concessions, PREPA's business plan and the filing of this rate
97 case are all important steps to building a modern utility with fairly stable long run rates
98 for our customers. The foundation of reliable and reasonably priced electricity is
99 essential for a stronger, more prosperous Puerto Rico.

100 **Q. Does your testimony comply with Sections 2.02(B) and (E) of the Commission's**
101 **rules as you understand them?**

102 **A.** Yes. The Commission's Regulation No. 8720, Section 2.02(B), contains language
103 regarding the prudence and reasonableness of costs addressed by a witness. My testimony is
104 intended as summary and high level testimony, not to address all the specific details of
105 PREPA's revenue requirement (its costs of offering and providing its services under its
106 base rates) and its proposed rates. Nonetheless, I am testifying at a high level in support

107 of PREPA's costs, and, along with Ms. Donahue and other witnesses, I am testifying to
108 PREPA's operational improvements and operational cost savings. Accordingly, I do
109 state that it is my professional view that the costs sought to be incurred through PREPA's
110 proposed rates are reasonable and prudently incurred, for the reasons established by the
111 testimony of the witnesses directly presenting and supporting the specifics of the revenue
112 requirement, and for the more general reasons discussed in my and other witnesses'
113 testimony. The revenue requirement includes a combination of costs of existing
114 commitments (such as costs of existing debt and other historical / existing operating
115 costs) and costs of future commitments, such as needed investments in PREPA's systems,
116 as is detailed in the testimony of the witnesses directly presenting and supporting the
117 specifics of the revenue requirement.

118 Please also note that the Commission's Regulation No. 8720, Section 2.02(E),
119 requires separation of testimony supporting provisional rates, although it allows that
120 testimony to refer back to the testimony supporting permanent rates. My testimony is
121 intended to support the request for new "permanent" rates, but it also may be referenced
122 by the testimony supporting the request for provisional rates.

123 **Q. Are there any exhibits to your testimony?**

124 **A.** Yes. My testimony includes the following exhibits:

- 125 • PREPA Exhibit 1.01: My complete *curriculum vitae*; and
- 126 • PREPA Exhibit 1.02: A certification by PREPA's Chief Financial Officer
127 ("CFO") relating to FY 2015 accounting data.



128 **C. Qualifications and Professional Background**

129 **Q. Mr. Quintana, what are your duties and responsibilities at PREPA?**

130 A. I became Executive Director of PREPA on August 3, 2015. In that role, I direct the
131 operational and administrative organizations of the Authority. Previously, I was
132 appointed in August 2013 as a member of PREPA's Governing Board and I served as the
133 Board Vice-Chairman and President of the Board's Technical Committee. I have been
134 involved with the PREPA restructuring efforts that began in July 2014 and continue to
135 this day. With more than 10 years of experience in the government sector, I also have
136 served as Executive Director of the Puerto Rico Solid Waste Management Authority and
137 the Puerto Rico Energy Office. Being an electrical engineer with a doctoral degree in
138 electric power engineering allowed me to serve as professor at three of the principal
139 Engineering Schools in Puerto Rico. During the last 15 years, I have been directly
140 involved in most of the more significant governmental energy related initiatives in Puerto
141 Rico.

142 **II. OVERVIEW OF PREPA'S STRUCTURE, MISSION, AND VISION**

143 **Q. Please briefly describe PREPA.**

144 A. PREPA is a public power electric utility, as we noted earlier. More specifically, PREPA
145 is a public corporation that was founded in 1941 (as the Puerto Rico Water Resources
146 Authority) and that is owned by, and is an instrumentality of, the government of the
147 Commonwealth of Puerto Rico. PREPA was renamed to its current name in 1979.

148 PREPA serves the Island (the main island) as well as the adjacent islands of
149 Vieques and Culebra. PREPA provides electric service to close to 1.5 million customers



(in the sense of accounts). The vast majority of Puerto Rico's approximately 3.5 million residents receive their electricity through PREPA wires.

PREPA has five main power plants located at: Costa Sur, Aguirre, San Juan, Palo Seco, and Cambalache as well as purchase power agreements in place with Ecoelectrica and AES. In 2014, 46.76% of PREPA's electricity generation involved burning fuel oil. The remainder essentially was 35.11% liquefied natural gas, 16.65% coal, 0.33% hydro and 1.16% renewables. In 2015, 48.47% of PREPA's electricity generation involving burning fuel oil. The remainder essentially was 31.82% liquefied natural gas, 17.93% coal, 0.34% hydro and 1.44% renewables.

As of 2014, PREPA had 2,478 miles of 230 kilovolt (kV) transmission lines and 115 kV and 36 kV sub-transmission lines, with 178 transmission centers. PREPA's distribution lines were about 29,475 aerial miles and about 1,883 underground miles. The distribution system had 335 substations and 26 technical offices.

PREPA is directed by its Governing Board, which is comprised of nine members. Six members are appointed by the Governor or Puerto Rico with the approval of the Commonwealth's Senate. Three members are elected by PREPA's customers.

PREPA's operational areas and support areas are:

- Generation, Transmission and Distribution, Customer Service;
- Finance;
- Environmental Protection and Planning;
- Human Resources and Labor Affairs;
- Legal Affairs; and

- Infrastructure and Operations Administration.

For administrative purposes, PREPA has divided the Island into seven regions, with 30 customer service offices and 75 local offices, plus the 26 technical offices for the distribution system that we already mentioned.

