



DEFINITIVE PROPOSAL FORM 1.8

OPERATIONAL AND FINANCIAL PROPOSALS

PSEG Puerto Rico LLC (the Qualified Respondent) hereby acknowledges and affirms that the information included in the following table (i) constitutes its full and complete submission for Definitive Proposal Form 1.8 and (ii) meets the requirements described in Section 4.1.8 (*Operational and Financial Proposals*) of the RFP and (iii) addresses the topics below, at a minimum.

Capitalized terms not defined herein shall have the meaning set forth in the Request for Proposals for Puerto Rico Electric Power Transmission and Distribution System issued by the Puerto Rico Public-Private Partnerships Authority on February 1, 2019 (as amended, the “RFP”) or the final form of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (the “O&M Agreement”). If there is a term defined in both, and their definitions conflict, the definition in the O&M Agreement shall prevail.

A. OPERATIONAL PROPOSALS

1. The proposed Target Service Commencement Date pursuant to Section 1.1 of the O&M Agreement.
2. The proposed amount of Owner funding for the Outage Event Reserve Account pursuant to Section 7.5(d)(i) of the O&M Agreement.
3. The proposed weekly amount of Delay Liquidated Damages and related maximum cap, pursuant to Section 4.8(a) of the O&M Agreement.
4. The proposed amount of the Operator Damage Cap pursuant to Section 14.6(d) and Annex XIV of the O&M Agreement.
5. The proposed caps per Contract Year and in the aggregate for all Losses during the Term of the Operator’s Liability to Owner Indemnitees under Section 18.1 of the O&M Agreement, including Disallowed Costs pursuant to Section 18.3(a)(i) of the O&M Agreement.

B. FINANCIAL PROPOSALS

1. The anticipated total amount associated with the proposed Front-End Transition Service Fee pursuant to Section 4.6(b) of the O&M Agreement, based on the Qualified Proponent’s proposed Target Service Commencement Date (as provided in response to Item A(1) above) and including an indicative calculation using a format similar to the chart provided below:

1. Front-End Transition Hourly Fully Allocated Rates per ManagementCo or Affiliate Employee Category (to be included as <u>Annex V</u> to the O&M Agreement)	\$166.35 <i>Blended Rate See Note at end of Form 1.8</i>
2. Anticipated Number of Hours (per Employee in each category identified in <u>Annex V</u> to the O&M Agreement)	77,391
3. ANTICIPATED TOTAL MAN-HOUR COSTS (product of #1 and #2 above)	\$12,874,039.54
4. Proposed Profit Margin Percentage	0.00%
5. ANTICIPATED TOTAL PROFIT MARGIN AMOUNT (based on percentage proposed on #4 above)	\$0.00
6. Estimated reasonable and documented costs and expenses incurred by ManagementCo (without markup for profit)	\$31,887,947.50
7. ANTICIPATED FRONT-END TRANSITION FEE (the sum of #3, #5 and #6 above)	\$44,761,987.04

2. The proposed amounts per Contract Year of the Fixed Fee pursuant to Section 7.1(b)(i) and Annex VIII of the O&M Agreement:

Contract Year	Fixed Fee
1	\$85,000,000 ¹
2	\$88,400,000
3	\$91,936,000
4	\$95,613,440
5	\$99,437,978
6	\$103,415,497
7	\$107,552,117
8	\$111,854,201
9	\$116,328,369
10	\$120,981,504
11	\$125,820,764
12	\$130,853,595
13	\$136,087,739
14	\$141,531,248
15	\$147,192,498

3. The proposed maximum amounts per Contract Year of the Incentive Fee pursuant to Section 7.1(c)(i) and Annex VIII of the O&M Agreement, including related assumptions and rationales:

Contract Year	Proposed Maximum Incentive Fee (based on the indicative Performance Metrics included in <u>Annex VIII</u> of the O&M Agreement)	Proposed Maximum Incentive Fee (assuming changes are made to the indicative Performance Metrics included in <u>Annex VIII</u> of the O&M Agreement)
1	\$10,000,000	\$10,000,000
2	\$20,000,000	\$20,000,000
3	\$30,000,000	\$30,000,000
4	\$40,000,000 ¹	\$40,000,000 ¹
5	\$41,600,000	\$41,600,000
6	\$43,264,000	\$43,264,000
7	\$44,994,560	\$44,994,560
8	\$46,794,342	\$46,794,342
9	\$48,666,116	\$48,666,116
10	\$50,612,761	\$50,612,761
11	\$52,637,271	\$52,637,271
12	\$54,742,762	\$54,742,762
13	\$56,932,472	\$56,932,472
14	\$59,209,771	\$59,209,771
15	\$61,578,162	\$61,578,162

¹ The fixed fee in contract year 1 and the incentive compensation fee starting in contract year 5 will be escalated at the higher of 4% per year or the Puerto Rico All Family Consumer Price Index as measured by the Economic Development Bank for Puerto Rico.

