

PRIVILEGED AND CONFIDENTIAL

P3 Responses to Quanta/ATCO Clarifications re: O&M Agreement

Part I: General Clarification Questions re: OMA

Ref. #	Section	Quanta/ATCO Consortium Question	P3 Response
1.	General Question re: costs	<p>The Consortium’s view re: costs is as follows:</p> <p>A. Re: Capital costs - Capital management costs are capital costs.</p> <p>Please confirm.</p> <p>B. Re: secondment costs - The Operator is free to second employees from the Consortium or any of their respective Affiliates (i.e., whomever, and wherever located (including whether on island or in their home jurisdiction) and for how long as Operator feels is required to perform the O&M Services) into Servco and whatever proportion that they are being used by Servco, they will be considered seconded by Servco, and the costs of those secondments will be T&D Pass- Through Expenditures (for clarity without any profit margins on such secondment costs).</p> <p>Please confirm.</p> <p>C. Re: other costs – we confirm that only those costs listed in Appendix 1 hereto will be excluded from being T&D Pass-Through Expenditures.</p> <p>Please confirm.</p>	<p>A. Please clarify what is intended by “capital management costs.”</p> <p>B. As provided in Annex X, costs incurred by ServCo in performing the O&M Services, including costs of all seconded employees, are considered T&D Pass-Through Expenditures, except to the extent any such costs are determined to be Disallowed Costs in the manner set forth in Section 7.6.</p> <p>C. See responses to the specific items listed in Appendix 1. We cannot confirm that Appendix 1 is an exhaustive list of items that would not be T&D Pass-Through Expenditures. For example, it does not include costs of ManagementCo subcontracting services that are intended to be performed by ManagementCo after the Front-End Transition Period (which, pursuant to Section 11.1(a) would not be a T&D Pass-Through Expenditure and would instead need to be paid out of the Fixed Fee).</p>

2.	Page 1	<p>Re Guarantee, page one of the OMA – note 1 provides that if ManagementCo is not the Qualified Respondent then the Qualified Respondent will need to guarantee the obligations of ManagementCo “<i>or otherwise provide Acceptable Operator Security.</i>” Acceptable Operator Security is defined to be a guarantee from guarantor.</p> <p>We confirm the only security contemplated is the Guarantee.</p> <p>Please confirm.</p>	<p>Confirmed. The only Acceptable Operator Security contemplated under the O&M Agreement is the Guarantee.</p>
3.	Section 1.1	<p>Definition of Acceptable Operator Security notes that the guarantee must be in an aggregate amount equal to the Operator Security Amount.</p> <p>Operator Security Amount is defined as “means US\$[●]” and note 9 states: “An amount should be provided in your submission to the RFP” – however in the form of Guarantee attached as Exhibit D – Section 3.10 sets out limitations on the liability of the Guarantor, which includes a number of limitations (i.e., (i)(A), (B), and (C), and (ii)), which includes in (ii) the statement that liability for gross negligence and strict liability is unlimited.”</p> <p>We confirm the amount bid as the Operator Security Amount will be an ultimate cap that overrides Section 3.10 of the Guarantee.</p> <p>Please confirm.</p>	<p>In the event that the entity that qualified during the RFQ process is not the same entity that enters into the O&M Agreement, the Authority should be in the same position it would have been in had that pre-qualified entity entered into the O&M Agreement. In addition, as previously noted, the Authority does not expect Operator to engage in gross negligence or willful misconduct and therefore does not believe (i) that this is an appropriate standard for performance under the O&M Agreement or (ii) that liability for gross negligence or willful misconduct should be capped. As a result, we have provided that the Guarantee should (x) be a guarantee of payment as well as performance and (y) not be subject to a cap. Thus, Section 3.10 of the Guarantee prevails.</p>
4.	Section 1.1	<p>Definition of Governmental Body provides:</p> <p>“Governmental Body” means any U.S. federal, state, Commonwealth, regional, municipal or local legislative,</p>	<p>Confirmed. PREB and the FOMB (if then in existence) are each considered a Governmental Body under the O&M Agreement. Neither Owner nor</p>

