

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO ELECTRIC POWER AUTHORITY  
PLANNING AND RESEARCH DIVISION**

*2016-P00056*  
**SPECIAL PURPOSE VEHICLE PROJECT  
AGREEMENT  
APPEAR**

**AS FIRST PARTY:** The Puerto Rico Electric Power Authority, hereinafter referred to as "PREPA", a public corporation and government instrumentality of the Commonwealth of Puerto Rico, duly organized and existing pursuant to Act 83 of May 2, 1941, as amended, represented in this act by its Executive Director, Javier A. Quintana Méndez, of legal age, married, and resident of Guaynabo, Puerto Rico. -----

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**AS SECOND PARTY:** Navigant Consulting, Inc., hereinafter referred to as "Navigant" or "the Consultant", a corporation organized and existing under the laws of Delaware of United States of America, employer's Federal Identification Number 364-094854, authorized to do business in Puerto Rico, represented in this act by its Director Ralph Zarumba, of legal age, and resident of Chicago, Illinois USA, by virtue of Corporate Resolution dated as of February 24, 2015, signed by Monica M. Weed, General Counsel and Secretary.

Both, PREPA and the Consultant which are hereinafter referred to individually as a "Party" and jointly as "Parties",

**STATE**

**WHEREAS,** The Corporation for the Revitalization of the Puerto Rico Electric Power Authority was created under Law 4-2016 to issue securizations bonds, also known as Restructuring Bonds, among certain other actions.

**WHEREAS:** The Corporation has no operations, employees or monetary resources until such time as the Restructuring Bonds are issued, at which time the Corporation may recover financing costs and other issuance costs incurred in connection with the issuance of the Restructuring Bonds and other activities required or authorized by

Law 4-2016, including costs relating to proceedings before the Puerto Rico Energy Commission (Commission) in connection with the transactions contemplated by the Restructuring Support Agreement (RSA) and Law 4-2016.

**WHEREAS:** Under the RSA and in accordance with Law 4-2016, the Corporation must file a petition with the Commission before the Corporation may authorize and issue the Restructuring Bonds, which petition may seek approval, among other things, of the calculation methodology to determine the charges to be imposed on PREPA clients and the mechanism to ensure proper periodic adjustments to such charges for the full and timely repayment of the Restructuring Bonds.

**WHEREAS:** The Corporation and PREPA have determined to enter into an Agreement whereby PREPA shall provide the services and support reasonably necessary for the Corporation to perform the duties authorized under Law 4-2016, and the Corporation shall reimburse PREPA for the reasonable and documented expenses incurred in the provision of such support services, as provided in the Agreement;

**WHEREAS,** PREPA has engaged the Consultant for to the Special Purpose Vehicle Project (Project).

**WHEREAS,** Pursuant to the Project, Consultant will perform certain services for PREPA including conducting those analyses and tasks necessary to file the project with the Puerto Rico Energy Commission (Commission), prepare all necessary documentation, prepare and provide testimony, respond to additional requirements from the Commission or the possible intervenors, and provide additional filing support.

**WHEREAS,** the Consultant is a recognized firm with previous experience performing cost of service studies and rate designs, and has successfully completed previous projects for PREPA regarding this matter.

**WHEREAS,** the filing before the Commission is required within thirty (30) days of passage of Law 4-2016.

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**NOW, THEREFORE**, being each party empowered to enter into this Agreement and perform their obligations hereunder in consideration of the premises and the mutual covenants contained herein, PREPA and the Consultant agree to enter into this Agreement under the following:

## **TERMS AND CONDITIONS**

### **Article 1. Scope of Agreement**

PREPA engages the Consultant to perform all required analyses and tasks necessary for completion of the Special Purpose Vehicle Project, as detailed in the Scope of Work, included as Appendix A (the "Services").

PREPA agrees to provide the Consultant with all information necessary for the Consultant to perform the Services under this Agreement and those material facts that the Consultant may reasonably require in order to provide its Services. PREPA will ensure, to the best of its knowledge and belief, that the documents, data, and other information and material facts provided to the Consultant, which are under its control, are true and complete, and do not constitute misleading or inaccurate information and the Consultant shall be entitled to rely on the accuracy and completeness of the documents, data, and other information and material facts. PREPA will provide Consultant such access to its facilities and information, and such other cooperation as Consultant may from time to time reasonably determine to be necessary for Consultant to render the Services; provided that such access and cooperation shall not interfere with PREPA's continuing conduct of its operations.

PREPA will advise the Consultant in writing of any developments of which PREPA becomes aware, and which PREPA considers may have a material effect with respect to the information and/or facts provided to the Consultant.

PREPA will also ensure, to the best of its knowledge and belief, that the statements contained in any advertisement, any document or announcement issued or to be issued by PREPA in connection with any matter in respect of which the Consultant is advising

and which are based on information produced by or under the direct control of PREPA (whether or not issued or approved by the Consultant) are true and not misleading and all expressions of opinion, intention or expectation expressed therein are made on reasonable grounds and there are no facts known, the omission of which would make any of such statements or expressions misleading.

## **Article 2. Definitions**

Whenever the words defined in this article or pronouns used instead are mentioned in this Agreement, they shall have the meanings here given:

2.1 Agreement - shall mean collectively, all the covenants, terms, and stipulations in these articles of agreement and in all supplementary documents hereto attached which constitute essential parts of the Agreement and are hereby made part thereof:

- a. Agreement
- b. Appendix A – Scope of Work
- c. Appendix B - Government Issued Certificates
- d. Appendix C – Travel Expenses
- e. Appendix D – Hourly Rates
- f. Appendix E – Navigant Consulting, Inc. List of other contracts with agencies, public corporations, municipalities, or instrumentalities of the Commonwealth of Puerto Rico

2.2 Contracting Officer - shall mean the Executive Director of PREPA, acting directly or through his properly authorized representatives.

2.3 Project Manager – shall mean an authorized representative assigned by each Party during the Special Purpose Vehicle Project and until the final payment is due. All instructions shall be forwarded through the Project Manager. All interpretations and decisions of the Project Manager shall be consistent with the intent of and reasonably inferable from the Agreement documents and will be made in writing. PREPA's designated Project Manager will be Eng. Gregory Rivera Chico. Consultant's designated Project Manager will be Ralph Zarumba.



If any of the Parties decides to change the Project Manager, prior written notification shall be forwarded to the other Party.

**Article 3. Consideration**

3.1 In accordance with the terms and conditions contained herein, PREPA agrees to pay and Consultant agrees to accept, as full payment for the complete performance of this contract, the maximum amount of \$225,000, hereinafter referred to as the "Agreement Amount". However, nothing herein shall preclude the parties from agreeing to increase the Agreement Amount. Services shall be invoiced monthly in a time and materials basis, according to the Rate Schedule, included as Appendix D. Consultant should provide the services described in the contract as requested by PREPA. Previous to service execution, Consultant shall prepare a proposal of tasks to be performed and the costs related to such tasks for approval by the Director of Planning and Environmental Protection.

If the parties decide to extend this Agreement past the Agreement Period, established in Article 8, compensation for the extended period shall be as agreed to by the parties. Notwithstanding the foregoing, any increase to the Agreement Amount or extension of the Agreement Period, shall be evidenced in writing and signed by both the Consultant and PREPA, prior to such increase or extension.