PREPA's work force is comprised of approximately 6,700 employees, including unionized, managerial, and executive employees. About 4,750 are unionized employees affiliated with four unions:

- Electric and Irrigation Industry Workers Unions (UTIER, by its Spanish acronym);
- Industrial and Electric Construction Worker's Insular Union (UITICE, by its Spanish acronym);
- Professional Employees Union (UEPI, by its Spanish acronym); and
- Pilots Union (UPAEE, by its Spanish acronym).

The foregoing figures are based on PREPA's records.

PREPA provides its electric services at prices and on terms set forth in tariffs. As we indicated earlier, the base rates in PREPA's current tariffs were set in 1989.

Q. Please describe PREPA's mission.

A. In brief, PREPA's mission is to provide electric service to customers in an efficient, cost-effective, reliable and safe manner in harmony with the environment, and, of course, consistent with applicable laws.

Q. Please describe PREPA's vision.

193 A. In brief, PREPA's vision is to transform its system and operations into those of world-
194 class, self-sustaining utility and to reduce the all-in rate charged to consumers over time.
195 PREPA intends to realize such vision by implementing a recovery plan that will
196 modernize PREPA's energy infrastructure to provide clean and reliable energy, reduce
197 dependence on fuel oil through fuel diversification, reduce energy costs over time, and
198 depoliticize PREPA so that it can implement best practices and focus on long-term
199 strategic planning. The plan will also protect Puerto Rico's environment and serve as a
200 platform to jumpstart economic development through the investment of more than \$2.3
201 billion in infrastructure and upgrades over the next five years, creating new employment
202 opportunities. To improve PREPA's financial operational stability, the recovery plan
203 also calls for a sustainable capital structure that will instill confidence among PREPA's
204 customers and suppliers. Addressing PREPA's critical needs will also help move Puerto
205 Rico forward. At its inception in the 1940s, PREPA served as an economic engine for
206 the Commonwealth. We believe that PREPA can once again serve that purpose. We are
207 united in our desire to provide Puerto Ricans – families, small businesses, and large
208 industrial companies alike – the reliable power utility they deserve and can depend on for
209 generations to come. We are all united to help Puerto Rico grow and prosper and resolve
210 its current financial crisis. PREPA's transformation is a key part of that effort.

211 **Q. Are PREPA's structure, mission, and vision intended to conform to its legal duties?**


212 A. Yes. My descriptions of the structure of PREPA and of its mission and vision must be
213 understood to be intended conform within applicable governing laws. In particular,
214 Puerto Rico recently has adopted legislation in 2014 (Act 57-2014) and 2016 (Act

215 4-2016) that focused on revitalizing PREPA.³ The new laws acknowledge that PREPA
216 and its customers are facing very difficult circumstances, and they also reflect that this is
217 the time to put PREPA on the path to better serving its customers. For example, Act
218 4-2016 states in part: “The historic moment in which we find ourselves represents
219 another opportunity for the Authority to progress and to become a competitive, world-
220 class public corporation.” Statement of Motives, Section A. The Act also states in part:
221 “The fundamental purpose of implementing said agreements [with creditors] is to provide
222 all the customers with a fair, reasonable and transparent rate that, at the same time, allows
223 the Authority to comply with its obligations and provide, in the medium and long-term, a
224 world-class service.” Article 2. In addition, PREPA must comply with applicable federal
225 law, such as applicable federal environmental law, *e.g.*, the United States Environmental
226 Protection Agency’s (“US EPA”) Mercury and Air Toxics Standards.

227 **III. THE PREPA RECOVERY PLAN AND ITS IMPROVEMENTS PROGRAM**

228 **Q. You referenced focused PREPA recovery efforts that began in summer 2014. What**
229 **was PREPA’s situation in summer 2014?**

230 A. PREPA faced a severe debt and liquidity crisis in the summer of 2014, which threatened
231 its ability to operate, including its ability to purchase fuel to run its power plants and thus
232 to keep the lights on in Puerto Rico. At that time, PREPA faced maturities of
233 approximately \$730 million under revolving credit lines and approximately \$400 million
234 in principal and interest payments under its power revenue bonds. PREPA entered into



³ The Commonwealth also has adopted other relevant legislation. By referencing those two Acts, I do not mean to downplay other laws.

235 forbearance agreements with its key creditors that gave it breathing room to work on its
236 debt and liquidity crises. The financial situation in summer 2014 is addressed in more
237 detail by Ms. Donahue's testimony. PREPA's financial crisis also was intertwined with
238 PREPA not operating in an efficient and effective manner. PREPA was not achieving its
239 mission, much less its vision.

240 **Q. Did PREPA begin a turnaround effort in 2014?**

241 A. Yes. PREPA's Governing Board, after a robust search process, selected and appointed
242 Ms. Donahue as PREPA's Chief Restructuring Officer in September 2014. She works
243 alongside PREPA's management and reports to, and serves at the discretion of, the
244 Governing Board. She leads a team that assists her in carrying out her duties as CRO.
245 Ms. Donahue's basic role has been to lead the development and implementation of a
246 recovery plan for PREPA, including addressing PREPA's fundamental operational
247 problems as well as its financial crisis. The work of the CRO and her team together with
248 PREPA is described in more detail in the testimony of Ms. Donahue.

