

Annex II Front-End Transition Services

INTRODUCTION

During the discussions held throughout the RFP process, Administrator and PREPA were very clear that there is strong desire to complete the Front-End Transition Services in a timely manner and as soon as practical.

Operator acknowledges this goal. It has worked to develop a comprehensive yet aggressive and ambitious schedule to achieve a January 1, 2021 Service Commencement Date, but this is based on the factors noted below. Based on an Effective Date of January 20, 2020, Operator has scheduled completion of the Front-End Transition Services by December 3, 2020. In view of Administrator's and PREPA's desire to achieve these dates, Operator has structured its Front-End Transition Plan to deploy appropriate resources during this critical period to achieve success. However, a critical and essential element and condition to meeting this aggressive timeline is the meaningful participation by existing PREPA and Administrator employees and/or contractors, as applicable, including PREPA and Administrator management, all of whom will be required to dedicate significant time and resources during the Front-End Transition period in order to permit Operator to achieve a January 1, 2021 Service Commencement Date. Operator looks forward to this participation and to working together with PREPA and Administrator to achieve these goals and to allow it to affect this Front-End Transition Plan.

A well-executed Front-End Transition will be the foundation on which the success of the Puerto Rican T&D System transformation will be based.

The Front- End Transition Plan is as follows:

- Developing a post-commencement strategy that appropriately balances near- and longer-term initiatives;
- Immediately addressing the urgent issues of storm response planning as well as critical safety and operational deficiencies;
- Working towards accelerating (where reasonably practical) the timing for completion of the various work streams set out herein by drawing upon Operator's equity holders to supplement (through appropriate Subcontracts) the transition team during the initial months;
- Drawing upon Operator's equity holders' (under appropriate Subcontracts):
 - proven internal processes that have been employed to support such equity holders respective acquisition strategy, and
 - collaborative, proven P3 model;
- Working to developing an internal culture around project management skills, accountability, elevating issues as they occur, developing work-around solutions and communicating frequent status updates to internal and external stakeholders; and
- Developing a communication plan that works to create a well-orchestrated and consistent message to Operator's employees regarding expectations.

All of Operator's obligations herein are subject to terms of the main body of the O&M Agreement including Section 2.2 (Effective Date) and Section 4.6 (Front-End Transition Period Compensation).

Mobilization

Following the Effective Date, and Owner's compliance with Section 4.2 (Front-End Transition Period) the Operator's transition teams will commence their work in order to meet the complete critical path activities identified in this Annex II. Team leaders will be drawn from Operator's pool of experienced managers. Many of these professionals will also be designated to serve as senior leadership for the Operator after the Service Commencement Date and will be moving to Puerto Rico on a permanent basis.

The manhour budgets assigned to each team reflect the level of change management associated with most of the workstreams. These are illustrated in the Figure 1 below:

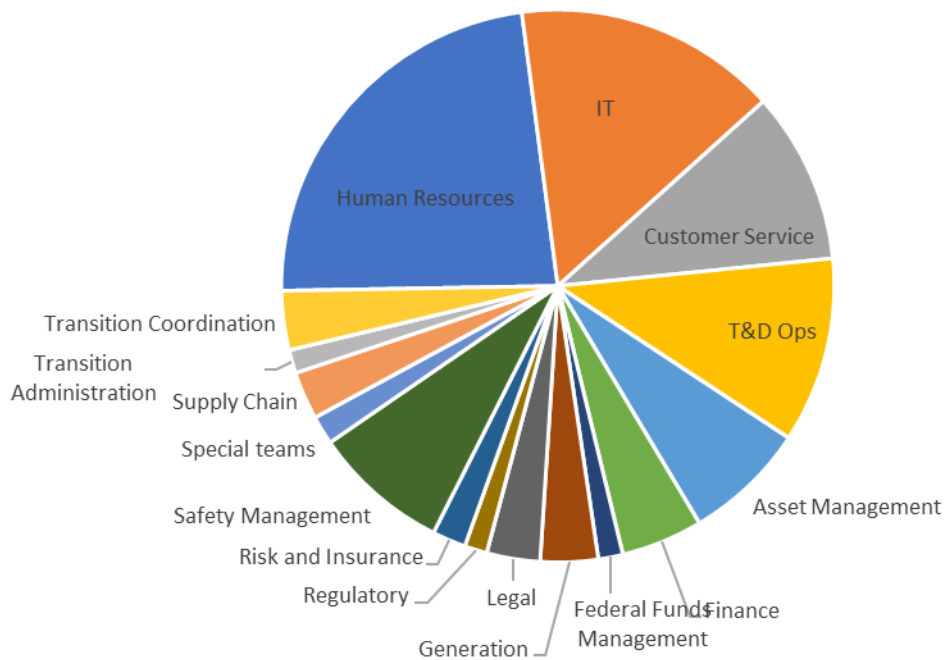


Figure 1: Transition Estimate by Workstream (Hours)

The overall Front-End Transition Plan has been divided into three primary phases: Assess > Analyze > Act. These are not distinct phases with clear separation between them, but rather they indicate the general focus of activities that will gradually evolve as Operator arrives on site in Puerto Rico following commencement of the Front-End Transition Services, and Operator will work toward completing our assessments and work with the Owner's and Administrator's (in this Annex II Owner is also referred to as "PREPA") respective employees to develop our improvement initiatives.

This approach is summarized in Table 1 below.

Table 1: Mobilization Phases

	PHASE 1	PHASE 2	PHASE 3
	ASSESS	ANALYZE	ACT
Tasks	<ul style="list-style-type: none"> ▪ Detailed data review ▪ Interview PREPA rank & file ▪ Assess performance trends & issues ▪ Confirm or modify hypotheses 	<ul style="list-style-type: none"> ▪ Understand root causes of performance issues ▪ Identify potential solutions ▪ Work with employees to understand constraints & implementation challenges 	<ul style="list-style-type: none"> ▪ Consolidate solutions into initiatives ▪ Quantify costs and benefits of solutions ▪ Prioritize initiatives into near- and longer-term schedule
Major Attributes of Each Phase	<ul style="list-style-type: none"> ▪ Large team supplemented from Operator affiliate ▪ Compile performance data on consistent basis for future ▪ Set expectation that how business is conducted is being transformed ▪ Identify internal champions & leaders 	<ul style="list-style-type: none"> ▪ Invest time to understand local constraints, but always driving schedule progress ▪ Catalog potential issues & initiatives ▪ Start work in collaborative teams with rank & file; internal champions emerge and assume more active roles ▪ Business process re-engineering requirements being identified 	<ul style="list-style-type: none"> ▪ Internal champions take leadership roles as new attitude becomes understood ▪ Develop implementation plans that cut across organization for efficiency ▪ Gather input and perspective from broad set of internal & external stakeholders

Operator's staffing ramp-up plan recognizes the phased approach and is designed to coordinate staff resources, logistics, and to interface with Administrator and PREPA (and their respective employees) to support the required deliverables.