PREPA will reimburse the Consultant for Travel Expenses incurred in providing the Services, as established in Appendix C of this Agreement. Travel Expenses shall not exceed ten percent (10%) of the labor costs as per Table 1 of Appendix D and will be reimbursed by PREPA through the presentation of acceptable evidence for such expenses. Reimbursement for air travel expenses is restricted to economy class fares, including restricted fares. In the event that a scheduled trip has to be cancelled, PREPA will assume the cost of the penalty fee.

PREPA shall not pay for travel time, except for work related to the services being provided under this Agreement. Payment for travel time shall be made only if the invoice details the services rendered and the time billed on each

matter as required in this Agreement.

Any travel and lodging expense for which a reimbursement is requested shall be reasonable and necessary, and any extraordinary travel and lodging expenses shall be authorized in writing and in advance by PREPA. PREPA will not reimburse expenses which do not comply with this provision. Under no circumstances will expenses for alcoholic beverages be reimbursed.

3.2 All payments performed under this Agreement will be charged to a PREPA's budget account number 01-4019-92320-556-673-0000.

**Article 4. Release of Information and Confidentiality**

4.1 Consultant shall not release any information concerning this engagement or any part thereof in any form, including advertising, news releases, or professional articles, without written permission of PREPA which will not be unreasonably withheld.

4.2 The Consultant agrees to take all reasonable steps to ensure the confidentiality of the information provided by PREPA and any other instrumentality of the Commonwealth of Puerto Rico (including but not limited to the Government Development Bank for Puerto Rico and the Puerto Rico Treasury Department), as well as information provided by any of their consultants, and take all reasonable steps to ensure that such information is not disclosed or distributed by its employees or agents in violation of the terms of this Agreement.

4.3 The Consultant also agrees that, except as directed by PREPA, it will not, at any time after termination of this Agreement, disclose any Confidential Information to any person whatsoever, or permit any person whatsoever to examine and/or make copies of any reports prepared by the Consultant or under its control by reason of its consulting services, and that upon termination of this Agreement it will turn over to PREPA all documents, papers, and other matters in its possession or under its control that relate to PREPA. Provided however, that the foregoing shall not require the alteration, modification, deletion or destruction of



computer back up media made in the ordinary course of business or prevent the retention of one archival copy of the information, so long as such media and archival copy are maintained as Confidential Information. Provided, further, that Consultant may retain its own work product as long as it maintains the confidentiality of PREPA's Confidential Information as otherwise provided in this Agreement.

4.4 PREPA shall have the right, subject to any software license restrictions, to reproduce any and all documents received from Consultant under the Agreement for PREPA's use in connection with this project, which shall include the notice as specified in Section 25.2.

4.5 The term "Confidential Information" shall include, but not be limited to, all information provided to the Consultant by and at the direction of PREPA and any other instrumentality of the Commonwealth of Puerto Rico (including but not limited to the Government Development Bank for Puerto Rico and the Puerto Rico Treasury Department), regarding: (1) this engagement; (2) PREPA's facilities or operations; and (3) any and all information gathered or developed by the Consultant in relation to this engagement. The term "Confidential Information", however, will not include information that:

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- a. is or becomes public other than through a breach of this Agreement;
  - b. is known to the receiving party prior to the date of this Agreement and with respect to which the receiving party does not have any obligation of confidentiality; or
  - c. is independently developed by the receiving party without use of, or reference to Confidential Information.

4.6 The Consultant acknowledges that disclosure of any Confidential Information will give rise to irreparable harm to PREPA or the owner of such information, inadequately compensable in damages. Accordingly, PREPA or such other party may seek injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies,

which may be available hereunder.

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4.7 If this Agreement with PREPA terminates for any reason, the Consultant shall maintain in confidence both, during the term of this Agreement and subsequent to termination of this Agreement, and will not during the term of this Agreement or thereafter disclose or divulge to any person, firm, or corporation, or use directly or indirectly, for its own benefit or the benefit of others, any information which in good faith and good conscience ought to be treated as Confidential Information including, without limitation, information relating to PREPA's operations or trade secrets relating to the business or affairs of PREPA which the Consultant may acquire or develop in connection with or as a result of the performance of the services hereunder. In the event of an actual or threatened breach by the Consultant of the provisions of this paragraph, PREPA shall be entitled to injunctive relief for such breach. Nothing herein shall be construed as prohibiting PREPA from pursuing any other legal remedies available hereunder, including the recovery of damages from the Consultant.

4.8 The above provisions do not apply with respect to information, which the Consultant is obligated to disclose under applicable law and regulations, court order, subpoena or governmental directives, in which case Consultant shall provide PREPA a reasonable opportunity to oppose such disclosure. The Consultant agrees to expeditiously notify and submit to PREPA a copy of any court order or subpoena and to the extent possible provide any assistance to PREPA (in the form of documents) regarding the submission of such information.

4.9 With respect to this Agreement and any information supplied in connection with this Agreement and designated by the disclosing party as confidential, the recipient agrees to: (i) protect the confidential information in a reasonable and appropriate manner or in accordance with applicable professional standards; (ii) use Confidential Information only to perform its obligations under this Agreement; and (iii) reproduce Confidential Information only as required to perform its obligations under this Agreement.



**Article 5. Payment to Consultant**

5.1 Consultant payments shall be made on effort expended each month. Consultant shall provide documentation of the level of effort by Consultant and activity performed for time charged to the Project.

5.2 Monthly invoices presented by consultant shall signed, dated and referencing the applicable contract number and name, and; (i) detailing the services rendered, (ii) the number of hours spent on each matter ( for those task and resources compensated based on an hourly rate), (iii) details of the appropriate milestones for fixed-price tasks, if applicable; (iv) pertinent supporting receipts of all reimbursable expenses, and (v) any required reports, and any description of payables as provided for in the contract

5.3 Invoices will be approved or denied by PREPA within seven (7) calendar days of Consultant's submission of its invoice. Payments will be made within thirty (30) days of approval of the milestone invoice. If the invoice is denied, PREPA will submit to the Consultant the corresponding objections to the payment. The Consultant will make the corresponding adjustments to the invoice and submit it for PREPA's approval. If no written notice of denial is given within the above time period, the invoice shall be deemed accepted an approved by PREPA.

5.4 In case the completion of the Special Purpose Vehicle Project requires additional work not included in Appendix A and both Parties agrees to perform such work, the Consultant shall submit a detailed estimate of the costs for PREPA's approval before the work is done. Consultant shall use the hourly rates specified in Appendix D when calculating this estimate.

5.5 The Consultant shall submit separate invoices to PREPA for the work performed in the United States and the work performed in Puerto Rico. For the work performed in the United States, invoices will be submitted to PREPA clearly stating the dollar amount of work performed in the United States so that PREPA pays said amount deducting only the special contribution stated in Item 6.3 of the

Agreement. For the work performed in Puerto Rico, invoices will be submitted to PREPA stating the dollar amount of work performed in Puerto Rico so that PREPA pays the invoice amount after deduction of withholding taxes, as stated in Article 6. PREPA shall provide a certificate stating that such tax withholding was collected.

5.6 All invoices submitted by the Consultant shall include the following Certification in order to proceed with its payment. This is an essential requirement and those invoices without this Certification will not be processed for payment.

