

**GOVERNMENT OF PUERTO RICO  
PUERTO RICO ELECTRIC POWER AUTHORITY  
PROFESSIONAL SERVICES CONTRACT**

**-----APPEAR-----**

**AS FIRST PARTY:** The Puerto Rico Electric Power Authority (PREPA), a public corporation and government instrumentality of the Commonwealth of Puerto Rico, created by Act 83 of May 2, 1941, as amended (Act 83), represented in this act by its Executive Director, Efran Paredes Maisonet, of legal age, married, and resident of Bayamón, Puerto Rico.-----

**AS SECOND PARTY:** Cavanaugh Macdonald Consulting, LLC (Consultant), a corporation organized and registered to do business in Puerto Rico, represented in this act by its Partner, mister Todd B. Green, of legal age, single, and resident of Marietta, Georgia duly authorized to appear in representation of the Consultant by Resolution dated February 1, 2021.-----

Both PREPA and Consultant are herein individually referred to as a Party and collectively referred to as the Parties.-----

**-----WITNESSETH-----**

WHEREAS, PREPA, by virtue of Act. 83 has the authority to engage those professional, technical and consulting services necessary and convenient to the activities, programs and operations of PREPA;-----

WHEREAS, the Consultant has been providing actuarial consulting services to PREPA and to the Employees' Retirement System of the Puerto Rico Electric Power Authority, hereinafter referred to as "the Retirement System", since its creation on July 1945.

WHEREAS, the Consultant has agreed to provide PREPA actuarial consulting services

under the terms and conditions stated on this Contract, and under the strictest norms of efficiency observed in the industry and in compliance with all applicable legal dispositions.- NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Contract, hereinafter stated, the Parties agree themselves, their personal representatives, and successors to enter into this Contract under the following:

-----**TERMS AND CONDITIONS**-----

**Article 1. Scope of Services**

PREPA appoints and designates the Consultant and the latter accepts to:-----

**A. Governmental Accounting Standard Board Number 67 (GASB 67)**

The Consultant shall prepare a detailed GASB 67 Disclosure Report for PREPA for the fiscal years ending June 30, 2019 and June 30, 2020 which will include the following:-----

1. Determination of the Discount Rate. This requires a projection of plan assets under certain conditions to determine the discount rate to be used for the GASB 67 and 68 disclosure purposes.-----
2. Calculation of the Total Pension Liability (TPL) and the Net Pension Liability (NPL).-----
3. A sensitivity analysis by calculating the NPL using an interest rate of one percent higher and one percent lower than the Discount Rate.-----
4. A table of membership data.-----
5. Prospective 10-year schedule of changes in Net Pension Liability, including:-----
  - a. Service cost.-----
  - b. Interest on TPL.-----
  - c. Changes in benefit terms.-----

- d. Difference between expected and actual experience in the measurement of TPL.-----
  - e. Change in assumptions.-----
  - f. Contributions from employers.-----
  - g. Contributions from non-employer contributing entities.-----
  - h. Contributions from plan members.-----
  - i. Net investment income.-----
  - j. Benefit payments.-----
  - k. Administrative Expenses.-----
  - l. Other changes, if individually significant.-----
6. Provide each year a prospective 10 year schedule of the following:-----
- a. Total pension liability (TPL).-----
  - b. Fiduciary net position (FNP).-----
  - c. Net pension liability (NPL).-----
  - d. Fiduciary net position as a percentage of TPL.-----
  - e. Covered employee payroll.-----
  - f. Net pension liability as a percentage of covered employee payroll.-----
7. Provide historical 10 year schedule of actuarially determined contributions, as follows:-----
- a. Actuarially determined contributions of employers or non-employer contributing entities.-----
  - b. Contractually required contribution of employers or non-employer contributing entities if different than (a).-----
  - c. Amount of contributions recognized during the fiscal year by the Retirement System in relation to the actuarially determined contributions.-----
  - d. Difference between the actuarially determined contribution and the amount of contributions recognized by the Retirement System in relation to the actuarially determined contribution.-----

- e. Covered employee payroll.-----
- f. Amount of contributions recognized by the Retirement System in relation to actuarially determined contribution in (c) as a percentage of covered employee payroll.-----

**B. Governmental Accounting Standard Board Number 68 (GASB 68)**

The Consultant shall prepare a detailed GASB 68 Disclosure Report for PREPA for the fiscal years ending June 30, 2019 and June 30, 2020, which will include the following:-----

- 1. Calculation of the Pension Expense and Deferred Inflows and Outflows of Resources, as follows:-----
  - a. Determine the pension expense for the year including a calculation of the portion of the change in NPL due to investment gain/loss, assumption and/or experience gain/loss to be recognized immediately.-----
  - b. Allocate remaining portion of the changes in the NPL not recognized immediately to deferred outflows and deferred inflows of resources.-----
- 2. A schedule presenting the following: -----
  - a. For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balance of deferred outflows of resources and deferred inflows of resources that will be recognized in the employer's pension expense.-----
  - b. Amount of the employer's balance of deferred outflows of resources due to employer's contribution subsequent to the measurement date that will be recognized as a reduction of the NPL.-----
- 3. Ten (10) year's Schedule of the followings:-----
  - a. Statutorily required employer contribution.-----
  - b. Amount of contributions recognized by the Plan in relation to the required employer contribution.-----

- c. Differences between the required employer contribution and the amount of contributions recognizes by the Plan in relation to the required employer contribution.-----
- d. The covered employee payroll.-----
- e. The amount of contributions recognized in the Plan in relation to the required contribution as a percentage of covered employee payroll.-----

**C. Governmental Accounting Standards Board Number 75 (GASB 75)**

The Consultant shall prepare a detailed GASB 75 Disclosure Report for PREPA for the fiscal years ending June 30, 2020 and June 30,2021, which will include the following:-----