		<p>executive, judicial or other governmental board, agency, authority, commission, bureau, administration, court, instrumentality or other duly authorized body, other than Owner and, in its capacity as such under this Agreement, Administrator, or any official thereof having jurisdiction with respect to any subject of this Agreement, including PREB and the FOMB (if then in existence) [emphasis added]</p> <p>We confirm that the reference to “ including PREB and the FOMB (if then in existence)” – means that PREB and FOMB are included as examples of a Governmental Body. Neither Owner nor Administrator is a Governmental Body per this Agreement.</p> <p>Please confirm.</p>	<p>Administrator is a Governmental Body under the O&M Agreement.</p>
5.	Section 1.1	<p>Definition of “Force Majeure Event” provides in part as follows:</p> <p>“Force Majeure Event” means any act, event, circumstance or condition (other than lack of finances) whether affecting the T&D System, the System Power Supply, Owner, Operator or any of Owner’s Contractors or subcontractors or Operator’s Subcontractors that (i) is beyond the reasonable control of and unforeseeable by, or which, if foreseeable, could not be avoided in whole or in part by the exercise of due diligence by, the Party relying on such act, event or condition as justification for not performing an obligation or complying with any condition required of such Party under this Agreement, and (ii) materially interferes with or materially increases the cost of performing such Party’s obligations hereunder, to the extent that such act, event, circumstance or condition is not the result of the willful or negligent act, error or omission or breach of this Agreement by such Party; provided, however, that the contesting in good faith or the failure in good faith to contest such action or inaction shall not</p>	<p>Reasonably anticipated weather conditions for the geographic area of the T&D System are not Force Majeure Events unless they are otherwise picked up by one of the specifically enumerated inclusions to the definition of Force Majeure Event.</p>

		<p>be construed as a willful or negligent act, error or omission or breach of this Agreement by such Party.</p> <p>Subject to the requirements specified in the foregoing sentence, Force Majeure Event will include, by way of example and without limitation, the following acts, events or conditions:</p> <p>(A) an act of God (but not including reasonably anticipated weather conditions for the geographic area of the T&D System) [emphasis added], Outage Event, landslide, lightning, earthquake, fire, explosion, flood or similar occurrence;</p> <p>We confirm that the phrase “reasonably anticipated weather conditions for the geographic area of the T&D System”, which is carved out from the inclusions list solely relates to “act of God” and does not override the inclusion of events that are specifically listed afterward in (A) – specifically the inclusions: “...Outage Events, landslides, lightning, floods or events that result in the declaration of a disaster zone or state of emergency.</p> <p>Please confirm.</p>	
6.	Section 4.1(f)(ii)	<p>Same provides that:</p> <p>“Within thirty (30) days following receipt of Administrator’s comments, if any, or the end of forty-five (45) days following Administrator’s receipt of the proposed Non-Federal Funding Procurement Manual, if Administrator has no comments, ManagementCo shall submit to Administrator for its review and approval the revised Federal Funding Procurement Manual” [emphasis added]</p>	<p>Confirmed. The reference to the “Federal Funding Procurement Manual” in Section 4.1(f)(ii) should be a reference to the “Non-Federal Funding Procurement Manual.”</p>

