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BY ELECTRONIC MAIL

March 3, 2025

Ms. Doriel Pagán Crespo
Executive President
Puerto Rico Aqueduct and Sewer Authority

Re: Utility Metering Solutions, LLC

Dear Ms. Pagán Crespo,

In accordance with the Contract Review Policy (the “Policy”) of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed amendment to the contract between the Puerto Rico Aqueduct and Sewer Authority (“PRASA”) and Utility Metering Solutions, LLC (the “Proposed Amendment”).

After reviewing the Proposed Amendment, the Oversight Board concludes “Approved with Observations.” Observations related to the Proposed Amendment are set forth in Appendix A attached hereto.

Our review is solely limited to compliance of the Proposed Amendment with Section 204(b)(2) of PROMESA, which seeks to ensure proposed contracts promote market competition and are not inconsistent with approved Fiscal Plans. For the avoidance of doubt, the review performed by the Oversight Board does not constitute a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local; and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local.

In addition, the Oversight Board has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements under the applicable contract. Any material changes to the Proposed Amendment or the original contract must be submitted to the Oversight Board for review and approval **prior to execution**.

Date: 3/3/2025

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Recipient: Ms. Pagán Crespo

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information the Oversight Board was not directed to when the review was conducted. In addition, during the course of our review, we may receive information that we may refer to the relevant authorities.

This letter is issued only to PRASA and solely with respect to the Proposed Amendment.

Sincerely,



Jaime A. El Koury
General Counsel

APPENDIX A

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PRASA – UTILITY METERING SOLUTIONS, LLC

Fiscal Plan Alignment

This review covers the Proposed Amendment to the contract between PRASA and Utility Metering Solutions, LLC (the “Vendor”).

The original master contract (the “Master Contract”), which was approved with conditions by the Oversight Board on November 8, 2023, stems from a competitive procurement process (22-RFP-003) issued on January 4, 2022 for the Advanced Metering Infrastructure (“AMI”) project. It has a term lasting up to **7 years** from its date of execution of November 15, 2023..

The Master Contract contemplates the acquisition of smart water meters, smart meter reading technology, and specialized services in connection with the smart meters to upgrade PRASA’s water meter infrastructure across the Island. The project was divided into a Pilot Phase and a Full Deployment Phase, the last of which shall commence upon the successful completion of the Pilot Phase. The Oversight Board’s approval of the Master Contract was limited solely to the Pilot Phase. PRASA was required to submit an amendment to the Master Contract authorizing the Full Deployment Phase to the Oversight Board for review and approval upon the completion of the Pilot Phase.

The Vendor was one of two proponents selected for the Pilot Phase, which contemplates the installation of 3,000 smart meters from the Master Contract’s date of execution of November 15, 2023 to November 15, 2024. The Vendor was responsible for the installation of 1,000 smart meters¹ for a maximum payable amount of **\$892,697.39**. Following the completion of the Pilot Phase, PRASA had two months (the “Evaluation Period”) to evaluate each of the two vendors’ performance and collect data to determine which vendor would be selected to proceed with the Full Deployment Phase. Accordingly, the first amendment to the Master Contract, which was approved with observations by the Oversight Board on November 14, 2024, extended the Pilot Phase to January 15, 2025 to complete the Evaluation Period without altering the maximum payable amount.

During the Evaluation Period, PRASA selected the Vendor for the Full Deployment Phase. According to the information submitted by PRASA, the Vendor’s product showed a resilient communication network that was not disrupted during rain events or flood pits, while the other proponent’s product showed a decrease in network response during the Pilot Phase and did not work in flooded pits.

The second amendment to the Master Contract, which was approved with observations on January 15, 2025, extended the Pilot Phase to **April 15, 2025**, without altering the maximum payable amount, to provide PRASA with additional time to complete certain technical requirements related to the implementation of the Full Deployment Phase.

¹ The remaining 2,000 smart meters were installed by the proponent that was not selected for the Full Deployment Phase.

APPENDIX A

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The Proposed Amendment, which constitutes the third amendment to the Master Contract, authorizes the Full Deployment Phase of the Master Contract. It contemplates the installation of approximately 1.5 million smart meters, and has a maximum payable amount of **\$407,930,646**. The Proposed Amendment has a term from the date indicated in the notice to proceed to Full Deployment to **November 15, 2030**.

In addition to the services contemplated for the Pilot Phase, the scope of work under the Full Deployment Phase includes the following services:

- Integration of information software with PRASA's information systems;
- Network maintenance and support;
- Provision of standard and customary documentation for all aspects of the system;
- On-site and in-person training;
- Provision of advanced sensors and system capabilities; and
- Specialized technical support and contract management services.

According to the information submitted by PRASA, the Proposed Amendment shall be covered entirely with federal funds stemming from the Federal Emergency Management Agency and Community Development Block Grant-Mitigation Programs, which are allocated in **CIP 6009102**. As such, the Oversight Board's review indicates that PRASA has sufficient funds in Fiscal Year 2025 to cover the cost of the Proposed Amendment as of the date of this letter.

This determination does not consider the extent to which total available funds will be subsequently encumbered by PRASA throughout the Proposed Amendment's term. Consequently, we rely on PRASA's budget certification for purposes of this review.

PRASA is expected to inform the Oversight Board of any budgetary differences other than those specified in Appendix A to the Policy (Contract Submission Questionnaire) and to request a re-review of the Proposed Amendment should any changes occur.

We note that pursuant to the Certified 2024 PRASA Fiscal Plan (the "PRASA Fiscal Plan"), PRASA was scheduled to transition to the Full Deployment Phase of the AMI project by late December 2024 and to commence the installation of smart meters by early January 2025. While PRASA has complied with its preliminary schedule for the selection of the Vendor, PRASA has not yet awarded a contract for the installation of meters under the Master Contract. Accordingly, upon the Oversight Board's approval of the Proposed Amendment, PRASA must complete all the necessary procedures to select the proponent(s) for the installation of smart meters and any other services for the implementation of the AMI project.

Finally, the following observations are based on 2 CFR 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" and other relevant federal funding requirements:

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Observation	Suggested Action
1. The Notification Letter dated December 6, 2024 submitted by PRASA mentioned the AMI Pilot Phase Evaluation Memo prepared by Arcadis, the project manager for the AMI project, to evaluate vendor performance in the Pilot Phase of the project. The memo was not included in the original procurement file but was provided in a Request for Information (RFI) response received on January 31, 2025.	PRASA should ensure that the document provided in the RFI response is included and maintained in the procurement file.
2. No calculation was provided to support the Proposed Amendment's amount of \$407,930,646 in the original procurement file. In an RFI response received on January 31, 2025, PRASA provided an explanation and a calculation as to how the maximum payable amount was derived.	PRASA should prepare a memorandum detailing the calculation and assumptions used to determine the \$407,930,646 maximum payable amount and retain the document in the procurement file.

This review was conducted on the basis of information submitted by PRASA. The Oversight Board has not independently verified the information included in the submission. Should the Oversight Board become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.