- 1. Calculation of the Total OPEB Liability (TOL) and Net OPEB Liability (NOL). -----
- 2. Sensitivity Analysis: Calculation of the NOL using an interest rate one percent higher and one percent lower than the Discount Rate. Calculation of the NOL using a health care cost trend rate one percent greater and one percent less than the current health care trend rate.-----
- 3. Table of Membership Data.-----
- 4. Calculation of the OPEB Expense and Deferred Inflows and Outflows of Resources.-----
  - a. Determine the pension expense for the year including a calculation of the portion of the change in NOL due to investment gain/loss, assumption and/or experience gain/loss to be recognized immediately.-----
  - b. Allocate remaining portion of the changes in the NOL not recognized immediately to deferred outflows and inflows of resources.-----

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5. A schedule presenting the following:-----
  - a. For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balance of deferred outflows of resources and deferred inflows of resources that will be recognized in the employer's OPEB expense.-----
  - b. Amount of the employer's balance of deferred outflows of resources due to employer contributions subsequent to the measurement date that will be recognized as a reduction of the NOL.-----
6. Prospective 10 Year Schedule of the following for each year:-----
  - a. Total OPEB liability.-----
  - b. Fiduciary net position.-----
  - c. Net OPEB liability.-----
  - d. Fiduciary net position as a percentage of TOL.-----
  - e. Covered employee payroll.-----
  - f. Net OPEB liability as a percentage of covered employee payroll.-----
7. Summary of assumptions and methods used in the calculations.-----
8. Summary of Plan Provisions.-----

**D. Special Services**

The Consultant will provide special services previously approved by PREPA. The additional Consulting Services will be billed at the hourly rates are show bellow:-----

1. Consulting or Senior Actuary.....	\$390-\$420
2. Senior Consultant.....	\$350-\$400
3. Actuary.....	\$330-\$375
4. Consultant.....	\$330-\$375
5. Senior Actuarial Analysis.....	\$300-\$350
6. Actuarial Analyst.....	\$250-\$315
7. Other.....	\$136

**E. Meetings**

At PREPA's request, made within a reasonable period of time, the Consultant agrees to send a representative, to attend meetings with PREPA. Under normal conditions, that request will not be made more than once quarterly. Both Parties will agree previously, in writing, on the scope of the services and the fees to cover the meetings.–

**F. Consulting Fees**

**A. GASB 68 Retirement System Disclosure Services and GASB 67 Reports**

The compensation for the Consultant GASB 68 disclosure services for fiscal years ending June 30, 2019 and June 30, 2020 will be fourteen thousand and five hundred dollars (\$14,500).-----

The compensation for the Consultant GASB 67 disclosure services for fiscal years ending June 30, 2019 and June 30, 2020 will be fourteen thousand and five hundred dollars (\$14,500).-----

**B. GASB 75 Reports**

The compensation for the Consultant GASB 75 disclosure services for fiscal years ending June 30, 2019 and June 30, 2020, will be twenty-one thousand and nine hundred dollars (\$21,900). \_\_\_\_\_

**Article 2. Services Coordination**

All the Services of the Consultant in relation to the terms and conditions of this Contract will be coordinated through PREPA's Finance Director or the person delegated by him.--

**Article 3. Contract Assignment or Subcontract**

The Consultant shall not assign nor subcontract its rights and obligations under this Contract, except in the event PREPA give written authorization for such actions. Provided, that no subcontract shall be considered for PREPA's approval, except when the following requirements are met: (1) the Consultant delivers to PREPA a copy of the subcontract, not less than thirty (30) days prior to the effective date of the proposed subcontract; (2) the subcontract includes, as a condition for its legal validity and enforceability, a provision whereby PREPA has the right to substitute, subrogate or assume Consultants' rights under the subcontract, in the event that PREPA declares the Consultant in breach or default of any of the Contract terms and conditions; and (3) the subcontract includes, as a condition for its validity and enforceability, a provision establishing for the subcontractor the obligation to comply with all Consultants' obligations under the Contract (*mirror image clause*), except for such obligations, terms and conditions which exclusively related with works or services not included under the



subcontract. A request to subcontract shall specify the issues or matters that will be referred to the subcontractor. These services shall be paid as part of the Contract Amount, as stated in Article 1 and 6 of this Contract.-----

**Article 4. Contract Term**

This Contract shall be in effect from the date of its execution until June 30, 2022 (Contract Period). The Contract may be extended, for two additional annual fiscal periods, at the exclusive option of PREPA and subject to the availability of funds, only by written amendment agreed upon by both Parties.-----

**Article 5. Contract Termination**

5.1 PREPA shall have the right to terminate this Contract, at any time, with thirty (30) days prior written notice by registered mail, return receipt requested, or overnight express mail to the Consultant. If notice is given, the Contract shall terminate upon the expiration of the thirty (30) days and PREPA shall be obligated to pay all fees and expenses incurred up to the day of effective termination, in accordance with the terms of this Contract. The rights, duties and responsibilities of the Parties shall continue in full force and effect during the thirty (30) day notice period. The Consultant shall have no further right to compensation except for what has been accrued for services rendered and expenses incurred under the Contract until said date of effective termination.-----

5.2 PREPA shall have the right to terminate this Contract immediately in the event of negligence, dereliction of duties or noncompliance by the Consultant, without prior written notice.-----