249 **Q. What efforts has the recovery program involved?**

250 A. At a high level, the recovery plan has involved developing a business plan, implementing
251 revenue improvement and cost reduction plans, overseeing cash and liquidity
252 management activities, improving PREPA's ability to analyze, track, and collect accounts
253 receivable, improving PREPA's capital expenditure plan, and developing plans to
254 improve PREPA's generation, transmission, distribution, and other operations. More
255 specifics are found in the testimony of Ms. Donahue (PREPA Ex. 2.0) and in the panel



256 testimony of Sonia Miranda of PREPA and Antonio Pérez Sales and Virgilio Sosa of
257 AlixPartners (PREPA Ex. 3.0). I will answer this question at a high level.

258 **Q. Please describe, at a high level, PREPA's business plan.**

259 A. The business plan, of course, is a central element of the recovery plan, although if
260 PREPA's debt and liquidity issues are not solved, then no plan can succeed. Plans to
261 improve PREPA's generation fleet and its transmission and distribution systems make up
262 much of the core of the business plan. With respect to the medium and long terms,
263 PREPA's Integrated Resource Plan ("IRP") is vital to whether PREPA will succeed with
264 its recovery. The IRP is pending before the Commission in a separate proceeding,
265 Docket No. CEPR-IN-2015-0002. The outcome of that proceeding is not yet known.
266 PREPA cannot meet its environmental law obligations without a sound IRP. PREPA
267 cannot succeed to provide reliable and low cost service over time without a sound IRP.

268 **Q. Can you describe the progress that PREPA has already made in its recovery?**

269 A. Throughout my tenure, PREPA has continued to focus on improving operations and day-
270 to-day efficiency and on developing a long-term strategy. We have worked with experts
271 from many fields to focus on accounts receivable and collections, fuel management,
272 procurement, inventory management, safety, and reducing non-technical losses.
273 Significant progress has been made regarding payment plans for past due government
274 accounts, theft prevention, call center workforce training and implemented customer care
275 and billing reforms. Collectively, these improvements have allowed PREPA to work
276 collaboratively with customers both to reduce past due accounts and provide better
277 service. While much work remains, PREPA has made great strides in its accounts

278 receivable and collections processes with respect to government and private customers
279 alike.

280 **Q. What operational and administrative changes have been implemented to improve**
281 **collections?**

282 A. We have implemented a series of operational and administrative changes that have
283 generated savings on many fronts and will generate increasing savings over time. For
284 example, PREPA has adopted a program to streamline and enforce service suspension
285 with General (non-Government) Customers which has increased cash collections by
286 approximately \$ 28 million. We have improved how we address disputed bill complaints
287 (or Act 33 work) to address \$33 million of unresolved cases resulting in \$25 million of
288 additional collections. Thus far, we also have collected \$2.3 million (net of
289 commissions) through the engagement of a third party collections firm to focus on
290 severely past due accounts, aged from 6 months to 5 years. PREPA has stabilized past
291 due balances with Governmental Customers through a rigorous collections program that
292 includes service suspensions, resulting in collections that are, on average, equal to 107%
293 of the amounts billed and an improvement of past due balances of \$11 million.
294 Prevention of energy theft and other non-technical losses, which include, among other
295 things, damaged meters and billing issues, have improved cash recoveries by \$6 million
296 annually, for a total of approximately \$20 million per year and created \$25 million a year
297 in recurring savings for PREPA customers. Our revamped customer service framework
298 has dramatically lowered call waiting times from more than 25 minutes to approximately
299 12 minutes. We have much more to do, but overall, these customer service

300 improvements have generated additional liquidity of approximately \$60 million and
301 annual savings of approximately \$25 million.

302 **Q. Are there other areas where significant operational and administrative**
303 **improvements have been made?**

304 A. Yes. Improvements have been made to PREPA's fuel inventory control. Each
305 department at PREPA worked on its own fuel requirement plans to optimize dispatch and
306 deliver power at the lowest cost with lower inventory levels. PREPA conducted an RFP
307 process to secure more favorable pricing and credit terms on a new fuel supply contract
308 for fuel oil #6, which has already saved approximately \$25 million in costs, and provided
309 approximately \$50 million in additional working capital, and will continue to save money
310 in the future. The renegotiation of PREPA's natural gas contract for Costa Sur will yield
311 estimated savings of \$33 million per year and provide a hedge on fuel pricing through
312 index fuel pricing.

313 Improvements have also been made in generation performance. PREPA's
314 historically low investment on capital expenditures had led to more than twice the
315 number of forced outages than the U.S. industry standard, which led it to increase
316 spinning reserve levels and consequently burn unnecessary fuel in order to mitigate the
317 impact of those forced outages and still deliver power. PREPA is currently finalizing an
318 integrated process that will reduce the number and severity of forced outage events,
319 further stabilizing the system.

320 Also, the safety of PREPA employees is a high priority. In the past 10 years,
321 PREPA's incident rate is more than double that of its industry peers. An overhaul of

322 PREPA's approach to safety is showing improvements. While we are just beginning, in
323 2015, PREPA reduced its Occupational Safety and Health Administration ("OSHA")
324 Recordable Incident Rate by 21%, from 16.1 in 2014 to 12.6 in 2015.

325 **Q. Can you explain how these costs translate into costs savings for customers?**

326 A. Each dollar that these efficiencies have saved in terms of annual costs of operating is one
327 dollar less that we are asking for in this rate case. In aggregate, the totals achieved thus
328 far are approximately \$200 million in recurring annually savings and \$165 million in
329 one-time cash savings.

330 **Q. What is the status of the recovery program?**

331 A. The recovery program is succeeding, but there is much more work to do. We are nearing
332 the end of the second year of a process that still has far to go and that in some respects
333 never can or should end, because the task of becoming and remaining a high performing
334 utility never ends. PREPA has made significant strides to improve its operations, lower
335 its operational costs, and remedy many of its longstanding challenges. There is much
336 more to be done. Again, more specifics are found in the testimony of Ms. Donahue and
337 that of Ms. Miranda.

