



July 20, 2010

To All Prospective Proponents

Request for Qualifications for Implementation of Advanced Technology for the Reduction of Non-Revenue Water for the Puerto Rico Aqueduct and Sewer Authority
DUE DATE: July 30, 2010

ADDENDUM #002

This Addendum #2 seeks to provide additional information on specific questions or matters related to the Request for Qualifications (“RFQ”) for the Implementation of Advanced Technologies for the Reduction of Non-Revenue Water for the Puerto Rico Aqueduct and Sewer Authority (“PRASA”). Capitalized terms not defined in this Addendum #2 take the meaning in the RFQ.

The following information is included in this Addendum #2:

- I. Amendments to the RFQ published on June 15, 2010.
- II. Responses to Requests for Clarifications / Information received via email (Exhibit A)
- III. Amended Form 6 (Exhibit B)

All prospective Proponents are reminded that the last day for submission of Request for Clarifications / Information to the RFQ is July 20, 2010.

This Addendum #2, including Exhibits A and B, has a total of 13 pages.

I. Amendments to the RFQ published on June 15, 2010.

Prospective Proponents are advised of the following amendments to the RFQ:

1. Section 3.1 – Evaluation Criteria (Insurance References)

- i. Prospective Proponents shall be able to meet, at least, the following insurance requirements:
 - a. General Liability:
 - **General Aggregate - \$2,000,000**
 - **Products/Completed Operations - \$2,000,000**
 - **Personal & Advertising Injury - \$1,000,000**
 - **Each Occurrence - \$1,000,000**
 - **Fire Damage - \$250,000**
 - **Medical Expense - \$5,000**

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- ***The Commercial General Liability coverage shall include General Aggregate Limits per Project (Form CG2503) and General Aggregate Limits per Location (Form CG2504).***

- b. Automobile Liability: \$1,000,000 minimum combined single limits per accident for bodily injury and property damage.
 - c. Professional Liability: (errors and omissions) in the minimum amount of **\$10,000,000**.
 - d. Umbrella Liability Coverage: **\$10,000,000 per Occurrence; \$10,000,000 General Annual Aggregate Limit**
 - e. Workers Compensation Insurance: As per Puerto Rico statutory requirements
- Additional details regarding insurance requirements will be provided in the RFP.

2. Form 2: Acknowledgement for Receipt of Addenda

[Letterhead of each prospective Proponent]

II. Responses to Requests for Clarifications / Information received via email.

Answers to questions received via email through July 19, 2010 are included as Exhibit A of this Addendum #2.

III. Form 6: Letter of Intent for Credit (AMENDED)

PLEASE NOTE: The Letter of Credit (“LOC”) is intended to serve as a *de facto* performance bond throughout the contract term; it is not a bid bond. The purpose of Form 6 is to demonstrate a prospective Proponent’s ability to obtain an LOC in the event it is selected and awarded the PPP Contract. Form 6 will remain valid until the PPP Contract is awarded or until Form 6 is superseded (e.g. if the RFP requires the submittal of a similar form, such form submitted with the Proposal will supersede the Form 6 submitted with the SOQ). It is the Sponsors’ intent to include requirements that are commercially available and consistent with industry practices in this procurement process. The LOC shall be for a term of one year and shall be continuously renewed. The terms and conditions of the LOC shall be set forth in the RFP. Please refer to Exhibit B for amendments to Form 6.

The following language has been added to the Letter of Intent for Credit as shown in Exhibit B.

“The LOC shall be subject to approval by [Name of Financial Institution], pending the terms and conditions that shall be set forth in the Request for Proposals.”

**PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY
REQUEST FOR QUALIFICATIONS
IMPLEMENTATION OF ADVANCED TECHNOLOGIES FOR THE REDUCTION OF NON-REVENUE WATER
FOR THE PUERTO RICO AQUEDUCT AND SEWER AUTHORITY**



**Q&A - RECEIVED VIA EMAIL
(Last Updated: July 19, 2010)**

#	Date	Question	Answer
1. - 17.	June 15 - July 7	Please note that questions and answers 1 through 17 were included in Addendum #1 to the RFQ, published on July 7, 2010. Addendum #1 is available for download on the Puerto Rico PPP Authority's Website. http://www.p3.gov.pr/	
18.	7/7/2010	Request for Clarification regarding the technical qualifications of the Prospective Proponent. Our request seeks clarification whether a prospective Proponent may submit a Statement of Qualifications for the Project in which it demonstrates its technical qualifications through any or all of its affiliate and subsidiary companies.	Yes; experience from affiliates and subsidiaries that are readily accessible to the prospective Proponent may be used to demonstrate experience.

