

T&D P3 Project – Request for Clarification ("RFC") Log

October 2020



**Puerto Rico Electric
Power Authority**

Strictly Private and Confidential



T&D P3 Project RFC Log - 10/14/20

#	Topic	Dataroom Reference	Question	Response	Date Answered
1	Integrated Resource Plan	1.5.3	The Integrated Resource Plan includes T&D portions that are redacted due to it being CEII. Are we able to see the redacted T&D information?	Yes. The unredacted versions of the IRP are available in the Independent Engineer and Technical folder in the dataroom, under sub-folder 2018-19 IRP (Index 1.5.3). Also, please note that we have posted additional workpapers in Index 1.5.3.6.	4/12/2019
2	Finance		What is the 2018 deferred balance of the Contributions in Lieu of Taxes (CILT) account that is due to municipalities. Who bears this responsibility after the concession is complete?	The deferred balance of CILT payable to municipalities is offset by receivables from municipalities. The balances are recorded per requirement of the Trust Agreement, and any legacy payables or receivables will not be carried over to the concession except where agreed upon. The primary responsibility of the concessionaire / operator will be calculating and billing the CILT and Subsidy rate riders, and collecting billed sales from customers.	4/12/2019
3	Legal	1.12.2	What is the total employee count for the T&D concession? Please break down current employee count by office and also contract or full time employee.	All non-generation directorate employees would be considered for the T&D concession, approximately 4,500 regular employees. The active employee roster of positions by directorate and office can be found in the Human Resources folder, Staffing sub-folder (Index 1.12.2).	4/12/2019
4	Legal		Does the new cooperative law require the concessionaire to sell distribution systems in order to help locals form cooperatives?	SB1121 (signed into law on April 11th) provides that electric service companies and microgrids (which may include energy cooperatives) shall have the right to demand interconnection to the transmission and / or distribution network under conditions that are non-discriminatory, when it is technically feasible, consistent with the Integrated Resource Plan and the regulations of the Energy Bureau. PREPA or the T&D Concessionaire / Operator will also be required to develop a microgrid interconnection regulation. The T&D Concessionaire / Operator shall evaluate interconnection requests pursuant to the regulation. If the T&D Concessionaire / Operator denies the interconnection of a microgrid or determines that additional technical requirements or improvements to the distribution system are required, the party requesting interconnection may seek the review of the Energy Bureau.	4/12/2019
5	Federal Funding		It is our understanding that the FEMA 428 program requires an estimate to be delivered by October 2018. Can we have access to the preliminary 428 estimate?	The FEMA 428 program currently requires an estimate to be delivered by October 2019. Determining the preliminary estimate is an active and ongoing process in close coordination with FEMA, and the current discussion still focuses on cost-estimate procedures. However, the latest Grid Modernization Plan assess the cumulative cost estimate for Transmission and Distribution to be \$12.21 billion from 2019 through 2028.	4/12/2019
6	Legal		Have the four collective bargaining agreements been translated into English?	The CBA's have not been translated in English.	4/12/2019