338 **Q. What are the current areas of focus in terms of finding additional savings?**

339 A. We continue to work across all of the areas including fuel procurement, fleet, accounts
340 receivable and general O&M areas to find efficiencies and savings. Following is a
341 summary of some of our current activities with each of these initiatives capable of
342 creating substantial savings in the future:



- 343 • With respect to On-going fuel procurement initiatives, we are optimizing
344 generation dispatch to continuously monitor fuel unit \$/MMbtu costs to leverage
345 cost arbitrage from the different fuel sources to optimize cost per kWh. These
346 activities will reduce fuel costs and save approximately \$25 million per year.
- 347 • We are standardizing fuel inventory controls across all plants and implementing
348 robust inventory controls consistent with industry standards.
- 349 • We are improving processes to identify lower cost suppliers focused develop
350 alternative suppliers to drive competitive pricing. This has the potential to reduce
351 fuel costs significantly.
- 352 • We continue to evaluate infrastructure options to allow different supply
353 alternatives at different plants to enable more fuel diversity at different plants.
354 This has the potential to save between \$15 and \$40 in fuel costs million annually.
- 355 • The forced outage mitigation initiatives and spinning reserve optimization
356 limiting the usage of higher cost units (e.g. diesel), is expected to deliver savings
357 of approximately \$50million.
- 358 • In the Procurement area, we continue to improve processes and centralize
359 purchasing activities where necessary. We are currently running multiple
360 competitive bidding processes that will enable us to source electrical distribution
361 equipment, maintenance, repair, and operations parts, and other vital supplies at
362 reduced prices from today. Between internal efficiencies initiatives and better
363 pricing from suppliers, we expect to save an additional \$25 to \$50 million in 2017
364 and beyond.



- 365
366 • With respect to inventory, we have implemented multiple procedures and controls
367 that are ensuring that we are managing inventory as effectively as possible. These
368 efforts, combined with additional initiatives like workforce training and
369 technology improvement will enable us to continue to draw down our inventory in
370 2017 and 2018 generating additional savings of approximately \$15 to \$30 million
- 371 • With respect to fleet, we are currently running a competitive bid process with the
372 intent of engaging a professional fleet maintenance and repair management
373 company to assist us with the maintenance and repair of our light and medium
374 duty fleet of vehicles. Along with a robust fleet downsizing program, workforce
375 training, and process improvements, we expect these efforts to generate
376 approximately \$10 to \$20 million of efficiencies within the fleet division and the
377 divisions that it most closely supports.
- 378 • In the customer service area, we are raising fees for reconnection in order to fully
379 recover PREPA's costs for this process. We are also implementing a program to
380 collect missing or underfunded customer deposits and bonds in order to enforce
381 PREPA's own regulations and mitigate the risk of non-payment from higher-risk
382 customer groups. These activities will save approximately \$5 to \$10 million per
383 year.
- 384 • We continue to implement programs to improve theft detection and recovery and
385 reduce non-technical losses. Regarding theft, we are increasing the number of
386 field investigators and administrative personnel and rolling-out improved
387 information technology tools to detect theft. Regarding non-technical loss

reduction, we are decreasing the amount of estimated billing, accelerating remediation of non-functioning meters and decreasing time to suspend electric service for non-payment. Together these initiatives will save between \$15 and \$25 million per year.

- We also are improving collection from municipalities, following the recently issued rules from the Energy Commission and Act 4, which should provide between \$20 and \$30 million of additional revenue.

Q. Can you describe how additional investment under the business plan will help achieve a new level of savings?

A. As part of the business plan, we will continue to scrutinize our business practices to achieve additional cost savings for our customers while improving customer service. However, additional capital investment is needed to take PREPA to the next level. PREPA's revenue requirement includes the planned investments under the IRP for the Transmission and Distribution systems and part of the Aguirre Offshore Gas Port ("AOGP"). Furthermore, a number of important investments related to improving PREPA's generation fleet and grid, are necessary over the next year and are included in this filing. Following is a summary of the projects included in this rate filing (highlights). This rate filing includes capital projects mainly focused on system maintenance and reconstruction, MATS compliance, grid reliability and renewables integration. The major capital investments required during FY 2017-2019 include AOGP, existing generating unit's maintenance and overhauls, and transmission and distribution systems reconstruction, reinforcements and expansion projects. The program

includes major reconstruction projects of many of the 230 kV and 115 kV transmission lines, 38 kV subtransmission lines, distribution feeders as well as system switchyards which are in need of repair due to age, aggressive ambient conditions and difficulties for scheduling energized equipment outages. Additional capital investments strategically located on the transmission system, such as dynamic reactive power sources, new underground 115 kV circuits and new power transformers are mandated by reliability considerations and must be in place before the MATS non-compliant units in the north can be retired. These expenditures are essential to improve the efficiency, quality and reliability of service to the Authority's clients, and critical to allow for renewables integration, fuel diversification, and costs reduction.

Q. The Commission's order of April 12, 2016, requires certain information relating to the status of PREPA's financial statements for Fiscal Year 2015. Can you provide that information?