#	Date	Question	Answer
19.	7/7/2010	Request for Clarification regarding the financial qualifications of the Prospective Proponent. For purposes of the financial qualifications of the Prospective Proponent, the parent companies that submit the SOQ along with their affiliates or subsidiaries must submit their financial information in the form of a consolidated balance for the group of companies or in the form of an individual balance for each of the companies or Team Members?	Prospective Proponents shall demonstrate their financial condition and/ or capability and, if applicable, that of each Team Member. The Guarantor should submit consolidated financial information.
20.	7/7/2010	Request for Clarification regarding the financial qualifications of Consortia. Our request seeks clarification on whether the worth of the consortia will be calculated by adding the individual worth of its members or by adding the share of each member within the Consortium. Similarly, the Consortium's financial indicators (i.e. profitability, debt to equity ratio, financial liquidity, credit standing, other financial guarantees, etc.) will be evaluated individually or in accordance to the share of each member in the Consortium?	The financial condition of each Team Member will be assessed individually. The financial condition of Team Members that have more significant roles in the project may receive a greater degree of scrutiny than that of Team Members with lesser roles.
21.	7/7/2010	Request for Clarification regarding the financial qualifications of the Prospective Proponent. Given that in our case the audited financial statements are in Colombian pesos, we request you to indicate whether the submittal of financial statements on Colombian currency is acceptable to demonstrate financial capacity as required in the RFQ or if it's necessary to convert them to American dollars. If so, please indicate what should be the exchange rate used for each year (2007-2008-2009).	The financial information should be provided in United States dollars. If financial information is presented in a currency other than United States dollars, clearly state exchange rate used, the source of the exchange rate (which must be the exchange rate published by a recognized financial publication in the United States) and all other assumptions, as applicable.
22.	7/7/2010	Request for Clarification regarding the submittal of the SOQ forms. Before submitting the Statement of Qualifications (SOQ), is it required to submit any of the SOQ forms included in the Appendix A of the Request for Qualifications (RFQ)?	Unless otherwise indicated, SOQ forms should be submitted together with the SOQ.

#	Date	Question	Answer
23.	7/7/2010	Request for Clarification regarding the Technical Qualifications (Key Staff/Staffing Plan). On page 19 of the RFQ, it is required that Prospective Proponents provide a "description of the roles and responsibilities of off-site staff, if any, that will support the prospective Proponent in the performance of the Project". We request you to clarify whether the expression "off-site staff" refers to advisors, consultants, etc. of the company working in other cities or countries other than the city or country in which the company is located.	Off-site staff refers to those staff, if any, that can support the Contractor's efforts remotely. Such resources may be located outside of Puerto Rico and may support operations or projects in other locations.
24.	7/8/2010	Regarding operator responsibility ..."Meter installation, replacement ..." Does the operator purchase the meter or PRASA will provide?	It is expected that PRASA will furnish the replacement meters. However, the Contractor will be responsible for providing meters related to AMR/AMI or DMA efforts. The scope of these responsibilities will be clarified in the RFP and draft PPP Contract.
25.	7/9/2010	Section 4.2 Financial Qualifications iv Project Guarantor. Please confirm that in case the proponent is a Joint Venture between 2 companies, the Proponent can have 2 Project Guarantors guaranteeing the fulfillment of the Proponents' obligations on a joint and several basis.	As provided in Section 4.2 of RFQ, a single Guarantor is required. However, more than one project Guarantor may be proposed.
26.	7/9/2010	Section 1.5 Consortia. Additional rules with respect to consortia. Please clarify whether the contracting party, in case of a special purpose vehicle to be created by the team members of a consortium, is required to be of any specific nature or form. Please also clarify whether the special purpose vehicle is required to have legal personality or if a partnership (formed by the awarded consortium) without legal personality but holder of tax identification number can be allowed as a contracting party.	A consortium may create a special purpose vehicle ("SPV") to participate in the Project and such SPV may take any form the consortium decides. Although it is not required that an SPV have legal personality, it should be able to provide a tax identification number.
27.	7/9/2010	Section 1.5 Consortia. Additional rules with respect to consortia. Please indicate if the special purpose entity is expected to be created at any specific stage of the process.	The Authority does not expect a consortium to create an SPV at any particular point in time. However, should the consortium decide to create an SPV, it must be created prior to the execution of the PPP Contract.

