

Monthly Reports

FETS 0016

January 2021

Pass Through Costs & Expenses and Labor



Puerto Rico Public-Private Partnerships Authority

Administrator of the Puerto Rico Transmission and Distribution
System Operation and Maintenance Agreement
PO Box 42001
San Juan, Puerto Rico 00940-2001

INVOICE

Invoice No. FETS-0016
Date: March 12, 2021

To:

Puerto Rico Electric Power Authority
PO Box 364267
San Juan, Puerto Rico 00936-4267

To be paid to:

LUMA Energy, LLC
644 Ave. Manuel Fernández Juncos, Suite 301
San Juan, Puerto Rico 00907

Tax Registration No. 66-0940278

Contract Ref: Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement

DESCRIPTION	AMOUNT
Front-End Transition Services Labor January 2021	\$3,051,837.50
Front-End Transition Services Pass-Through Costs & Expenses January 2021	\$2,187,513.91
	\$5,239,351.41

Remittance Information:

Wire to: Bank of America, NA, 222 Broadway, New York, NY 10038

Account #: 488074008867 **Wire Routing #:** 026009593 **ACH Routing #:** 111000025



GOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY

March 12, 2021

Puerto Rico Electric Power Authority

Attention: Efran Paredes Maisonet
Executive Director
PO BOX 364267
San Juan, Puerto Rico 00936-4267

Re: LUMA Invoice – Disbursement of Funds – January 2021

Dear Mr. Paredes:

We refer to the Operations and Maintenance Agreement dated as of June 22, 2020 (the “**O&M Agreement**”), among LUMA Energy, LLC (“**LUMA**”), LUMA Energy ServCo, LLC (a wholly-owned subsidiary of LUMA), the Public-Private Partnerships Authority (“**P3 Authority**”), and the Puerto Rico Electric Power Authority (“**PREPA**”). Except as provided herein, capitalized terms used but not otherwise defined in this letter have the meaning ascribed to them in the O&M Agreement.

Section 4.6(d) (*Front-End Transition Period Compensation – Invoices*) of the O&M Agreement provides the following:

- (i) *On or prior to the tenth (10th) day of each month during which Operator is performing the Front-End Transition Services, Operator shall provide Administrator with a monthly invoice describing in reasonable detail the prior calendar month’s Front-End Transition Services and the corresponding Front-End Transition Service Fee for such prior calendar month. All invoices shall comply with the requirements set forth in Section 9.2(c) (Anti- Corruption and Sanctions Laws – Policies and Procedures).*
- (ii) *Operator shall provide promptly to Administrator such additional supporting documentation evidencing the provision of the Front-End Transition Services, if any, and the calculation of the Front-End Transition Service Fee related thereto as Administrator may reasonably request and as may be required by Applicable Law. Administrator shall promptly advise Operator of any disputed invoice amounts, and all such disputes which Operator and Administrator are unable to resolve shall be subject to resolution as a Technical Dispute in accordance with Article 15 (Dispute Resolution) (any such Dispute, a “Front-End Transition Service Fee Dispute”).*

(iii) Payments of undisputed amounts under any invoice shall be due within thirty (30) days of Administrator's receipt of such invoice.

Pursuant to this section of the O&M Agreement, LUMA provided the P3 Authority with an invoice describing the Front-End Transition Services and the corresponding Front-End Transition Service Fee for January 2021 (the “**January Invoice**”).

As part of its review of the Front-End Transition Services invoices, the P3 Authority hired Eclipse Management to evaluate the invoices submitted to it by LUMA. Please find attached as Annex A Eclipse Management's assessments of the January Invoice (the “**January Invoice Validation Report**”).

Based on both the review of the P3 Authority and Eclipse Management of the January Invoice, and pursuant to Section 4.6(d)(iii) of the O&M Agreement, the P3 Authority requested from LUMA additional documentation supporting LUMA's provision of the Front-End Transition Services in January 2021 (the “January Supporting Documentation”). The January Supporting Documentation has been received, reviewed, and evaluated.