A. Yes. PREPA has audited financial statements for Fiscal Year 2014. As of the time of preparation of my direct testimony, PREPA does not yet have audited financial statements for Fiscal Year 2015. Attached to my testimony as PREPA Ex. 1.02, is a certification from Ernesto Ramos Morales, PREPA's CFO, explaining that PREPA was in the process of obtaining audited financial statements for FY 2015 when a change in the scope and breadth of the FY 2015 audit occurred. This caused a cessation in the completion of the audit due to renewed negotiations between PREPA and the Auditor concerning the cost and fees associated with the expanded additional scope of said audit. As this further certification provides, PREPA and the Auditor are actively

negotiating in good faith to resolve the issues which are the cause of the delay and PREPA commits to providing the Commission with a complete set of audited financial statements for FY 2015 by October 31, 2016, or earlier if they become available. In this certification, Ernesto Ramos Morales further states PREPA has a goal of completing said statements prior to the completion of the securitization process where the Puerto Rico Electric Power Authority Revitalization Corporation's Petition is now pending in a docket that is separate from the instant rate review, *i.e.*, Docket No. CEPR-AP-2016-0001.

In the interim, witnesses presenting and supporting elements of PREPA's revenue requirement and proposed rates, to the extent that they are relying on PREPA's unaudited accounting data from Fiscal Year 2015, are relying on the best available information, as discussed in their respective testimony. In the attached certification, Ernesto Ramos Morales certifies that with respect to any "known and measureable adjustments" contained in PREPA's Verified Petition for Approval of (1) "Permanent" Rates and (2) Temporary Rates that rely on financial information for FY 2015, such information is accurate and he is not aware of any necessary adjustments.

IV. OVERVIEW OF PREPA'S RATE FILING

Q. What is the amount of the rate increase that PREPA is seeking?

A. PREPA is seeking a revenue requirement of approximately \$3.5 billion. This amounts to a 26.5% increase over its current revenues.

Q. Can you provide a summary of average bill impacts for residential customers?



454 A. A typical residential customer would receive a 28.6% rate increase as compared to
455 present rates (expected FY 2017 rates).

456 **Q. If this increase is granted, how does the total bill compare to the historical xx-year**
457 **average for residential customers?**

458 A. With both securitization and rate increases, a typical residential customer would pay 20.1
459 c/kWh in FY 2017. This compares to 25.5 c/kWh that a typical residential customer paid
460 in FY 2014.

461 **Q. Has PREPA studied the expected bill impacts for residential customers going**
462 **forward?**

463 A. Yes. The testimony of Ralph Zarumba, Director, Energy Practice Power Systems,
464 Markets and Pricing Group, Navigant Consulting, Inc. ("Navigant"), PREPA Ex. 4.0,
465 contains detailed information on bill impacts.

466 **Q. Please provide a high level description of PREPA's filing.**

467 A. At the highest level of generality, PREPA's filing seeks to revise and update its base
468 rates, which last were set in 1989, by setting new "permanent" rates. I should make clear,
469 however, that the filing also seeks to revise and update other tariffs, and also that the
470 filing also includes proposed interim rates, more specifically provisional rates, or,
471 alternatively, the same interim rates in the form of temporary or emergency rates.

472 PREPA's filing, in terms of the documents themselves, consists of a Verified
473 Petition (which I verified) and its attachments. The Petition commences the substance of
474 this initial rate review. The Petition discusses the need for action, the legal standards and
475 requirements for the Petition and this Review, and the Petition's attachments, and the

Petition contains a brief summary of the direct testimony submitted on behalf of PREPA.

The Petition also formally asks the Commission to approve PREPA's proposed rates.

The Petition's has an Index of its attachments. The attachments include:

- The direct testimony and exhibits attached thereto, and associated notarizations, for the overview testimony and the testimony supporting the request for new permanent rates. (Petition Attachment A) The testimony is intended to comply with statutory requirements as well as Section 2.17 of Regulation No. 8720. (Thus, my direct testimony itself is part of that attachment to the Petition.)
- The direct testimony and exhibits attached thereto, and associated notarizations, for the testimony supporting the request for provisional rates. (Petition Attachment B). That testimony also is intended to comply with applicable requirements and sometimes references the testimony in Petition Attachment A.
- Schedules and other materials required by Article II of Regulation No. 8620, subject to a limited waiver request. (Petition Attachment C)
- Work papers for Schedules and the direct testimony and exhibits, when applicable. (Petition Attachment D)
- A draft form of public notice. (Petition Attachment E)
- A proposed procedural schedule (as per the First Order on Rate Case Proceeding in this docket, dated May 29, 2015). (Petition Attachment F)

- A chart identifying the Schedules described in in Article II of Regulation 8720 that are being supported by the testimony of each of the listed witnesses. (Petition Attachment G)

The rates proposed and supported by the Petition include new “permanent” rates, although that term is imprecise because we anticipate that, going forward, PREPA’s base rates will be regularly updated, by the adoption of PREPA’s proposed formula ratemaking mechanism (“FRM”) and/or by an approximately three year ratemaking cycle. The FRM would update and reconcile the rates each year to ensure that they neither over- nor under-recover PREPA’s actual applicable costs of serving its customers.

The proposed rates also include interim (short-term) provisional rates, or, alternatively, the same interim rate labeled as temporary or emergency rates, because of PREPA’s severe cash flow problems that must be addressed before the new permanent rates are expected to be in effect, which, if the case takes a full 180 days, may be in January 27th, 2017. If the Commission extends the review period by 60 days, the Order date becomes January 25th, 2017 and effective date of permanent rates will be March 25th, 2017.

The proposed provisional rates are subject to Commission approval, will be in effect until the permanent rates go into effect, and will be reconciled against the permanent rates, as provided by the relevant provisions of Law 4-2016.