#	Date	Question	Answer
28.	7/9/2010	Section 4.2 Format and required information for SOQ. In case the Proponent is a Joint Venture (without legal personality at this stage), please confirm whether SOQ Forms No. 1 and No. 2 can be signed by a representative of the Proponent designated as such in a written document between the team members or if the signature of a legal representative of each team member is requested.	Each Team Member must submit each form.
29.	7/9/2010	Section 4.2 Financial Qualifications. Please confirm that SOQ Form No. 4 and Form No. 6 can be signed by an authorized representative of each prospective Team member and that no representation powers of attorney are needed at this stage.	A power of attorney is not required. Form 4 must be executed by the Guarantor on its letterhead.
30.	7/9/2010	Section 4.2 Financial Qualifications vii Insurance and Credit. Please advise if SOQ Form No. 5 can be signed by an authorized representative of each prospective Team member, as the Letterhead requested seems to suggest and which would be consistent with Form No. 6, or if it has to be signed by a third party? In case it has to be signed by a third party, please confirm that this can be done by an insurance broker, which is the usual practice in the market for RFQs, rather than by an insurance carrier, since the various types of coverage required would oblige us to use multiple carriers.	Form 5 may be signed by either a representative of the insurance company or an insurance broker.
31.	7/9/2010	Section 4.2 Financial Qualifications ii. Please specify the definition and calculation formula for "b. Profitability" and "c. Availability of liquid equity"	A prospective Proponent's profitability will be based on its net profit margin and will be determined by dividing net income by net sales. The Sponsors may also consider a prospective Proponent's gross margin. A prospective Proponent's liquidity will be determined by using the current, quick and/or cash ratios.

#	Date	Question	Answer
32.	7/9/2010	Section 2.1 Purpose. Please confirm whether PRASA already has an operational GIS System and in this case what is its degree of integration with SAP ISU Commercial System and other technical systems?	PRASA has an operational GIS System of its major operational assets (i.e., plants, piping, ancillary facilities, etc.). However, PRASA's existing GIS does not include data related to its commercial services. The Contractor will have access to PRASA's existing GIS, but will be required to create a new GIS that includes commercial-related data such as meter location georeferencing, among others. This new GIS shall be coordinated and maintained along with PRASA's SAP ISU Commercial System and other systems, as necessary. Additional information will be provided in the RFP.
33.	7/9/2010	Section 4.2 Technical Qualifications. Please clarify whether you expect the proponents to demonstrate their experience in physical losses (leakages) reduction? In order to help us to draft our organization chart, can you outline briefly the foreseen repartition of responsibilities between PRASA, the awarded proponent and key PRASA's subcontractors such a leaks fixing contractor, call center contractor, etc.	Yes; we expect prospective Proponents to demonstrate their experience in the reduction of physical losses. We expect that PRASA will be responsible for repairs of the water distribution and sewer collection system (i.e., water mains, sewer trunks and laterals). The Contractor will repair/install water service lines. We expect that PRASA will maintain a Level 1 call center while the Contractor will be responsible for maintaining a Level 2 call center that will handle the calls related to commercial services forwarded from the Level 1 Call Center. The scope of services will be clarified in the in the RFP and draft PPP Contract.
34.	7/9/2010	Section 2.2.1 Non Revenue Water. Is PRASA expecting the Proponent to maintain and evolve the actual SAP ISU system and the GIS platform?	PRASA will continue to internally develop and maintain its SAP ISU and GIS platform with the assistance of the Contractor(s). The Contractors shall provide data related to PRASA's commercial operations and systems, AMR/AMI system, and DMAs, amongst others. Additional information will be provided in the RFP.
35.	7/9/2010	Section 2.3.1 Project Zones. What will be the criteria to select a contractor for each zone? Will a Proponent be able to be awarded more than one zone?	We expect that each zone will have a separate Contractor. The selection criteria for each zone will be clarified in the RFP.
36.	7/9/2010	Section 1.5 (Consortia) - Additional Rules with Respect to Consortia). With respect to the scope of the defined RFQ term "Key Subcontractor," please clarify whether a subcontractor of the Prospective Proponent that contributes experience in AMR/AMI systems should be considered a "Key Subcontractor."	A company or vendor that supplies technology is not considered a Key Subcontractor unless that company is an investor in a consortium or expected to perform services outlined in the RFQ, RFP, or PPP Contract.