		Please confirm the emphasized phrase above should read “non-Federal Funding Procurement Manual” given its location in the Non- Federal Funding Procurement Manual.	
7.	Section 4.3(h)	<p>Same provides that:</p> <p>“<u>Labor</u>. Owner and Administrator shall use commercially reasonable efforts to provide Operator the opportunity to hire ServCo Employees [<i>emphasis added</i>] in a manner consistent with the Proposal submitted by Operator or its Affiliate.”</p> <p>We confirm our understanding that this is a typographical issue and that the reference to “ServCo Employees” should be replaced with a reference to “Owner Employees”.</p> <p>Please confirm.</p>	Confirmed. Section 4.3(h) should refer to “Owner Employees” rather than “ServCo Employees.”
8.	Section 4.5(p)	<p>Same provides that a “final plan” for reorganization of PREPA be “approved by the relevant Commonwealth Governmental Bodies.”</p> <p>We confirm that “Commonwealth Governmental Bodies” means applicable Governmental Bodies, and that “final plan” means a plan confirmed by the Title III Court.</p> <p>Please confirm.</p>	To the extent the final plan for the separation of GridCo and GenCo assets and businesses is specifically included in the Title III Plan, it would also have to be approved by the Title III Court. We do not know today whether and to what extent the Title III Plan will specify the details of the separation.
9.	Section 6.2(a)	<p>Same provides the rights and responsibilities of Administrator <i>arise from and after the Service Commencement Date</i> – yet a number of these responsibilities relate to matters that will arise in the Front-End Transition Period. See for example Section 6.2(a)(i), (iv), (v)(i) and (ii), (viii), (ix), (xi), and (xii).</p> <p>As it is contemplated that Administrator will carry out these responsibilities in Article 4.</p>	Article 4 of the O&M Agreement is intended to capture all of the responsibilities of the Parties prior to the Service Commencement Date. We acknowledge the reference to Initial Budgets in Section 6.2(a)(i) does not fit this construct. The idea is that Section 6.1 and Section 6.2 set forth the responsibilities of Owner and Administrator, respectively,

		<p>We confirm that the Administrator will also have the responsibilities listed above during the Front-End Transition Period.</p> <p>Please confirm.</p>	<p>after the Service Commencement Date. To the extent applicable during the Front-End Transition Period, the items in the list of examples you provided are covered in Article 4.</p>
10.	Section 7.8	<p>Same provides:</p> <p>“Notwithstanding anything contained in this Agreement to the contrary, the Parties acknowledge and agree that to the extent (i) any direct obligations of any Owner or any of its affiliates or successors secured by System Revenues are assigned an Investment Grade Rating or (ii) any direct obligations of [name of securitization entity] or its successors secured by System Revenues are assigned a rating of [AA] or the equivalent, in each case by two or more of the Rating Agencies, then (A) the level of pre-funding required pursuant to Section 4.6(c)(i) (Front-End Transition Period Compensation – Funding), Section 7.5(a)(ii) (Service Account – Operating Account), Section 7.5(b)(iii) (Service Account – Capital Account – Federally Funded), Section 7.5(c)(iii) (Service Account – Capital Account – Non-Federally Funded), Section 7.5(e)(ii) (Service Account – Generation Expenditures Accounts) and Section 16.4(c)(ii) (Back-End Transition Period Compensation – Funding) shall be reduced from four and a half (4.5) months to three (3) months and (B) there shall be no further obligation to deposit funds into the Contingency Reserve Account. [emphasis added] Any funds that are released from any Service Account as a result of the operation of this Section 7.8 (Owner Credit Rating) shall be used for the repayment of existing debt of Owner, refunds to T&D Customers or other similar purposes.”</p> <p>We confirm that the obligations of Owner/Administrator noted in paragraphs (A) and (B) (bolded above) will be re-instated if the</p>	<p>Confirmed. Owner’s obligation to pre-fund the Service Accounts, including the Contingency Reserve Account, will be re-instated if the investment grade rating is lost or downgraded by any Rating Agency.</p>