5.3 The Parties acknowledge that PREPA is undergoing a transformation process, and therefore, both Parties agree that in the eventuality of the execution of a Partnership Contract, Sale Contract or any other PREPA Transaction (as these terms are defined in Act 120-2018), PREPA may sell, assign, convey, transfer, pledge, mortgage, sublease, delegate, hypothecate, or otherwise dispose (each, a "Transfer") any of its rights, title, or interest in this Contract as permitted by applicable law and at any time, and without Consultant's consent or cost, expense or incremental liability to PREPA, to any future operator of Puerto Rico's electric power transmission and distribution system or any of its affiliates, or to any governmental agency, body, public corporation or municipality of Puerto Rico; provided, that PREPA shall notify Consultant no later than thirty (30) days before the effective date of any such Transfer.-----

The Consultant acknowledges that all his responsibilities and obligations under the Contract, such as work to be performed and services to be provided, etc., will continue in full force and effect until the expiration of the thirty (30) day period.-----

**Article 6. Payment**

In accordance with the terms and conditions contained herein, PREPA agrees to pay and the Consultant agrees to accept, that the payment for the complete performance of the

services cannot exceed the maximum amount of one hundred seventy three thousand eight hundred dollars (\$173,800) as described below:-----

1. Governmental Accounting Standard Board Number 67 as of June 30, 2019 \$14,500
2. Governmental Accounting Standard Board Number 67 as of June 30, 2020 \$14,500
3. Governmental Accounting Standard Board Number 68 as of June 30, 2019 \$14,500
4. Governmental Accounting Standard Board Number 68 as of June 30, 2020 \$14,500
5. Governmental Accounting Standard Board Number 75 as of June 30, 2019 \$21,900
6. Governmental Accounting Standard Board Number 75 as of June 30, 2020..\$21,900
7. Special Services \$72,000

**B. Invoices**

Consultant shall submit its invoices on a monthly basis for the work already performed during the preceding month. Consultant will provide to PREPA an invoice for each billing period which will include a description of the services rendered and the number of hours spent by each person. The invoice for professional services shall be itemized and must be duly certified by an authorized representative of the Consultant. PREPA will review the invoices upon receipt, and if they are in compliance with the requirements set forth in this Contract, it will proceed with payment. All invoices submitted by the Consultant shall be subject to PREPA's approval within fifteen (15) calendar days of the submission of the invoices. The payments shall be done within sixty (60) days from PREPA's approval of the corresponding invoice. The Consultant shall immediately notify PREPA when the

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billing under the present Contract amounts seventy-five percent (75%) of the maximum amount under the Contract. Once this notification has been issued, the Consultant, in coordination with PREPA, will ensure that no services will be rendered in excess of the Contract Price, except that a written amendment is agreed upon by both Parties. In addition, the Consultant shall present an itemized list of the remaining billable works under the Contract.-----

PREPA reserves the right to conduct the audits it deems necessary, and it will not be subject to finance charges regarding invoice payments subject to an audit. -----

All payments performed under this Contract will be charged to the following budget account 01-2425-24287-000-000.-----

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 submitted without this Certification, will not be processed for payment.-----

**No interest Certification Clause**

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 specific profits or benefits to be obtained under this contract, or if any employee, official or director of PREPA has any interest in the profits or benefits under this Contract, a waiver has been previously obtained. I, also certify that the only consideration to provide the services under this Contract is the payment agreed with PREPA's authorized representative.-----

The total amount of this invoice is fair and correct. The services were provided and no payment has been received for said concept.-----

\_\_\_\_\_  
Signature of the Consultant's authorized representative

PREPA will only pay for Services already rendered before the submitted invoice date. PREPA will not be required to make advance payments for any future service to be rendered by Consultant under the Contract.-----

Nothing herein shall preclude the Parties from agreeing to increase said amount in writing and signed by both Parties.-----

**Article 7. Disbursements**

7.1 PREPA should not be billed for (a) time spent in processing conflict searches, preparing billing statements, or in responding to PREPA inquiries concerning Consultant's invoices; or (b) travel time during which Consultant is billing another client for work performed while traveling. Moreover, PREPA requires that only professional services be billed. Accordingly, PREPA should not be billed for the administrative tasks of creating, organizing, reviewing and/or updating files; routine or periodic status reports; receiving, reviewing, and/or distributing mail; faxing or copying documents; checking electronic mail or converting information to disk.-----

**Article 8. Transfer of Funds**

8.1 If Consultant decides to assign or transfer an amount, due or payable, to which he is entitled for services rendered or goods provided during the term of this Contract, Consultant shall notify PREPA of such transfer of funds, in accordance to the provisions of Act 21-2012. Said notice shall clearly indicate the rights granted, including a copy of the contract under which the assignment or transfer of funds is made, the exact amount of funds to be assigned or transferred, and specific

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identification information regarding the assignee (full name of the person or company), address and any other contact information.-----

- 8.2 Consultant acknowledges and agrees that PREPA may deduct any amount, due or payable under this Contract, that Consultant owes; PREPA may retain any said amount if Consultant fails to fulfill its obligations and responsibilities under this Contract, or a claim arises for warranty or defects regarding the services rendered or goods provided under this Contract. Consultant also acknowledges and agrees that PREPA's payment obligation under any assignment of funds will cease upon payment of the outstanding amounts under this Contract. PREPA shall not be required to make payments or transfer any funds for an amount that exceeds the payment to which Consultant is entitled to under this Contract. -----
- 8.3 Consultant shall include with its notice of assignment of funds a cashier's check or money order for two hundred dollars (\$200), payable to "Puerto Rico Electric Power Authority", to cover administrative costs in processing such assignment.-----

**Article 9. Information and Material Facts**

- 9.1 PREPA shall promptly provide to Consultant all information under the control of PREPA and necessary for Consultant to perform the Services under this Contract and those material facts that Consultant may reasonably require in order to provide its Services to PREPA. PREPA will ensure, to the best of its knowledge and belief, that the documents, data, and other information and material facts provided to Consultant, which are under its control, are true and complete, and does not

constitute misleading or inaccurate information and Consultant shall be entitled to rely on the accuracy and completeness of the documents, data, and other information and material facts.-----