#	Date	Question	Answer
37.	7/9/2010	Section 3.1 (Evaluation Criteria - Technical Qualifications - Relevant Project Experience and References). With respect to the evaluation criteria centered the "breadth of knowledge and experience with AMR/AMI systems, please clarify whether this experience may be demonstrated through an AMR/AMI project consultant, management and implementation subcontractor or whether the entity must actually be a manufacturer.	A prospective Proponent may satisfy the experience requirements by providing the experience from a consultant or management and implementation subcontractor.
38.	7/12/2010	What is PRASA approach toward the participation of AMR companies in the consortia? Would PRASA prefer to enable AMR companies to work with more than one consortia? E.g. could an AMR company be an investor in one of the awarded consortia and supply technology to others?	An AMR company cannot be an investor and a supplier for two different consortia. If an AMR company is an investor in a consortium, then the AMR company is considered a key subcontractor, not a vendor; therefore the AMR company would be limited to supply its product to its consortium. See Question 36 above.
39.	7/12/2010	What is the probability for un-read meters and what is the legal ability for a "catch-up" charge?	This will be addressed in the RFP. Please refer to the Desirability and Convenience Study for additional background information.
40.	7/12/2010	What is the preferred arrangement for PRASA employees that work on the commercial management side? Are they going to be seconded? Employed by PRASA that will provide services to the contractor? Other arrangement?	PRASA does not intend to require the Contractor to hire or transition all existing PRASA employees. The scope of staff recruitment and hiring of current PRASA employees will be addressed in the RFP and draft PPP Contract. Any employees retained by PRASA to oversee the Contractors will be hired and managed by PRASA.
41.	7/12/2010	Does the \$100 million net worth condition refer to shareholders equity? Shareholders equity + shareholders loans?	A prospective Proponent's net worth will be calculated subtracting its total liabilities from its total asset. Bona fide shareholder loans will be treated as debt in the determination of net worth. Any other type of shareholder loan will be treated as a second class of stock.
42.	7/12/2010	We assume that the \$100 million net worth condition refer to the equity of the Project Guarantor. Please advise	Yes.

#	Date	Question	Answer
43.	7/12/2010	<p>Insurance references – the insurance requirement are very high. Could we assume either:</p> <p>a. The coverage mention is on aggregate for all team members and there will not be a joint and several liability; OR</p> <p>b. The coverage mentioned could be purchased upon notification of winning by the Consortia (and not by each of the team members).</p>	<p>The insurance coverage requested is for the prospective Proponent. If the prospective Proponent forms or proposes to form a consortium, then the coverage requested shall be procured for the consortium. Insurance requirements will represent a minimum degree of coverage to be maintained by the prospective Proponent. The prospective Proponent has to determine the overall insurance program to be implemented, consistent with the established requirements.</p>
44.	7/12/2010	<p>Is there a materiality threshold for the last 3 years acquisition report?</p>	<p>No.</p>
45.	7/12/2010	<p>Is there a materiality threshold for the financial requirement to provide all current obligations? For a consortia - should that be done for each team member or just for the Project Guarantor?</p>	<p>A prospective Proponent must determine what is material in light of its circumstances. Please provide financial information for each Team Member, not just the Guarantor.</p>
46.	7/12/2010	<p>In a consortia – is it enough that only the Project Guarantor will be authorized to do business in Puerto Rico at this stage?</p>	<p>Yes.</p>
47.	7/12/2010	<p>In a consortia – is it enough that only the Project Guarantor will submit Form 6 or does it apply for all team members?</p>	<p>Form 6 must be submitted by an entity that is authorized and able to provide a letter of credit as required in the RFQ. We do not expect Form 6 to be submitted on the prospective Proponent's letterhead. The requirements for the letter of credit will be provided in the RFP and in the draft PPP Contract. The letter of credit must be issued by a bank authorized to do business in the United States or Puerto Rico. Please refer to Addendum #2 Exhibit B for Amended Form 6.</p>
48.	7/12/2010	<p>Is it possible that a consortia will go for (and will get) more than one zone?</p>	<p>We expect that each zone will have a separate Contractor.</p>
49.	7/12/2010	<p>Is it possible for a consortium to choose the zone/s for which it submits the proposal?</p>	<p>A prospective Proponent, if selected to participate in the RFP stage, may specify for which zone their proposal is intended and may submit proposals with respect to multiple zones.</p>