4. The anticipated total amount associated with the proposed Back-End Transition Service Fee pursuant to Section 16.4(b) of the O&M Agreement and including an indicative calculation using a format similar to the chart provided below:

1. Anticipated Back-End Transition Hourly Fully Allocated Rates per Operator or Affiliate Employee Category	\$306.79 <i>Blended Rate See Note at end of Form 1.8</i>
2. Anticipated Number of Hours (per Employee in each category)	5,747
3. ANTICIPATED TOTAL MAN-HOUR COSTS (product of #1 and #2 above)	\$1,763,101.46
4. Proposed Profit Margin Percentage (should match the profit margin for the Front-End Transition Period)	0.00%
5. ANTICIPATED TOTAL PROFIT MARGIN AMOUNT (based on percentage proposed on #4 above)	\$0.00
6. Estimated reasonable and documented costs and expenses incurred by the Operator (without markup for profit)	\$1,000,000.00
7. ANTICIPATED BACK-END TRANSITION FEE (the sum of #3, #5 and #6 above)	\$2,763,101.46

5. The proposed amounts per contract year of the Operator Termination Fee pursuant to Section 14.6(c)(i) and Annex XII of the O&M Agreement:

Contract Year	Operator Termination Fee
1	\$125,000,000
2	\$125,000,000
3	\$125,000,000
4	\$125,000,000
5	\$125,000,000
6	\$125,000,000
7	\$125,000,000
8	\$125,000,000
9	\$125,000,000
10	\$125,000,000
11	\$125,000,000
12	\$125,000,000
13	\$125,000,000
14	\$125,000,000
15	\$125,000,000

6. The proposed amounts per contract year of the Owner Termination Fee pursuant to Section 14.6(c)(ii) and Annex XIII of the O&M Agreement:

Contract Year	Owner Termination Fee
1	\$0.00
2	\$0.00
3	\$0.00
4	\$0.00
5	\$0.00
6	\$0.00
7	\$0.00
8	\$0.00
9	\$0.00
10	\$0.00
11	\$0.00

12	\$0.00
13	\$0.00
14	\$0.00
15	\$0.00

*Termination is the sole and exclusive remedy,
* * *

Proposed amounts should be provided by the Qualified Respondent in nominal US dollar terms.

The Qualified Respondent may supplement each answer provided under this form with brief explanations on the rationale behind each answer (written in concise form).

Fully Allocated Rates for Front-End Transition (2020 Rates)		Fully Allocated Rates for Back-End Transition (2035 Rates)	
Grade	Rate	Grade	Rate
VP	\$ 339.07	32	\$ 353.86
32	\$ 224.61	30	\$ 236.19
30	\$ 151.28		
27	\$ 91.73		

For the transition phase, PSEG Puerto Rico is proposing incentives and penalties around a targeted Service Commencement Date of January 1, 2021. Outlined below are the potential incentives and penalties around service commencement:

- Incentive of \$500,000 per week for PSEG Puerto Rico achieving the targeted Service Commencement Date ahead of schedule with a maximum incentive of \$6.0M.
- Penalty of \$250,000 per week for PSEG Puerto Rico for missing the targeted Service Commencement Date with a maximum penalty cap of \$3.0M.
- If the OMA Effective Date does not occur by January 15, 2020, then the targeted Service Commencement Date will be revised to the first business day of the following month after the initial targeted Service Commencement Date. The same adjustment will be made for subsequent delays in the OMA Effective Date occurring after the 15th of each month.

Target Service Commencement Date

		Incentive/(Penalty)* (\$M)
Accelerated – 12 Weeks	- 12 Weeks	\$6.0
Accelerated – 8 Weeks	- 8 Weeks	\$4.0
Accelerated – 4 Weeks	- 4 Weeks	\$2.0
Target Service Commencement Date	1/1/2021	-
Delayed – 4 Weeks	+4 Weeks	-
Delayed – 8 Weeks	+8 Weeks	-
Delayed – 12 Weeks	+12 Weeks	-
Delayed – 16 Weeks	+16 Weeks	(\$1.0)
Delayed – 20 Weeks	+20 Weeks	(\$2.0)
Delayed – 24 Weeks – Maximum Cap	+24 Weeks	(\$3.0)

*Incentives/Penalties will be prorated based on actual date

[Signature page follows]

PSEG Puerto Rico LLC

QUALIFIED RESPONDENT

Company Name

Daniel Eichhorn

Name of Qualified Respondent's
Authorized Official

President - PSEG Puerto Rico LLC

Title



Signature of Qualified Respondent's
Authorized Official

November 25, 2019

Date







