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STATE OF FLORIDA



DIVISION OF  
ACCOUNTING AND FINANCE  
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## Public Service Commission

June 7, 2018

### Re: Letter of Reference for Saber Partners, LLC

To Whom it May Concern:

On two occasions, Saber Partners, LLC, led by its chief executive officer, Joseph Fichera, has provided the Florida Public Service Commission and its staff with professional guidance and assistance of the highest quality. They advised staff and the Commissioners on the capital markets and investor-owned utility (IOU) securitization between 2005-07 and 2015-16. Saber's work with the Commission was instrumental in providing Florida's ratepayers with tangible and quantifiable benefits, including tens of millions of dollars of additional ratepayer savings during the securitization process. We highly recommend Saber Partners to any organization, but in particular to other Commissions considering the use of securitization.

Our recommendation is based upon the fact that IOU securitization is a highly complex and specialized financing transaction. IOU securitization is a non-traditional corporate financing tool. When legislatures and Commissions authorize the use of this financing tool, ratepayer savings may not always be maximized. Securitization is not similar to traditional debt or equity utility securities, nor to traditional asset-backed securities or to municipal public power bonds. The securitization process requires specialized corporate and technical knowledge and expertise that is beyond the traditional oversight of utility financings that the Commission and its staff conduct. Saber Partners is the firm who offered us the highest level of expertise and integrity required to best serve the public interest.

### Evaluation of Saber Partners During the Three Phases of Utility Securitization

Specifically, our recommendation is based on a review of Saber Partners' performance during the three distinct phases of IOU securitization:

1. Review of the IOU's application, preparation of interrogatories, review of discovery, responses to interrogatories and the provision of expert witnesses direct and rebuttal testimony on behalf of the Commission staff;
2. Drafting the irrevocable financing order, which helps the bonds achieve a top credit rating and are subsequently marketed to institutional investors;
3. Implementation of the bond offering and representing the Commission in all phases of the financial modeling, structuring, marketing and pricing of the bonds to achieve the lowest cost to ratepayers under the then current market conditions.

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During each phase, the Saber Partners team provided us with superior in-depth, technical and professional advice. Their diligent efforts yielded significant and material ratepayer benefits. They made a highly complex transaction relatively uncomplicated and straightforward in its implementation.

In phase one, Saber Partners' assistance to staff during the review of the utility's application was excellent. They assisted in the preparation of specific interrogatories in the review of responses that made the most efficient use of staff resources. Their direct expert-witness testimony was comprehensive, detailed and persuasive. Having been involved in IOU securitization since 2001, they deployed their comprehensive knowledge that was not readily available to staff and others.

In phase two, the Commission's irrevocable financing order is the core document of the securitization transaction. To achieve the highest possible investment credit ratings, the lowest possible costs to consumers and the greatest protection of consumers, the financing order needs to be carefully drafted. Working with our independent counsel, Saber Partners provided detailed recommendations to improve the draft order provided by the utility, and they achieved significant ratepayer protections and enhancements.

In the final phase, we found that Saber Partners' 20-year experience with investors, underwriters and other market participants with IOU securitization gave our transactions a distinct advantage in the market. Their experience in financial modeling the customer charge and Commission adjustment mechanism (true-up) ensured a rigorous audit of the utility's proposal and offered changes to the customer's benefit.

Moreover, Saber Partners had the experience and market stature to challenge and assist in negotiating items when necessary to maximize ratepayer benefits with other transaction parties such as underwriters, rating agencies, the SEC and others.

### **Two Separate Evaluations 10 Years Apart**

It is important to note that the FPSC worked with and evaluated Saber Partners twice over an 11-year period. The Florida state legislature authorized the FPSC to issue irrevocable financing orders to support storm recovery and nuclear asset recovery ratepayer-backed bonds in 2005 and 2015, respectively. These transactions were a first-time use of securitization for each applicant IOU and for the specific costs not financed for any other utility, i.e., storm recovery and nuclear asset retirement costs.

To find the right expertise, the FPSC conducted two nation-wide competitions for a financial advisor. In each case, Saber Partners was the unanimous choice of our independent evaluation committee.

Attached to this letter are the public rankings of our evaluation committees in 2005 and 2015. Though 10 years apart – each evaluation team ranked Saber Partners #1 in every category.

Saber Partners approached each assignment with a complete and thorough review of the financial markets and a deep understanding of the risks attendant to these transactions. They implemented

a highly conservative approach to developing the economics of the transactions and ensuring the accountability of all transaction participants.