9.2 PREPA will advise in writing Consultant 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 Consultant. -----

**Article 10. Information Disclosure and Confidentiality**

10.1 The Parties shall take all reasonable steps to keep confidential and use only for the purposes contemplated by the terms of the Contract the information provided by PREPA and/or Consultant, 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 Contract.-----

10.2 The Parties also agree that, except as agreed to in writing by both Parties, they will not, at any time after termination of this Contract, disclose any confidential information to any person whatsoever, or permit any person whatsoever to examine and/or make copies of any reports prepared by Consultant or under its control by reason of its consulting services, and that upon termination of this Contract each Party will turn over to the other all documents, papers, and other matters in its possession or under its control that relate to the other Party. Consultant may retain one file copy for its records.-----

10.3 The term “confidential information” shall include, but not be limited to, all information provided to Consultant by PREPA or at PREPA’s direction regarding its facilities or operations and any and all information gathered or developed by Consultant regarding the same. The Parties further agree that proprietary records and documents related to Consultant’s business operations are confidential to Consultant and will not be disclosed to PREPA or other Parties, except as ordered by the court. The Parties agree that PREPA will resist any attempt by opposing counsel or other Parties to obtain Consultant’s proprietary information. The term “confidential information”, however, will not include information that:-----

- (i) is or becomes public other than through a breach of this Contract;--
- (ii) is known to the receiving Party prior to the date of this Contract and with respect to which the receiving Party does not have any obligation of confidentiality; or -----
- (iii) is independently developed by the receiving Party without use of, or reference to, confidential information. -----

10.4 The Parties acknowledge that disclosure of any confidential information by either Party will give rise to irreparable harm to the injured Party inadequately compensable in damages. Accordingly, either Party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies, which may be available.----

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10.5 If this Contract terminates for any reason, Consultant shall maintain in strictest confidence both; during the term of this Contract and subsequent to termination of this Contract, and shall not during the term of this Contract 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 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 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, including the recovery of damages from Consultant.-----

10.6 The above provisions do not apply with respect to information, which Consultant is requested to disclose under applicable law and regulations, court order, subpoena or governmental directives, in which case Consultant shall provide PREPA prompt notice of such request in order to procure for PREPA a reasonable opportunity to oppose such disclosure. 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.-----

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

**Article 11. Rights and Titles**

11.1 The Consultant will submit any reports reasonably required by PREPA regarding the Services performed under this Contract. If required by PREPA, at the completion of any assigned task, the Consultant will submit a final written report describing the work it has performed. This requirement shall not be interpreted as a waiver by PREPA of Consultant's ethical obligation and responsibility of keeping PREPA informed of the progress of the assigned matters.-----

11.2 All rights, titles and interest in any reports, documents, analyses, investigations and any other by-product conceived or developed by the Consultant exclusively for PREPA as a result of performing its obligations under this Contract 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 specifically for PREPA under this Contract. With the exception of items marked as "CONFIDENTIAL" by the Consultant, PREPA shall retain the right to use, refer, share, or provide to any third party, as PREPA may determine, the results of any reports, documents, analyses, investigations or any other by-product of the Services performed by the Consultant under this Contract.-----

**Article 12. Copyright**

Consultant and PREPA shall jointly defend any suit or action brought against either party based on a claim that any document, report, study, analysis, copyrighted composition, article or any by-product of those, either used in the performance of the Services by Consultant or provided to PREPA by Consultant as part of its Services, or used in the performance of this Contract, including their use by PREPA, constitutes an infringement of any patents or copyrights of the United States. The Party of this Contract subject to the claim or that becomes aware of a potential claim shall promptly notify in writing the other Party of this Contract, and give the authority, information, and assistance reasonable and necessary for the defense of such claim.-----

**Article 13. Warranty**

13.1 Consultant warrants that it shall perform the Services in accordance with the applicable standards of care and diligence at the time of performance of the Services, and which are normally practiced and recognized in performing services of a similar nature (the "Standard"). Should any of the Services

provided by Consultant not fulfill the above established Standard, Consultant shall take all necessary corrective measures to rectify such deficient Services, at its own and exclusive cost, whenever such course of action is possible or desirable. The rectification of deficient Services by Consultant shall not be understood as a waiver by PREPA to any other remedy it may have under this Contract or under the law or equity for any damages that Consultant's may have caused to it by rendering such deficient Services.-----

13.2 No other warranty, express or implied, is made or intended by this Contract, by furnishing oral or written reports of findings made, or by any other act of Consultant. -----

**Article 14. Responsibility for Damages**

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

**Article 15. Independent Contractor**

15.1 Consultant shall be considered as an independent contractor, for all material purposes under this Contract, and all persons engaged or contracted by Consultant for the performance of its obligations herein, shall be considered as its employees or agents, and not as employees or agents of PREPA.-----

15.2 As an independent contractor, Consultant shall not be entitled to any fringe benefits, such as, but not limited to vacation, sick leave, and to which PREPA's employees are entitled.-----

**Article 16. Employees not to Benefit**

No officer, employee or agent of PREPA, nor of the Government of the Commonwealth of Puerto Rico or its Municipal Governments shall be admitted to any share or part of this Contract or to any benefit that may arise therefrom.-----

**Article 17. Conflict of Interest**

17.1 Consultant certifies that none of its representatives under this Contract receive payment or compensation of any nature, for the services regularly rendered through an appointment in another government agency, body, public corporation or municipality of Puerto Rico. Consultant also certifies that it may have other consulting services contracts with other governmental agencies or bodies, but such condition does not constitute a conflict of interest for Consultant.-----

