



Forging Successful PPPs in Puerto Rico

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Disclaimer

The Studies here presented seek to determine whether the establishment of certain proposed private-public partnerships (or “PPPs”) is advisable.

The Studies were prepared pursuant to the requirements of the Public-Private Partnerships Act (the “Act”) and the Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Public-Private Partnership Contracts under Act No. 29 of June 8, 2009 (the “Regulation”), adopted by the Public-Private Partnerships Authority (the “Authority”) on December 19, 2009. The Studies were commissioned to different advisors (the “Advisors”) as part of financial, procurement and technical advisory engagements between the Advisors, the Partnering Government Entities and the Authority for the evaluation of the proposed PPPs. The Partnering Government Entities and the Authority assisted the Advisors in the preparation of the Studies. The compensation of the Advisors was not conditioned in any way on the outcome of these Studies.

The Studies are based on estimates, assumptions and market information obtained from sources believed to be reliable. Actual results may vary from those anticipated in the Studies. Changes in the different relevant industries (education, energy, toll roads, potable water distribution and airport operations) and the general economy may occur which can alter the assumptions and conclusions presented in the Studies. The Authority makes no representation or warranty whatsoever, including representations and warranties as to the accuracy or completeness of the information contained in the Studies, including estimates, forecasts or extrapolations. The Authority expressly disclaims any liability for any representations or warranties, expressed or implied, contained herein or for any omissions from the Studies or for any other matter related to the Studies.

The Act and the Regulation, as well as all applicable Puerto Rico and federal laws and regulations, will govern the dissemination of the Studies.



Puerto Rico's PPP Framework

The PPP Act

- The Government approved Act No. 29 of June 8, 2009, known as the Public-Private Partnership Act (“Act”).

A PPP Public Policy

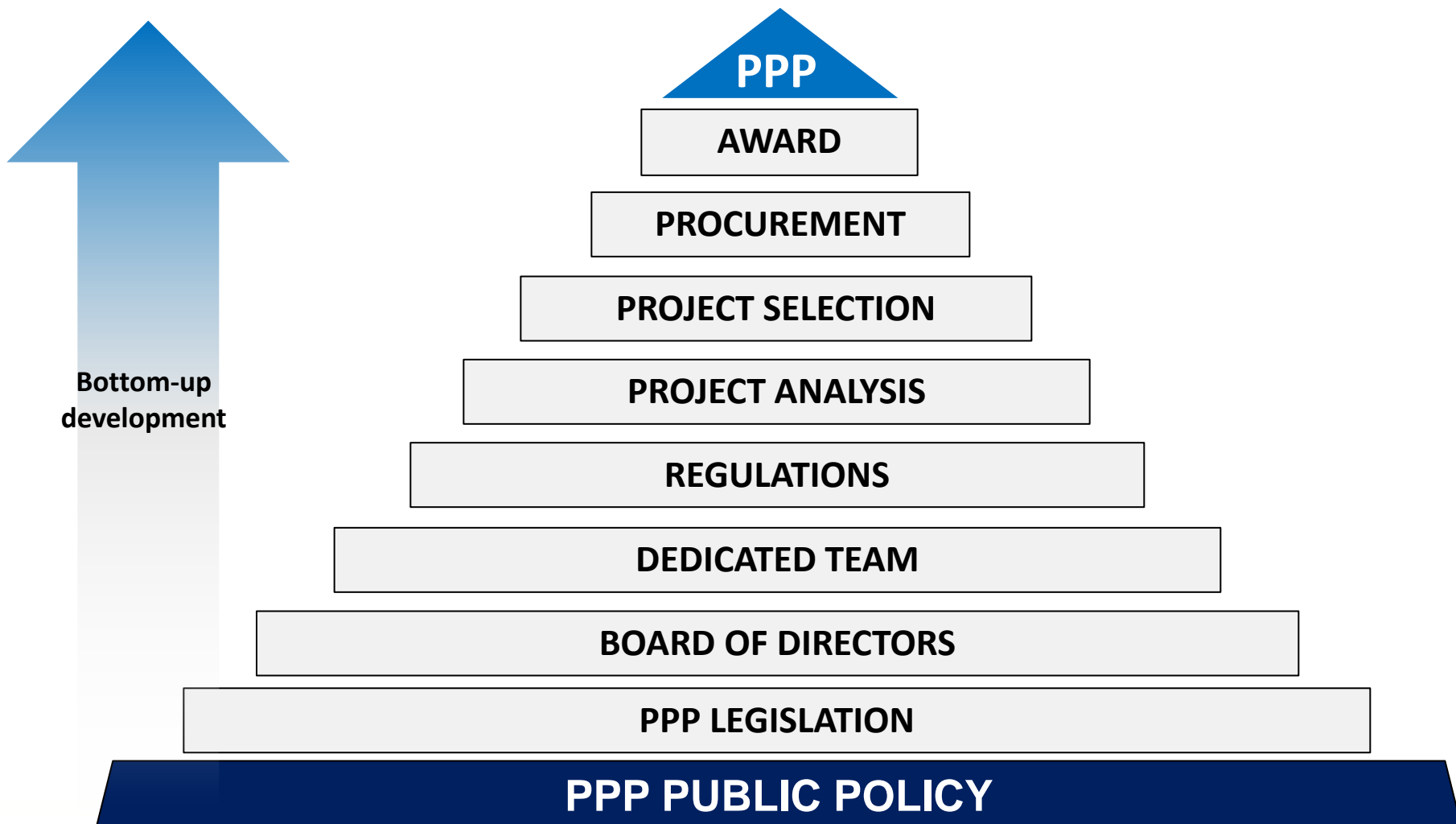
- Favor the establishment of PPPs in order to complete projects that develop and maintain infrastructure,
- Share the risk of developing, operating and maintaining PPP projects, and
- Place responsibility on the P.R. Public-Private Partnerships Authority for implementing the public policy on PPPs.