Specifically, Saber Partners had a deep staff of experienced and highly qualified financial and technical individuals required for these complex tasks. Despite the large turnover in personnel among investors and underwriters since the financial crisis of 2008, the Saber Partners advisory team is the same today. We found their combination of senior executive experience in the banking, corporate and utility businesses set them apart from other advisors. That enables them to help the Commission achieve the lowest financing cost for the ratepayer by identifying and enabling “best practices” from all parties in the securitization transaction.

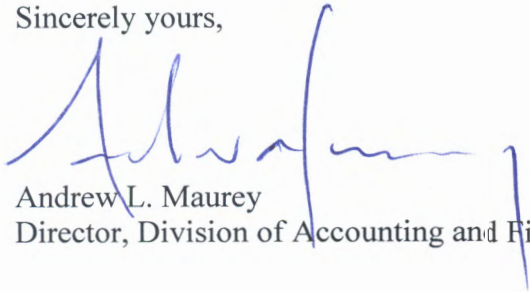
Our two performance evaluations showed that Saber Partners-supervised IOU securitization transactions were optimally structured and achieved record low-cost interest rate credit spreads versus independent US Treasury benchmarks and other AAA-rated securities when compared directly with IOU securitizations done in other states. This applied to other consumer protections in the complex legal documentation of the transaction. After careful investigation, review and analysis, we believe these results were directly due to Saber Partners’ experience, expertise and diligent efforts.

In addition, at Saber Partners’ recommendation, the Florida Commission retained Orrick, Herrington & Sutcliffe LLP (“Orrick”), using Dean Criddle as the FPSC’s outside legal counsel for these two IOU securitization transactions. Saber Partners, Orrick and Mr. Criddle have a very highly regarded group of seasoned and exceptional senior advisors on the team that can be called upon for advice and counsel.

We strongly and enthusiastically recommend Saber Partners, without reservation, to any Commission seeking to achieve an efficient and effective transaction at the lowest ratepayer cost that maximizes ratepayer benefits and protections. We could not have asked for a better financial advisor.

If you have any questions, please feel free to give me a call.

Sincerely yours,



Andrew L. Maurey  
Director, Division of Accounting and Finance

Attachments

Evaluation of Respondents by Florida Public Service Commission  
 Independent Evaluation Committee 2015  
 RFP May 18, 2015

Financial Advisor for Investor-Owned Utility Securitization  
 Nuclear Asset-Recovery Bonds

Florida Public Service Commission RFP Evaluation Sheet																		
			First Southwest				Pathfinder Capital Advisor LLC				Saber Partners LLC				Public Resources Advisory Group			
Categories	Points	Max Possible	Evaluator			Total Points	Evaluator			Total Points	Evaluator			Total Points	Evaluator			Total Points
			A	B	C		A	B	C		A	B	C		A	B	C	
Qualification	25	75	21	25	23	69	15	25	22	62	24	25	25	74	16	25	24	65
Experience	30	90	22	30	28	80	24	25	25	74	28	28	30	86	16	26	29	71
Scope of Service	25	75	24	25	24	73	20	25	23	68	25	25	25	75	18	25	24	67
References	5	15	3	5	5	13	3	5	5	13	4	5	5	14	3	5	5	13
Compensation	15	45	15	10	14	39	8	8	12	28	12	15	15	42	5	5	13	23
Total	100	300	85	95	94	274	70	88	87	245	93	98	100	291	58	86	95	239

FPSC Comparative Ranking	2	2	3	3	3	4	1	1	1	4	4	2
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Florida Public Service Commission  
RFP for Financial Advisory and Expert Witness Services  
RFP 05-01  
September 28, 2005

Ranking of Financial Advisors

	Evaluator 1		Evaluator 2		Evaluator 3		Evaluator 4		Evaluator 5		Average Rank	Total Points
	Rank	Points	Rank	Points	Rank	Points	Rank	Points	Rank	Points		
C.H. Guernsey & Co.	4	49	4	65	5	78	5	60	4	49	4.4	301
Public Resources Advisory Group	2	73	2	83	2	92	2	92	2	70	2	410
<b>Saber Partners, LLC</b>	<b>1</b>	<b>93</b>	<b>1</b>	<b>90</b>	<b>1</b>	<b>99</b>	<b>1</b>	<b>99</b>	<b>1</b>	<b>72</b>	<b>1</b>	<b>453</b>
Vantage Consulting, Inc.	5	44	4	65	3	91	4	75	5	42	4.2	317
Via Fianance	3	69	3	72	4	90	3	82	3	58	3.2	371