*No Interest Certification:*

*Under penalty of absolute nullity, I hereby certify that no employee, official or director of PREPA is a party or has any interest in the profits or benefits to be obtained under this Agreement, or if any employee, official or director of PREPA has any interest in the profits or benefits under this Agreement, a waiver has been previously obtained. I, also certify that the only consideration to (furnish the goods) or (provide the services) under this Agreement is the payment agreed with PREPA's authorized representative. The total amount of this invoice is fair and correct.*

*The (works) were completed, (the products) were delivered or (the services) were provided and no payment has been received for said concept.*

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*Consultant's Signature*

5.7 The demand of the obligations of either Party under this Agreement will be subject to the filing of the Agreement at the Office of the Comptroller of the Commonwealth of Puerto Rico, in compliance with Act 18 of October 30, 1975, as amended. PREPA shall bear full responsibility, including any costs, for filing of the Agreement as specified under this Article.



**Article 6. Income Tax Withholding**

6.1 PREPA will deduct and withhold at source to the Consultant the equivalent of seven percent (7%) from payment for services rendered under this Agreement in Puerto Rico, in compliance with the New Puerto Rico Internal Revenue Code, Law 1-2011, Section 1062.03, as amended. Notwithstanding, the withholding to be done by PREPA as herein stated could be increased to twenty percent (20%) in the event that the Consultant is a nonresident individual, which is a U.S. citizen, as provided by the New Puerto Rico Internal Revenue Code, Section 1062.08; or twenty-nine percent (29%) in the event that the Consultant is a nonresident and non U.S. citizen individual; or a foreign corporation or partnership which is not dedicated to industry or business in Puerto Rico, as provided by the New Puerto Rico Internal Revenue Code, Section 1062.08.

6.2 If a Release Letter has been issued to the Consultant by the Treasury Department, the Consultant shall be responsible to submit a copy of said Release Letter to PREPA for every calendar year; otherwise, payments under the Agreement shall remain subject to withholding at source. All invoices shall be segregated by concepts (i.e. services, materials, equipment), to identify the amounts subject to withholding and avoid undue deductions.

6.3 PREPA will deduct and withhold at source to the Consultant the equivalent of one and a half percent (1.5%) from payment for services rendered under this Agreement, in compliance with Act 48 of June 30, 2013, as amended. This deduction is the Special Contribution for Consultant and Professional Services defined by Act 48 and applies to services rendered in and outside Puerto Rico.

**Article 7. Final Acceptance**

7.1 Final acceptance of the work by PREPA will occur only after successful completion of the Final Report by the Consultant and after PREPA's receipt of all final Documents reflecting all changes and corrections.

7.2 Consultant shall request final acceptance in writing stipulating in the final invoice that:

*The work is completed.*

*Final acceptance and payment does not constitute a waiver by PREPA of any rights with respect to Consultant's continuing obligations under the Agreement.*

*A waiver of all Consultant claims against PREPA beyond final payment, other than those previously made in writing and still unsettled.*

7.3 Final acceptance of the work will be confirmed by PREPA upon the earlier of:

(1) the final payment to the Consultant; or (2) thirty (30) days, following submission of the final invoice as required under Article 7.2.

#### **Article 8. Term of Services**

This Agreement shall be in effect for a period of one (1) year from the date of its execution (the "Agreement Period").

#### **Article 9. Reports**

9.1 A Report will be prepared by the Consultant. The report will include methods, data, and a summary of the results. The reports will be reviewed and commented by PREPA according to the schedule agreed between the Parties. After receiving the comments from PREPA, the final version of the Report will be issued by the Consultant according to the schedule agreed between the Parties.

9.2 Such review or approval shall in no way relieve the Consultant from its responsibilities, obligations or liabilities under this Agreement except that delay by PREPA in performing review or providing approval shall entitle Consultant to a day for day extension of the project schedule. The Consultant shall obtain such reviews or approval in writing from PREPA.

9.3 As called for in the Agreement, documents will be provided by Consultant for approval by PREPA. PREPA's approval or conditional approval with comment signifies permission or conditional permission, as the case may be, to Consultant to proceed with the work, and indicates, but does not warrant, in any given case, that PREPA has seen nothing in the document at variance with the Agreement,



nor that PREPA waives any of its rights under the Agreement to prevent or remedy such a variance. Neither approval nor conditional approval with comment shall relieve the Consultant of any of its responsibilities under the Agreement. PREPA warrants that it will employ only experienced and qualified personnel in performing any such reviews.

#### **Article 10. Dispute Resolution**

Executive Negotiation: Any unresolved disputes shall be referred to a Contracting Officer, Project Manager, or designee by PREPA and Consultant for resolution. During the first thirty (30) days following the delivery of a notice of dispute (and during any extension agreed to by the Parties, the "Negotiation Period") the Parties shall attempt in good faith to resolve the dispute through negotiations. If such negotiations result in an agreement in principle among such negotiators to settle the dispute, they shall cause a written settlement agreement to be prepared, signed and dated (an "Executive Settlement"), whereupon the dispute shall be deemed settled, and not subject to further dispute resolution.

#### **Article 11. Termination**

11.1 Notwithstanding anything to the contrary in this Agreement regarding its term, PREPA may, at any moment and for any reason, terminate this Agreement for its convenience after giving the Consultant not less than thirty (30) consecutive days prior written notice. In the event of PREPA's termination for convenience as described above, Consultant shall recover from PREPA, as complete settlement for such terminated Special Purpose Vehicle Project the following: (1) all payment for milestones completed and accepted by PREPA prior to termination; and (2) payment for any work performed by Consultant prior to notice of termination by PREPA. Consultant shall provide all evidence to PREPA, of work described on (2) for PREPA's approval of final invoice.

11.2 PREPA may terminate this Agreement if Consultant defaults in its performance of any material obligation under this Agreement, and Consultant

does not cure such default in performance within a period of seven (7) calendar days after Consultant's receipt of such written notice of default from PREPA, unless such default is not reasonably capable of being cured within seven (7) days, in which case such cure period shall be extended as reasonably necessary, but not more than seven (7) additional days. The exercise of its right to terminate, cancel or rescind this Agreement shall not be understood as a waiver by PREPA to any other remedy it may have under this Agreement or under the law for delays or breach incurred by the Consultant in the performance of its obligations under this Agreement. If so terminated, PREPA shall promptly make payment to the Consultant for any uncontested balance due under this Agreement.

11.3 The Consultant shall have a reciprocal right to terminate this Agreement upon the same terms available to PREPA, as described herein, so long as such termination is consistent with the ethical obligations applicable to the Consultant under the circumstances.

11.4 The exercise by either Party of its right to terminate hereunder shall not be interpreted or construed as a waiver or relinquishment by that Party of any other right or remedy it may have under this Agreement or under the law.

#### **Article 12. Force Majeure**

12.1 The Parties hereto shall be excused from performing hereunder and shall not be liable in damages or otherwise, if and only to the extent that they shall be unable to perform, or are prevented from performing by a Force Majeure event. For purposes of this Agreement, Force Majeure means any cause without the fault or negligence, and beyond the reasonable control of, the party claiming the occurrence of a Force Majeure. Force Majeure may include, but not be limited to, the following: acts of God, industrial disturbances, acts of the public enemy, war, strikes, blockages, boycotts, riots, insurrections, epidemics, earthquakes, storms, floods, civil disturbances, lockouts, fires, explosions, interruptions of services due to the acts or failure to act of any governmental authority, and



failure of any subcontractor provided that these events, or any other claimed as a Force Majeure event, and/or its effects, are beyond the reasonable control and without the fault or negligence of the Party claiming the Force Majeure, and that such Party, promptly after the occurrence, but not later than ten (10) days, of the alleged Force Majeure, gives the other Party written notice describing the particulars of the occurrence and its estimated duration. The burden of proof as to whether a Force Majeure has occurred shall be on the Party claiming the Force Majeure.