Priority Projects under the PPP ACT

Priority Projects

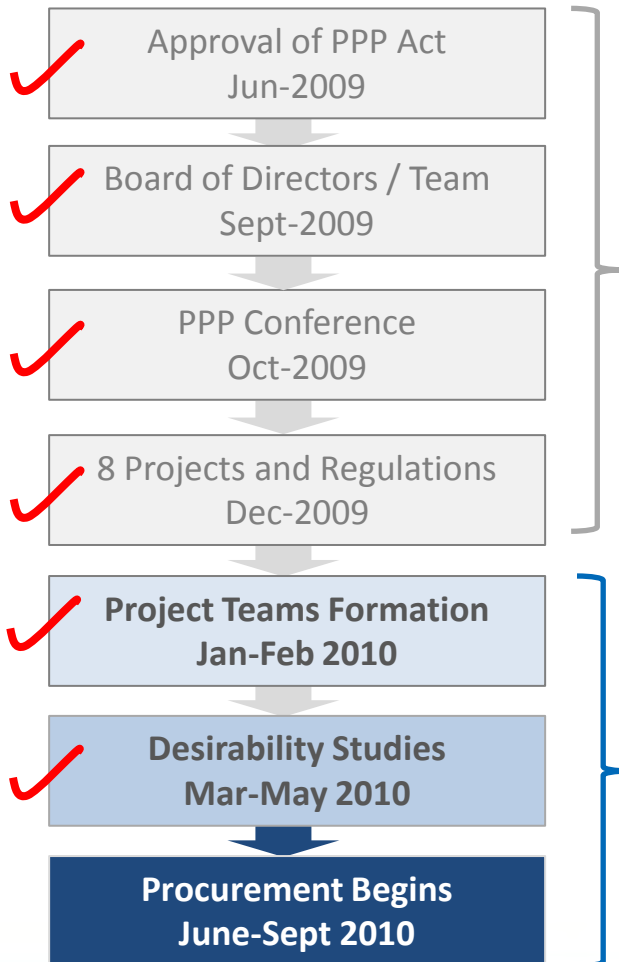
- Landfills
- Water reservoirs
- Power plants that use alternative sources of energy
- Transportation systems
- Health, security, education, correctional and rehabilitation facilities
- Low-income housing projects
- Facilities for sport, recreation and cultural activities
- Ground and wireless communication systems
- High technology information and mechanical systems

