

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO ENERGY BUREAU**

IN RE: REVIEW OF THE PUERTO  
RICO ELECTRIC POWER  
AUTHORITY INTEGRATED  
RESOURCE PLAN

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NO. CEPR-AP-2018-0001

**SUBJECT:** Direct Testimony of Todd W.  
Filsinger

Direct Testimony of  
**TODD W. FILSINGER**  
Chief Financial Advisor  
Puerto Rico Electric Power Authority  
February 12, 2019

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1 **I. INTRODUCTION AND SUMMARY**

2 **A. Witness Identification**

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

4 A. My name is Todd W. Filsinger. I am a Senior Managing Director at Filsinger Energy  
5 Partners ("FEP"), an energy-sector advisory firm, and, since December 2017, have served  
6 as Chief Financial Advisor to the Puerto Rico Electric Power Authority ("PREPA"). My  
7 business address is 80 Madison Avenue, Denver CO 80206.

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

9 A. I am testifying on behalf of PREPA in my capacity as Chief Financial Advisor. One of  
10 my colleagues with FEP, Matthew Lee, is also testifying on behalf of PREPA on the  
11 subjects I address in this Direct Testimony. Mr. Lee was involved personally in the  
12 collaborative processes through which the plans I discuss were developed and refined,  
13 and he will offer additional support for the conclusions and recommendations I am  
14 offering. Mr. Lee's Direct Testimony is identified as PREPA Exhibit ("Ex.") 5.0.

15 **Q. Have you previously provided testimony before the Energy Bureau?**

16 A. I have not.

17 **B. Summary of Direct Testimony**


18 **Q. What are the purposes and subjects of your Direct Testimony?**

19 A. The subject and purpose of my testimony is to provide a high-level overview of PREPA's  
20 Integrated Resource Plan (the "IRP"), and, in particular, its Preferred Resource Plan, as  
21 detailed in the Action Plan. The IRP is presented in this proceeding as PREPA Ex. 1.0.

22 The Action Plan is found in Part 10 of the IRP, PREPA Ex. 1.0. PREPA's IRP  
23 consultant, Siemens Power Technologies International ("Siemens"), through Dr. Nelson  
24 Bacalao, is presenting detailed Direct Testimony in support of the Action Plan, which  
25 was developed at the direction of and in close collaboration with PREPA's management.  
26 This testimony appears as PREPA Ex. 6.0. The IRP and its associated Action Plan have  
27 the support of PREPA's senior management, as expressed by Executive Director and  
28 Chief Executive Officer ("CEO") José Ortiz Vázquez in his Direct Testimony, PREPA  
29 Ex. 3.0.

30 Q. **What are your conclusions and recommendations?**

31 A. The IRP was developed through a rigorous process that began with and regularly engaged  
32 PREPA's stakeholders. It considered multiple scenarios and applied to those scenarios  
33 various resource strategies that, among other things, varied in their emphasis on  
34 centralized generation versus increased reliance on distributed generation alternatives.  
35 The Action Plan is aligned with PREPA's and the Government of Puerto Rico's  
36 objectives in that it is designed to improve, cost effectively, the resiliency of the  
37 Commonwealth's electric utility system through the integration of minigrids and  
38 distributed generation resources which will be strategically located to serve critical loads.  
39 These distributed generation resources will largely comprise renewable energy resources  
40 of sufficient quantity to achieve Puerto Rico's renewable energy portfolio standards (the  
41 "RPS") and battery storage. It is my conclusion that the IRP, and the Action Plan that  
42 came out of it, are in the interest of the people of Puerto Rico, and that they should be  
43 approved.