12.2 In the event of any delay which can be shown to be attributable to a Force Majeure, the date for performance of the work shall be extended for a period equal to the period of delay and its impact to the Special Purpose Vehicle Project schedule, providing the Consultant or PREPA has taken reasonable steps to proceed with the performance of its obligations under the Agreement and has made written notification of such delay and of any corrective action taken. Consultant shall not be entitled to any increase in compensation.

### **Article 13. Insurance**

The Consultant shall secure and maintain in full force and effect during the life of this Agreement as provided herein, policies of insurances covering all operations engaged in by the Agreement as follows:

#### **13.1 Insurances:**

- a. Workmen's Compensation Insurance - The Consultant shall provide Workmen's Compensation Insurance as required by Workmen's Compensation Act of the Commonwealth of Puerto Rico. The Consultant shall also be responsible for compliance with said Workmen's Compensation Act by all his subcontractors, agents, and invitees, if any.
- b. The Consultant shall furnish PREPA a certificate from the State Insurance Fund showing that all personnel employed in the work are covered by the Workmen's Compensation Insurance, in accordance

with this Agreement.

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- c. If imported technical personnel are exempted, as per Act 16 of May 16, 1958, the Consultant shall furnish evidence of such exemption issue by the State Insurance Fund Corporation of the Commonwealth of Puerto Rico and certificate from the insurance carrier covering said personnel.
  - d. Employer's Liability Insurance: The Consultant shall provide Employer's Liability Insurance with minimum bodily injury limits of \$1,000,000 for each employee and \$1,000,000 for each accident covering against the liability imposed by Law upon the Consultant as result of bodily injury, by accident or disease, including death arising out of and in the course of employment, and outside of and distinct from any claim under the Workmen's Compensation Act of the Commonwealth of Puerto Rico.
  - e. Commercial General Liability Insurance - The Consultant shall provide a Commercial General Liability Insurance with limits of \$1,000,000 per occurrence and \$1,000,000 aggregate.
  - f. Automobile Liability Insurance - The Consultant shall provide a Comprehensive Automobile Liability Insurance with limits of \$1,000,000 combined single limits covering all owned, non-owned and hired automobiles.
  - g. Professional Liability Insurance - The Consultant shall maintain a Professional Liability Insurance with limits of \$1,000,000 per occurrence and \$1,000,000 aggregate.

13.2 Requirements under the Policies:

The Commercial General Liability and Commercial Automobile Liability Insurance required under this Agreement shall be endorsed to include:

- a. As "additional insured" to the extent that bodily injury, death or third party property damage are caused by the negligent acts or omissions



of Consultant or its subcontractors or consultants:

Puerto Rico Electric Power Authority

Risk Management Office

PO Box 364267

San Juan, PR 00936-4267

- b. An endorsement including this Agreement under Contractual Liability Coverage identifying it by number, date, and parties to the Agreement;
- c. Waiver of subrogation in favor of PREPA, except as to professional liability insurance.
- d. The Consultant shall endeavor to send a third (30) day cancellation or nonrenewable notice by certified mail with return receipt to the above address.

13.3 Breach of Warranties or Conditions: The breach of any of the Warranties or Conditions in this policy by the Consultant shall not prejudice the PREPA's rights under this policy.

13.4 Furnishing of Policies:

- a. All required policies of insurance shall be issued only by insurance companies authorized to do business in Puerto Rico.
- b. Consultant shall furnish a certificate of insurance in original signed by an authorized representative of insurer, described the coverage afforded. This certification shall be in the "Accord" form, in general use by insurers. Also, original of the endorsements shall be furnished upon request.

#### **Article 14. Liabilities**

14.1 Limitation of Liability:

Neither Consultant, nor its suppliers shall be liable, whether in Agreement, warranty, failure of a remedy to achieve its intended or essential purposes, tort (including negligence), strict liability, indemnity or any other legal theory, for loss

of use, revenue or profit, or for costs of capital or of substitute use or performance, or for indirect, special, liquidated, incidental or consequential damages, or for any other loss or cost of a similar type, or for claims by PREPA for damages of PREPA's customers. Consultant's maximum liability under this agreement shall be the revenue received by Consultant under this Agreement. PREPA and Consultant agree that the exclusions and limitations set forth in this article are separate and independent from any remedies which PREPA may have hereunder and shall be given full force and effect whether or not any or all such remedies shall be deemed to have failed of their essential purpose.

14.2 Civil Responsibility:

The appearing parties agree that their respective responsibilities for damages under this Agreement will be governed by the Puerto Rico Civil Code and its case law, as dictated by the Supreme Court of Puerto Rico.

14.3 Without limiting Article 14.1, the parties also agree that the Consultant shall not be liable with respect to feasibility studies it develops, except in those cases where a claim or damage arises from the gross negligence of the Consultant in the development of said studies.

14.4 Save and Harmless Clause:

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The Consultant agrees to save and hold harmless and to indemnify PREPA for all reasonable and direct expenses and costs (including reasonable attorneys' fees) incurred by PREPA arising out of any third party claim for personal injuries, including death, or for tangible property damage, to the extent caused by the Consultant's negligent act or omission, in the performance or nonperformance of its obligations under the Agreement if notified promptly in writing by PREPA, and given the authority, information, assistance and the sole right to control the defense and settlement of same, and the Consultant shall pay all damages and costs awarded therein against PREPA.

14.5 The limitations and exclusions of liability, and the releases and indemnities in this Agreement: (a) shall apply notwithstanding anything else contained



herein, or at law, or otherwise; (b) shall apply regardless of whether liability is based on breach of agreement, breach of warranty, breach of a statute, (including negligence and strict liability), indemnification, contribution or any other basis or theory of liability; (c) shall apply to the personal benefit of the applicable party's affiliates, subsidiaries, shareholders, officers, directors, agents, employees, Consultants and subcontractors, and such party shall be deemed the agent of such persons for such limited purpose; (d) shall survive the termination of this Agreement; and (e) shall be binding upon PREPA and its affiliated and subsidiary companies and government agencies and departments, and PREPA shall be deemed the agent of such persons for such limited purpose.

#### **Article 15. Independent Contractor**

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The Consultant shall be considered as an Independent Contractor, for all material purposes under this Agreement, and all persons engaged or contracted by the Consultant for the performance of its obligations herein, shall be considered as its employees or agents or those of its subcontractors, and not as employees or agents of PREPA. In consequence, the Consultant is not entitled to any fringe benefits, such as, but not limited to vacations, sick leave, and other.

#### **Article 16. Contingent Fees**

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The Consultant guarantees that he has not employed any person to solicit or secure this Agreement upon any agreement for a commission percentage, brokerage or contingent fee. Breach of this provision shall give PREPA the right to cancel the Agreement or, at its discretion to deduct from the Agreement Amount or consideration the amount of such commission, percentage, brokerage or contingent fees. This provision shall not apply to commission payable by Consultants upon agreement or sales secured or made through bona fide established commercial or selling agencies maintained by the Consultant for the purpose of securing business.