The time to receive regulatory approvals creates a schedule where most workstreams of both Operator and each of Administrator and Owner will quickly ramp up to full resource loading, and thereafter involve work on full-time basis to achieve the mid-year milestones identified herein. While there is a critical path to completion, there are several other secondary and tertiary critical paths that are to be addressed as well. While, when viewed on a roll-up basis by consolidating major activities, it can look as if each workstream is running full-out to completion, since activity scheduling is done on a "finish as early as possible" basis, there are a number of key activities that will drive the overall timeline. These key activities are:

- Mobilization of transition team members after commencement of Front-End Transition Services (which will depend on scheduled date for Effective Date and satisfaction of

requirements of Section 4.6 (Front-End Transition Period Compensation) being met (i.e. to permit early kick-off).

- Several IT-related system development tasks, but most critically, the path to implement and stand up the new payroll module;
- In accordance with the terms of the Agreement development of the following as contemplated in Article IV of the main body of the Agreement:
 - Emergency Response Plan;
 - Physical Security Plan;
 - Data Security Plan; and
 - Vegetation Management Plan;
- In accordance with the terms of the Agreement development of, and work towards obtaining the requisite approvals as per main body of the Agreement for the items specified in Article IV of the main body of the Agreement including:
 - the System Remediation Plan;
 - the Federal Funding Procurement Manual and Non-Federal Funding Procurement Manual;
 - the Systems Operation Principles;
 - Initial Budgets;
 - Performance Metrics matters as contemplated by Section 4.2(f) of the main body of the Agreement; and
 - Back-End Transition Plan.

Views on Feasibility of 2020 Target Commencement

The overarching schedule for completion of the Front-End Transition Services set out herein in Appendix 1 (herein the "Schedule") for completion of the Front-End Transition Services is an aggressive schedule and will depend on the full, timely and complete support of Administrator and PREPA, and on the assumption that this same support will also be obtained from PREB, all in accordance with the requirements of the Agreement as a whole. Operator will collaborate to obtain alignment from Administrator, PREPA and PREB in order to not adversely impact Operator's ability to meet the proposed Schedule.

The Schedule has been carefully constructed to ensure that each workstream has a separate and realistic schedule for the time and activities required to complete its work, all based on the assumption that the required support is received from PREPA. In addition, predecessor and successor activities have been identified and a critical path analysis has been conducted to ensure the robustness of the overall Schedule.

Transition Communications Plan

A robust communications strategy is a critical element of this Front-End Transition Plan. This communication plan (the "Transition Communications Plan") will need to be developed and implemented early following commencement of Front-End Transition Services. A well-designed communications plan, which will deliver communications in Spanish and English, will help meet

the goal of ensuring the Front-End Transition Services can be performed efficiently and will help prepare both PREPA's employees who may be hired by Operator and the public at large for the transition to Operator performing the O&M Services as contemplated in the Agreement once Service Commencement Date is achieved.

Key milestones in the Front-End Transition period will be identified by Operator as the provision of the Front-End Transition Services progresses and targeted messages will be delivered by Operator to coincide with those milestones. At a very high level, these messages will include introductory materials, periodic status updates and a report on transition period achievements that includes a plan for the future.

The Transition Communications Plan will be our first opportunity to define our management vision and expectations, mission statement and core values. We will seek input from Administrator and PREPA in developing this Transition Communications Plan., However, generally the Transition Communications Plan is intended to feature the following:

- A commitment from the Operator's senior leadership to communicate with its current and prospective employees transparently and frequently. Communications will work to express empathy for these employees in the face of the uncertainty arising from the changes. The Operator will also communicate plans for increased on-going dialogue with employees to keep them motivated and productive once transitioned.
- The use of multiple communication channels to reinforce our key messages. This will include townhall meetings, one-on-one meetings with prospective employees, group sessions, intranet updates and posting of frequently asked questions (FAQs), memos and other forms of media to communicate applicable information.
- The development of an employee value proposition that defines why prospective employees will want to work for ServCo if offered employment.

To enhance communications, we will include the following meetings and status reporting:

- Daily meetings between transition team leaders and the transition program manager to identify and resolve any emergent items and assist with other teams' data, analytical or other issues
- Biweekly progress meetings between the Operator and the Administrator's and PREPA leads involved with the transition program. These meetings will be action oriented, with summary progress reported. Materials widely reported may be edited to protect Operator's confidential information.
- Monthly progress meetings with Administrator and PREPA and the Operator's transition program leadership
- Supplemental progress meetings with Administrator and PREPA executives as appropriate
- General public progress reporting updates every three months with other stakeholders as determined following consultation with Administrator and PREPA (and potentially PREB and interested political leaders as deemed appropriate by Operator)

Figure 2 below shows the structure, purpose and proposed frequency of transition program meetings.