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


45 A. Yes. My testimony includes the following exhibit:

- 46 • PREPA Ex. 4.01 – my *curriculum vitae*

47 C. **Qualifications and Professional Background**

48 Q. **What are your duties and responsibilities at FEP?**

49 A. FEP is an independent energy advising firm consisting of senior executives and experts  
50 who have decades of experience in the power sector and other sectors of the energy  
51 industry. I lead and provide overall direction in FEP's provision of services to  
52 participants in the energy sector. Our firm advises clients on issues relating to utility and  
53 energy company restructuring; the development, purchase and disposition of utility-scale  
54 power generation assets; pursuit of facility and enterprise-wide operational  
55 improvements; utility and project finance; utility budgeting, billing and collection, and  
56 other areas. In addition, we provide services including the performance of independent  
57 engineering reviews of utility and power generation operations, advising on utility and  
58 power generator financing, transmission and distribution operations, power supply  
59 planning, assisting in construction monitoring, and advising on facility start-up, testing,  
60 and operation and maintenance, as well as interim management services in the energy  
61 sector. We also complete financial evaluations to support power supply investment and  
62 business decisions.



63 Q. **What are your duties and responsibilities as the Chief Financial Advisor to PREPA?**


64 A. In my capacity as PREPA's Chief Financial Advisor, I oversee an office that has been  
65 established in accordance with PREPA's revised Fiscal Plan to support PREPA's CEO.



66 The members of my office and I provide the CEO with general financial and managerial  
67 support on such matters as budgeting, financial management, cash management, and  
68 expense approval. We also advise and support the CEO in the implementation of the  
69 fiscal and operational restructuring reforms and initiatives outlined in the certified Fiscal  
70 Plan and the implementation of the certified Budget. We assist and support the CEO on  
71 any other matters on which he requests our help. Members of the office of the Chief  
72 Financial Advisor, including Mr. Lee and me, have been involved in the IRP  
73 development process, and in the formulation of the Action Plan that I will discuss.

74 Q. **What is your professional background?**

75 A. Over the course of my 32-year career, I have assisted utility, energy and other  
76 commodity-based businesses, including both regulated utilities and merchant energy  
77 market participants, in the areas of economic evaluation, forecasting, strategy, regulatory  
78 compliance, asset divestiture and capital allocation, and have provided interim  
79 management solutions to energy companies experiencing financial difficulties. I am a  
80 specialist in “turn-arounds” of energy sector companies, and have been involved in  
81 numerous energy company restructurings. I have served as an interim executive leader  
82 for several companies that have hired me to guide them through industry restructurings  
83 and the restructuring of their own businesses and operations. Before taking on the role of  
84 Chief Financial Advisor to PREPA in 2017, I served as the Lead Energy Advisor to the  
85 debtors in the bankruptcy restructuring of Energy Future Holdings, including its  
86 wholesale and retail electric power companies, Luminant and TXU Energy. I also served  
87 as the Interim Chief Executive Officer and Interim Chief Financial Officer of Hawkeye



88 Growth and the Chief Operating Officer, Chief Commercial Officer and an Energy  
89 Restructuring Advisor for Calpine Corporation.

90 Q. **What is your educational background?**

91 A. I earned a B.S. in Mechanical Engineering at Colorado State University in 1986 and a  
92 Master's in Business Administration by the University of Colorado in 1990. I am a  
93 Registered Professional Engineer in the State of Colorado, and am accredited by the  
94 American Society of Appraisers as a Senior Appraiser of Public Utility Property.

95 Q. **Have you appeared as a witness in other energy regulatory proceedings?**

96 A. I have. Over the preceding five years, I have testified as an expert at trial or by  
97 deposition in the following matters:

98 *The Financial Oversight and Management Board for Puerto Rico as representative of*  
99 *Puerto Rico Electric Power Authority, Case 17 BK 04780 (LTS), PROMESA Title III, in*  
100 *the United States District Court for the District of Puerto Rico, 2018;*

101 *Ampersand Chowchilla Biomass, LLC, as Massachusetts limited liability company, and*  
102 *Merced Power, LLC, a California limited liability company, Case 1:14-cv-00841-MCW,*  
103 *United States Court of Federal Claims, 2017-2018. (ARRA 1603 case for two renewable*  
104 *facilities in California);*