Accordingly, the P3 Authority has approved payment to LUMA of the Front-End Transition Labor component of the January Invoice. The P3 Authority has also approved payment to LUMA, of the Pass-Through Costs and Expenses component of the January Invoice. To this end, we kindly ask that PREPA disburse funds in the amount of US \$5,239,351.41 to be paid to LUMA for the work described in the January Invoice.

Sincerely,

Fermín E. Fontanés Gómez, Esq.
Executive Director
Puerto Rico Public-Private Partnerships Authority

ANNEX A



DATE: 03.02.2021

PROJECT: Puerto Rico Transmission and Distribution System
Operation and Maintenance

P3 REPORT:
January 2021
LUMA Invoice Validation

CLIENT: Puerto Rico Public-Private Partnership Authority (P3A)

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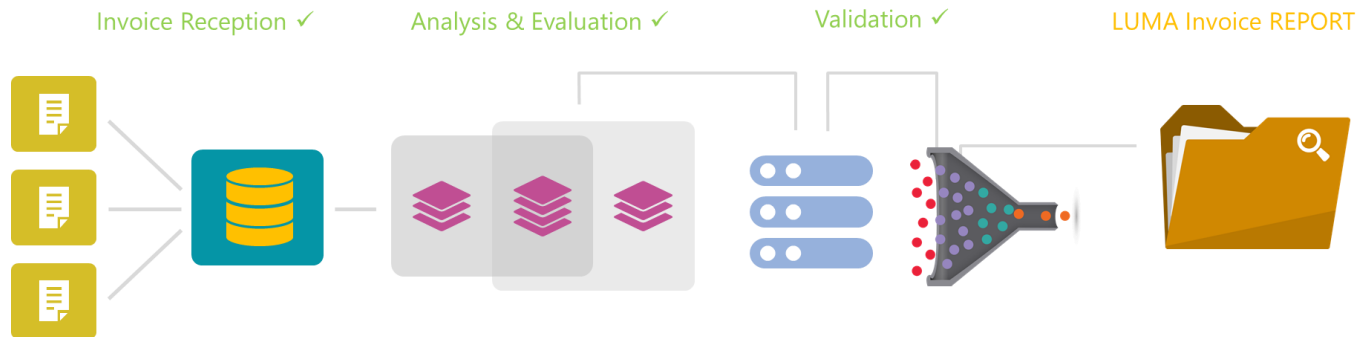
Version Control

Date	Author	Description	Approved
02.18.21	Eclipse	1.0 - Initial Version with Fixed Fee Validation	C.LLACER
03.02.21	Eclipse	2.0 – Second Version with Labor and Pass-Through Cost & Expenses Validation	C. LLACER

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1. INTRODUCTION

Pursuant to Section 4.6 of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("O&M Agreement") the Puerto Rico Public-Private Partnership Authority as Contract Administrator ("P3A" or "Administrator") has the responsibility and obligation to evaluate in detail the invoices submitted by LUMA on a monthly basis, prior to authorizing the disbursement by the Puerto Rico Electric Power Authority ("PREPA" or "Owner"). The LUMA Invoice Validation Report ("Report") contains P3A' evaluation of the LUMA January 2021 Invoice. The steps taken to evaluate the invoice are shown on the following picture.



Note that this process starts as soon as the invoice from LUMA is received. All the documents submitted by LUMA are stored in a centralized repository, to ease access and use.

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2. INVOICE VALIDATION APPROACH

The Administrator evaluates the following 5 areas:

- Format
- Administrative Documents
- Fees
- Supporting Documents
- Compliance with the O&M Agreement

The validation results of each area are contained in the next sections of this report.

This report is shared with LUMA and Owner. Any additional information or document submitted after this report is issued, shall be incorporated in the next report.



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2.1. VALIDATION RESULTS

The outcome of the evaluation may have several different results. That being said, "Format" or "Administrative Document" findings, have the effect of paralyzing the disbursement of the whole invoice.