#### **Article 17. Other Agreements**

PREPA may award other agreements for additional work, and the

Consultant shall fully cooperate with such other consultants and use commercially reasonable efforts to fit his own work to that provided under other agreements as may be directed by the Contracting Officer. The Consultant shall not commit or permit any acts which interfere with the performance of work by any other consultant.

**Article 18. Code of Ethics**

The Consultant agrees to comply with the provisions of Act 84 of June 18, 2002, as amended, which establishes a Code of Ethics for the Consultants, Suppliers, and Economic Incentive Applicants of the Executive Agencies of the Commonwealth of Puerto Rico.

**Article 19. Officials not to Benefit**

19.1 No officer, employee or agent of PREPA, or of the Government of the Commonwealth of Puerto Rico or Municipal Governments, shall be admitted to any share or part of this Agreement or to any benefit that may arise there from.

19.2 In addition to the restrictions and limitations established under the provisions of Act 12 of July 24, 1985, as amended, retired or former officers or employees of PREPA, whose work was in any way related to the award or management of contracts, shall in no way benefit from any contract or agreement with PREPA for a period of two (2) years after leaving employment with or ceasing services to PREPA.

19.3 The Consultant certifies that, at the time of execution of this Agreement, it has no other contracts with agencies, public corporations, municipalities, or instrumentalities of the Commonwealth of Puerto Rico other than those matters identified on Appendix E.

19.4 The Consultant certifies that neither it nor any of its partners, directors, executives, officers, and employees receives salary or any kind of compensation for the delivery of regular services by appointment in any agency, instrumentality, public corporation, or municipality of the Commonwealth of Puerto Rico.



**Article 20. Severability**

If a court of competent jurisdiction declares any of the Agreement provisions as null and void or invalid, such holding will not affect the validity and effectiveness of the remaining provisions of this Agreement and the parties agree to comply with their respective obligations under such provisions not included in the judicial declaration.

**Article 21. Representations**

The Consultant and PREPA each represents to the other that: (i) it has all requisite corporate power and authority to enter into this Agreement and the transactions contemplated hereby; (ii) this Agreement has been duly and validly authorized by all necessary corporate action on the part of the Consultant and PREPA, and has been duly executed and delivered by the Consultant and PREPA; and (iii) this Agreement constitutes a legal, valid, and binding agreement of the Consultant and PREPA, enforceable in accordance with its terms.

**Article 22. Subcontractors**

22.1 The Consultant shall not assign nor subcontract its rights and obligations under this Agreement, except in the event PREPA gives written authorization for such actions. Such authorization by PREPA shall not be unreasonably withheld. Consultant shall be responsible for the acts and omissions of all subcontractors and of all persons employed by the subcontractors. No approval of subcontractors by PREPA shall relieve the Consultant of any of the obligations of the Agreement, and Consultant shall remain responsible to PREPA as though no sub agreement had been made.

22.2 If at any time during the progress of the Special Purpose Vehicle Project, PREPA determines that any subcontractor is failing to perform its portion of the Special Purpose Vehicle Project in accordance with the Agreement, PREPA, under the terms of Article 11 - Termination, may notify the Consultant that Consultant has to terminate immediately that contract with the subcontractor and submit a new qualified subcontractor for approval, such approval shall not be

unreasonably withheld. Any work sublet by any subcontractor shall also be subject to cancellation upon written notification by PREPA to the Consultant.

#### **Article 23. Waivers**

No waiver of any breach of this Agreement shall be held to be a waiver of any other subsequent breach. All remedies afforded by PREPA in this Agreement shall be taken and construed as cumulative, that is in addition to every other remedy provided herein.

#### **Article 24. Patents and Copyrights**

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The Consultant, at its own expense, shall defend any suit or action brought against PREPA based on a claim that any equipment or part thereof, copyright or un-copyrighted composition, secret process, patented or unpatented invention, article or appliance manufactured or used in the performance of this Agreement of the Services by the Consultant or provided to PREPA by the Consultant as part of its Services, including their use by PREPA, constitutes an infringement of any patents and/or copyrights of the United States, if notified promptly in writing by PREPA, and given PREPA provides, information, and assistance for the defense of same, and the Consultant shall pay all damages and costs awarded therein against PREPA. If, in such suit, the equipment or any part thereof, or the composition, secret process, invention, article or appliance, is held to constitute infringement and its use is enjoined, the Consultant, at its option and expense, shall either procure for PREPA the right to continue using the same or replace it with non-infringing equipment; composition, secret process, invention, article or appliance, or modify it so it becomes non-infringing; or remove it and refund the purchase price.

#### **Article 25. Rights and Titles**

25.1 It is agreed that upon full and final payment to the Consultant, the results of any study, report, investigations or any other by-product of the services performed by the Consultant under this Agreement shall be the exclusive



property of PREPA. The Consultant shall retain all right, title, and interest in and to proprietary works of authorship, pre-existing or otherwise, that have not been created under this Agreement. PREPA shall retain the right to use, refer, share, or provide to any third party, as PREPA may determine, the results of any study, report, investigation or any other by-product of the services performed by the Consultant under this Agreement provided that such use, reference or sharing with third parties will be done at the sole risk of PREPA and without any liability to the Consultant. Notwithstanding anything to the contrary, the license to Work provided herein shall not include any software or software documentation. Any such license needed to use software programs shall be obtained by PREPA from the software owners. PREPA shall also retain the right to coordinate the performance of said studies, reports or investigations in those situations where the performance of said studies, reports or investigations may be required by any other of PREPA's Consultants and may include the same objective or scope.

22 25.2 The following legal notice shall be affixed to any report or other document furnished by Consultant hereunder and to any report or other document resulting from this Agreement that shall be distributed outside PREPA's organization.

#### LEGAL NOTICE

FA DM. *This document was prepared by Navigant Consulting Inc. (Navigant), solely for the benefit of PREPA. Neither Navigant, PREPA nor their parent corporations or affiliates, nor any person acting in their behalf (a) makes any warranty, expressed or implied, with respect to the use of any information or methods disclosed in this document; or (b) assumes any liability with respect to the use of any information or methods disclosed in this document.*

*Any recipient of this document, by their acceptance or use of this document releases Navigant, PREPA, their parent corporations and affiliates from any liability for direct, indirect, consequential, or special loss or damage whether arising in contract, warranty, express or implied, tort or*

*otherwise, and irrespective of fault, negligence, and strict liability.*

**Article 26. Conflict of Interest**

26.1 The Consultant certifies that he does not receive payment or benefit of any nature for services rendered regularly through an appointment to a governmental agency, body, public corporation or municipality of Puerto Rico. The Consultant also certifies that he may have consulting services agreements with other governmental agencies or bodies, but such condition does not constitute a conflict of interest for the Consultant.

26.2 The Consultant's Project Manager acknowledges that he has a duty of complete loyalty to PREPA in rendering his professional services, which includes not having adverse interests to PREPA related to this engagement. Those adverse interests include representation of clients which have or may have opposed interests to those of PREPA in relation to this engagement. Also, the Consultant's Project Manager shall have the continuous obligation to disclose to PREPA all information and circumstances of its relations with clients and third persons and any interest which could reasonably influence PREPA when executing this Agreement or during its term.