17.2 Consultant acknowledges that in executing its services pursuant to this Contract it has a duty of complete loyalty towards PREPA which includes not having conflict of interest. "Conflict of Interest" means representing clients who have or may have interests that are contrary to PREPA, but does not include rendering services that are unrelated to the services covered in this Contract. Also, Consultant shall have the continuous obligation to disclose to PREPA all information and circumstances of its relations with clients and third persons that

would result in a conflict of interest which would influence the Consultant when performing its responsibilities under this Contract. If the Consultant is required to provide services to another entity of the Executive Branch under the provisions of Article 30 and such services could result in a conflict of interests, the Consultant will notify PREPA in writing as provided in this article. -----

17.3 The Parties understand and agree that a conflict of interest exists when Consultant must advocate a position or outcome on behalf of any existing or future client that is contrary to PREPA's interests. Also, any conduct defined in the Rules of Professional Conduct regarding conflict of interests shall apply to Consultant and its personnel.-----

17.4 In the event that any of the partners, directors, agents or employees of Consultant engaged in providing services under this Contract should incur in the conduct described herein, said conduct shall constitute a violation of the prohibitions provided herein.-----

17.5 Consultant's partners, directors, agents or employees and personnel shall avoid even the appearance of the existence of conflicting interests.-----

17.6 Consultant acknowledges that PREPA's Chief Executive Officer shall have the power to intervene with the acts of Consultant and/or its agents, employees, and subcontractors regarding the enforcement of the prohibitions contained herein. In the event that the existence of adverse interests is discovered, the PREPA's Chief Executive Officer shall inform Consultant in writing of PREPA's intention to

terminate this Contract within a thirty (30) day period. During said period, Consultant may request a hearing with the Chief Executive Officer to present its arguments regarding the alleged conflict of interests. In the event that Consultant does not request such hearing during the specified thirty (30) day period or the controversy is not satisfactory settled during the hearing, this Contract shall be canceled.-----

17.7 The Consultant certifies that, at the time of the execution of this Contract, it does not have nor does it represents anyone who has Conflict of Interests with PREPA. If such Conflict of Interest arises after the execution of the Contract, the Consultant shall notify PREPA immediately.-----

**Article 18. Notices**

All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or sent by telecopy, or postage prepaid, by registered certified or express mail (return receipt requested) or reputable overnight courier service and shall be deemed given when so delivered by hand, or telecopied, or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service) to the Parties to the following addresses:-----

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

Attention: Efran Paredes Maisonet  
Executive Director

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To Consultant: Cavanaugh Macdonald Consulting, LLC  
3550 Busbee Pkwy, Suite 250  
Kennesaw, GA 30144

Attention: Todd B. Green  
Partner

**Article 19. Applicable Law and Venue**

This Contract shall be governed by and construed in accordance with the laws of the Commonwealth of Puerto Rico. Also, the Parties expressly agree that only the state courts of Puerto Rico will be the courts 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 Contract.-----

**Article 20. Change in Law**

During the term of this Contract, any change in law, including, but not limited to changes in applicable tax law, which cause an increase in Consultant's costs when providing the services, shall be Consultant's responsibility and PREPA shall not be obligated to increase the Contract Amount.-----

**Article 21. Force Majeure**

21.1 The Parties shall be excused from performing their respective responsibilities and obligations under this Contract and shall not be liable in damages or otherwise, if and only to the extent that they are unable to perform or are prevented from performing by a force majeure event.-----



21.2 For purposes of this Contract, 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 event.-----

21.3 Force majeure may include, but not be limited to, the following: Acts of God, industrial disturbances, acts of the public enemy, war, 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; 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 event, and that such Party, within ten (10) days after the occurrence 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 event has occurred shall be on the Party claiming the force majeure.-----

**Article 22. Novation**

22.1 The Parties expressly agree that no amendment or change order, which could be made to the Contract during its term, shall be understood as a contractual novation, unless both Parties agree to the contrary, specifically and in writing.-----

22.2 The previous provision shall be equally applicable in such other cases where PREPA gives Consultant a time extension for the compliance of any of its

obligations under this Contract, or where PREPA dispenses the claim or demand of any of its credits or rights under the Contract. -----

**Article 23. Severability**

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

**Article 24. Save and Hold Harmless**

The Consultant agrees to save and hold harmless and to indemnify PREPA for all expenses and costs of any nature (including reasonable attorneys' fees) incurred by PREPA arising out of any third party claim made by any person for bodily injuries, including death, or for property damage, to the extent directly caused by the Consultant by the negligent act or omission, in the performance or nonperformance of its obligations under the Contract, but not to the point directly caused by negligence or tort of PREPA or a third party, which is not an employee or subcontractor of the Consultant. With respect to any indemnity set forth in this Contract, each indemnity shall give prompt notice of its receipt of any threat, indication or other notice of any claim, investigation or demand that might give rise to any losses required to be indemnified hereunder and shall reasonably cooperate in the defense of such claim. The indemnifying party shall have the right to conduct defense of such action at its sole expense.-----

**Article 25. Insurance**

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

**A. Commercial General Liability Insurance**

The Consultant shall provide a Commercial General Liability Insurance with limits of at least \$1,000,000 per occurrence and at least \$1,000,000 aggregate.-----

**B. Professional Liability Insurance**

The Consultant shall provide a Professional Liability Insurance with limits of at least \$1,000,000 per claim and at least \$1,000,000 aggregate.-----

**Requirements Under the Policies:**

The Commercial General Liability Insurance required under this Contract shall be endorsed to include:-----

a. As additional insured:

Puerto Rico Electric Power Authority (PREPA)  
Risk Management Office  
PO Box 364267  
San Juan, PR 00936-4267

b. A 30 days' cancellation or nonrenewable notice to be sent to the above address.-----

c. An endorsement including this Contract under contractual liability coverage and identifying it by number, date and parties to the Contract.-----

d. Waiver of Subrogation in favor of Puerto Rico Electric Power Authority

(PREPA).-----

e. Breach of Warranties or Conditions:-----

The Breach of any of the Warranties or Conditions in this policy by the Consultant (Insured) shall not prejudice PREPA'S rights under this policy.-----

Furnishing of Policies

All required policies of insurance shall be in a form acceptable to PREPA and shall be issued only by insurance companies authorized to do business in Puerto Rico. The Consultant shall furnish a certificate of insurance in original signed by an authorized representative of the insurer in Puerto Rico, describing the coverage afforded.-----

**Article 26. Compliance with the Commonwealth of Puerto Rico Contracting Requirements**

The Consultant will comply with all applicable State Law, Regulations and Executive Orders that regulate the contracting process and establish the requirements for governmental contracting in the Commonwealth of Puerto Rico, including but not limited to those mentioned in this Article. Also, the Consultant shall provide, before the execution of the Contract the following documents and certifications:-----

A. Executive Order Num. OE-1991-24 of June 18, 1991 to require certification of compliance with the Internal Revenue Services of the Commonwealth of Puerto Rico: Pursuant to Executive Order Number OE-1991-24 of June 18, 1991, the Consultant will certify and guarantee that it has filed all the necessary and required income tax returns to the Government of Puerto Rico for the last

five (5) years. The Consultant further will certify that it has complied and is current with the payment of any and all income taxes that are, or were due, to the Government of Puerto Rico. The Consultant shall provide, to the satisfaction of PREPA, and whenever requested by PREPA during the term of this Contract, the necessary documentation to support its compliance with this clause. The Consultant will be given a specific amount of time to produce said documents. During the term of this Contract, the Consultant agrees to pay and/or to remain current with any repayment plan agreed to by the Consultant with the Government of Puerto Rico. ---

B. Executive Order No. OE-1992-52 of August 28, 1992 to require certification of compliance with the Department of Labor of the Commonwealth of Puerto Rico. Pursuant to Executive Order Number 1992-52, dated August 28, 1992 amending OE-1991-24, the Consultant will certify and warrant that it has made all payments required for unemployment benefits, workmen's compensation and social security for chauffeurs, whichever is applicable, or that in lieu thereof, has subscribed a payment plan in connection with any such unpaid items and is in full compliance with the terms thereof. The Consultant accepts and acknowledges its responsibility for requiring and obtaining a similar warranty and certification from each and every Consultant and Subcontractor whose service the Consultant has secured in connection with the services to be rendered under this Contract and shall forward evidence to PREPA as to its compliance with this requirement.-----

C. Government of Puerto Rico Municipal Tax Collection Center: The Consultant will certify and guarantee that it does not have any current debt with regards to property taxes that may be registered with the Government of Puerto Rico's Municipal Tax Collection Center (known in Spanish as *Centro de Recaudación de Ingresos Municipales* ("CRIM")). The Consultant further will certify to be current with the payment of any and all property taxes that are or were due to the Government of Puerto Rico. The Consultant shall provide, to the satisfaction of PREPA and whenever requested by PREPA during the term of this Contract, Certification issued by the Municipal Revenues Collection Center (MRCC), assuring that Consultant does not owe any tax accruing to such governmental agency. To request such Certification, Consultant will use the form issued by the MRCC (called "*CRIM-Certificados, Radicación, Estado de Cuenta y Todos los Conceptos*" in the website). The Consultant will deliver upon request any documentation requested by PREPA. During the term of this Contract, the Consultant agrees to pay and/or to remain current with any repayment plan agreed to by the Consultant with the Government of Puerto Rico with regards to its property taxes.-----  
The Consultant shall provide a Personal Property Tax Filing Certification, issued by the MRCC which indicates that Consultant has filed its Personal Property Tax Return for the last five (5) contributory terms or Negative Debt certification issued by the MRCC with respect to real and property taxes and a sworn statement executed by Consultant indicating that (i) its revenues are derived from the rendering of

professional services, (ii) during the last five (5) years (or the time in which it has been providing professional services) it has had no taxable business or personal property on the 1<sup>st</sup> of January of each year, (iii) that for such reasons it has not been required to file personal property tax returns, as required under Article 6.03 of Act 83-1991, as amended, and (iv) that for such reason it does not have an electronic tax file in the MRCC's electronic system.-----

D. The Consultant shall provide a Puerto Rico Sales and Use Tax Filing Certificate, issued by the Treasury Department of Puerto Rico assuring that Consultant has filed his Puerto Rico Sales and Use Tax for the last sixty (60) contributory periods. -----

E. The Consultant shall provide a Certificate of Merchant's Registration issued by the Treasury Department of Puerto Rico. -----

F. Puerto Rico Child Support Administration (*ASUME*): The Consultant shall present, to the satisfaction of PREPA, the necessary documentation certifying that the Consultant nor any of its owners, affiliates of subsidiaries, if applicable, have any debt, outstanding debt, or legal procedures to collect child support payments that may be registered with the Puerto Rico Child Support Administration (known in Spanish as the *Administración Para El Sustento de Menores (ASUME)*). The Consultant will be given a specific amount of time to deliver said documents. 3 L.P.R.A. § 8611 et seq.-----