The validation results are the following:

- Approved Invoice
- Not Approved Invoice
- Partial Approved Invoice pending Administrative Document(s)
- Partial Approved Invoice pending Supporting Document(s)
- Partial Approved Invoice pending Fee Adjustment/Review

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3. FORMAT VALIDATION

The following items have been evaluated as part of the Format Validation:

- Bill To
- Date
- Invoice Number
- Terms
- Non-interest clause

The following table contains the findings (if any) for each of the items mentioned above.

FORMAT VALIDATION		
Item	Validation	Comments
BILL TO	✓	Submitted to P3 and to be PAID by PREPA
DATE	✓	February 10, 2021
INVOICE NUMBER	✓	FETS-0121-01
TERMS	✓	Net 30
NON-INTEREST CLAUSE	✓	Non-interest certification clause included

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4. ADMINISTRATIVE DOCUMENTS

There are several administrative documents that LUMA, as an organization shall provide on a regular basis to the Administrator. The following table contains the list of all the documents together with their status.

ADMINISTRATIVE DOCUMENTS VALIDATION					
Item	Document	Validation	Date	Expiration	Entity
DEPARTMENT OF TREASURY OF THE COMMONWEALTH					
1	Income Tax Filling Certificate (Model SC 6088)	✓	2/1/2021	3/3/2021	LUMA Energy
		✓	2/1/2021	3/3/2021	LUMA Energy ServCo
2	Certification of No Debt (Model SC 6096)	✓	2/1/2021	3/3/2021	LUMA Energy
		✓	2/1/2021	3/3/2021	LUMA Energy ServCo
3	Operator's Merchant's Registration Certificate (Form SC 2918)	✓	3/30/2020	8/31/2021	LUMA Energy
		✓	4/14/2020	7/31/2021	LUMA Energy ServCo
4	Puerto Rico Sales and Use Tax returns filling Certification for the last sixty (60) tax periods (Form SC 2942)	✓	2/1/2021	3/3/2021	LUMA Energy
		✓	2/1/2021	3/3/2021	LUMA Energy ServCo
5	Puerto Rico Sale and Use Tax (IVU) Debt Certificate (Model SC 2927)	N/A	N/A	N/A	Non retaining Agent
6	Withholding Exemption "Relevo Hacienda"	✓	12/16/2020	12/31/2021	LUMA Energy

ADMINISTRATIVE DOCUMENTS VALIDATION					
Item	Document	Validation	Date	Expiration	Entity
CRIM					
1	Property Tax Filling Certificate (Propiedad Mueble)	✓	2/1/2021	5/2/2021	LUMA Energy
		✓	2/1/2021	5/2/2021	LUMA Energy ServCo
2	All Concepts Debt Certification (ModelForm AS-53)	✓	2/1/2021	5/2/2021	LUMA Energy
		✓	2/1/2021	5/2/2021	LUMA Energy ServCo

ADMINISTRATIVE DOCUMENTS VALIDATION					
Item	Document	Validation	Date	Expiration	Entity
DEPARTMENT OF LABOR AND HUMAN RESOURCES					
1	Employer Registration Certificate and debt certificate for unemployment insurance and temporary disability (workmen's compensation)	✓	2/1/2021	5/2/2021	LUMA Energy
		✓	2/1/2021	5/2/2021	LUMA Energy ServCo
2	Employer Registration Certificate and chauffeur's social security debt certification	✓	2/1/2021	5/2/2021	LUMA Energy
		✓	2/1/2021	5/2/2021	LUMA Energy ServCo

ADMINISTRATIVE DOCUMENTS VALIDATION					
Item	Document	Validation	Date	Expiration	Entity
CFSE & ASUME					
1	State Insurance Fund Policy Certification (CFSE)	✓	8/6/2020	6/30/2021	LUMA Energy
		✓	8/20/2020	6/30/2021	LUMA Energy ServCo
2	ASUME Withholding Compliance Statement Certificate	✓	2/1/2021	3/3/2021	LUMA Energy
		✓	2/1/2021	3/3/2021	LUMA Energy ServCo