Full framework implemented by a dedicated PPP Authority



Significant progress since the approval of the PPP Act

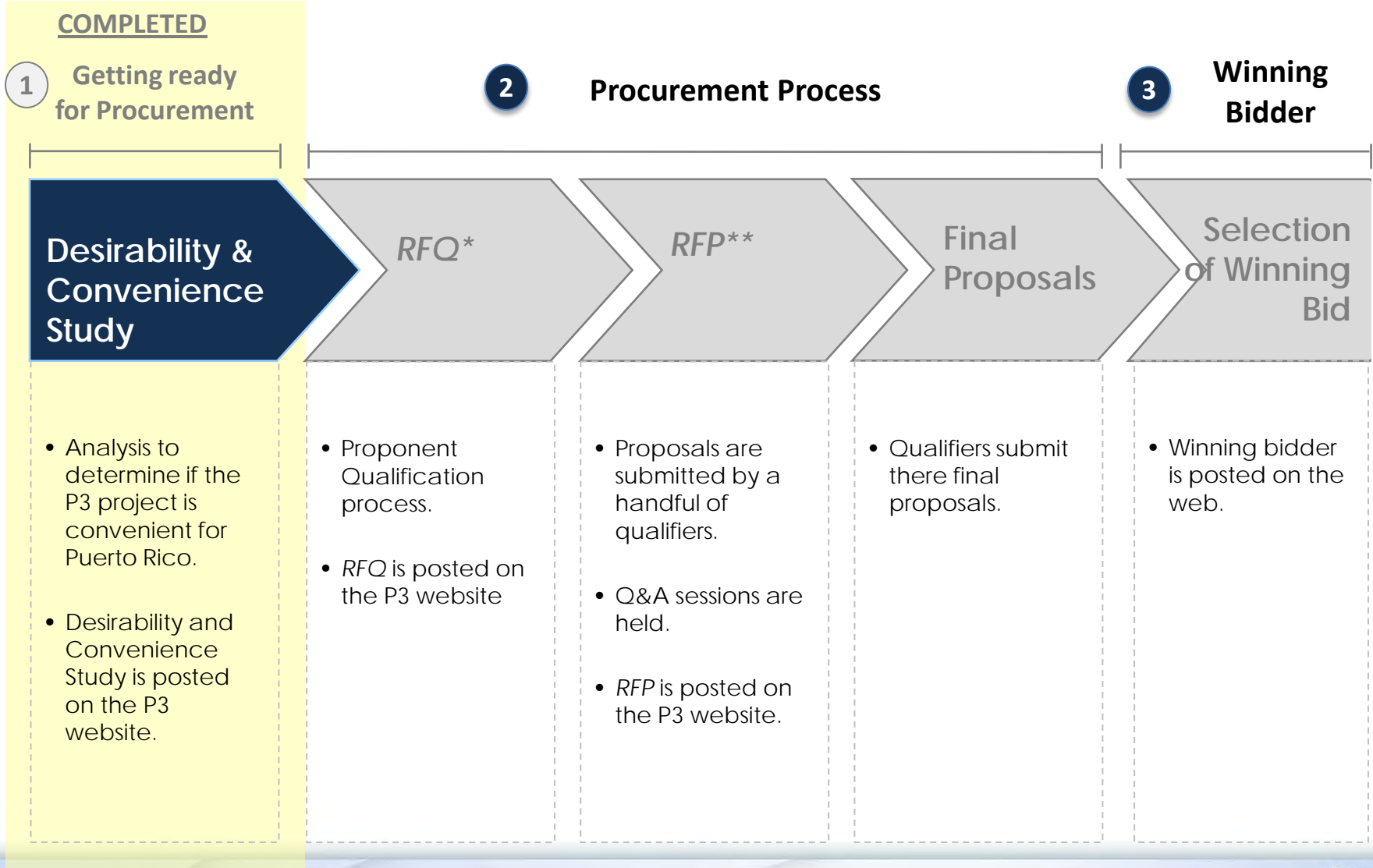
PPP Pgm. Progress



6 months for the implementation of the Program

6 months dedicated to preparation of projects for procurement phase

Progress in the P3 process



PPP Opportunities in Puerto Rico

PPP Opportunities in Puerto Rico



- **PR-22:** busiest toll road in PR
- **PR-52:** longest toll road in PR
- **PR-66:** only corridor in the East



- **Natural Gas Plant:** Costa Sur