105 *Sandy Creek Energy Associates, L.P. v. Lower Colorado River Authority, AAA No. 01-*  
106 *16-0002-6892, American Arbitration Association, 2017;*

107 *NRG Renew LLC v. SunPower Corporation, Case MSC14-00504, Superior Court of the*  
108 *State of California in and for the County of Contra Costa, 2017;*

109 *Arkansas River Power Authority, Civil Action No. 14-cv-00638-CMA-BNB, in the*  
110 *United States District Court for the District of Colorado, 2015, 2016;*

111 *Luminant Generation Company v. Somervell Central Appraisal District, Cause Number*  
112 *C10412, Somervell County, TX, 2016;*

113 *Energy Future Holdings Corp., et al., Case No. 14-10979 in the United States*  
114 *Bankruptcy Court for the District of Delaware, 2014-2015;*


115 *Ponderosa Pine Energy, LLC, Ad Hoc Arbitration, Dallas, Texas, 2015; and*

116 *Western Biomass Energy LLC*, Case No. 12-21085 in the United States Bankruptcy Court  
117 for the District of Wyoming, 2013.

118 **II. PREPA'S ACTION PLAN**

119 **Q. What is PREPA's Action Plan?**

120 A. The Energy Bureau's directives call for the IRP to include an Action Plan for the next  
121 five years, subject to the statutory three year cycle for IRP review. PREPA's Action Plan  
122 is set forth in Part 10 of the IRP main Report (PREPA Ex. 1.0). The Action Plan  
123 incorporates PREPA's preferred approach to the improvement of the Commonwealth's  
124 electric utility system by, among other things, creating minigrids that will incorporate  
125 sufficient localized generation to serve critical loads connected to each minigrid under  
126 conditions of system stress. The Action Plan envisions the implementation of elements  
127 of two least-cost scenarios developed through the IRP process that are commonly referred  
128 to as the Energy System Modernization Plan (the "ESM Plan") and Scenario 4 Strategy 2  
129 ("S4S2"). The ESM Plan reflects PREPA's preferred locations for certain generating  
130 assets, while S4S2 identifies alternatives that could be deployed during Action Plan  
131 execution should site specific circumstances or market conditions warrant deviations  
132 from that Plan.



133 **Q. How was the Action Plan developed?**


134 A. The Action Plan was developed by a collaborative working group led by PREPA and the  
135 Puerto Rico Central Office for Recovery, Reconstruction and Resiliency ("COR3");  
136 supported by advisors to PREPA and COR3, including FEP. The Action Plan reflects  
137 significant input from other utility industry experts and governmental agencies, such as



138 the U.S. Department of Energy. It envisions implementation of the various initiatives  
139 identified by PREPA, COR3, their advisors and other stakeholders in the ESM Plan and  
140 in the IRP's S4S2 scenario.

141 Q. **Please describe the Action Plan in a bit more detail.**

142 A. The Action Plan represents PREPA's preferred implementation strategy considering all  
143 other plans that were evaluated during the recent IRP process. There is a great deal of  
144 commonality among those plans; however, the Action Plan, which draws primarily on the  
145 ESM and S4S2 scenarios, represents the least-cost option available to achieve PREPA's  
146 stated objectives of improving system resiliency through the integration of minigrids and  
147 distributed generation. It envisions the deployment of distributed generation technologies  
148 that conform to RPS requirements and makes provision for options to increase renewable  
149 energy integration should Puerto Rico elect to increase its RPS requirements.