		<p>assigned Investment Grade is lost or the assigned credit rating is downgraded by any Rating Agency.</p> <p>Please confirm.</p>	
11.	Section 7.2(a)/Section 11.1(a)	<p>Section 7.2(a) provides:</p> <p>“For purposes of this Agreement, “<u>T&D Pass-Through Expenditures</u>” shall be the costs and expenses incurred by ServCo [<i>emphasis added</i>] in the course of providing O&M Services pursuant to this Agreement (without markup for profit), including the costs and expenses set forth in Annex X (<i>T&D Pass Through Expenditures</i>); <u>provided</u> that T&D Pass-Through Expenditures shall not include any Disallowed Costs or any Generation Pass-Through Expenditures. Operator shall pay T&D Pass-Through Expenditures in accordance with Section 7.5 (<i>Service Accounts</i>)”</p> <p>Section 5.1(a) which provides that Operator (i.e., both ManagementCo and ServCo) will provide O&M Services.</p> <p>Section 11.1(a) provides:</p> <p>“Operator shall have the right, but not the obligation, to engage Subcontractors to perform the O&M Services, subject to Section 11.1(c) (Ability to Subcontract and Contract – Federally Funded Capital Improvements) in the case of Federally Funded Capital Improvements. Operator’s payment obligations under any Subcontract shall be a T&D Pass-Through Expenditure.... [<i>emphasis added</i>]”</p> <p>Consistent with Sections 5.1(a) and 11.1(a), we confirm that the costs and expenses of Operator (i.e. both ManagementCo and Servco) will be T&D Pass-Through Costs, and that the reference</p>	<p>We understand that ServCo will have all the employees and perform the O&M Services, which will be T&D Pass-Through Expenditures. With respect to ManagementCo, we see them as having a management, oversight and planning role in exchange for which Operator receives the Fixed Fee. We do not expect ManagementCo to be doing work that would be Pass-Through Expenditures, but the concept of Operator is included in Section 5.1(a) given that the management and strategy work of ManagementCo is embedded in the O&M Services.</p>

		<p>to “Servco” in Section 7.2(a) should be replaced with a reference to “Operator”.</p> <p>Please confirm.</p>	
12.	Section 11.1(a)	<p>Re Section 11.1(a) that provides:</p> <p>“(except to the extent Operator elects to subcontract any service to be provided by ManagementCo between the Service Commencement Date and the expiration or early termination of this Agreement, in which case any such payment obligation shall be paid by ManagementCo from the Fixed Fee)”</p> <p>We confirm that except for the costs that are identified in Appendix 1 of this table as not being included as T&D Pass Through Expenditures” all costs, including costs of Subcontractors of ManagementCo and Servco will be T&D Pass Through Expenditures.</p> <p>Please confirm.</p>	<p>As provided in Section 11.1(a), the cost of any subcontract for services to be provided by ManagementCo from and after the Service Commencement Date will be paid by ManagementCo from the Fixed Fee (and will not be a T&D Pass-Through Expenditure).</p>
13.	Section 14.2(f)	<p>Section 14.2(f) provides that the Failure to Fund Service Account is an Owner Event of Default.</p> <p>It only references failure to fund Service Accounts and does not include the failure to fund Front End Transition Accounts. This contradicts Section 14.4 which provides:</p> <p>“Upon the occurrence of an Owner Event of Default under Section 14.3 (<i>Events of Default By Owner</i>), Operator may terminate this Agreement upon not less than one hundred twenty (120) days prior written notice to Administrator, without need for a court decision or arbitral award confirming Operator’s right to terminate; <u>provided</u> that upon the occurrence of an Owner Event of Default</p>	<p>Confirmed. The failure to fund the Front-End Transition Account will be an Owner Event of Default under Section 14.3.</p>

		<p>under Section 14.3(f) (<i>Events of Default By Owner – Failure to Fund Service Account</i>) relating to funding of the Operating Account or the Front- End Transition Account, the Agreement shall terminate and, subject to Article 16 (<i>Back-End Transition</i>), Operator’s obligation to perform the Front-End Transition Services or the O&M Services, as applicable, shall cease, upon the earlier of (i) the date that is one hundred twenty (120) days following the date on which Administrator receives written notice from Operator or (ii) the date on which there is no funding in the Operating Account or the Front-End Transition Account, as applicable, [emphasis added] in each case without need for a court decision or arbitral award confirming Operator’s right to terminate. For the avoidance of doubt, nothing in this Section 14.4 (<i>Termination for Owner Event of Default</i>) shall limit Owner’s right to contest, pursuant to Article 15 (<i>Dispute Resolution</i>), whether an Owner Event of Default has occurred, or any of its other rights herein.”</p> <p>We confirm that a failure to fund the Front-End Transition Accounts will be an Owner Event of Default under Section 14.3(f).</p> <p>Please confirm.</p>	
14.	Annex VI, IV. Compensation; Set-Off	<p>“...payments of the service fee to the Operator may, at the request of GenCo or the Administrator at any time and from time to time, be reduced by amounts owed to GenCo consisting of Generation Pass-Through Expenditures and applied by Operator in accordance with the allocation methodology.”</p> <p>We confirm that only amounts owed to Genco <i>by Operator</i> (emphasis added) consisting of Generation Pass-Through Expenditures could be potentially offset and applied to Operator in accordance with allocation methodology. Amounts owed by third-</p>	Confirmed. The Shared Services service fee may only be offset by amounts owed by Operator to GenCo consisting of Generation Pass-Through Expenditures. To clarify, the funding for Generation Pass-Through Expenditures, by definition, will always flow from (i) Owner, who will fund the Generation Expenditures Accounts, to (ii) Operator, who will draw funds from the Generation Expenditures Accounts, and finally to (iii) GenCo and IPPs (third-party generators), who will be paid by Operator. In