G. The Consultant shall provide a Good Standing Certificate issued by the Department of State of Puerto Rico.-----

- H. The Consultant shall provide a Certification of Incorporation, or Certificate of Authorization to do business in Puerto Rico issued by the Department of State of Puerto Rico.-----
- I. Special Contribution for Professional and Consulting Services: As required by Act 48-2013, as amended, PREPA will withhold a special contribution of one point five percent (1.5%) of the gross amounts paid under this Contract.-----
- J. Social Security and Income Tax Retentions: In compliance with Executive Order 1991 OE- 24; and C.F.R. Part 404 et. Seq., the Consultant will be responsible for rendering and paying the Federal Social Security and Income Tax Contributions for any amount owed as a result of the income, from this Contract.-----
- K. Income Tax Retention Law: PREPA shall deduct and withhold ten percent (10%) of any and all payments to residents of the Commonwealth of Puerto Rico as required by the Internal Revenue Code of Puerto Rico. In case of US citizens and Non-US citizens, which are nonresidents of the Commonwealth of Puerto Rico the Consultant will retain twenty percent (20%) and twenty-nine percent (29%) respectively. PREPA will remit such withholdings to the Government of Puerto Rico's Treasury Department (known in Spanish as *Departamento de Hacienda de Puerto Rico*). The Consultant will request PREPA not to make such withholdings if, to the satisfaction of PREPA, the Consultant timely provides a release from such obligation by the Government of Puerto Rico's Treasury Department. Act 1-2011, section 1062.03.-----



- L. Compliance with Governmental Ethics, Act 1-2012: The Consultant will certify compliance with Act 1-2012, as amended, known as the Ethics Act of the Government of Puerto Rico (Act 1-2012), which stipulates that no employee or executive of PREPA nor any member of his/he immediate family (spouse, dependent children or other members of his/her household or any individual whose financial affairs are under the control of the employee) shall have any direct or indirect pecuniary interest in the services to be rendered under this Contract, except as may be expressly authorized by the Governor of Puerto Rico in consultation with the Secretary of Treasury and the Secretary of Justice of the Government.  
3 L.P.R.A. § 8611 et seq.;-----
- M. Act 168-2000: Law for the Strengthening of the Family Support and Livelihood of Elderly People: The Consultant will certify that if there is any Judicial or Administrative Order demanding payment or any economic support regarding Act 168-2000, as amended, the same is current and in all aspects in compliance.  
*Act 168-2000 "Law for the Strengthening of the Family Support and Livelihood of Elderly People" in Spanish: "Ley para el Fortalecimiento del Apoyo Familiar y Sustento de Personas de Edad Avanzada", 3 L.P.R.A. §8611 et seq.*-----
- N. Act 127-2004: Contract Registration in the Comptroller's Office of Puerto Rico Act: Payment for services object of this Contract will not be made until this Contract is properly registered in the Office of the Comptroller of the Government of Puerto Rico pursuant to Act 18 of October 30, 1975, as amended.-----

- O. Prohibition with respect to execution by public officers: 3 L.P.R.A. §8615(c): No public officer or employee authorized to contract on behalf of the executive agency for which he/she works may execute a contract between the agency for which he/she works and an entity or business in which he/she or any member of his/her family unit has or has had direct or indirect economic interest during the last four (4) years prior to his/her holding office.-----
- Q. Prohibition with respect to contracting with officers or employees: 3 L.P.R.A. §8615(d): No executive agency may execute a contract in which any of its officers or employees or any member of their family units has or has had direct or indirect economic interest during the last four (4) years prior to their holding office, unless the Governor gives authorization thereto with the previous recommendation of the Secretary of the Treasury and the Secretary of Justice.-----
- R. Prohibition with respect to contracts with officers and employees of other Government entities: 3 L.P.R.A. §8615(e): No public officer or employee may be a party to or have any interest in any profits or benefits produced by a contract with any other executive agency or government dependency unless the Governor gives express authorization thereto with previous recommendation from the Secretary of the Treasury and the Secretary of Justice.-----
- S. Prohibition with respect to evaluation and approval by public officers: 3 L.P.R.A. §8615(f): No public officer or employee who has the power to approve or authorize contracts shall evaluate, consider, approve or authorize any contract

between an executive agency and an entity or business in which he/she or any member of his/her family unit has or has had direct or indirect economic interest during the last four (4) years prior to his/her holding office.-----

T. Prohibition with respect to execution by public officers' contracts with former public officers: 3 L.P.R.A. §8615(h): No executive agency shall execute contracts with or for the benefit of persons who have been public officers or employees of said executive agency until after two (2) years have elapsed from the time said person has ceased working as such.-----

U. Dispensation: Any and all necessary dispensations have been obtained from any government entity and that said dispensations shall become part of the contracting record.-----

V. Rules of Professional Ethics: The Consultant acknowledges and accepts that it is knowledgeable of the rules of ethics of his/her profession and assumes responsibility for his/her own actions.-----

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 the Contract execution. 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.-----

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Consequences of Non-Compliance: The Consultant expressly agrees that the conditions outlined throughout this Article are essential requirements of this Contract. Consequently, should any one of these representations, warranties or certifications be incorrect, inaccurate or misleading, in whole or in part, there shall be sufficient cause for the PREPA to render this Contract null and void, and the Consultant shall reimburse the PREPA all moneys received under this Contract.-----

**Article 27. Anti-Corruption Code for a New Puerto Rico**

Consultant agrees to comply with the provisions of Act 2-2018, as the same may be amended from time to time, which establishes the Anti -Corruption Code for a New Puerto Rico (Act 2-2018). The Consultant hereby certifies that it does not represent particular interests in cases or matters that imply a conflict of interest, or of public policy, between the executive agency and the particular interests it represents. Consultant shall furnish a sworn statement to the effect that neither Consultant nor any president, vice president, executive director or any member of a board of officials or board of directors, or any person performing equivalent functions for Consultant has been convicted of or has pled guilty to any of the crimes listed in Article 6.8 of Act 8- 2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico (Act 8-2017) or any of the crimes included in Act 2-2018.