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ADMINISTRATIVE DOCUMENTS VALIDATION					
Item	Document	Validation	Date	Expiration	Entity
DEPARTMENT OF STATE					
1	Certificate of Good Standing	✓	6/18/2020	4/15/2021	LUMA Energy
		✓	6/18/2020	4/15/2021	LUMA Energy ServCo
2	Certificate of Existence or to do Business in Puerto Rico or Incorporation Certificate	✓	1/17/2020	✓	LUMA Energy
		✓	1/17/2020	✓	LUMA Energy ServCo

ADMINISTRATIVE DOCUMENTS VALIDATION					
Item	Document	Validation	Date	Expiration	Entity
OTHER					
1	No Conviction Sworn Statement (Law 8 – 2017)	✓	6/19/2020	6/19/2021	LUMA Energy
		✓	6/19/2020	6/19/2021	LUMA Energy ServCo
2	Sworn Statement - Law 2 - 2018	✓	6/19/2020	6/19/2021	LUMA Energy
		✓	6/19/2020	6/19/2021	LUMA Energy ServCo
3	Guarantees	✓	6/22/2020	✓	Quanta
		✓	6/22/2020	✓	CUL

All the required Administrative Documents were submitted by LUMA and previously validated by **Eclipse Management**. The validation of all the Administrative Documents, enabled the release of the January 2021 FET Fixed Fee which was approved by P3A on February 22, 2021.

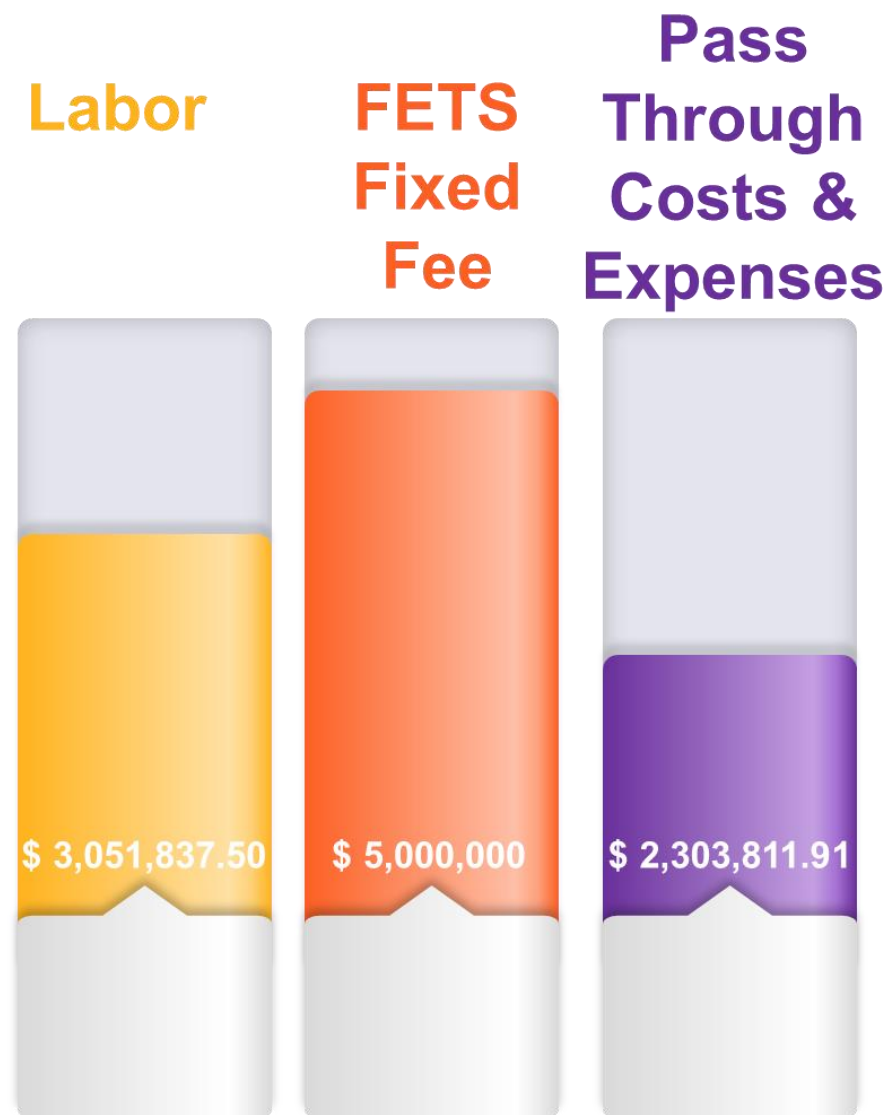
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5. FEES & SUPPORTING DOCUMENTS