		<p>party Generators to Genco considered Generation Pass-Through Expenditures will not reduce payments from Genco to Operator.</p> <p>Please confirm.</p>	<p>no event will amounts owed by IPPs to GenCo be considered Generation Pass-Through Expenditures.</p>
15.	Annex X, 10.	<p>“...provided that any (i) income taxes imposed on ServCo by the PRIRC or Act 29, (ii) payroll taxes on ServCo or (iii) other taxes imposed on ServCo as a result of the establishment of its operations in the Commonwealth or the continuation thereof (including sales and use taxes and excise taxes on goods or services that are not required to be acquired by Operator on behalf of Owner for the performance of the O&M Services under the Agreement) shall not be T&D Pass-Through Expenditures;” <i>[emphasis added]</i></p> <p>Under clause 5.20(c), ServCo is to be used exclusively for the provision of O&M Services under this agreement and thus would not perform activities not required to be Operator. Additionally, as ServCo is a service provider and would not realize any revenues, it would be highly unlikely for ServCo to face exposure to income taxes.</p> <p>We confirm our understanding that this is a typographical issue and that the reference to ServCo should be replaced with a reference to ManagementCo.</p> <p>Please confirm.</p>	<p>The references to ServCo should be replaced with references to Operator. To the extent Operator is responsible for any income or payroll taxes or any other taxes as a result of the establishment of its operations or the continuation thereof (whether at the ServCo or ManagementCo level), they would not be T&D Pass-Through Expenditures and would be the responsibility of Operator.</p>

Part II: Clarification Questions re Cybersecurity/IP/Information and Data Provisions in the O&M Agreement

A. Cybersecurity

Ref. #	Section	Quanta/ATCO/IEM Consortium Question	P3 Response
1.	Section 4.2(h)(ii)	<p>We confirm that the Data Security Plan will be subject to the System Remediation Plan as per the process for the implementation of the System Remediation Plan and as per the approach to Data Security in each case noted in Section 13.3.</p> <p>Please confirm.</p>	<p>Confirmed, during the period Operator is repairing or improving the T&D System assets in accordance with the System Remediation Plan.</p>
2.	Section 5.7(c)	<p>We confirm that Operator’s responsibility for <u>all</u> physical damage to the T&D System caused by cyber-attacks will be subject to the System Remediation Plan, as per the process for the implementation of the System Remediation Plan and as per the approach to Data Security in each case noted in Section 13.3.</p> <p>Please confirm.</p>	<p>Confirmed, during the period Operator is repairing or improving the T&D System assets in accordance with the System Remediation Plan.</p>
3.	Section 18.6(b)(i)	<p>This Section provides:</p> <p>“...OPERATOR INDEMNITEES:</p> <p>SHALL HAVE NO RESPONSIBILITY OR LIABILITY FOR ANY MATTER THAT IS THE SUBJECT OF THE SYSTEM REMEDIATION PLAN DURING THE PERIOD OPERATOR IS REPAIRING OR IMPROVING THE T&D SYSTEM ASSETS, BUSINESS PROCESS OR CONTROLS, WHETHER FORMAL OR INFORMAL, INCLUDING ACOCUNTING, INFORMATION, TECHNOLOGY AND ADMINISTRATIVE FUNCTIONS, IN EACH CASE RELATED TO SUCH MATTER</p>	<p>Confirmed, during the period Operator is repairing or improving the T&D System assets in accordance with the System Remediation Plan.</p>