Consultant hereby certifies that it has not been convicted in Puerto Rico or United States Federal court for under Article 4.2, 4.3 or 5.7 of Act 1-2012, any of the crimes listed in Articles 250 through 266 of Act 146-2012, as amended, known as the

Puerto Rico Penal Code (Act 146-2012), any of the crimes typified in Act 2-2018, or any other felony that involves misuse of public funds or property, including but not limited to the crimes mentioned in Article 6.8 of Act 8-2017. -----

PREPA shall have the right to terminate the Contract in the event Consultant is convicted in Puerto Rico or United States Federal court for under Articles 4.2, 4.3 or 5.7 of Act 1-2012, any of the crimes listed in Articles 250 through 266 of Act 146-2012, any of the crimes typified in Act 2-2018, or any other felony that involves misuse of public funds or property, including but not limited to the crimes mentioned in Article 6.8 of Act 8-2017.-----

**Article 28. Contractor's Certification Requirement**

The Parties acknowledge that the Consultant has submitted the certification titled "Contractor Certification Requirement" required in accordance with the Contract Review Policy of the Financial Oversight and Management Board for Puerto Rico, effective as of November 6, 2017 and amended on October 30, 2020, signed by the Consultant's Executive Director (or another official with an equivalent position or authority to issue such certifications). A signed copy of the "Contractor Certification Requirement" is included as an annex to this Contract.-----

The Consultant represents and warrants that the information included in the Contractor Certification Requirement is complete, accurate and correct, and that any misrepresentation, inaccuracy or falseness in such Certification will render the Contract null and void and the Consultant will have the obligation to reimburse immediately to the

Commonwealth any amounts, payments or benefits received from the Commonwealth under the Contract.-----

**Article 29. Non-Discrimination**

The Consultant agrees that it will not discriminate against any employee or applicant for employment on account of race, color, gender, age, sex, national or social origin, social status, political ideas or affiliation, religion, or being or perceived to be a victim of domestic violence, sexual aggression or harassment, regardless of marital status, sexual orientation, gender identity or immigrant status, for physical or mental disability, for veteran status or genetic information.-----

**Article 30. Entire Contract**

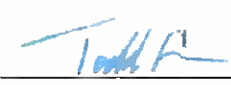
The terms and conditions contained herein constitute the entire agreement between PREPA and Consultant with respect to the subject matter of this Contract, and supersede all communications, negotiations, and agreements of the Parties, whether written or oral, other than these, made prior to the signing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

IN WITNESS THEREOF, the Parties hereto sign this Contract in San Juan, Puerto Rico this 24 day of August 2021-----

Puerto Rico Electric Power Authority

  
\_\_\_\_\_  
Efran Paredes Maisonet  
Executive Director  
Tax ID: 660-433747

Cavanaugh Macdonald Consulting, LLC

  
\_\_\_\_\_  
Todd B. Green  
Partner  
Tax ID: 611-489078  
toddg@cavmacconsulting.com

## **Puerto Rico Electric Power Authority**

### **Contractor Certification Requirement**

The following certification shall be provided to the Puerto Rico Electric Power Authority by the Chief Executive Officer (or equivalent highest rank officer) of each proposed contractor under contracts submitted for review:

1. The expected contractor's subcontractor(s) in connection with the proposed contract<sup>1</sup> is (are) the following: We do not utilize subcontractors

(Name of individual or firm, including names of principals or owners of the latter)  
(Principal terms and conditions of the contractual relation and role of the subcontractor)  
(Amount of proposed contract payable to each subcontractor)

2. Neither the contractor nor any of its owners,<sup>2</sup> partners, directors, officials or employees, has agreed to share or give a percentage of the contractor's compensation under the contract to, or otherwise compensate, any third party, whether directly or indirectly, in connection with the procurement, negotiation, execution or performance of the contract, except as follows: We do not utilize subcontractors

(Name of individual or firm, including names of principals or owners of the latter)  
(Principal terms and conditions of the compensation sharing arrangement and consideration for such benefit)

3. To the best knowledge of the signatory (after due investigation), no person has unduly intervened in the procurement, negotiation or execution of the contract, for its own benefit or that of a third person, in contravention of applicable law.
4. To the best knowledge of the signatory (after due investigation), no person has: (i) offered, paid, or promised to pay money to; (ii) offered, given, or promised to give anything of value to; or (iii) otherwise influenced any public official or employee with the purpose of securing any advantages, privileges or favors for the benefit of such person in connection with the contract (such as the execution of a subcontract with contractor, beneficial treatment under the contract, or the written or unwritten promise of a gift, favor, or other monetary or non-monetary benefit).
5. Neither the contractor, nor any of its owners, partners, directors, officials or employees or, to the best of its knowledge (after due investigation), its representatives or subcontractors, has required, directly or indirectly, from third persons to take any action

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<sup>1</sup>As used herein, the term "contract" is inclusive of any amendments, modifications or extensions.

<sup>2</sup>For purposes of this certification, a contractor's "owner" shall mean any person or entity with more than a ten percent (10%) ownership interest in the contractor.

Contractor Certification Requirement  
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with the purpose of influencing any public official or employee in connection with the procurement, negotiation or execution of the contract, in contravention of applicable law.

6. Any incorrect, incomplete or false statement made by the contractor's representative as part of this certification shall cause the nullity of the proposed contract and the contractor must reimburse immediately to the Puerto Rico Electric Power Authority any amounts, payments or benefits received from the Puerto Rico Electric Power Authority under the proposed contract.

The above certifications shall be signed under penalty of perjury by the Chief Executive Officer (or equivalent highest rank officer) in the following form:

"I hereby certify under penalty of perjury that the foregoing is complete, true and correct."

By: Todd B. Green

Date: 07.26.21

Signature: Todd B Green