150 Q. **Does PREPA believe that the Action Plan is in the best interests of the people of**  
151 **Puerto Rico?**

152 A. Yes, it does.


153 Q. **Do you share that view?**

154 A. I do.

155 Q. **Why?**

156 A. The devastation caused by Hurricane María exposed critical vulnerabilities in the current  
157 physical condition and configuration of the Puerto Rico electrical grid. The lack of  
158 functional microgrid technologies and sufficient distributed generation resources – which


159 can operate autonomously from the centralized grid, helping to mitigate grid disturbances  
160 – resulted in large areas of Puerto Rico being without electricity for many months  
161 following the disaster. As Puerto Rico rebuilds its electrical infrastructure, it must do so  
162 in an integrated manner in order to balance and optimize resiliency, economics, and  
163 sustainability. The Action Plan aims to achieve not only a low-cost outcome to meet  
164 future electricity demand, but also significantly improved reliability in a sustainable,  
165 economically sound, and environmentally responsible manner. In addition, the Action  
166 Plan is consistent with current initiatives which PREPA and other Puerto Rico agencies  
167 are pursuing to support broader transformation objectives established by the Governor  
168 and the Fiscal Oversight and Management Board.



169 The Action Plan proposes to begin procurement activities for all of the “no  
170 regrets” / “minimum regrets” resource options identified in the ESM and S4S2 plans.  
171 Because the resource options presented in the IRP are based on estimated costs and  
172 assumed project feasibility, it is not known today whether the cost estimates are accurate  
173 or whether project development activities are feasible. The answers to these questions  
174 can only be known with any certainty once the selected resource options are subjected to  
175 an RFP process and site-specific evaluations. By proposing the pursuit of all of the “no  
176 regrets /minimum regrets” resource options, the Action Plan preserves flexibility and  
177 optionality in the event that certain resource options cannot be developed or procured as  
178 expected as a result of issues encountered through site-specific evaluations or responses  
179 of prospective resource developers on the basis of then-current market conditions.

180 Q. The Energy Bureau's Regulation No. 9021 sets forth a variety of criteria that are to  
181 be applied in selecting a Preferred Resource Plan. Did PREPA apply these criteria  
182 in selecting the Action Plan?

183 A. Yes, it did. I understand that Regulation No. 9021, at section 2.03(H)(2)(d), lists as  
184 criteria for use in selecting the Preferred Resource Plan (i) minimization of the present  
185 value of revenue requirements; (ii) system reliability; (iii) short- and long-term risk;  
186 (iv) environmental impacts; (v) transmission needs and implications; (vi) distribution  
187 needs and implications; (vii) financial impacts on PREPA; and (viii) the public interest.  
188 At section 2.03(H)(2)(d)(iii), Regulation No. 9021 provides that the Preferred Resource  
189 Plan need not be the lowest-cost portfolio evaluated, so long as the reasons for choosing a  
190 portfolio that is not lowest-cost are described in detail. PREPA took those factors into  
191 consideration, as is reflected in the IRP, the Action Plan and the testimony Mr. Lee and  
192 Dr. Bacalao are presenting.



193 **III. CONCLUSION**

194 Q. What action or actions do you recommend that the Energy Bureau take in this  
195 proceeding?

196 A. I recommend that the Energy Bureau find and conclude that the IRP and the Action Plan  
197 it has yielded should be approved as being in the best interest of the people of Puerto  
198 Rico.

199 Q. Does this conclude your Direct Testimony?

200 A. Yes, it does.



**ATTESTATION**

Affiant, Todd W. Filsinger, being first duly sworn, states the following: The prepared Pre-Filed Direct Testimony and the information, documents and workpapers attached thereto and the portions of the IRP filing 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.

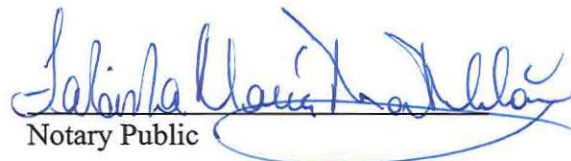
  
TODD W. FILSINGER

Affidavit No. 112

Acknowledged and subscribed before me by Todd W. Filsinger, of the personal circumstances above mentioned, in his capacity as Chief Financial Advisor to the Puerto Rico Electric Power Authority, who is personally known to me or whom I have identified by means of his driver's license number Colorado 92-070-9876, in San Juan, Puerto Rico, this 13 day of February 2019.

EXENTO PAGO ARANCEL  
LEY 47  
4 DE JUNIO DE 1982



  
Notary Public