26.3 Prior to signing the Agreement, the Consultant's Project Manager shall provide a list where he shall identify the full name of all the public entities to which he currently provides his professional services, except those protected by a Non-Disclosure Agreement. The aforementioned list shall also include the term of those Agreement or agreements with said entities and it will be made part of this Agreement thereof.

26.4 The Consultant's Project Manager represents conflicting interests when on behalf of a client he must contend for that which it is his duty to oppose to comply with his obligations with another previous, present or potential client. Also, the Consultant's Project Manager represents conflicting interests when his conduct is described as such in the canons of ethic applicable to the Consultant and his personnel hereunder.



26.5 In Agreements with partnerships or firms, in the event that any of the personnel of the Consultant engaged in providing services under this Agreement should incur in the conduct described herein, said conduct shall constitute a violation to the prohibitions provided herein.

26.6 The Consultant's Project Manager and personnel shall work to avoid even the appearance of the existence of conflicting interests.

26.7 The Consultant acknowledges that the Executive Director of PREPA shall have the power to intervene with the acts of the Consultant and/or its agents, employees, and subcontractor regarding the enforcement of the prohibitions contained herein. In the event that the existence of adverse interests is discovered, the Executive Director shall inform the Consultant in writing of PREPA's intention to terminate this Agreement within a thirty (30) day period. During said period, the Consultant may request a meeting with the Executive Director to present his arguments regarding the alleged conflict of interests. In the event that the Consultant does not request such meeting during the specified thirty (30) day period or the controversy is not satisfactory settled during the meeting, this Agreement shall be terminated in accordance with Article 11 (Termination).

#### **Article 27. Discrimination**

The Consultant certifies that he is an employer with equal opportunity employment, and do not discriminate by race reason, color, religion, political ideas or affiliation, social status, sex, national or social origin, for being or perceived to be a victim of domestic violence, sexual aggression or harassment, age or mental or physical condition, for veteran status or genetic information.

#### **Article 28. Other Taxes**

All unemployment, retirement, and other social security contributions and taxes; payable by the Consultant are and shall be included as part of his prices.

#### **Article 29. Choice of Law**

This Agreement shall be governed by and construed in accordance with

the laws of the Commonwealth of Puerto Rico. Also, the contracting Parties expressly agree that, subject to the dispute resolutions procedures contained in Article 14 (Liabilities), the Federal District Court for the District of Puerto Rico will be the court of competent and exclusive jurisdiction to decide over the judicial controversies that the appearing parties may have among them regarding the terms and conditions of this Agreement. If the Federal District Court of Puerto Rico does not have jurisdiction, then the state courts of Puerto Rico will be the courts with competent and exclusive jurisdiction.

**Article 30. Change in Law**

22 During the term of this Agreement, any change in law, including, but not limited to changes in applicable tax law, which causes an increase in Consultant's costs when supplying the products or services to be acquired by PREPA, shall be of Consultant's responsibility and PREPA shall not be obligated to make additional payments nor to pay additional sums to the price originally agreed for those products or services. Any change in law that directly affects the scope of work, shall entitle the Consultant to a change order that shall be mutually agreed between the Parties.

**Article 31. Certifications**

31.1 The Consultant shall provide all the following Government issued certificates, as applicable:

- 31.1 A BM
1. Certification issued by the Treasury Department of Puerto Rico which indicates that the Consultant does not owe taxes to the Commonwealth of Puerto Rico; or is paying such taxes by an installment plan in full compliance with its terms (called "*Certificado Deuda Contributiva*" on the website).
  2. An Income Tax Return Filing Certificate, issued by the Treasury Department of Puerto Rico assuring that the Consultant has filed his Income Tax Return for the last five (5) tax years.
  3. Certification issued by the Treasury Department of Puerto Rico which indicates that the Consultant does not owe Puerto Rico Sales and Use Taxes



to the Commonwealth of Puerto Rico; or is paying such taxes by an installment plan and is in full compliance with its terms.

4. A Puerto Rico Sales and Use Tax Filing Certificate, issued by the Treasury Department of Puerto Rico assuring that the Consultant has filed his Puerto Rico Sales and Use Tax for the last sixty (60) contributory periods.
5. A copy of the Consultant's Certificate of Merchant's Registration issued by the Treasury Department of Puerto Rico.
6. Certification issued by the Municipal Revenues Collection Center (MRCC), assuring that the Consultant does not owe any tax accruing during the last five (5) years to such governmental agency. To request such Certification, the Consultant will use the form issued by the MRCC (called "*CRIM-Certificados, Radicación, Estado de Cuenta y Todos los Conceptos*" in the website).
7. A Personal Property Tax Filing Certification, issued by the MRCC which indicates that the Consultant has filed their Personal Property Tax Return for the last five (5) contributory terms.
8. Certification, issued by the Child Support Administration, assuring that the Consultant is in compliance with the withholdings required by law as an employer (called "*Certificación de Cumplimiento de ASUME*" or "*Certificado ASUME patronal*" in the website).
9. Certificate, issued by the Department of Labor and Human Resources of Puerto Rico, assuring that the Consultant has paid to the Department of Labor and Human Resources of Puerto Rico its employees' contributions accruing during the last five (5) years, in accordance with the Puerto Rico Employment Security Act (unemployment, temporary disability or sickness or social security for drivers/chauffeurs); or is paying such contributions by an installment plan in full compliance with its terms. To request such Certification, the Consultant will use the form issued by the Department of

Labor and Human Resources of Puerto Rico. (Called "*Certificación Negativa de Deuda de Contribuciones de Seguro por Desempleo y Seguro por Incapacidad no ocupacional Temporal (Patronal)*" and "*Certificado Deuda Seguro Choferil*" in the website).

10. Good Standing Certificate and Certificate of Authorization to do business in Puerto Rico, both issued by the Department of State of Puerto Rico (called "*Certificado de Good Standing*" in the website).

11. A sworn statement that neither the Consultant nor any of its partners or owners, affiliates, subsidiaries or alterego have been convicted, nor have they pled guilty of any felony or misdemeanor involving fraud, misuse or illegal appropriation of public funds as enumerated in Article 3 of Public Law number 458 of December 29, 2000, as amended.

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It is expressly acknowledged that the certifications provided by the Consultant, pursuant to this clause, are essential conditions of this Agreement, and if these certifications are incorrect, PREPA shall have sufficient cause to terminate this Agreement immediately.

31.2 It shall be the Consultants' responsibility, also, to require all subcontracted third parties to comply with all the previous Certifications and agrees to notify PREPA of such compliance within ten (10) working days of subcontracting such third party.

31.3 If any of the previously required Certifications shows a debt, and Consultant has requested a review or adjustment of this debt, Consultant will certify that it has made such request at the time of granting the Agreement. If the requested review or adjustment is denied and such determination is final, Consultant will provide, immediately, to PREPA a proof of payment of this debt; otherwise, Consultant accepts that the owed amount be offset by PREPA and retained at the origin, deducted from the corresponding payments.



31.4 The Consultant recognizes that submittal of the aforementioned certifications and documents is an essential condition of this Agreement; and even in the case that they are partially incorrect, there will be sufficient cause for PREPA to terminate, cancel or rescind the Agreement, and Consultant have to refund all payments received, provided that PREPA has given Consultant an opportunity to remedy any certification within thirty (30) days' written notice of such non-conformance.