- **LMM Int'l Airport:** busiest airport in the Caribbean



- **Water Metering:** improvement of water metering system

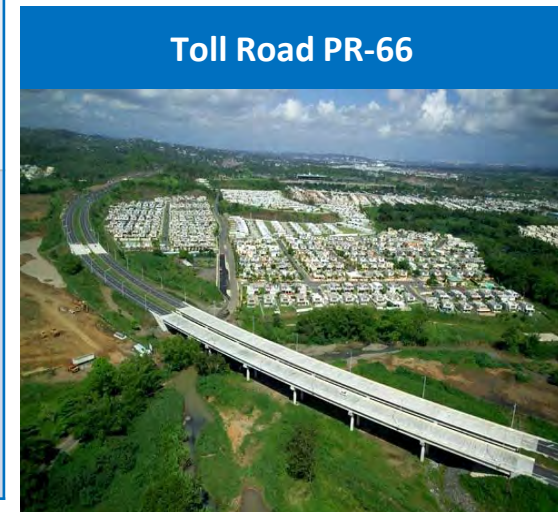
* NG = Natural Gas..

5 Infrastructure Areas = Great Opportunities

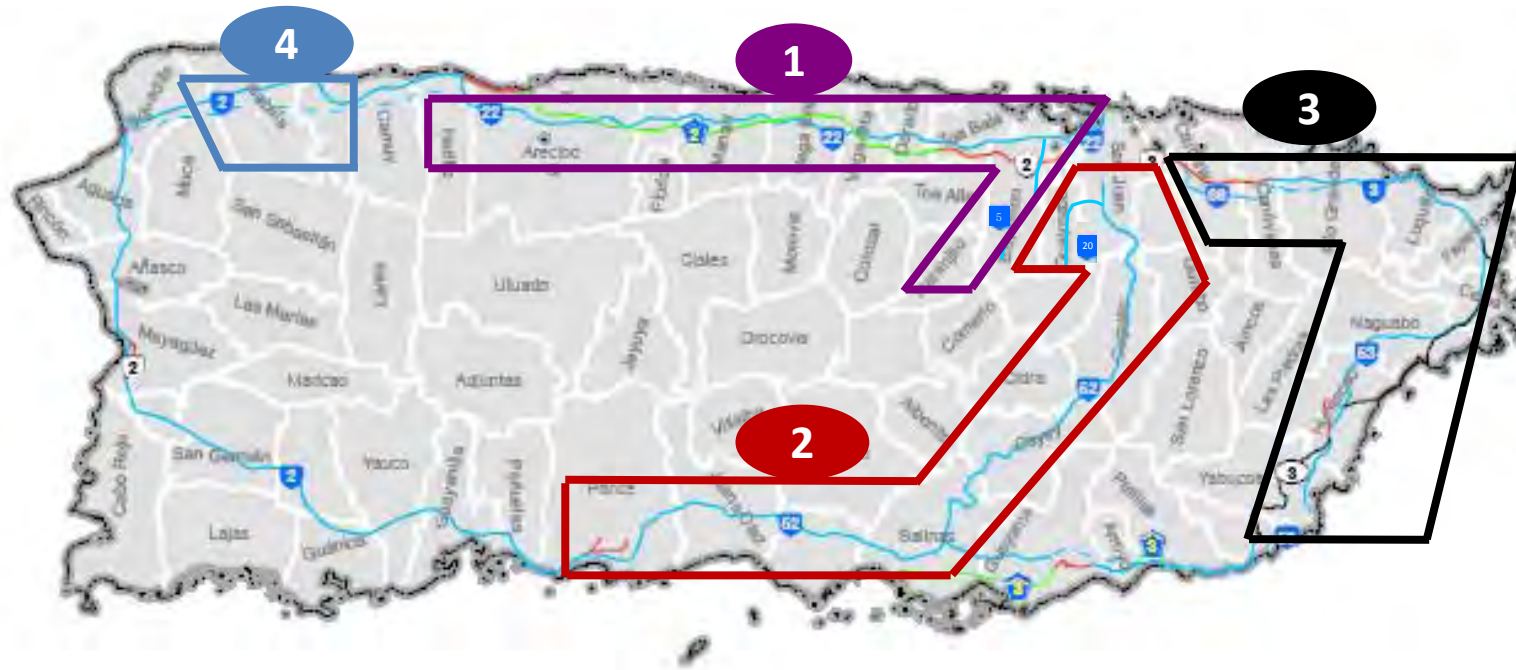
- **There is a clear need and consensus that investment in core infrastructure is needed**
- **Mix of Brownfield and Greenfield opportunities**
- **Favorable asset sizes**
- **Clear legal and regulatory framework**
- **Transparency through the public release of desirability studies, RFQs and RFPs.**