Q. What costs are included in the proposed rates?

A. I am not testifying on the specific of the revenue requirement or the proposed rates, but, in brief, the costs that make up PREPA’s rates, at a high level, include costs of debt, fuel

519 and purchased power costs, and then all the remaining costs of operating the utility. I
520 need to qualify that statement by noting that some of those costs are recovered through
521 pass through or other special tariffs and charges, not through base rates.


522 The revenue requirement and thus the rates proposed by PREPA in this rate
523 review are based on PREPA's Fiscal Year 2014 (July 2013 to June 2014) plus known and
524 measurable changes through Fiscal Year 2017, as discussed by other witnesses. So,
525 basically, the starting point is FY 2014 costs, but then they have been updated, to reflect
526 PREPA's improvements, which means they include operational cost savings already
527 achieved and estimated costs savings.

528 Because of the time period referenced above, PREPA's revenue requirement in
529 relative terms does not include a large portion of the planned investments under the IRP.
530 However, the portion that is included is important. PREPA cannot continue to delay
531 improving its generation fleet and grid, particularly when parts of the fleet are not in
532 compliance with federal environmental law.

533 **Q. In brief, what are the reasons for PREPA's proposed new "permanent" rates?**

534 **A.** I am providing my answer to this question, subject to the understanding, again, that the
535 specifics of the rate proposal and its support are provided by other witnesses.

536 PREPA's proposed new rates serve vital needs for Puerto Rico. At the core, new
537 rates are necessary if PREPA is to fund its investment needs and be able to meet its
538 operational costs, to comply with its legal obligations, and to provide, in the medium and
539 long-term, service and transparent billing in accordance with its Customers' needs and
540 the objectives of Puerto Rico law.



541 PREPA's existing rates do not allow any of those objectives to be met, and thus
542 do not allow PREPA to promote economic growth in the Commonwealth. PREPA's
543 rates are a quarter century old and do not effectively reflect the business realities and
544 capture PREPA's operating expenses and debt service. If PREPA has not implemented
545 any operational improvements or secured concessions from its creditors, the gap between
546 PREPA's existing rates and the rates that the Authority would need to charge customers
547 to cover all these costs would be more significant. Our consistent goal has been to
548 become self-sustaining and to share the burden so that no one constituent is unduly
549 impacted.


550 In addition, having insufficient revenues has led to a sub-par utility. For example,
551 PREPA's transmission system is very deteriorated. This has reduced reliability and, if
552 the situation is not turned around, reliability can only continue to be at risk, with the cost
553 of these inefficiencies ultimately being sustained by ratepayers.

554 The proposed new rates support PREPA's long-term efficiency and enable it to
555 provide reliable service that is legally compliant at the lowest reasonable cost. The
556 proposed rates will, among other things, enable PREPA to modernize its generation fleet
557 and thereby to comply with federal environmental law and to provide a platform for
558 reductions in the long-term costs of supply; to integrate more renewable energy; to
559 promote cost-effective energy efficiency and demand response; to restore a deteriorated
560 transmission grid that is in need of reconstruction and additions even apart from adding
561 any new generation plants to the fleet; and to reflect how the process of reforming
562 PREPA has affected its operational costs, including cost savings already achieved or
563 estimated to occur.



564 Because PREPA's new rates are founded on actual costs from FY 2014, plus
565 known and measureable changes through FY 2014, and because they take into account
566 PREPA operational improvements program, I believe that PREPA's proposed new rates
567 are just and reasonable and consistent with sound fiscal and operational practices that
568 provide a reliable service at the lowest reasonable cost. The costs that they recover
569 represent the costs of providing reliably the electric utility service the Commonwealth
570 needs.

571 Under the proposed permanent PREPA rates, the overall average charge collected
572 by PREPA (including electric service charges under the rates of PREPA plus Transition
573 Charges of the Puerto Rico Electric Power Authority Restructuring Corporation
574 ("PREPARC" or "CRAEE"))⁴ increases by approximately 2.5 cents / kilowatt hour
575 ("kWh") in 2017 from 2016, based on current projections of fuel prices in 2017[, or by
576 about 4.2 cents/kWh even if 2017 fuel prices resemble those prevailing in 2016]. Over
577 the three years from 2017-2019, total average charges would be 3.3% lower than those
578 prevailing in 2014-2016, which averaged 22.6 cents / kWh. I must note that in making
579 these points, I am summarizing data presented and supported by other witnesses.




⁴ The PREPA Revitalization Act, Act 4-2016 (the "Revitalization Act") created PREPARC. PREPARC has separately sought from this Commission a Restructuring Order and proposes to issue Restructuring Bonds including bonds which are expected to yield at least \$725 million of present value savings to PREPA's Customers. The Revitalization Act and the establishment of Transition Charges to pay those bonds and certain associated costs, also involve an associated Adjustment Mechanism (a reconciliation mechanism). While the amounts collected by those Transition Charges are not property of PREPA, they are at least initially collected by PREPA as a servicer. The Revitalization Corporation's petition is pending before the Commission in docket No. CEPR-AP-2016-0001, and speaks for itself. Insofar as issues relating to Transition Charges and the Adjustment Mechanism are within the scope of this Petition, they will be addressed in more detail later herein.

580 The proposed new rates also provide for a formula rate mechanism going forward
581 that updates and reconciles the charges and revenues each year to ensure that the rates
582 neither over- nor under-recover PREPA's actual applicable costs of serving its customers.