#### **Article 32. Sworn Statement**

Previous to the signing of this Agreement, the Consultant shall have submitted a sworn statement to the effect that, as of the Effective Date and to the best of its knowledge, neither Consultant nor any of its present owners, directors, or employees, have been convicted of, nor have they pled guilty, in Puerto Rico, in the federal jurisdiction, or in any state or territory of the United States of America to any crime or its equivalent, as enumerated in Article 3 of Act 458 of December 29, 2000 of the Commonwealth of Puerto Rico, as amended. In accordance with Article 6 of Act 458-2000 of the Commonwealth of Puerto Rico, as amended, Consultant acknowledges that its conviction or guilty plea for any of the crimes as enumerated in Article 3 of such Act shall allow, in addition to any other applicable penalty, the rescission of this Agreement by PREPA. In addition, but only to the extent required by Act 458-2000, PREPA shall have the right to demand the reimbursement of payments made pursuant to this Agreement that directly result from the committed crime.

#### **Article 33. Notice**

33.1 PREPA agrees to give the Consultant immediate notice of any and all claims for which the Consultant may be liable, and the Consultant agrees to give PREPA immediate notice of any and all claims for which PREPA may be liable.

33.2 Any notice to be given hereunder shall be in writing and will be sufficiently served when delivered in person or properly mailed to the following addresses:

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

Attention: Eng. Efran Paredes-Maisonet,  
c/o Eng. Gregory Rivera Chico  
Head of Planning and Research Division

To Consultant: Navigant Consulting, Inc.  
30 South Wacker Drive, Suite 3100  
Chicago, Illinois 60606

Attention: Ralph Zarumba  
Director, Energy

**Article 34. Assignment**

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34.1 If during the term of the Agreement, Consultant interests to give the amount, due or payable, to which he is entitled, Consultant shall notify, such transfer of funds to PREPA, in accordance with the provisions of the Act 21-2012. Such notice shall clearly indicate, among other things, the rights granted (contract under which the transfer is made of funds, amount of funds transferred) and specific data and complete the assignee (full name of the person or company) personal or corporate, address and any other contact information.

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34.2 Consultant acknowledges and agrees that PREPA may deduct from payments, given or not, under this Agreement any amount it owes, and also entitled to retain them if Consultant fails to meet its obligations and responsibility under this Agreement or there is any claim for warranty or defects in goods supplied or services rendered, provided that any such amounts have been determined to be owing pursuant to arbitration or adjudication. Consultant acknowledges and agrees that the payment obligation of PREPA under any transfer of funds, will cease, upon payment of the outstanding amounts under



the Contract or make the payments for the transfer of funds, which will never exceed the amount to which Consultant is entitled under this Agreement.

34.3 Consultant, with the notification of the transfer of funds owing pursuant to arbitration or adjudication, will authorize PREPA to deduct two hundred dollars (\$200) from the amount owed to Consultant for administrative costs for processing the same.

#### **Article 35. Novation**

22 The Consultant and PREPA expressly agree that no amendment or change order which could be made to this Agreement, during its term, shall be understood as a Contractual Novation, unless both Parties agree to the contrary, specifically and in writing. The previous provision shall be equally applicable in such other cases where PREPA gives the Consultant a time extension for the compliance of any of its obligations under the Agreement or where PREPA dispenses the claim or demand of any of its credits or rights under this Agreement.

#### **Article 36. Warranty**

FA QM. The Consultant warrants that it shall perform the services under this Agreement with the standard of care, skill and diligence expected, at the time and place of performance, of recognized professional firms performing services of a similar type and nature (the "Standard"). No other warranty, express or implied, is made or intended by this Agreement, by furnishing oral or written reports of findings made, or by any other act of the Consultant. The Consultant shall re-perform, at no additional cost to PREPA any services under this Agreement or extra work that do not meet the Standard, provided that the Consultant shall be notified in writing of such failure to meet the Standard within one year after the date of the completion of the services under this Agreement or after the date of the completion of any extra work, whichever occurs first. The

Consultant's liability, responsibility and obligations, and PREPA's sole remedy, for the Consultant's failure to meet the Standard or for any errors or omissions in the performance of Services under this Agreement or extra work under this Agreement shall be limited to such re-performance. Notwithstanding any other provision of this Agreement, the Consultant shall not, in any way, be responsible or liable for any performance or process guarantees of any kind.

CONSULTANT HEREBY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, WITH REGARD TO THE SOFTWARE, INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, COURSE OF DEALING AND USAGE OF TRADE.

**Article 37. Entire Agreement**

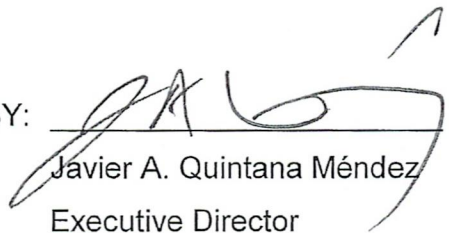
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FA 12M  
The terms and conditions contained herein constitute the entire Agreement between PREPA and the Consultant with respect to the subject matter of this Agreement, and supersede all communications, negotiations, and agreements of the parties, whether written or oral, other than these, made prior to the signing of this Agreement.

**IN WITNESS WHEREOF**, the Parties hereto have executed this Agreement this 4th day of March of the year 2016, in San Juan, Puerto Rico.

Puerto Rico Electric Power Authority

Navigant Consulting Inc.

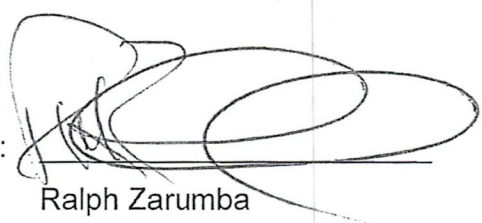
BY:

  
Javier A. Quintana Méndez

Executive Director

Employer Social Security 660-43-3747

BY:

  
Ralph Zarumba

Director

Employer Social Security 364-094854




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Appendix A  
Scope of Work

Navigant will assist PREPA in: (1) preparing a filing for the Special Purpose Vehicle (SPV) filing which will be required in the restructuring of PREPA's debt and other duties as requested by PREPA project manager in support of the restructuring of the utility. Specific tasks are expected to include the following:

- 
- (1) Development of testimony and exhibits supporting the Special Purpose Vehicle filing before the Energy Commission;
  - (2) Respond to interrogatories associated with the Special Purpose Vehicle Filing;
  - (3) Provide expert witnesses as needed in hearings held by the Energy Commission associated with the Special Purpose Vehicle filing;
  - (4) Assist PREPA's legal counsel prepare briefs and other filings associated with the Special Purpose Vehicle Project as requested and authorized by the PREPA Project Manager;
  - (5) Other duties as directed by the PREPA Project Manager.

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Appendix B

Government Issued Certifications

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Appendix C  
Travel Expenses

Any travel and lodging costs related to the services rendered under this Agreement require prior approval by PREPA in writing the Consultant. Travel expenses reimbursement applies for the personnel providing the services described in the Agreement; travel expenses for family members or guests are not chargeable to PREPA or reimbursable.