		<p>IN ACCORDANCE WITH THE SYSTEM REMEDIATION PLAN;”</p> <p>As per Section 13.3, and the process for the implementation of the System Remediation Plan generally, and the fact same will address Data Security (including cybersecurity breaches) we confirm that cybersecurity breaches will be a liability for which Operator Indemnities are not responsible as per the provisions noted in Section 18.6(b)(i).</p> <p>Please confirm.</p>	
--	--	--	--

B. Intellectual Property

4.	Sections 13.1(a), 13.1(c) and 13.2(h)	<p>We confirm that the obligation to obtain for Owner sublicenses of Third Party Intellectual Property under 13.1(c) shall apply to all Third Party Intellectual Property and that the references to: (i) licensors in 13.1(a); (ii) the addition of the Owner’s right to use residuals in 13.2(h), and (iii) the warranties of non-infringement in 19.2(h), were not intended to include Third Party Intellectual Property or to create separate licensing obligations.</p> <p>Please confirm.</p>	<p>Although there are no references to “licensors” in Section 13.1(a), we agree that Section 13.1(a) is not intended to cover Third Party Intellectual Property, but it does cover Contractor Intellectual Property and Subcontractor Intellectual Property.</p> <p>With respect to the residuals in Section 13.2(h), we agree that the O&M Agreement does not require any action with respect to Third Party Intellectual Property.</p> <p>With respect to the Intellectual Property representation (addressed in Section 19.2(g)), that representation covers the licenses granted to Owner and the Owner’s exercise of the rights granted to it in the O&M Agreement.</p>
----	---------------------------------------	---	--

			However, the representation does not limit the obligations of Operator under Section 13.1(c).
5.	Section 13.1(b)	<p>We confirm that the license grant in 13.1(b) only applies for the purpose of Owner (or its nominee) operating the T&D System and for no other purpose.</p> <p>Please confirm.</p>	<p>Confirmed. Please note the following language in 13.1(b):</p> <p>Owner shall not and shall ensure that its Affiliates do not sublicense, rent, lease, distribute or otherwise authorize the use of Operator Intellectual Property, Contractor Intellectual Property or Subcontractor Intellectual Property to, by or on behalf of anyone other than Owner and its Affiliates or, any successors or operators thereto or any other third-party with whom Owner, its Affiliates or any successors or operators thereto contract <i>for purposes of operating the T&D System and related facilities</i>.</p>
6.	Section 13.1(c)(ii)	<p>We confirm that Operator would not be required to infringe any third party intellectual property rights in the performance of the Agreement.</p> <p>Please confirm.</p>	Confirmed.
7.	Section 13.1(d)(ii)	<p>We confirm that the assignment of Work Product would not result in the assignment of any pre-existing intellectual property.</p> <p>Please confirm.</p>	<p>Confirmed.</p> <p>To the extent such pre-existing intellectual property is (i) used in the performance of the O&M Services or in connection with the T&D System and (ii) is embedded in or otherwise necessary for the use of the Work Product, Operator shall grant a license to Owner in accordance with the terms of Section 13.1(b).</p>

8.	Section 13.1(d)(ii) i)	We confirm that the Operator is not responsible for the content of contracts between Contractor and Owner, where the Operator is not also a party to such contract. Please confirm.	To the extent Operator arranges for a Contractor to perform any of its obligations under the O&M Agreement, Owner expects that Operator will negotiate terms of such contract that comply with and are in accordance with the terms of the O&M Agreement.
9.	Section 13.2(a)(i)	We confirm that the carve outs from the definition of Confidential Information (such as the information being publicly available) applies to all of such information, not just System Information. Please confirm.	Confirmed.