Toll Roads Project

Factor	Description
Description of the Project	<ul style="list-style-type: none"> • Concession toll roads in Puerto Rico in four phases: <ul style="list-style-type: none"> – Phase 1: PR-22 & PR-5 – Phase 2: PR-52 & PR-20 – Phase 3: Brown/Green: PR-66 & PR-53 – Phase 4: PR-22 Greenfield • P3 Project Model: DBFOM¹
Status:	<ul style="list-style-type: none"> • Desirability Study has been completed. • Partnership Committee has been established • Preparing for the RFQ phase.
Next Steps:	<ul style="list-style-type: none"> • Launch RFP • Finish drafting RFP and PPP Agreement



Toll Roads Program



1

Brownfield – Phase I

2

Brownfield – Phase II

3

Brownfield/Greenfield

4

Greenfield



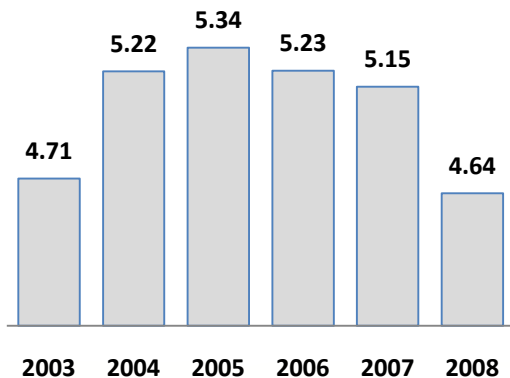
LMM International Airport

Airport PPP Opportunity

- LMM is the busiest airport in the Caribbean
- Stable growth in its cargo and hangar operations
- Brownfield core infrastructure
- LMM is the gateway to the Caribbean and has the capacity to become a major hub to Central and South America
- Puerto Rico's PPP of LMM would be the first of its kind as a FAA regulated airport