The fees section of LUMA's January invoice is composed of the following concepts:

- Labor
- Front-End Transition Service (FETS) Fixed Fee
- Pass-Through Costs & Expenses

The amounts for each of these concepts are illustrated in the following picture:



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5.1. LABOR

Eclipse Management validated the fees per profile. The fees associated with the Upper Management positions (President & CEO, Senior Vice-President, CFO, etc.) were blended and captured as a single rate under the title Vice-President title on the O&M Agreement Annex V rate sheet. LUMA correctly applied the fees per profile, as established in Annex 5 of the O&M Agreement.

LUMA uses a "Web Based Tool" that registers the employees Timesheets. On February 19, 2021 Eclipse Management validated the labor hours on the LUMA "Web Based Tool" and with additional details provided by LUMA, Eclipse Management matched the assigned hours with the activity that was performed.

The validation carried out, took into account employees, positions and hours dedicated to each department or task in order to verify that there were no duplicate task or hours worked. Eclipse Management's validation method demonstrates the advancement of the FET and enables a month to month comparison, thus facilitating the advancement and progress tracking of the FET on a percentage basis.

The following table contains the global summary of Labor costs, showing:

- The number of hours per position
- The associated hourly rates
- The overall cost per position

FETS LABOR COSTS - LUMA JANUARY INVOICE							
Position	Hours Invoiced	Hours Validated	Difference Identified	* Rate per Position	Amount	Amount Recommended for Disbursement	Comments
ADMINISTRATIVE SUPPORT	536.0	536.0	-	\$ 50.00	\$ 26,800.00	\$ 26,800.00	1. Eclipse was able to correctly validate the total of January labor hours by employee categories and their respective rates.
ANALYST	973.0	973.0	-	\$ 125.00	\$ 121,625.00	\$ 121,625.00	
DIRECTORS	2,568.5	2,568.5	-	\$ 275.00	\$ 706,337.50	\$ 706,337.50	
ENGINEERS	662.5	662.5	-	\$ 160.00	\$ 106,000.00	\$ 106,000.00	
FIELD SUPERVISOR	1,115.5	1,115.5	-	\$ 160.00	\$ 178,480.00	\$ 178,480.00	
FIELD TECH	142.5	142.5	-	\$ 195.00	\$ 27,787.50	\$ 27,787.50	
TRAINERS	168.0	168.0	-	\$ 200.00	\$ 33,600.00	\$ 33,600.00	
MANAGER	3,095.0	3,095.0	-	\$ 200.00	\$ 619,000.00	\$ 619,000.00	
SENIOR ANALYST	1,387.0	1,387.0	-	\$ 160.00	\$ 221,920.00	\$ 221,920.00	
SENIOR DIRECTOR	558.5	558.5	-	\$ 300.00	\$ 167,550.00	\$ 167,550.00	
SENIOR MANAGER	1,062.5	1,062.5	-	\$ 210.00	\$ 223,125.00	\$ 223,125.00	
VICE PRESIDENT	1,906.5	1,906.5	-	\$ 325.00	\$ 619,612.50	\$ 619,612.50	
* Rates confirmed and validated as per Annex V of the O&M Agreement					TOTAL	\$ 3,051,837.50	

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5.2. FETS FIXED FEE

As per Section 4.6 of the O&M Agreement, the Fixed Fee included in this invoice is a complete monthly fee for the month of January 2021. The following table contains the evaluation of the FETS Fixed Fee.

