

MINUTE
PARTNERSHIP COMMITTEE
PUERTO RICO ELECTRIC POWER TRANSMISSION AND DISTRIBUTION SYSTEM
PUBLIC PRIVATE PARTNERSHIPS AUTHORITY

April 16, 2020

6:00 P.M.

Members Present:

José Ortiz, PREPA
Ralph Kreil, PREPA
Omar Marrero, FAFAA
Edison Avilés, PREB
Ottmar Chávez, COR3

Administration:

Fermín Fontánes, P3A
Isis Pérez, P3A
Angie González, P3A

Other Attendees:

Marco García, CPM
Edwin González, CPM
Richard Cooper, CGSH
Chantal Kordula, CGSH

1. QUORUM:

2.1 This meeting is being conducted via teleconference. All members of the Partnership Committee are present.

2.2 The meeting starts at 6:17 PM.

2. DISCUSSION ON PPP SUPPLEMENTAL AGREEMENT:

2.1 Fermín Fontanés: We had previously sent the agreed PPP (Operation and Maintenance) Agreement to the FOMB for their review and approval. After the FOMB received the contract it came to light that the RSA was probably not going to be approved by the legislature. Because of this, the FOMB wanted to make changes to the PPP Agreement in order to allow the operator (LUMA) to take over the T&D system in case that the RSA was not approved. Previously there were conditions precedent in the contract that assumed that PREPA would be exiting Title III. What we agreed with the FOMB was that any changes would be completed on a Supplemental Agreement, not to the agreement that was negotiated with the selected proponent. This

Supplemental Agreement will only come into effect if the condition arises were PREPA will not be exiting Title III. This Supplemental Agreement has already been discussed with LUMA and it already has their comments incorporated in the version that we shared with the Partnership Committee.

- 2.2 Richard Cooper: For LUMA, taking on the risk of having to take over the T&D system was a big deal, since their assumption was that they would take on the system after PREPA had exited Title III. We could not let this result lead to changes in the PPP Agreement that was previously negotiated. Minor changes would be made in a Supplemental Agreement that would only come into effect if PREPA did not exit Title III. All other conditions had to be met except for this one.
3. Fermín Fontanés: That last issue that Rich mentioned was important for LUMA since both the ATCO and Quanta board of directors had already approved the agreement, and they did not want to go back to the board for re-approval.
4. Chantal Kordula: The conditions for LUMA to take over the system if PREPA has not exited Title III are: 1) the Title III court has entered an order (i) authorizing PREPA's entry into and performance of the Supplemental Agreement and (ii) granting administrative expense treatment for amounts to be paid by PREPA, 2) a number of PREPA's employees and other employees necessary for Operator to perform the O&M services have accepted offers to commence employment with LUMA, 3) FOMB has entered into a protocol agreement with the operator and administrator governing the terms of the FOMB's oversight of operator, and 4) bond tax counsel has issued an opinion providing that the Supplemental Agreement will not jeopardize the tax-exempt status of Owner's debt. The next point is compensation under the Supplemental Agreement: a fixed fee of \$115 million will be paid by PREPA to the operator, payable in monthly instalments. LUMA did not want to stay owing the system while PREPA was in Title III forever, so they wanted a maximum of 18 months to operate.
5. Ralph Kreil: While PREPA remains under Title III, the operator's execution will not be the same as if PREPA had exited Title III?
6. Chantal Kordula: Not necessarily, but there is a limit to capital expenditures they can do while PREPA remains under Title III that are federally funded. Also, LUMA included a provision that all of their expenses for legal proceedings regarding the Title III case had to be covered by PREPA.

- 2.7 José Ortiz: Regarding the mobilization fee of \$60 million, how much time do we have to pay?
- 2.8 Chantal Kordula: In monthly installments during the next 12 months.
- 2.9 José Ortiz: When do we expect to have a breakdown of what LUMA will be taking over month-to-month during the transition period?
- 2.10 Richard Cooper: They are eager to sit down with PREPA and determine how this will be accomplished. We do not have an answer to that yet.
- 2.11 Omar Marrero: Once we approve this supplemental agreement, what is the next step?
- 2.12 Fermín Fontanés: The next step would be to seek approval from PREB. We would need to complete the draft of the Partnership Report for the PPP Committee to approve since we have to submit both the PPP Agreement and the Partnership Report to PREB. After it is approved by PREB then we would go to PPP Board, the PREPA board, and the Governor for approval.
- 2.13 Ralph Kreil: By when do you think this will come to PREPA?
- 2.14 Fermin Fontánés: In theory PREB has 30 days to approve once they receive the documents. They have seen the contract already but not the Supplemental Agreement. It will most likely take 40-45 days from today, but hopefully sooner than that.
- 2.15 Edison Avilés: PREB has already unofficially reviewed the PPP Agreement. Once P3A officially submits the PPP Agreement, I believe it would take less than 30 days for PREB to approve it.
- 2.16 Ottmar Chávez: Is there any affiliated company from LUMA that is currently participating on other Government bids?
- 2.17 Omar Marrero: The fact that they could potentially be participating on other government bids is not a conflict for us.
- 2.18 Edwin González: If one of the companies affiliated with LUMA wishes to participate on other Government bids, they would have to disclose their participation in this project and it will be analyzed on a case by case basis.
- 2.19 Fermín Fontanés: The next steps are for the Partnership Committee to approve the previously circulated Supplemental Agreement, then approve the Partnership Report that will be submitted

to PREB. Next task will be to appear in front of the PREPA and PPP boards and make the recommendation to get the contract approved.

2.20 Omar Marrero: Motion to approve the Supplemental Agreement.

2.21 Ralph Kreil: I second the motion.

2.22 Fermín Fontanés: Since there are no objections from any members of the Partnership Committee, the Supplemental Agreement is approved. We will circulate a draft of the PPP Report for your review and approval.

3. MEETING CLOSURE:

3.1 Omar Marrero: presents motion to close the meeting.

3.2 Ralph Kreil: seconds the motion.

3.3 The meeting ends at 7:14 PM.