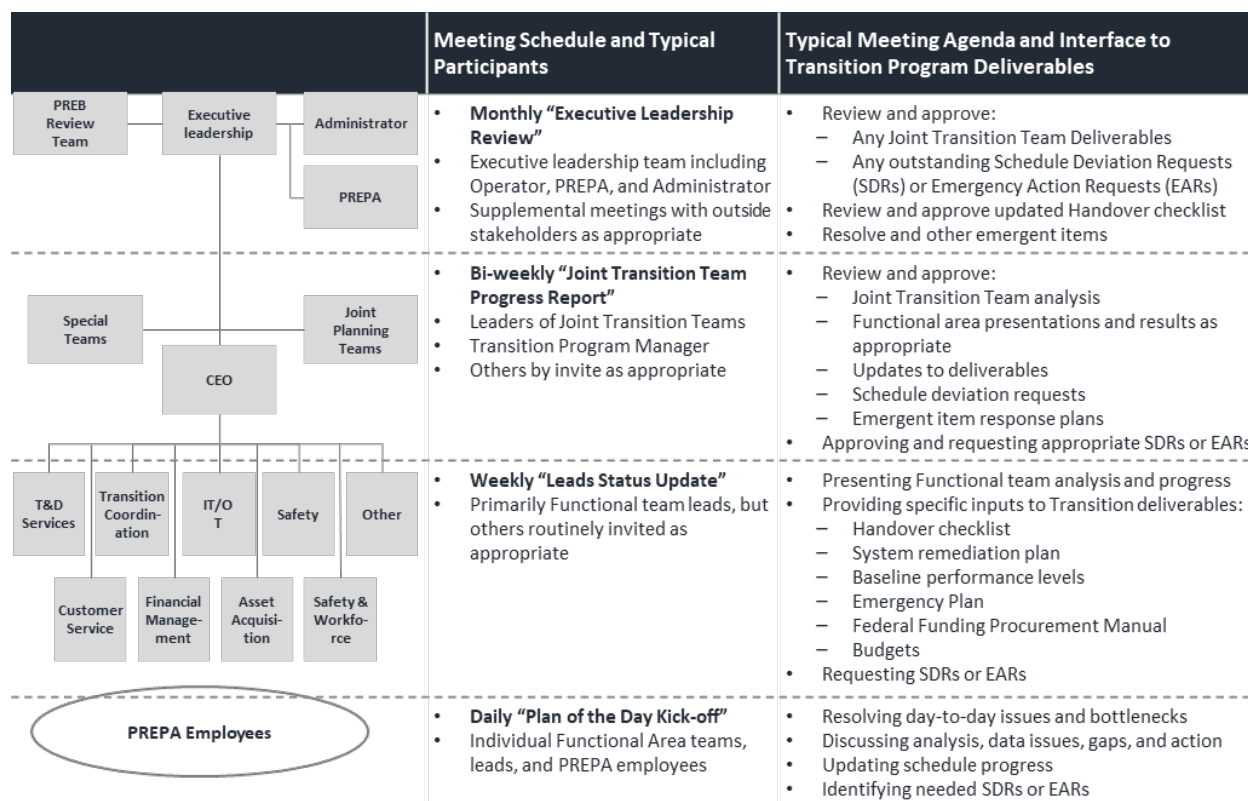


Figure 2: Transition Program Meetings

Management Transition Plan

To set a new management tone, and to increase expectations of how the Operator will operate in the future, Operator's management transition plan reflects Operator's philosophy, approach and major themes. Based on Operator's understanding of the drivers behind PREPA's operating track record Operator is not looking to focus on prior faults. Instead Operator's focus, as a new permanent organization, will be towards improving service and rebuilding the system together with PREPA.

As part of the transition towards Operator providing O&M Services, Operator intends to tap into the knowledge and eagerness of PREPA's employees that it ultimately elects to hire to help achieve overall buy-in from these employees. The transformation of the T&D System operations will depend on further developing the talents and resourcefulness of these PREPA employees that are offered positions with and the choose to join the Operator. Operator will work to improve the employee experience in order to stem the rate of attrition and increase employee morale.

Approach to Interacting with Spanish-Speaking Workforce

Operator's transition team has a number of fluent Spanish speakers, including several senior members who have lived and managed businesses in several different Latin American countries. It is envisioned that these bilingual senior team members should be able to handle most interactions with senior officials, regulators, politicians, or members of the media where important internal employee messaging in the Spanish language would be more productive. Operator anticipates that those meetings could be led by our native-speaking or fluent non-native senior team members as necessary.

Interacting with the broader PREPA employee workforce does represent some potential challenges, but Operator anticipates these can be overcome in several ways. Operator's plan to do so will include mandatory internal training sessions for all transition members regarding personal and professional manners and expectations, an orientation on Puerto Rico's history and culture, and sensitivity to language issues.

Handover Check List

Operator's plan to manage the Handover Checklist is to continually maintain a checklist and submit updates on or before the 10th of every month to the Administrator. These updates will include reporting checklist items that have been completed, as well as identifying any checklist items that might have emergent issues or problems that need to be escalated for resolution. In addition, if any new emergent items are identified that are not currently known, they will be proposed to be added to the handover checklist to be reviewed with Administrator.

The preliminary handover checklist is shown in Table 2 below

Table 2: Handover Checklist

	PRELIMINARY HANDOVER CHECKLIST ITEM	REQUIRED FOR COMMENCEMENT? (Y/N)	COMPLETED? (Y/N)
<input type="checkbox"/>	I. General & Transition Management		
<input type="checkbox"/>	1. Government Approvals		
<input type="checkbox"/>	2. Plan to Address Gaps in Assets, Technology, Processes, etc. (plan to include cost estimates)		
<input type="checkbox"/>	3. PREB Rate Order Filing		
<input type="checkbox"/>	II. T&D Services Milestones		
<input type="checkbox"/>	1. Development and Implementation of an Operations Takeover Plan for Transmission and Sub-Transmission Inside and Outside of the Plant		

	PRELIMINARY HANDOVER CHECKLIST ITEM	REQUIRED FOR COMMENCEMENT? (Y/N)	COMPLETED? (Y/N)
<input type="checkbox"/>	2. Development and Implementation of an Operational Takeover Plan for the Electric Distribution System		
<input type="checkbox"/>	3. Development and Implementation of Additional Take-over plans		
<input type="checkbox"/>	A. Transition Plan for T&D Control Centers		
<input type="checkbox"/>	B. Transition Plan for Operations and Maintenance (O&M) Activities		
<input type="checkbox"/>	C. Emergency Response/Disaster Recovery/Business Continuity Plans		
<input type="checkbox"/>	D. Fleet Management Plan		
<input type="checkbox"/>	E. Asset Management (included in 8. Engineering and Asset Management)		
<input type="checkbox"/>	F. Workforce Management & Training Plan		
<input type="checkbox"/>	G. Safety Management Plan		
<input type="checkbox"/>	H. Engineering and Asset Management		
<input type="checkbox"/>	I. Identification of Real Estate		
<input type="checkbox"/>	J. Materials Management & Warehouse Plan		
<input type="checkbox"/>	K. System Operations Plan		
<input type="checkbox"/>	L. Vegetation Management Plan		
<input type="checkbox"/>	4. Update Emergency Operations Manual and Business Continuity/Disaster Recovery Plan		
<input type="checkbox"/>	5. Environmental Exposure Management Plan		
<input type="checkbox"/>	6. PREB Rate Order Filing		
<input type="checkbox"/>	III. System Remediation Plan Milestones		
<input type="checkbox"/>	1. Remediation Plan Proposal		
<input type="checkbox"/>	2. Development of Improvement Initiatives		
<input type="checkbox"/>	3. Consolidate Plans from All Areas		
<input type="checkbox"/>	4. Development of System Remediation Plan		
<input type="checkbox"/>	5. Approval of System Remediation Plan		
<input type="checkbox"/>	IV. Customer Services		

	PRELIMINARY HANDOVER CHECKLIST ITEM	REQUIRED FOR COMMENCEMENT? (Y/N)	COMPLETED? (Y/N)
<input type="checkbox"/>	1. Evaluating Customer Service Facilities and Assets		
<input type="checkbox"/>	2. Evaluating and Updating Customer Service Policies and Procedures		
<input type="checkbox"/>	3. Development of a Meter Reading Plan		
<input type="checkbox"/>	4. Development of a Customer Service Transition Plan		
<input type="checkbox"/>	5. Development and Implementation of a Service Start and Shut-Off Plan		
<input type="checkbox"/>	6. Development of a Meter Asset Management (MAM) Plan		
<input type="checkbox"/>	7. Development and Implementation of a Customer Service Technology		
<input type="checkbox"/>	8. Develop and Implement a Non-Technical Energy Loss Reduction Plan		
<input type="checkbox"/>	9. Establish Integration Between Customer Services & T&D Ops		
<input type="checkbox"/>	V. IT		
<input type="checkbox"/>	1. Development of IT/OT Communication Plan and Acceptance Criteria		
<input type="checkbox"/>	2. Identification and Gap Analysis		
<input type="checkbox"/>	3. Evaluating IT/OT Applications and Infrastructure		
<input type="checkbox"/>	4. Development of Cyber Security and Business Continuity Plan		
<input type="checkbox"/>	5. Development of an IT Asset Management Program		
<input type="checkbox"/>	6. Development of an IT/OT Transition Plan and Schedule		
<input type="checkbox"/>	7. Commencement Cutover Planning		
<input type="checkbox"/>	8. Training and Communication Plan		
<input type="checkbox"/>	VI. Financial Management		
<input type="checkbox"/>	1. Detailed Description of Approach to Budgeting and Reporting		