FEES & SUPPORTING DOCUMENTS VALIDATION					
Year	Total Amount	Month Rate	Complete Month	Amount	Comments
FETS FIXED FEE					
1	\$ 60,000,000.00	\$ 5,000,000.00	31 days	\$ 5,000,000	OK

Based on Eclipse Management's calculation, this amount is correct and should be approved for disbursement to LUMA.

5.3. PASS-THROUGH COSTS & EXPENSES

As per Section 4.6 (b) (iv) of the O&M Agreement, the Pass-Through Costs & Expenses were included in the January invoice.

The Pass-Through Costs & Expenses were validated with data provided by LUMA. From February 19 through March 2, 2021, Eclipse Management verified the submitted invoices. Eclipse Management evaluated dates, invoices numbers, invoice amounts, contracts from third party contractors, scope of works, and orders.

LUMA PASS - THROUGH COST AND EXPENSES (JANUARY)				
SUMMARY OF ECLIPSE EVALUATION AND FINDINGS				
Category	Amount Invoice	Amount Validated	Amount Rejected	Amount Recommended for Disbursement
AFFILIATES COMPANIES	\$ 248,940.96	\$ 242,542.36	\$ (6,398.60)	\$ 242,542.36
SUBCONTRACTS > \$250,000	\$ 1,839,030.38	\$ 1,730,700.88	\$ (108,329.50)	\$ 1,730,700.88
SUBCONTRACTS < \$250,000	\$ 215,840.57	\$ 214,270.67	\$ (1,569.90)	\$ 214,270.67
TOTAL	\$ 2,303,811.91	\$ 2,187,513.91	\$ (116,298.00)	\$ 2,187,513.91

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6. O&M AGREEMENT COMPLIANCE

In line with the Labor part of the invoice, LUMA detailed the advancement with the project schedule, handover checklist and tasks, all in compliance with the O&M Agreement.

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7. PREVIOUS RECOMMENDATIONS

7.1. FEBRUARY 18, 2021 RECOMMENDATIONS

Based on the findings identified in the previous sections, LUMA's January 2021 Invoice is Partially Approved, pending the Pass-Through Costs & Expenses and Labor review.

Recommendations:

- Release the payment of the January 2021 FETS Fixed Fee (\$5,000,000).

January INVOICE VALIDATION rev.02.11.2021				
Concept	Labor	FETS Fixed Fee	Pass-Through Costs & Expenses	Total
Inv. FETS-0121-01	\$ 3,051,837.50	\$ 5,000,000.00	\$ 2,303,811.91	\$ 10,355,649.41
RECOMMENDED DISBURSEMENT				
Recommended Disbursement 02/11/2021	\$ -	\$ 5,000,000.00	\$ -	\$ 5,000,000.00
PENDING BALANCE				
Validation Process in Progress with LUMA	\$ 3,051,837.50	\$ -	\$ 2,303,811.91	\$ 5,355,649.41

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8. CONCLUSION & RECOMMENDATIONS

8.1. MARCH 2, 2021 RECOMMENDATIONS

Based on the findings identified in the previous sections, LUMA's January 2021 Invoice is Approved.

Recommendations:

- Release the January 2021 Labor payment of (\$3,051,837.50).
- Release the January 2021 Pass-Through Costs & Expenses payment of (\$2,187,513.91).

January INVOICE VALIDATION rev.03.02.2021				
Concept	Labor	FETS Fixed Fee	Pass-Through Costs & Expenses	Total
Inv. FETS-0121-01	\$ 3,051,837.50	\$ 5,000,000.00	\$ 2,303,811.91	\$ 10,355,649.41
RECOMMENDED DISBURSEMENT				
Recommended Disbursement 02/11/2021	\$ -	\$ 5,000,000.00	\$ -	\$ 5,000,000.00
Recommended Disbursement 03/02/2021	\$ 3,051,837.50		\$ 2,187,513.91	\$ 5,239,351.41
AMOUNT REJECTED				
Amount under review	\$ -	\$ -	\$ (116,298.00)	\$ (116,298.00)