

**P3A T&D TRANSFORMATION –
CLARIFICATIONS TO PSEG DEFINITIVE PROPOSAL**

PSEG Responses to P3A Clarifying Questions (December 20, 2019)

1. As currently drafted, PSEG’s language regarding (i) the Initial Budgets, the Performance Metrics and the System Remediation Plan needing to be acceptable to PSEG *in its sole and absolute discretion* and (ii) the Operator termination rights related to disagreements with PREB may be in conflict with the existing regulatory framework and recently enacted Energy Public Policy Act (Act 17-2019) as it may infringe (or be perceived to infringe) on PREB’s statutory rights and obligations as energy regulator. Please indicate whether PSEG is willing to eliminate these provisions from the O&M Agreement.

[REDACTED]

[Redacted]

2. PSEG has added an Operator termination right in the event of disagreements with any other Governmental Body (which would include the Puerto Rico legislature, the FOMB, any municipality, etc.) for actions that in PSEG's reasonable opinion are inconsistent with provisions of the O&M Agreement, namely (i) not interfering with contractual matters in accordance with Act 120 or (ii) otherwise adversely affecting your ability to perform the O&M Services and earn the Service Fee in full. Please indicate whether PSEG is willing to eliminate this provision from the O&M Agreement.

[Redacted]

3. PSEG has added an Operator termination right in the event that any Budget does not include adequate funding for Capital Costs to implement the System Remediation Plan. Please indicate whether PSEG is willing to eliminate this provision from the O&M Agreement.

[Redacted]

4. Please estimate the annual cost of any PSEG employees who will be seconded to ServCo (other than ManagementCo employees) that will be a T&D Pass-Through Expenditure incurred by ServCo. The annual cost should be the fully loaded cost, including all benefits and corporate overhead allocated to ServCo.

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

5. PSEG has provided that ManagementCo will have 35-45 FTEs and that the cost of these 35-45 FTEs (including support staff and any necessary subcontractors) will be fully covered by the Fixed Fee. Please confirm.

[REDACTED]

[REDACTED]

6. Please indicate (i) the percentage of time allocated to Puerto Rico (versus other PSEG businesses) for ManagementCo FTEs over the 15 year term of the O&M Agreement and (ii) whether you expect the number and allocation of time of FTEs to evolve over the term. At the end of the term, please indicate whether you would expect a replacement ManagementCo to be necessary to operate the T&D System.

[REDACTED]

[REDACTED]

7. Please provide details of any work that you have done with respect to projected Operating Budgets and Capital Budgets (including vegetation management) over the term of the O&M Agreement in order to provide the Authority information regarding what will be required to satisfy your concerns regarding the adequacy of funding for these Budgets. Please indicate how your views on these matters may impact rates.

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8. Assuming the level of funding is available for the projected Operating Budgets and Capital Budgets, please indicate how long it would take for the T&D System to operate at a steady state.

[REDACTED]

[REDACTED]