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7	Finance	1.5.4	Are there any more recent annual reports on electric property completed by Consulting Engineers/URS. The most recent available is 2013.	To date, there are no more recent reports on the T&D system. However, an Independent Engineer report is currently in progress. Please find select draft releases of this ongoing report in dataroom folder Index 1.5.4.	4/12/2019
8	Title III		In PREPA's Title III case, do you know if a Restructuring Support Agreement was reached on or before February 12, 2019? If not, has the date been extended, and if so, until when?	On April 9, AAFAF, the Oversight Board, Assured Guaranty and the Ad Hoc Group of PREPA bondholders (the "Moving Parties") announced they have reached an agreement in principal with regards to a Definitive Restructuring Support Agreement ("RSA") to restructure PREPA's existing debt obligations, which provides that certain PREPA debt must remain tax-exempt. Assured Guaranty and the Ad Hoc Group represent holders of approximately 50% of outstanding PREPA bonds. Despite negotiations with National and Syncora (the two other Monoline insurers of PREPA's bonds that collectively hold less than 15% of outstanding PREPA bonds), no agreement has been reached with these parties. The Moving Parties are currently in the final stages of documenting and executing the agreement and are seeking to extend various deadlines until April 26 in order to finalize and execute the Definitive RSA and prepare various motions for the courts approval for the debt restructuring.	4/12/2019
9	Information Technology		Please provide maps overviewing the microwave network used by PREPA	Please find the maps of the microwave network posted to dataroom folder index 1.11.5	4/15/2019
10	Environmental		According to the Environmental Compliance whitepaper, PREPA has 250 transformers that are not in compliance with the Toxic Substances Control Act. How many of these 250 transformers have been replaced?	The statement in the Environmental Compliance Whitepaper regarding the 250 transformers that remain to be disposed of was intended to provide a rough estimate of the number of PCB Contaminated Transformers that PREPA estimated to still be in service at the time of drafting to the best of PREPA's knowledge; however, the number of such transformers that are still in service could be more or less. Note that for the PCB Contaminated Transformers that are still in service, the Toxic Substances Control Act does not require that they be removed from service provided that certain use conditions are met (e.g., the transformers cannot be leaking oil or in bad condition). Thus, these transformers are not necessarily in noncompliance.	4/23/2019
11	Customer Service		What percentage of the customer's bill is fixed?	This varies broadly by tariff and customer class. For general residential, there is a \$4 per month fixed charge, which comprises approximately 20% of basic residential revenue and 5% of total revenue.	5/9/2019

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12	Customer Service		What percentage of revenues come from government entities?	Revenues from government entities that are considered "collectible" or "non-excluded" are approximately 12% of revenues. Municipal consumption called contributions in lieu of taxes ("CILT"), municipal public lighting, and government mandated subsidies (e.g. low income public housing) is not included in this amount.	5/9/2019
13	Customer Service		What percentage of revenues are subsidies?	Municipal contributions in lieu of taxes ("CILT") is estimated to be approximately 2.5% of total revenues, public lighting approximately 3% of total revenues, and subsidies for low income and other special customers is approximately 3.5% of total revenues, for a total of approximately 9% of total.	5/9/2019
14	Generation		Please provide generation dispatch information	For additional information on generation dispatch please refer to the Fuel and Purchase Power summary file in the data room at Index (1.3.6.7).	5/9/2019
15	Human Resources & Labor		What happens to PREPA employees that go to government and are licensed without pay - would the private partner be obligated to retain them? How many of such employees are there right now?	<p>There are twenty-three (23) cases, detailed below, of PREPA employees that are licensed without pay, and assigned to other government agencies / public corporations. These employees normally return to PREPA once their appointment to these governmental agencies ends. As the below data suggests, there are only 10 employees that are directly related to T&D functions (T&D and Customer Service). All PREPA employees are engaged either in operations or as a support to operations.</p> <p>License without Pay</p> <ul style="list-style-type: none"> - Customer Service – 6 employees - Generation – 7 employees - Finance – 2 employees - Transmission and Distribution – 4 employees - Legal Affairs – 1 employee - Executive – 1 - Human Resources – 1 - Planning – 1 	5/9/2019
16	Human Resources & Labor		Do unions comply with NLRB?	The unions are certified by state law and comply with the Puerto Rico Labor Relations Board. With regards to PREPA, they are not certified by the NLRB.	5/9/2019
17	Human Resources & Labor		What is a typical lineman's marginal tax bracket? What is their take-home pay?	Puerto Rico income tax brackets can be found in the PWC summary in folder 1.12 Human Resources. Average PREPA employee take home pay (salary) is approximately \$40k per year. Average tax rate on \$40k is approximately 8%, and marginal tax rate above \$41.5k is 25%, and 33% above \$61.5k.	5/9/2019