	PRELIMINARY HANDOVER CHECKLIST ITEM	REQUIRED FOR COMMENCEMENT? (Y/N)	COMPLETED? (Y/N)
<input type="checkbox"/>	2. Description of Approach to Complying with Initial Budget Obligations		
<input type="checkbox"/>	3. Approach to Formalizing Changes to Control Processes		
<input type="checkbox"/>	4. Establishing a Financial Accounting System and Account Structure		
<input type="checkbox"/>	5. Preparing Initial Budgets and Other Financial Forecasts		
<input type="checkbox"/>	6. Establishing Bank Accounts		
<input type="checkbox"/>	7. Evaluating and Updating Payroll and Labor Cost Reporting systems		
<input type="checkbox"/>	8. Establishing a Delegation of Authority Matrix and Process		
<input type="checkbox"/>	9. Processes & Procedures and Overall Internal Controls		
<input type="checkbox"/>	VII. FEMA Funds and Federal Funding Procurement Manual		
<input type="checkbox"/>	1. Set Up Governance Framework		
<input type="checkbox"/>	2. Policies and Procedures		
<input type="checkbox"/>	3. Staffing Plan		
<input type="checkbox"/>	4. Surge Staffing		
<input type="checkbox"/>	5. Project Worksheet Assessment (also covered under Section 4.3)		
<input type="checkbox"/>	6. Handoff of Project Worksheet Activity from COR ³ and Vendors		
<input type="checkbox"/>	7. Project Procurement Planning		
<input type="checkbox"/>	8. Drafting, Revising and Finalizing Federal Funding Procurement Manual		
<input type="checkbox"/>	VIII. Staffing for Front-End Transition Period		
<input type="checkbox"/>	1. Draft, Revise and Finalize Operator Employment Requirements		
<input type="checkbox"/>	2. Recruiting and Staffing		
<input type="checkbox"/>	3. Redesign and Staff New Organization		

	PRELIMINARY HANDOVER CHECKLIST ITEM	REQUIRED FOR COMMENCEMENT? (Y/N)	COMPLETED? (Y/N)
<input type="checkbox"/>	4. Proposed Recruitment and Staffing Plan		
<input type="checkbox"/>	5. Stand Up Human Capital Management (HCM) System		
<input type="checkbox"/>	6. Communication Plan		
<input type="checkbox"/>	7. Training (Workforce Development) Plan		
<input type="checkbox"/>	8. Develop Employee Retirement Plan		
<input type="checkbox"/>	9. Occupational Health and Wellness		
<input type="checkbox"/>	10. Compliance Plan		
<input type="checkbox"/>	11. Engagement Plan		
<input type="checkbox"/>	12. Develop a Community Investment Plan		
<input type="checkbox"/>	IX. Additional Front-End Transition Period Activities		
<input type="checkbox"/>	1. Genco Shared Services Agreement Approval		
<input type="checkbox"/>	2. Emergency Response Plan Approval		
<input type="checkbox"/>	3. Non-Federal Funding Procurement Manual Approval		
<input type="checkbox"/>	4. Physical Security Plan Approval		
<input type="checkbox"/>	5. Data Security Plan Approval		
<input type="checkbox"/>	6. Vegetation Management Plan Approval		
<input type="checkbox"/>	7. System Operation Principles Regulatory Approval		
<input type="checkbox"/>	X. Asset Acquisition (Supply Chain)		
<input type="checkbox"/>	1. Evaluating Existing Procurement and Subcontracting Policies, Procedures and Systems		
<input type="checkbox"/>	2. Assuming Responsibility for Securing Use of Assets, Facilities, IT / OT, etc.		
<input type="checkbox"/>	3. Assuming Existing Subcontracts		
<input type="checkbox"/>	XI. Back-End Transition Plan		
<input type="checkbox"/>	1. Develop Back-End Transition Plan		
<input type="checkbox"/>	XII. Front-End Transition Plan (Additional Requirements)		

	PRELIMINARY HANDOVER CHECKLIST ITEM	REQUIRED FOR COMMENCEMENT? (Y/N)	COMPLETED? (Y/N)
<input type="checkbox"/>	1. Confirmation of Acceptable Operator Security		
<input type="checkbox"/>	2. Required Insurance		
<input type="checkbox"/>	3. Baseline Performance Levels		
<input type="checkbox"/>	4. Back-End Transition Plan		
<input type="checkbox"/>	5. Representations		
<input type="checkbox"/>	6. Operator Representations and Warranties		
<input type="checkbox"/>	7. Section 4.3: Owner and Administrator Responsibilities		
	8. Owner Representations and Warranties		
<input type="checkbox"/>	9. Section 4.4 Governmental Approvals		
<input type="checkbox"/>	10. Section 4.5: Conditions Precedent to Service Commencement Date		
<input type="checkbox"/>	11. Section 4.7: Closing the Front-End Transition Period		
<input type="checkbox"/>	12. Service Commencement Begins		

D.P. 1.5.1 General Transition Management

The General Transition Management activities are comprised of the contents of this Annex.

D.P. 1.5.2 T&D Services Milestones

The T&D group will be one of the largest teams during the Front-End Transition period in terms of the number of people involved and sites and facilities visited. The primary critical path

activities that determine the portion of the Schedule applicable to this process for the T&D transition program are as follows:

- Logistical requirements to visit and assess the large number of physical sites and assets throughout Puerto Rico;
- Time required to interview and assess the large PREPA employee base currently working for PREPA in relation to the T&D System and to reorganize and staff the new T&D organization within Operator;
- Time required to conduct a thorough assessment of all capital and O&M work requirements and to identify, quantify and prioritize improvement initiatives; and
- Completion of key work products needed to ensure no impact to reliability or resiliency after Service Commencement Date (such as the Emergency Response Plan).

Within this section (T&D services), Operator has developed a comprehensive operational takeover plan for all the identified items. Operator's fundamental approach is to assemble its team to finalize the necessary due diligence, identify any gaps, and develop a robust plan to ensure continuity of service to the business, employees and our customers. The Front-End Transition Project Office established by Operator will work to implement controls to deal with the expected large volume of activity occurring from workstream to workstream that will be seeking similar information with the goal of reducing the burdens and additional costs this might otherwise create.