- The cost of air travel will be reimbursed up to an amount that is no more than the advanced purchase of the lowest available economy airfare (including applicable taxes). The Consultant shall submit a copy of the original airline ticket or paid travel agency invoice. Airfare may only be invoiced following completion of travel. In the event of a scheduled trip has to be cancelled, PREPA will assume the cost of the penalty fee.
- Baggage fees will be reimbursed. Evidence of incurred costs shall be submitted by the Consultant.
- The maximum per diem rates are as follows, and will be reimbursed pending proof of payment of these expenses:
  - Meals: \$50, per person for each traveling day.
  - Incidental expenses: \$12, per person for each traveling day.
  - Lodging (standard non-smoking room): \$250.00 per person.
- Taxi or bus fares to and from depots, airports, and hotels, and other necessary ground transportation costs will be reimbursed for arrangements travel plans in the San Juan metropolitan area. Proof of payment of the expenses will be required.
- The cost for an economy car rental will be reimbursed at a maximum daily rate of \$40.00 (party of three) to cover expenses for car and parking fees. Prior approval from PREPA shall be required.



### Non-Reimbursable Expenses

Examples of expenses that will not be reimbursed include the following:

- alcoholic beverages, entertainment;
- laundry, dry cleaning and pressing (per diem incidental expenses reimbursement);
- travel insurance;
- parking fines;
- charges incurred because of indirect travel for personal reasons;
- family expenses;
- gratuities and tips paid to porters, waiters, bellboys, and hotel maids inside the lodging facility (per diem incidental expenses reimbursement);
- any charges, fees, or other associated costs related to the making of reservations or other accommodations for travel.

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Appendix D  
Rate Schedule

Table 1 – Hourly Rates

Level	PREPA Hourly Rate	Navigant Full Hourly Rates
Managing Director	\$430	\$545
Director	\$408	\$440
Associate Director	\$357	\$385
Managing Consultant	\$295	\$320
Senior Consultant	\$255	\$275
Consultant	\$193	\$263

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Appendix E

Consultant's list of other contracts with agencies, public corporations, municipalities,  
or instrumentalities of the Commonwealth of Puerto Rico

None

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Ralph Zarumba  
Director  
30 South Wacker Drive  
Suite 3100  
Chicago, IL 60601  
312.583.4167  
Ralph.zarumba@navigant.com

February 15, 2016

Mr. Gregory Rivera-Chico  
Superintendent - Planning  
Planning and Research Division  
Puerto Rico Electric Power Authority  
PO Box 364267  
San Juan, Puerto Rico 00936-4267

Subject: Proposal for Consulting Services – Special Purpose Vehicle Filing

Dear Gregory:

NAVIGANT Consulting, Incorporated (Navigant) is pleased to provide this proposal supporting your efforts in preparing a filing with the Puerto Rico Energy Commission (PREC) supporting the recovery of costs associated with the debt service of restructured bond and other associated costs through a Special Purpose Vehicle (SPV).

The purpose of the SPV filing is to provide evidence to the PREC to determine if the agreements negotiated to restructure the debt of the Puerto Rico Electric Power Authority (PREPA) are consistent with the statute which is anticipated to be passed in the Commonwealth.

## STAFFING

Navigant anticipates providing two witnesses for this proceeding: Mr. Dan Stathos and myself. Our biographies are provided below.

### Ralph Zarumba - Director

Ralph Zarumba is a Director in the Energy Practice and has been the project manager for the Rate Case Assistance provided to PREPA since its initiation in February 2016 and leads Navigant's Retail Regulatory subpractice. I have 30 years of experience specializing in regulatory issues for utilities in North America, Europe and Asia and have appeared as an expert witness in over 50 regulatory and legal proceedings addressing electric generation, transmission and distribution issues, unregulated operations of utility holding companies, asset valuation and regulatory treatment of Smart Grid investments. These testimonies have been presented before the Massachusetts Department of Public Utilities, the Nova Scotia Utility and Review Board, the Federal Energy Regulatory Commission ("FERC"), the Rhode Island Public Utilities Commission, the Illinois Commerce Commission, the Wisconsin Public Service Commission, the Ontario Energy Board, the New York Public Service Commission, the New Mexico Public Regulation Commission, the Kansas Corporation Commission, the Texas Public Utilities Commission as well as a number of other venues.

### Dan Stathos, CPA – Associate Director

Mr. Stathos, an Associate Director in Navigant Consulting's Austin, Texas office, has been involved with electric, gas, water and telephone utilities for the past forty years, over twenty-five of which have been in providing auditing, accounting and consulting services to the governmental, utilities and

telecom sectors. He is skilled in governmental and utility accounting and auditing, financial modeling and analysis, rate development, information systems development, and performance management, and process re-engineering. Mr. Stathos is a former Partner with the independent accounting firm of Deloitte Haskins & Sells (now Deloitte & Touche), a Regional Consulting Manager for Oracle Systems, and a former Assistant Director of Accounting for the Public Utility Commission of Texas. Mr. Stathos is a Certified Public Accountant in Texas. Dan has appeared as an expert witness in a number of regulatory proceedings throughout his career.

Other Navigant professionals currently working on the Rate Case project are anticipated to be used to assist Dan and myself in preparing for this engagement.

## **SCOPE OF WORK**

Our anticipated scope of work is provided below. However, given the fact that the legislation will be newly enacted and the volatile regulatory environment we anticipate that the filing requirements involved in this proceeding have a high probability of changing with an expectation that they will be expanded by the PREC.

### **Task 1: Project Initiation / Identification of the Elements of the Regulatory Filing**

As soon as practical after the passage of the SPV Legislation Navigant will meet with PREPA and legal counsel to develop an outline of the filing and identify the responsibilities of each witness.

### **Task 2: Preparation of Testimony and Exhibits**

Navigant anticipates being responsible for the following topics in this filing:

- Analysis demonstrating that the securitization is beneficial to customers;
- Development of the estimated impacts of the securitization charges on customers. Navigant anticipate having to prepare this calculation for various tariffs classes;
- Explanation of the approach articulated in the SPV legislation which provides for a fixed charge per customer for residential customers and a volumetric charge for non-residential customers;
- Explanation of the reconciliation mechanism included in the calculation of payments. Navigant anticipates preparing a proposed periodic filing which will contain the proposed exhibits periodically provided to the PREC in this step including the design and testing of a Microsoft Excel spreadsheet; and
- Estimates the incremental cost of implementing the SPV charges into PREPA's billing system. These charges will become a recoverable expense fro PREPA.

Testimony and exhibits will be prepared for the above topics. Navigant will work with PREPA and their legal counsel when preparing the filing.

### **Task 3: Posting Filing Support**

Navigant anticipates that post-filing support will be required and include the following:

- Responding to interrogatories form the PREC and other interested parties;

- The appearance of Mr. Stathos and myself appearing in hearings before the PREC;
- Assisting legal counsel prepare cross-examination questions of opposing witnesses (if required);
- Assisting legal counsel prepare briefs and other related matters.

## SCHEDULE

The filing before the PREC is anticipated to be required within thirty (30) days of passage of the restructuring legislation. The schedule for hearings and other matters are unknown at this time.

## BUDGET

The above scope of work is difficult to reasonable estimate given the level of uncertainty inherent in the restructuring process. Navigant proposes that the above scope of work be delivered on a time and materials basis. In order to provide PREPA with assurances that that the budget spent is reasonable Navigant proposes that a weekly "check-in" occur between myself and the PREPA project manager to review hours used in the previous week and expected work load in the upcoming week. Navigant cannot reasonable estimate the cost of this filing but suggests that as a working budget estimate \$225,000 is reasonable.

Navigant looks forward to supporting you in this engagement. Please feel free to contact me with any questions.

Sincerely,

Ralph Zarumba  
Director

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