583 The proposed rates reflect PREPA's efforts to restructure and to improve its
584 operations and lower its costs. PREPA's rate proposal also, in particular, reflects the
585 benefits of the restructuring of PREPA's very large pre-existing debt as agreed in the
586 RSA. The transactions contemplated by the RSA will result in significant debt service
587 savings and liquidity relief for PREPA and will ultimately reduce the costs of energy for
588 consumers. However, the savings and relief provided under the RSA are possible only if
589 PREPA fulfills its obligations under the RSA. Thus, approval of this petition is a
590 necessary condition for the consummation of PREPA's recovery plan.

591 The proposed new rates are consistent with the requirements of that restructuring
592 as contemplated by the RSA. The rates are designed to be collected alongside the
593 Transition Charges required by the restructuring. PREPA's proposed rates reflect the
594 reduced debt costs and other savings expected to flow from that restructuring and, in
595 particular, do not include duplicative costs of debt that PREPA anticipates will be legally
596 or economically defeased as a result of the restructuring. The rates proposed by PREPA
597 thus reflect the reductions in PREPA's costs of serving its customers that result from the
598 agreed upon restructuring of its debt. The proposed rates also reflect a formula
599 ratemaking mechanism, which also is called for by the RSA. PREPA's 1989 rates are
600 very out of date and do not enable PREPA to cover its operating costs and debt service.



601 The disparity between PREPA's costs and what is recovered through existing
602 rates is very significant and this revenue deficiency is unsustainable both legally and
603 practically.

604 **Q. In brief, what are the reasons for PREPA's proposed new interim rates, whether**
605 **called provisional rates or temporary or emergency rates?**

606 A. PREPA's cash flow crisis must be addressed, and it must be addressed before the new
607 permanent rates will become effective. PREPA currently has approximately \$550 million
608 in cash, of which approximately \$146 million is deposited in GDB accounts subject to a
609 moratorium. On July 1, 2016, PREPA owes approximately \$1.1 billion in principal and
610 interest under its existing revolving credit lines and power revenue bonds. If the initial
611 rate review takes a full 180 days as required by the statute, then the new permanent rates
612 may not go into effect until January 2017. That does not allow PREPA to manage the
613 cash flow crisis in the interim period. Please see the testimony of Ms. Donahue and the
614 other testimony directly supporting the provisional rates request.

615 **V. OTHER WITNESSES PRESENTING DIRECT**
616 **TESTIMONY ON BEHALF OF PREPA**

617 **Q. Please list and describe at a high level the testimony of the other witnesses**
618 **presenting direct testimony on behalf of PREPA.**

619 A. The following witnesses testify on the following subjects in relating to the "permanent"
620 rates request:

- 621 • Lisa Donahue, Managing Director and Global Leader of North American
622 Turnaround & Restructuring Services (TRS) at AlixPartners, LLP, and

623 Chief Restructuring Officer of PREPA, PREPA Ex. 2.0. This testimony
624 discusses PREPA's financial situation, and how this rate review relates to
625 the efforts to restructure PREPA's debt. This testimony also describes the
626 existing and ongoing efforts to reform PREPA and improve its operations,
627 including development of a business plan and operational cost savings
628 achieved and operational cost savings that have been estimated. This
629 testimony also presents information to address the subject matter of
630 Regulation No. 8720, Section 2.17(C), and explains the bases of this
631 analysis and its necessary limitations.

- 632 • Sonia Miranda, Director, Directorate of Planning and Environmental,
633 PREPA, and Antonio Perez Sales, Director , AlixPartners, LLP, Virgilio
634 Sosa, Director, AlixPartners, LLP, PREPA Ex. 3.0. This panel testimony
635 in more detail presents and supports PREPA's business plan. The
636 testimony discusses the development and nature of the plan, major
637 components, cost savings, the merits (benefits) of the plan, why the plan is
638 consistent with the proposed IRP, and why the plan is consistent with the
639 proposed debt restructuring. This panel also provides support for major
640 components of the revenue requirement.

- 641 • Ralph Zarumba, Director, Energy Practice Power Systems, Markets and
642 Pricing Group, Navigant Consulting, Inc. ("Navigant"), PREPA Ex. 4.0.
643 This testimony provides an overview of the permanent and provisional
644 rates requests and presents and supports the proposed rate structure

(design) for each set of rates. This testimony also discusses rate impacts (including the effects of renewable energy resources) and rate mitigation.

- Daniel Stathos, Associate Director, Navigant; Francis Pampush, Director, Navigant Economics, Inc.; and Lucas Porter, Managing Consultant, Navigant, PREPA Ex. 5.0. This panel testimony addresses and supports PREPA's revenue requirement (cost of providing its applicable services), both with the proposed debt restructuring and also in the scenario of the restructuring not being accomplished. This testimony addresses Fiscal Year 2014 (test year) costs and adjustments for known and measureable changes. This testimony also explains assumptions relating to the debt restructuring and the Transition Charges and Adjustment mechanism that are reflected in the revenue requirement. This testimony includes discussion of a long-run financial analysis of PREPA.
- Lawrence Kaufmann, Senior Advisor, Navigant, PREPA Ex. 6.0. This testimony provides a benchmarking analysis that compares PREPA's costs with those of other relevant utilities. This testimony also is pertinent to the "prudence" related subject matter of Regulation No. 8720, Section 2.17 (C), in that it supports the conclusion that PREPA's costs and rates meet substantive reasonability standards.
- Ross Hemphill, President, RCHemphill Solutions LLC, PREPA Ex. 7.0. This testimony discusses and supports PREPA's proposed formula rate mechanism, explaining why the mechanism meets the needs of PREPA, protects customers, and meshes with the IRP process.