D.P. 1.5.3 System Remediation Plan Milestones

The current state of the T&D System as viewed through site visits and our review of information in the data room and the Q&A log during the RFP process is that the current T&D System consists of aging infrastructure that has been poorly maintained due to lack of funding and inconsistent maintenance practices that are largely undocumented. The control, monitoring and information equipment is aged, underutilized and in some cases obsolete. Hardware, Information Systems and software are underutilized, fragmented and unsupported. Therefore, these systems lack the ability to provide the required visibility of the system and implement programs such as Distribution Automation (DA), condition monitoring/analytics and situational awareness regarding outage management. Strategies to manage assets over their life cycle have not been developed. System Planning tools to effectively model the system, which is an industry best practice, are not being used due to a lack of confidence in their accuracy.

Operator's approach to developing the System Remediation Plan will be a collaborative effort with key stakeholders generally but also including the Administrator and PREPA. The plan should align with various reports such as the GridMod Plan, the IRP, Sargeant & Lundy's Capital Plan, Build Back Better, and the Energy Resiliency Solutions for the Puerto Rico Grid (from the Department of Energy).

D.P. 1.5.4 Customer Service Milestones

Operator views Customer Service as an integral component in the Operator's transformation of the T&D System. The Front-End Transition period will be used by Operator to thoroughly assess the existing T&D Customer service organization of PREPA, with a focus on customer experience quality and operational efficiency. Operator will take the opportunity during the Front-End Transition period to help it implement quick "wins" following the Service Commencement Date that will enable T&D Customers to see and feel post-commencement improvements in the customer experience. These quick "wins" will act as a catalyst for T&D Customer engagement and the launch of the Voice of the Customer program.

The Operator's Customer Service group's scope and schedule is driven by different needs from most of the other functional areas. In addition to assessing PREPA's existing operations and identifying opportunities for improvement, Operator's Customer Service group will be fundamentally transforming the manner in which the Operator will deliver the customer experience. Operator will need time to communicate the changes and train the workforce on how things will be different. It is critically important to make T&D Customers aware immediately after commencement that a new priority has been established to improve their interactions with the Operator.

The primary critical path activities that determine the schedule for the proposed T&D Customer service transition program are as follows:

- Visit and assess the large number of physical sites and assets throughout Puerto Rico.
- Interview PREPA's current T&D Customer service employees to identify key leaders who can implement the transformed customer service vision and reorganize and staff the new organization as required.
- Work to instill the culture and values of the transformed T&D Customer Service group throughout the workforce.
- Ensure a consistent message is communicated to T&D Customers beginning on the first day of Service Commencement Date.

D.P. 1.5.5 Information Technology (IT)/Operation Technology (OT) Systems

The Operator's IT group's scope and schedule are driven by the need to begin defining new requirements for a large number of critical systems and processes. These new systems and processes will represent a massive degree of change in how every employee performs his or her daily job.

This level of change requires a structured, well-defined multi-year time frame for implementation. The primary critical path activities that determine the schedule for the IT transition program are as follows:

- A comprehensive assessment and due diligence review of over 15 major systems, which begins on immediately on commencement of the Front-End Transition Services and includes each team (including PREPA's and Administrator's) running full out for the first three months following commencement of the Front-End Transition Services.

- A high degree of coordination between the IT team and other functional area teams (both within Operator and by PREPA and Administrator's teams as well) to ensure the future owners of these new systems within Operator have the chance to fully define their requirements.
- A thorough workforce assessment to identify any skill gaps that must be addressed to meet the organization's strategic objectives.
- A concentrated focus on the large number of system cutovers that will be required to support the transfer after commencement. It is essential that these cutovers be well planned and flawlessly executed.

D.P. 1.5.6 Financial Management Milestones

The Financial Management group's scope and schedule is driven by assessing and improving risk management, the internal control environment and underlying business processes. This is critical to setting the overall financial foundation, evaluating the integrity of the financial compilation and reporting processes, mitigation of fraud and other risks, and the transition, design and implementation of the capital and operating budgets for the organization.

The primary critical path activities that determine the schedule are as follows:

- Redesign the budgeting process and have each functional team restructure its operational areas and adjust staffing size. Roll these inputs into a new approved budget, including the Initial Budgets;
- Beginning immediately on commencement of the Front-End Transition Services and running full-out for the first three months, perform a comprehensive assessment and due diligence review of all major systems; and
- Recognize the high degree of coordination that will be required from the IT team and the other functional area teams (both within Operator and by PREPA and Administrator's teams as well) to ensure that owners of these new systems within Operator have the chance to fully define their requirements.

The Operator's approach to financial management during the front-end transition will continue to evolve as we gain a deeper understanding of PREPA's administrative and operational routines. Our efforts will be focused on understanding and evaluating PREPA's:

- Significant financial risks;
- Management and operational reporting;
- Regulatory reporting and compliance requirements;
- Business processes; and
- Resources for matters that could affect the seamless transition of services at commencement.

Our plan will leverage current PREPA management and financial personnel to analyze the existing state of department processing and output, transition risks and stakeholder needs (customers, operations, regulators) in the following major areas:

- All significant financial statement accounts and assertions;
- All significant accounting and reporting processes, including:

- Cash management and controls;
- Payroll and benefits;
- Transaction processing;
- Fixed asset management;
- Job costing for projects;
- Debt/credit management;
- Accounting close;
- Management; and
- Regulatory reporting

D.P. 1.5.7 FEMA Funds and Federal Funding Procurement Manual

Operator will be working with IEM (as its Subcontractor) to deal with federal funds management. The Operator's first step following commencement of the Front-End Transition Services is to ensure a proper governance framework is established before it can manage a long-term recovery using federal funding on behalf of the Owner. The IEM team is best suited to ensure that the Operator is operating under a federal funds management framework with an effective procurement policy that is inclusive of all federal, territorial, and COR3 requirements that also emphasizes performance. Further, IEM's own monitoring and internal controls included in the newly created PREPA Disaster Recovery Federal Funds Management Guide (Operator DRFFMG) will ensure that the procurement policy is not merely aspirational but in fact is used for procurement and for the management and monitoring of the Operator's contractors.

IEM is one of only a few contractors to maintain disaster management as its core business, under a single business structure, for over three decades. IEM brings broad federal funds management insights, understanding, and innovations for the Operator.

D.P. 1.5.8 Staffing for Front-End Transition Period Milestones

Operator's expected organization chart for its transition team is shown in the Figure 3 below.