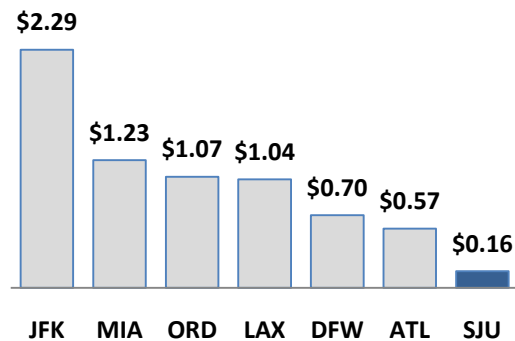
Total Enplanements at LMM

In millions



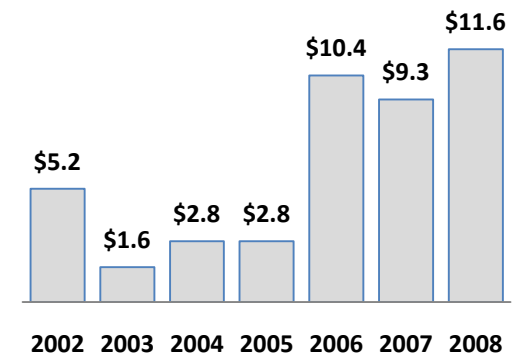
Food & Beverage Revenue (per enplanement)

per enplanement



Cargo and Hangar Revenue

In millions



LMM International Airport Project

Factor	Description
Description of the Project	<ul style="list-style-type: none">• Concession of the Luis Munoz Marin International Airport to a Private Operator.• P3 Project Model: DBFOM¹
Status:	<ul style="list-style-type: none">• Desirability Study has been completed.• Partnership Committee has been established.
Next Steps:	<ul style="list-style-type: none">• Preparing for the 65% airline agreement required by FAA• Drafting of RFQ

Aerial Pictures Luis Munoz Marin International Airport

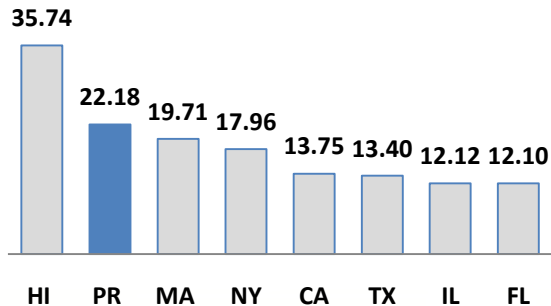


Energy Project

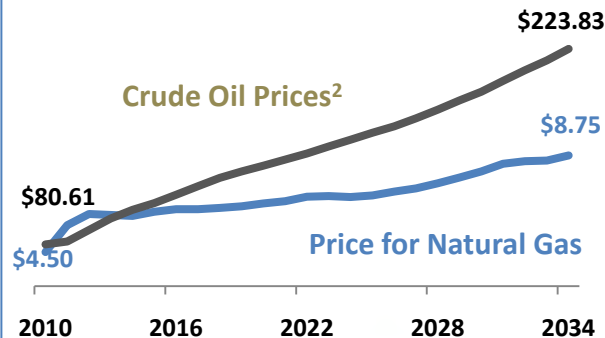
Energy PPP Opportunity

- Puerto Rico has a clear need to diversify its fuel sources
- Project with strong construction component
- The new natural gas plant will reduce PREPA's oil consumption by 9%
- The project is capable to deliver substantial saving to PREPA
- Positive outlook for Natural Gas prices

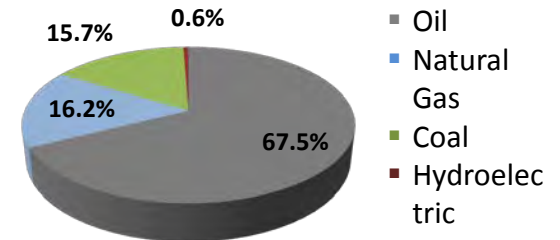
Second highest cost per KH Jurisdiction in the US



Positive outlook for Natural Gas vs. Oil



Oil is near 70% of the fuel consumed by PREPA



Energy Project

Factor	Description
Description of the Project	<ul style="list-style-type: none">• The construction of a New Natural Gas Combined Cycle Plant with a capacity of 270 MW replacing units 1-4 of Costa Sur complex• P3 Project Model: DBOOT¹
Status:	<ul style="list-style-type: none">• Desirability Study has been completed.• Partnership Committee has been established.
Next Steps:	<ul style="list-style-type: none">• Drafting of RFP