#	Date	Question	Answer
50.	7/12/2010	PRASA is requesting that DMAs will be installed during the concession and mentions payment for the DMA bulk meter. Does PRASA envision that the other DMA tasks such as, mapping, hydraulic modeling, leakage modeling, pipe replacement where necessary, gate valve replacement where necessary and eventually leak repair will be undertaken by PRASA staff under the direction of the "contractor", or will be done by the contractor?	The RFP and draft PPP Contract will include additional information regarding the scope of services. Prospective Proponents must demonstrate experience related to DMAs.
51.	7/12/2010	Can PRASA provide additional definition for a "Key Subcontractor"? Are installation contractors considered Key Subcontractors and would they be prevented from offering installation services to more than one team in more than one zone?	An installation contractor would be a Key Subcontractor. Although suppliers may serve more than one PPP Contract, an installation contractor may provide services under only one PPP Contract.
52.	7/12/2010	Is it PRASA's intention that different metering products and different AMR/AMI products be used in each of the three zones or will PRASA select the best solution from the three selected companies? In the event that each Proponent sources the metering products and AMR/AMI products used will PRASA issue a specification to be used by each Proponent in order to achieve consistency throughout the island?	The RFP will define the minimum requirements for AMR/AMI systems, subject to modification based on the selected proposals. PRASA reserves the right to approve the technology proposed by a Contractor. The technology may vary between zones or PRASA may require the use of the same technology in all zones. The scope of this requirement will be further detailed in the RFP and draft Contract.
53.	7/14/2010	Section 1.5 – CONSORTIA. The definition of Team Member, indicated in page 3, includes the ultimate holding company of each person or legal entity who is formally or informally working with a Team as potential equity investor in the vehicle that will act as the Contracting Party. Could you please clarify?	The Authority will look to the ultimate holding company of any entity participating in a consortium for purposes of qualifying a prospective Proponent. This is meant to allow the participation of SPV's sponsored by entities with the proper qualifications.
54.	7/14/2010	In Section 4.2 "FORMAT AND REQUIRED INFORMATION FOR SOQ", In case the SOQ is submitted by a consortium, a joint venture or a partnership, shall letters from each member of the consortium, joint venture or partnership be included to authorize a single representative to submit the SOQ on behalf of the team?	A single letter on behalf of the consortium, joint venture, or partnership is required to authorize a single representative to submit the SOQ on the Team's behalf.