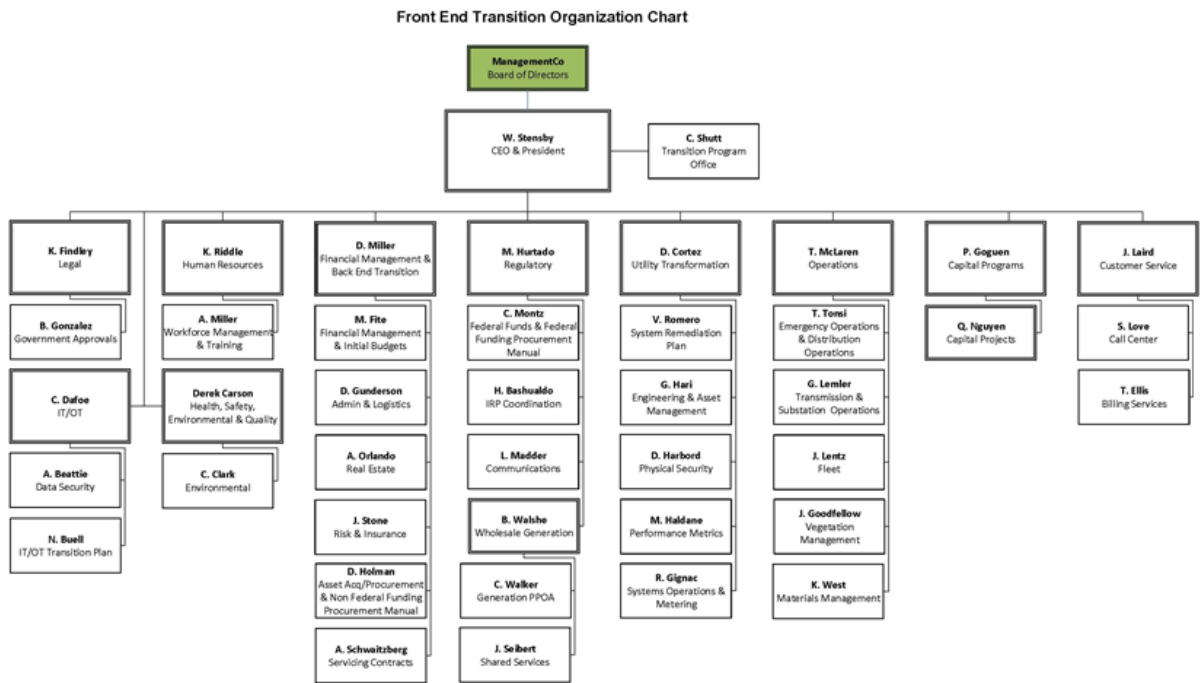


Figure 3: Front End Transition Organization Chart

D.P. 1.5.9 Additional Front-End Transition Period Milestones

As requested by the Administrator, Operator will create specific teams to provide an extra focus on seven key items that are important to a successful transition which are:

- GenCo Shared Services
- Emergency Response Plan
- Non-Federal Funding Procurement Manual
- Physical Security Plan
- Data Security
- Vegetation Management Plan
- System Operation Principles.

D.P. 1.5.10 Asset Acquisition

Operator's procurement team will review existing procurement and subcontracting policies, procedures and systems governing and implemented by PREPA. Once Operator is able to execute a more granular review of the contracts (including System Contracts), procedures and systems that PREPA has in place, Operator will develop a more robust plan and

recommendation for enhancements or improvements. Upon completion of procurement procedure documentation for goods and services, a training plan will be established for procurement staff as required. Subsequently, documentation will be integrated into the compliance strategy and procurement procedure manuals.

The Operator will collaborate with PREPA to identify assets related to the facilities, furnishings, material, supplies, equipment and IT systems required for T&D System operations. Upon completion of asset identification, the Operator, by performing due diligence in each functional area, plans on identifying and documenting these assets (with the assistance and reliance on PREAP for appropriate information) and develop a detailed plan and recommendation for securing them. The plan will be submitted to the Owner and Administrator for review and approval as required by the Agreement. Operator will coordinate with the Owner on executing the approved plan. The completion of this activity is dependent on timely alignment between the Operator and each of the Administrator and the Owner on the assets required to run the operation.

Upon completion of the identification and assumption of responsibility for PREPA's existing contracts, including System Contracts and subcontracts, the Operator will work to evaluate all of such PREPA's identified contractors, subcontracts and vendors and perform outreach and evaluation. Operator will work with PREPA and the applicable Operator functional areas to determine which of such contracts and subcontracts should be continued and assumed by the Operator or provided by other means. The Operator's procurement team will develop a plan and recommendation for assuming responsibilities for such PREPA's existing contracts and subcontracts and submit the plan for Owner and Administrator review and approval as required by the Agreement. Upon approval, the Operator's procurement team will assume the applicable existing contracts and subcontracts with appropriate assignment from PREPA and further develop the Operator approval process for contractors and subcontractors.

D.P. 1.5.11 Back-End Transition Plan

A key component of the Agreement is the development and execution of a Back-End Transition Plan (Plan). The plan will enable the seamless, safe and effective transfer of the management of the T&D System and O&M Services either back to the Owner or to a successor operator at the expiration of the Agreement or, under certain conditions, an earlier time.

We have identified the members of the team, our approach and implementation, and proposed a detailed outline of the plan. This Back-End Transition Plan in its entirety can be viewed in Annex III of the Agreement

APPENDIX 1

Detailed schedule of activity listing is contained on following pages.