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18	Legal		How many arbitration / grievances are there on an annual basis? What is the nature of these cases?	<p>Arbitration Department (Natural Years):</p> <ul style="list-style-type: none"> - 714 claims in 2016 - 453 claims in 2017 - 526 claims in 2018 <p>Nature: Risk Bonus, Christmas Bonus, Job Postings, Traveling Time, Overtime, Reemployment, Health Care Plan</p> <p>Special Procedures Subdivision (Natural Years):</p> <p>Cases before the Puerto Rico Labor Relations Board:</p> <ul style="list-style-type: none"> - 20 cases in 2014 - 176 cases in 2015 - 1000 cases in 2016 - 165 cases in 2017 - 271 cases in 2018 - 385 cases in 2019 <p>Cases before the Conciliation and Arbitration Bureau:</p> <ul style="list-style-type: none"> - 321 Subcontracts – 11 Extraordinary Improvements in 2015 - 118 Subcontracts – 5 Extraordinary Improvements in 2016 - 591 Subcontracts – 2 Extraordinary Improvements in 2017 - 204 Subcontracts in 2018 - 40 Subcontracts in 2019 <p>*Subcontracts:</p> <ul style="list-style-type: none"> - Unions' claims under Article IV of the respective Collective Bargaining Agreements. This Article forbids PREPA from subcontracting any company to perform duties belonging to the unions except under specific circumstances delineated in each of the Collective Bargaining Agreements. <p>**Extraordinary improvements to property:</p>	5/9/2019
19	Regulatory		Would document retention policy change if run by private operator? And broadly which rules that currently apply to PREPA as a government entity, would continue to apply to the private partner?	<p>The Operator will only have such obligations with respect to document storage as are established under the O&M Agreement.</p>	5/9/2019
20	Regulatory		How does Act 120 impact employee retention?	Act 120 does not require that Operator employ any PREPA employees. The O&M Agreement will require that the Operator interview PREPA employees. The requirements of Act 120 will only apply to PREPA employees that the Operator decides to hire.	5/9/2019
21	Title III		How do CBAs fit into the Title III discussion?	This is still subject to discussion and analysis. We are open to receiving suggestions.	5/9/2019

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22	Financial Model		Please provide status of process to file Form 428/PW documents. Include the elements on the forms which are being calculated and how PREPA is creating these estimates (e.g. how are escalation, risk factors and other parameters developed, what schedule assumptions are built into estimates). Please provide any draft forms that PREPA has completed if that is available.	The FEMA 428 program currently requires an estimate to be delivered by PREPA by October 2019. Determining the preliminary estimate is an active and ongoing process in close coordination with FEMA, and the current discussion focuses on cost-estimate procedures. PREPA, under the MOU with COR3, has secured additional resources from Navigant and other professionals that are helping to develop these estimates. Documentation to be submitted includes, but is not limited to: Scope of work, DDD, detailed cost estimate and architectural estimates. PREPA is generally approaching the process to prepare cost estimates on a district by district basis. The initial district for which a cost estimate is being prepared is Humacao. The cost estimate for the Humacao district is currently in progress. Draft forms will be provided available after completion.	5/9/2019
23	Generation		Why is production at the hydro facilities so low? Is it because of the actual generation units, or is it a problem with silt build-up in the reservoirs? What is the recorded generation they have operated at for the past 5-10 years?	ae_ meta file (folder 1.2.2.4) has historic hydro generation. Our general understanding is that the issue with hydro generation is related to silt build-up, and restoration would require significant dredging at high cost.	5/9/2019
24	Integrated Resource Plan		Please provide analysis and any internal studies used to estimate potential of rooftop and utility-scale solar generation (other than the IRP). This could include PREPA's existing load profile (8760 hour data if possible), assessment of installed rooftop capacity and future adoption rates by customer segment, any data on existing housing stock and available roof area inside Puerto Rico.	The IRP has adopted PREPA internal studies as the baseline estimate for existing and potential DG expansion. These forecasts are available in the IRP workpaper folder 1.5.3.6.7 titled CONFIDENTIAL-DG_Totals Forecast_V10	5/9/2019
25	Legal		What will happen with the existing pension liability? Does that stay with PREPA?	The PREPA Fiscal Plan contemplates keeping the existing pension liability at the successor entity and implementation of a transition charge as a dedicated funding source to resolve underfunding and fund the pension on a go-forward basis.	5/9/2019
26	Planning / Contracts		Please identify all self-generation that is known to exist. If available, break this out by class of customer (R,C, and I) or to any detail available (e.g. by technology, PURPA unit or not, Cogen, solar, storage)	The PREPA Planning IRP and Siemens team has prepared an estimate of this in the file called "DG Allocation by Customer Class_v1" available in the IRP workpaper folder 1.5.3.6.7	5/9/2019