C. Information and Data

10.	Section 5.6(c)	We confirm that the requirement that all data and information supplied by Operator (as agent for Owner) will be correct and complete in all material respects is subject to the System Remediation Plan. Please confirm.	Confirmed, with respect to the period Operator is repairing or improving the T&D System assets in accordance with the System Remediation Plan, provided that Operator identify any known inaccuracies in the information supplied to Owner at the time such information is provided to Owner.
11.	Section 5.5(c)(i) & (ii)	We confirm that the access to information to be provided in 5.5(c)(i) will be on the same basis as set out in 5.5(c)(ii). Please confirm.	We assume this question refers to Section 5.15(c)(i) & (ii). If so, confirmed.

Appendix 1

Item	Page ¹	Section	Quanta/ATCO Consortium Proposed Cost Not Considered T&D Pass-Through Expenditures	P3 Response
1.	65	5.5(d)	<p>Costs and expenses relating to Capital Improvements proposed by the Operator to PREB, that would be made, owned and funded by Operator or its designated Affiliate.</p> <p>These costs are Operator-Owned Capital Improvements.</p>	Confirmed. As provided in Section 5.5(d), the costs and expenses relating to any such Capital Improvements will not be considered, or otherwise treated as, T&D Pass Through Expenditures.
2.	87	7.2(b)	<p>Costs and expenses (without markup for profit) incurred by Owner in the course of providing Power and Electricity, including the costs and expenses under the GridCo-GenCo PPOA and Generation Supply Contracts</p> <p>These costs are defined as Generation Pass-Through Expenditures</p>	Confirmed. Generation Pass-Through Expenditures will not be considered, or otherwise treated as, T&D Pass-Through Expenditures.
3.	95	7.6(a)(i)	<p>Any and all T&D Pass-Through Expenditures, Capital Costs, Outage Event Costs or Excess Expenditures incurred as a result of Operator's negligence (including gross negligence) or willful misconduct.</p>	Confirmed. As provided in Section 7.6(a)(i), any and all T&D Pass-Through Expenditures, Capital Costs, Outage Event Costs or Excess Expenditures incurred as a result of Operator's negligence (including gross negligence) or willful misconduct will not be considered, or otherwise treated as, T&D Pass-Through Expenditures, except in connection with Section 5.10 (<i>Environmental Matters</i>) where the applicable standard will be

¹ Page number refers to clean copy of PREPA O&M Draft 3 (published Oct. 28, 2019)

				gross negligence or willful misconduct to the extent provided therein.
4.	95	7.6(a)(ii)	Any and all fines, penalties or other similar payments or charges imposed by PREB on Operator, except to the extent Operator is performing its obligations under this Agreement in accordance with this Agreement.	Confirmed. As provided in Section 7.6(a)(ii), any and all fines, penalties or other similar payments or charges imposed by PREB on Operator will not be considered, or otherwise treated as, T&D Pass-Through Expenditures, except to the extent Operator is performing its obligations under the O&M Agreement in accordance with the O&M Agreement.
5.	95	7.6(a)(iii)	<p>“Other than as a result of Owner Fault, <i>any and all Losses resulting from a denial by FEMA, HUD or a similar Governmental Body (such as COR3 or PRDH) of reimbursement of all or a portion of Capital Costs – Federally Funded on the grounds that actions taken by Operator were in violation of any Federal Funding Requirements, which denial becomes final, [emphasis added]</i> except that any Capital Costs – Federally Funded that were incurred in accordance with the Federal Funding Procurement Manual or approved by FEMA shall not be treated as a Disallowed Cost.”</p> <p>The portion in bold text and italics will not be T&D Pass-Through Expenditures.</p>	Confirmed. As provided in Section 7.6(a)(iii), other than as a result of Owner Fault, any and all Losses resulting from a denial by FEMA, HUD or a similar Governmental Body (such as COR3 or PRDH) of reimbursement of all or a portion of Capital Costs – Federally Funded on the grounds that actions taken by Operator were in violation of any Federal Funding Requirements, which denial becomes final, will not be considered, or otherwise treated as, T&D Pass-Through Expenditures (except that any Capital Costs – Federally Funded that were incurred in accordance with the Federal Funding Procurement Manual or approved by FEMA shall not be treated as a Disallowed Cost).