ID	Task Name	Duration	Start	Finish	October	January	April	July	October	January
1	ACTIVITIES - FROM AWARD TO EFFECTIVE DATE	0 days	Wed 20-01-01	Wed 20-01-01						
2	Award Notification	0 days	Tue 19-12-17	Tue 19-12-17						
3	Coordinate Public Award Announcements with Administrator and Owner	0 days	Tue 19-12-17	Tue 19-12-17						
4	Award Date (Assumption)	0 days	Fri 19-12-20	Fri 19-12-20						
5	Operator signs O&M Agreement	7 days	Fri 19-12-20	Mon 19-12-30						
6	Administrator obtains O&M Agreement Signatures from Required Parties	15 days	Tue 19-12-31	Mon 20-01-20						
7	Transition Starts - Effective Date Occurs	0 days	Mon 20-01-20	Mon 20-01-20						
8	DP Form 1.5 Front-End Transition Plan	263 days	Tue 19-12-03	Thu 20-12-03						
9	1. General and Transition Management	263 days	Tue 19-12-03	Thu 20-12-03						
10	1.c Mobilization of Transition Team	38 days	Tue 19-12-03	Thu 20-01-23						
58	1.i Governmental Approvals	185 days	Fri 19-12-20	Thu 20-09-03						
76	1.j System and Generation Contracts	117 days	Wed 20-01-01	Thu 20-06-11						
81	1.k Plan to Address Gaps in Assets, Technology, Processes, etc. (plan to include estimates of cost)	240 days	Fri 20-01-03	Thu 20-12-03						
175	1.l Handover Checklist	65 days	Fri 20-01-24	Thu 20-04-23						
178	1.m PREB Rate Order Filing	179 days	Wed 20-01-01	Mon 20-09-07						
203	2. T&D Services Milestones	237 days	Wed 20-01-01	Thu 20-11-26						
204	2.a Development and Implementation of an Operations Takeover Plan for Transmission and Sub-Transmission Inside and Outside of the Plant	180 days	Fri 20-01-24	Thu 20-10-01						
228	2.b Development and Implementation of an Operational Takeover Plan for the Electric Distribution System	55 days	Fri 20-01-24	Thu 20-04-09						
250	2.c Development and Implementation of Additional Take-over plans	237 days	Wed 20-01-01	Thu 20-11-26						
251	2.c.i Transition Plan for T&D Control Centers	151 days	Fri 20-01-24	Fri 20-08-21						
267	2.c.ii Transition Plan for Operations and Maintenance (O&M) Activities	40 days	Fri 20-01-24	Thu 20-03-19						
270	2.c.iii Emergency Response / Disaster Recovery / Business Continuity Plans	69 days	Fri 20-01-24	Wed 20-04-29						
277	2.c.iv Fleet Management Plan	105 days	Fri 20-01-24	Thu 20-06-18						
288	2.c.v Asset Management (included in (viii) Engineering and Asset Management)	1 day	Wed 20-01-01	Wed 20-01-01						
290	2.c.vi Workforce Management and Training Plan	237 days	Wed 20-01-01	Thu 20-11-26						
321	2.c.vii Safety Management Plan	125 days	Fri 20-01-24	Thu 20-07-16						
336	2.c.viii Engineering and Asset Management	137 days	Fri 20-01-24	Mon 20-08-03						
366	2.c.ix Identification of real estate	40 days	Fri 20-01-24	Thu 20-03-19						
367	2.c.x Materials Management and Warehouse Plan	236 days	Wed 20-01-01	Wed 20-11-25						
416	2.c.xi System Operations Plan	40 days	Fri 20-02-07	Thu 20-04-02						
420	2.c.xii Vegetation Management Plan	24 days	Fri 20-02-07	Wed 20-03-11						
426	2.d Update Emergency Operations Manual and Business Continuity / Disaster Recovery Plan	45 days	Fri 20-02-07	Thu 20-04-09						
432	2.e Environmental Exposure Management Plan	150 days	Fri 20-01-24	Thu 20-08-20						
480	Asset-Based Assessment Report	15 days	Fri 20-06-19	Thu 20-07-09						
483	3. System Remediation Plan Milestones	201 days	Fri 20-01-24	Fri 20-10-30						
484	Remediation Plan Proposal	11 days	Fri 20-01-24	Fri 20-02-07						
488	Transition Teams Review of the Current State of the T&D System Perform Gap Analysis	35 days	Fri 20-01-31	Thu 20-03-19						
492	Development of Improvement Initiatives	34 days	Fri 20-03-20	Wed 20-05-06						
504	Consolidate Plans from All Areas	34 days	Fri 20-03-27	Wed 20-05-13						
516	Development of Roadmap(s)	18 days	Fri 20-05-08	Tue 20-06-02						
521	Development of System Remediation Plan	27 days	Fri 20-05-08	Mon 20-06-15						
525	Approval of System Remediation Plan	99 days	Tue 20-06-16	Fri 20-10-30						
543	4. Customer Service	139 days	Wed 20-01-01	Mon 20-07-13						
544	Evaluating Customer Service Facilities and Assets	65 days	Fri 20-01-24	Thu 20-04-23						
548	Evaluating and Updating Customer Service Policies and Procedures	120 days	Fri 20-01-24	Thu 20-07-09						

ID	Task Name	Duration	Start	Finish	October	January	April	July	October	January
552	Development of a Meter Reading Plan	90 days	Fri 20-01-24	Thu 20-05-28						
555	Identification and Analysis of Gaps	122 days	Fri 20-01-24	Mon 20-07-13						
565	Develop a Customer Service Transition Plan	70 days	Fri 20-01-24	Thu 20-04-30						
570	Approach to the Acquisition and Replacement of Customer Service Assets	120 days	Fri 20-01-24	Thu 20-07-09						
573	Development and Implementation of a Service Start and Shut-Off Plan	127 days	Wed 20-01-01	Thu 20-06-25						
579	Develop a Meter Asset Management (MAM) Plan	95 days	Fri 20-01-24	Thu 20-06-04						
585	Development and Implementation of a Customer Service Technology	120 days	Fri 20-01-24	Thu 20-07-09						
591	Develop and Implement an Non Technical Energy Loss Reduction Plan	60 days	Fri 20-01-24	Thu 20-04-16						
598	Develop a Quality Culture Integration Plan	120 days	Fri 20-01-24	Thu 20-07-09						
604	Establish Integration Between Customer Services & T&D Ops	100 days	Fri 20-02-07	Thu 20-06-25						
608	5. IT	237 days	Wed 20-01-01	Thu 20-11-26						
609	Pre-Landing Technology Configuration	20 days	Wed 20-01-01	Tue 20-01-28						
610	5.a Development of an IT/OT communication plan and acceptance criteria	80 days	Fri 20-01-24	Thu 20-05-14						
619	5.b Identification and analysis of gaps	40 days	Fri 20-01-24	Thu 20-03-19						
620	5.c Evaluating IT/OT Applications and Infrastructure	60 days	Wed 20-01-29	Tue 20-04-21						
647	5.d Development of Cyber Security and Business Continuity Plan	90 days	Wed 20-01-29	Tue 20-06-02						
652	5.e Development of an IT Asset Management program	60 days	Fri 20-01-24	Thu 20-04-16						
653	5.f Development of an IT/ OT Transition plan and schedule	60 days	Wed 20-03-11	Tue 20-06-02						
656	Implement IT Systems (GL & Payroll) - Transition Period	180 days	Fri 20-03-20	Thu 20-11-26						
662	Commencement Cutover Planning	60 days	Wed 20-01-29	Tue 20-04-21						
665	Training and Communication Plan	40 days	Wed 20-01-29	Tue 20-03-24						
668	External Reporting	40 days	Wed 20-01-29	Tue 20-03-24						
671	Organizational Review	80 days	Wed 20-01-29	Tue 20-05-19						
674	Talent Management	120 days	Wed 20-01-29	Tue 20-07-14						
679	IT Budget Review	80 days	Wed 20-01-29	Tue 20-05-19						
682	IT Projects Review	82 days	Wed 20-01-29	Thu 20-05-21						
688	6. Financial Management	235 days	Fri 19-12-20	Thu 20-11-12						
689	6.a Detailed Description of Approach to Budgeting and Reporting	10 days	Fri 19-12-20	Thu 20-01-02						
690	6.b Description of Approach to Complying with Initial Budget Obligations	10 days	Fri 19-12-20	Thu 20-01-02						
691	6.c Approach to formalizing changes to control processes	10 days	Fri 19-12-20	Thu 20-01-02						
692	6.d Identifying and evaluating business processes	20 days	Fri 20-01-24	Thu 20-02-20						
693	6.e Establishing a financial accounting system and account structure	10 days	Fri 19-12-20	Thu 20-01-02						
694	6.f Preparing Initial Budgets and other Financial Forecasts	210 days	Fri 20-01-24	Thu 20-11-12						
695	Initial Budgets	210 days	Fri 20-01-24	Thu 20-11-12						
725	6.g Establishing bank accounts	20 days	Fri 19-12-20	Thu 20-01-16						
726	6.h Evaluating and updating payroll and labor cost reporting systems	10 days	Fri 20-01-24	Thu 20-02-06						
727	6.i Establishing a delegation of authority matrix and process	10 days	Fri 19-12-20	Thu 20-01-02						
728	Processes & Procedures and Overall Internal Controls	168 days	Fri 19-12-20	Tue 20-08-11						
741	Financial Status and Account Structure	60 days	Fri 20-01-24	Thu 20-04-16						
746	7. FEMA Funds and Federal Funding Procurement Manual	154 days	Wed 20-01-01	Mon 20-08-03						
747	Federal Funds Management	120 days	Fri 20-01-24	Thu 20-07-09						
748	Set up Governance Framework	30 days	Fri 20-01-24	Thu 20-03-05						
750	Policies and Procedures	45 days	Fri 20-01-24	Thu 20-03-26						
752	Staffing Plan	40 days	Fri 20-01-24	Thu 20-03-19						
754	Surge Staffing	60 days	Fri 20-01-24	Thu 20-04-16						
758	Project Worksheet Assessment (Also covered under Section 4.3.j)	100 days	Fri 20-01-24	Thu 20-06-11						