Aerial Pictures Costa Sur

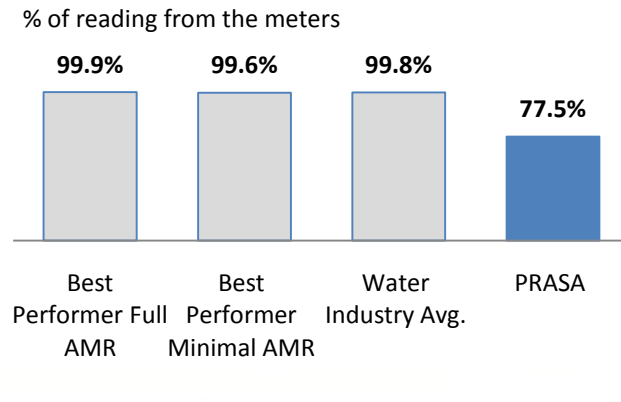


Water Metering Project

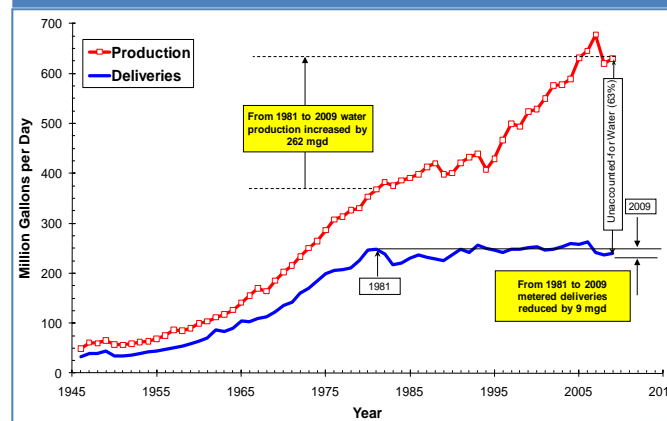
Water PPP Opportunity

- 63% of PRASA's production is unaccounted relative to an average of 10% in US.
- Outdated metering technology affects PRASA:
 - Water monitoring system
 - High level non-revenue water
 - Commercial inefficiencies
- Recovering these commercial losses represents the largest single opportunity for PRASA's improvement.

Low reading from meters Compared to other Technologies



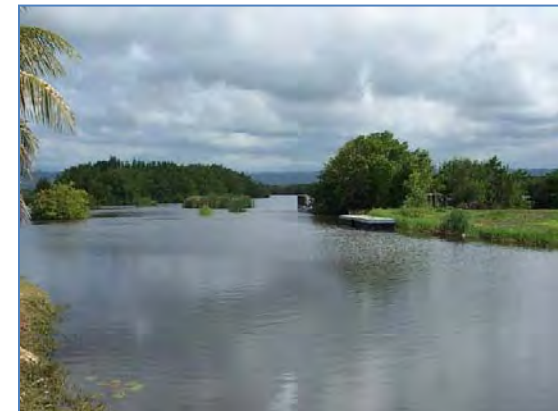
Non Revenue Water Trend for PRASA



Water Metering Project

Factor	Description
Description of the Project	<ul style="list-style-type: none">• Implementation of advanced technology system to reduce non-revenue water and re-engineering of commercial services.• P3 Project Model: DBO¹
Status:	<ul style="list-style-type: none">• Desirability Study has been completed.• Partnership Committee has been established.• Preparing for the RFQ phase
Next Steps:	<ul style="list-style-type: none">• Drafting of RFP and PPP Agreement

Manual Metering System



Concluding Remarks

- 1** Infrastructure investment is essential for economic development. Puerto Rico has clear needs to restore investment in infrastructure through PPPs.
- 2** The P3 Authority is committed to making progress and reaping the benefits of the implemented PPP framework.
- 3** Puerto Rico is an island of opportunities with a pipeline of P3 projects in a variety of sectors.

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