#	Date	Question	Answer
55.	7/14/2010	FORM 1: PROPONENT CERTIFICATION and 2: ACKNOWLEDGEMENT OF RECEIPT OF ADDENDA. Please clarify if Form 1 and Form 2 must be issued and signed either by the prospective Proponent, in case of a single company, or by each Team Member in case the SOQ is submitted by a joint venture, consortium or a partnership of individuals or companies.	Form 1: Each Team Member must submit the form. Form 2: Only one form is required, signed by an authorized representative of the prospective Proponent.
56.	7/14/2010	FORM 4: PROJECT GUARANTOR ACKNOWLEDGEMENT We understand that FORM 4 must be issued and signed by the Project Guarantor. We understand that neither the prospective Proponent nor the Team Members will include their letterhead in FORM 4. Could you please clarify?	Form 4 is to be executed by the Guarantor on its letterhead.
57.	7/16/2010	FORM 1: PROPONENT CERTIFICATION. We understand that the abovementioned certification shall be qualified as “to the best of knowledge” of the authorized person that signs the documents, and that you do not need a declaration from each of the subjects mentioned in the Form. Please confirm.	Form 1: Each Team Member must submit the form.
58.	7/16/2010	Section 2.1 (Introduction – Purpose). Please clarify whether the term “Reduction in Leak Detection Time” used in section 2.1 of the RFQ refers to leakage in customer meters and meter boxes or leakage in water mains.	PRASA refers to both in customer meter and meter boxes, and leakages in water mains. Additional information regarding the scope of services will be provided in the RFP and draft PPP Contract.
59.	7/16/2010	What is the formula used by PRASA to calculate Non-Revenue Water?	PRASA currently calculates its Non-Revenue Water as follows: $NRW = (\text{volume produced [m3]} - \text{volume billed [m3]}) / \text{volume produced [m3]}$. Refer to the project's Desirability and Convenience Study for additional information.
60.	7/19/10	FORM 6 leaves open the amount for the letter of credit as it states “[insert amount].” It is understood from the requirements of the SOQ that we need to insert the \$5 million (per page 16, chapter 3, financial qualifications). Please confirm that is the amount required for the letter of credit.	We confirm that the amount is \$5 million. Please refer to Addendum #2 for additional information related to Form 6.

#	Date	Question	Answer
61.	7/19/10	We assume that it is possible to issue the letter of intent to issue letter of credit by one of the team members (which is not a bank). Please advise.	No. The letter of intent to issue letter of credit must be issued by a financial institution authorized to do business in the United States or Puerto Rico.
62.	7/19/10	We assume that for a foreign company that do business in Spanish could submit the financial statements in Spanish at this stage and that if needed could be translated and certified in Puerto Rico for the next stage.	Yes.
63.	7/19/10	For this stage, we assume that the insurance company letter of intent (FORM 5) doesn't have to be an Insurance company solely authorized to do business in Puerto Rico, if our assumption is not valid please clarify.	Form 5 must be submitted by an entity that is authorized and able to provide the necessary insurance as required in the RFQ. Form 5 must be signed by the insurance company representative or insurance broker. The insurance company or the broker signing Form 5 must be authorized to do business in Puerto Rico.
64.	7/19/10	Section 4.1 of the Introduction of the Study of Desirability for the Implementation of Advanced Technologies for the Reduction of Non-Revenue Water refers to a "financial model that considers the estimated cost to be incurred and the forecasted improvements to be obtained" that PRASA developed for its financial pro forma. Our question is: Can the Proponent have access before the final submission of the SOQ to a copy of this Financial Model?	No. This information is confidential and will not be made available to prospective Proponents.
65.	7/19/10	Can our representatives have access before the final submission of the SOQ to the "Water Accountability Pilot Project Final Report prepared by Gregory L. Morris Engineering 2009 as stated under the heading References on Page 7-1 of the Study of Desirability for the Implementation of Advanced Technologies for the Reduction of Non-Revenue Water?	No. This information is proprietary and will only be made available to shortlisted prospective Proponents during the RFP process.

FORM 6: LETTER OF INTENT FOR CREDIT (AMENDED)

[Letterhead of Entity that will Issue Letter of Credit]

PPP Committee Representative
Request for Qualifications –
Implementation of Advanced Technologies
for the Reduction of Non-Revenue Water for PRASA

Dear PPP Committee Representative,

This is to advise that [Name of Company], who is authorized to do business in the Commonwealth of Puerto Rico, is prepared to provide a Letter of Credit in the amount of [Insert Amount] as described in the Request for Qualifications issued by the Puerto Rico Public-Private Partnership Authority (the Authority) on [DATE] for the Implementation of Advanced Technologies for the Reduction of Non-Revenue Water for the Puerto Rico Aqueduct and Sewer Authority, should [Name of the prospective Proponent] be awarded a Public-Private Partnership Contract pursuant to a future Request for Proposals for the Project.

The LOC shall be subject to approval by [Name of Financial Institution] pending the terms and conditions that shall be set forth in the Request for Proposals.

Name of Company

Name of Authorized Signatory

Signature

Title

Date