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27	Regulatory		Please provide any studies or analysis performed that provide an overview of the ROW acquisition process. This might include selected case studies from prior projects, process maps or flow charts describing existing process. What we are trying to do is develop a perspective on potential for land acquisitions to slow the transformation process.	The process for the acquisition by PREPA of properties and rights of way is established by PREPA regulation. The applicable regulations are Regulation No. 6955 of 2004, Regulation No. 7282 of 2005 and Regulation No. 7302 of 2006 (Data Room Index #1.4.7). We do not expect land acquisitions to delay the transaction or the transformation process. After the closing, we expect PREPA to retain responsibility in either proving, managing or acquiring rights of way or other real property rights, as necessary, with respect to the system. Furthermore, we have diligence PREPA's real property rights with respect to certain of the transmission lines and it appears that PREPA has documentation evidencing its title or other rights with respect to such lines. We have not been able to diligence any of the distribution lines because such documents have not been available for review.	5/9/2019
28	Regulatory		With respect to document storage, there were 35mm docs – does Act 5 define how PREPA must maintain documents?	Act 5 applies to PREPA, but the Operator will only have such obligations with respect to document storage as are established under the O&M Agreement.	5/9/2019
29	Regulatory		Will the agreed-upon partnership contract take precedent over existing legislation and regulations after being reviewed and approved up to an including the Governor? This was stated to us in the regulatory workshop in San Juan on April 9th. On the past P3 projects (toll roads, airport), have there been any regulatory issues related to interpreting regulatory commitments or legislation that were resolved?	<p>Pursuant to Section 6 of Act No. 120-2018, as amended, the Partnership Contract may provide exemptions or alternate procedures with respect to the following statutory provisions (and any related regulatory provision or related action), subject to approval by PREB through the issuance of the Energy Compliance Certificate:</p> <ol style="list-style-type: none"> 1. any requirement of Act No. 109 of June 28, 1962, as amended, known as the Puerto Rico Public Service Act; 2. any requirement of the Integrated Resources Plan, as defined in Act No. 57-2014, as amended; and 3. any statutory provision applicable to PREPA, including, among others, those imposed by PREPA's enabling act. <p>Therefore, in such cases, the Partnership Contract may take precedent over such statutory provisions. However, it may not take precedent over any other statutory provisions.</p> <p>In the prior P3 projects, there have not been regulatory issues related to interpreting regulatory commitments or legislation</p>	5/9/2019

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30	Human Resources & Labor		Please provide a translated English version of the employee spreadsheet currently in the data room (FS-665 Active Employee Positions as of 17-Dec-2018.xls)	An English version of the referenced employee spreadsheet is not available. Please note that an updated version of the referenced file (now as of 5/2/19) has been uploaded to the data room at Index 1.12.2.3.	5/9/2019
31	Information Technology		Please provide a copy of the last cybersecurity audit report with the full audit findings.	Due to security concerns, PREPA will provide the cybersecurity reports as part of the transition process.	5/9/2019
32	Information Technology		Who is the 3rd party managed security contract provider (referenced on p. 128 of CIM)? Can we get a copy of contract?	PREPA contracted GM Security Technologies professional services with the PREPA Network and PREPA Master Service Agreement. The managed security service contract is still in the processes of being signed.	5/9/2019