- Ralph Zarumba, Director, Navigant, and Eugene Granovsky, Managing Consultant, Navigant, PREPA Ex. 8.0. This panel testimony presents and supports the allocated cost of service study, also known as an embedded cost of service study, regarding PREPA's costs and their causation. The study provides data regarding cost allocation under both revenue requirement calculations presented in PREPA Ex. 5.0, *i.e.*, with and without the debt restructuring.
- Ralph Zarumba, Director, Navigant, PREPA Ex. 9.0. This testimony presents a marginal cost of service study regarding PREPA's costs and their causation.

The following witnesses testify on the following subjects in relating to the provisional rates request:

- Lisa J. Donahue, Managing Director, AlixPartners, LLP, and Chief Restructuring Officer, PREPA, PREPA Ex. 10.0. This testimony addresses PREPA's liquidity (cash flow) problems in support of the request for provisional rates. This testimony also refers back to PREPA Ex. 2.0.
- Dan T. Stathos, Associate Director, Navigant, PREPA Ex. 11.0. This testimony supports the calculation of the revenue deficiency that creates the need for provisional rates.
- Ralph Zarumba, Director, Navigant, PREPA Ex. 12.0. This testimony presents and supports the proposed rate structure for the proposed

690 provisional rates, including but not limited to the rate design and the
691 reconciliation design, and in doing so incorporates the applicable portions
692 of PREPA Ex. 4.0.

693 **VI. CONCLUSION**

694 **Q. Does this complete your direct testimony?**

695 **A. Yes.**



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

**IN RE: REVIEW OF RATES OF THE
PUERTO RICO ELECTRIC POWER
AUTHORITY,**

Petitioner.

NO. CEPR-AP-2015-0001


SUBJECT: Affidavit of Ernesto Ramos
Morales, Puerto Rico Electric Power
Authority Chief Financial Officer

AFFIDAVIT OF ERNESTO RAMOS MORALES

1. I, Ernesto Ramos Morales, of legal age, accountant, married, and resident of Aguas Buenas Puerto Rico, in my capacity as Chief Financial Officer, declare under oath as follows:

2. My name and personal information are those set forth above.

3. I am employed as Chief Financial Officer with the Puerto Rico Electric Power Authority ("PREPA"). I am responsible for the general supervision of finance activities, presenting and reporting accurate and timely historical financial information and evaluate the PREPA's liquidity. In particular, I oversee and review PREPA's yearly auditing and preparation of audited financial statements per Fiscal Year.

 4. The most recent complete audited financial statements PREPA has available, which were completed by Ernst & Young, LLP (the "Auditor"), are for Fiscal Year 2014.

5. PREPA was in the process of obtaining audited financial statements for Fiscal Year 2015. However, a change in the scope and breadth of the Fiscal Year 2014 audit caused a cessation in their completion due to renewed negotiations between PREPA and the Auditor concerning the cost and fees associated with the additional scope of said audit.

6. PREPA and the Auditor are actively negotiating in good faith to resolve the issues which are the cause of the temporary delay in completing the audited financial statements for Fiscal Year 2015.

7. PREPA commits to provide the Energy Commission (the "Commission") with a complete set of audited financial statements for Fiscal Year 2015 by October 31, 2016, or as they become available, at the earlier of either date.

8. As a reasonable substitution, PREPA provided the Commission with audited financial statements for Fiscal Year 2014 on May 12, 2016.

9. Obtaining audited financial statements for Fiscal Year 2015 is a top priority for PREPA. PREPA has a goal of completing said statements prior to the completion of the securitization process where the Puerto Rico Electric Power Authority Revitalization Corporation's Petition is now pending in a docket that is separate from the instant rate review, *i.e.*, docket No. CEPR-AP-2016-0001.

10. With respect to any "known and measureable adjustments" contained in PREPA's Verified Petition for Approval of (1) "Permanent" Rates and (2) Temporary Rates that rely on financial information for FY 2015, such information is accurate and I am not aware of any necessary adjustments.

Affiant does not state further.

In San Juan Puerto Rico on May 26, 2016



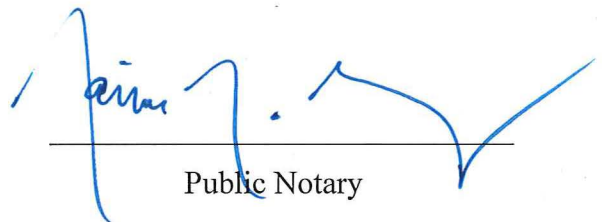
Ernesto Ramos Morales

Affidavit No. 3,571

Sworn and subscribed before me by Ernesto Ramos Morales, of the personal circumstances above mentioned, whom I personally know, in San Juan Puerto Rico on May 26, 2016.



EXENTO PAGO ARANCEL
LEY 47
4 DE JUNIO DE 1982



Public Notary

ATTESTATION

Affiant, Javier Quintana- Méndez, 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.


Javier Quintana- Méndez

Affidavit No. 3,581

Acknowledged and subscribed before me by Javier Quintana- Méndez, of the personal circumstances above mentioned, in his capacity as Executive Director of Puerto Rico Electric Power Authority, who is personally known to me or whom I have identified by means of his driver's license number _____, in San Juan, Puerto Rico, this 26th day of May 2016.


Public Notary



EXENTO PAGO ARANCEL
LEY 47
4 DE JUNIO DE 1982