ID	Task Name	Duration	Start	Finish	October	January	April	July	October	January
761	Recovery Project Sequencing	30 days	Fri 20-01-24	Thu 20-03-05						
765	Handoff of Project Worksheet Activity from COR3 and Vendors	120 days	Fri 20-01-24	Thu 20-07-09						
768	Project Procurement Planning	60 days	Fri 20-01-24	Thu 20-04-16						
770	7.d Drafting, revising and finalizing Federal Funding Procurement Manual	154 days	Wed 20-01-01	Mon 20-08-03						
788	8. Staffing for Front-End Transition Period	185 days	Fri 19-12-20	Thu 20-09-03						
789	8.d Draft, revise and finalize Operator Employment Requirements	185 days	Fri 19-12-20	Thu 20-09-03						
790	Recruiting and Staffing	185 days	Fri 19-12-20	Thu 20-09-03						
895	9. Additional Front-End Transition Period Activities	187 days	Wed 20-01-01	Thu 20-09-17						
896	9.c Regulatory Approvals and Coordinating Subsequent Implementation	187 days	Wed 20-01-01	Thu 20-09-17						
897	Meet with PREB to better understand their priorities and approval processes for plans under 9.c	1 day	Fri 20-01-24	Fri 20-01-24						
898	9.c.i Genco Shared Services and the related Shared Services Agreement	121 days	Fri 20-01-24	Fri 20-07-10						
945	9.c.ii Emergency Response Plan Approval	13 days	Fri 20-04-10	Tue 20-04-28						
955	9.c.iii Non-Federal Funding Procurement Manual Approval	94 days	Wed 20-01-01	Mon 20-05-11						
969	9.c.iv Physical Security Plan	83 days	Fri 20-01-24	Tue 20-05-19						
987	9.c.v Data Security Plan	17 days	Wed 20-05-20	Thu 20-06-11						
997	9.c.vi Vegetation Management Plan	52 days	Fri 20-01-24	Mon 20-04-06						
1007	9.c.vii System Operation Principles	169 days	Mon 20-01-27	Thu 20-09-17						
1031	10. Asset Acquisition (Supply Chain)	120 days	Fri 20-01-24	Thu 20-07-09						
1032	10.a Evaluating Existing Procurement and Subcontracting Policies, Procedures and Systems	120 days	Fri 20-01-24	Thu 20-07-09						
1044	10.b Assuming Responsibility for Securing Use of Assets, Facilities, IT / OT, etc.	120 days	Fri 20-01-24	Thu 20-07-09						
1067	10.c Assuming Existing Subcontracts	120 days	Fri 20-01-24	Thu 20-07-09						
1084	11. Back-End Transition Plan	65 days	Fri 20-03-20	Thu 20-06-18						
1085	Back End Transition Plan	65 days	Fri 20-03-20	Thu 20-06-18						
1093	DP Form 1.7 Performance Metrics	198 days	Fri 20-01-24	Tue 20-10-27						
1094	Initial Analysis	59 days	Fri 20-01-24	Wed 20-04-15						
1101	Approval of Performance Metrics	139 days	Thu 20-04-16	Tue 20-10-27						
1119	Front End Transition Period (Additional Requirements in Agreement)	224 days	Wed 20-01-01	Mon 20-11-09						
1120	Operator Responsibilities	157 days	Wed 20-01-01	Thu 20-08-06						
1121	Handover Checklist (Prior to the 10th of every month)	218 days	Thu 20-01-09	Mon 20-11-09						
1122	Obtain Updates and Additions (if any) to Checklist from Transition Working Teams	218 days	Thu 20-01-09	Mon 20-11-09						
1134	Confirmation of Acceptable Operator Security	2 days	Tue 20-01-21	Wed 20-01-22						
1137	Required Insurance	96 days	Fri 20-01-24	Fri 20-06-05						
1142	Employment Interviews (See Recruitment and Staffing Plan Project for Activity details)	66 days	Mon 20-03-16	Mon 20-06-15						
1146	Employment Offers	150 days	Wed 20-01-01	Tue 20-07-28						
1151	Representations	107 days	Fri 20-01-24	Mon 20-06-22						
1152	Operator Representations and Warranties	1 day	Tue 20-03-03	Tue 20-03-03						
1164	SECTION 4.3 Owner and Administrator Responsibilities	1 day	Tue 20-03-03	Tue 20-03-03						
1178	SECTION 4.4 Governmental Approvals	107 days	Fri 20-01-24	Mon 20-06-22						
1184	SECTION 4.5 Conditions Precedent to Service Commencement Date	204 days	Tue 20-02-04	Fri 20-11-13						
1214	SECTION 4.7 Closing the Front-End Transition Period	17 days	Tue 20-11-10	Wed 20-12-02						
1222	Transition Ends	1 day	Wed 20-12-02	Thu 20-12-03						
1223	Establishment of Service Commencement Date	1 day	Wed 20-12-02	Thu 20-12-03						
1226	Service Commencement Begins	11 days	Fri 20-12-18	Fri 21-01-01						