

I-75 Modernization Project Segment 3: Questions & Answers

October 31, 2017

Question 10: Additional details on Availability Payments (AP)

Answer 10: Availability payments refer to periodic payments received by a Developer from an Owner (MDOT) in a P3 based on the availability of a facility at the specified performance level.

Part A: A formula for calculating the availability payments

Availability payments are equal monthly payments to the Developer over the term of the contract once substantial completion is achieved. The Developer bids the availability payment at time of bid. The availability payments includes all Developer costs including capital costs (design and construction), maintenance costs, renewal costs, handback costs, financing, risk, and proposal costs.

Availability payments are subject to deductions based on Developer performance as defined by “unavailability” and “non-compliance”. Payment deductions are tracked in monthly performance reports submitted and approved by the Owner. Equity investors and debt providers are at-risk, if payments or portions of payments are not earned. Performance is measured monthly and availability payments will be adjusted (decreased) according to the formula outlined below:

Availability Payment (AP) for any month (m) after Substantial Completion

$$AP_m = \text{MaxAP}_m - \text{MPD}_{m-1}$$

- AP_m = Monthly Availability Payment
- MPD_{m-1} = Monthly payment deduct for month (m-1)
- MaxAP_m = Maximum Availability Payment for month (m):
$$\text{MaxAP}_m = \left(\frac{d_m}{d_y}\right) \times \text{MAP}_y \quad \text{where}$$
- d_m = days per month
- d_y = days per year
- MAP_y = Maximum yearly Availability Payment

$$\text{MPD}_m = \text{MND}_m + \text{MUD}_m$$

- MND_m = Monthly noncompliance deduction for month (m)
- MUD_m = Monthly unavailability deduction for month (m)

Part B: How much of the initial design and construction cost will be included in the AP?

The availability payment includes the entire cost of design and construction incurred by the Developer unless MDOT decides to use milestone payments for a portion of those costs during the Design and Construction Period. If milestone payments are used, they would reduce the design and construction costs and associated financing costs in the availability payment. The amount and timing of milestone payments will be defined by MDOT in the RFP.

Question 11: Has a decision been made on the total number of years until the “handback “?

Answer 11: MDOT is looking at a 30-year total contract term which includes time for construction, and the remaining time for the Developer to maintain. We currently estimate 5 years of construction and 25 years of maintenance.

Question 12: Provide more details on the requirements the Maintenance Management Plan and the Renewal Work Program and how these might be used in the alternate bid process.

Answer 12: The DBFM contract will be performance based and will allow the Developer to select pavement type in accordance with the Developer’s assessment of lifecycle considerations, the contract performance requirements and handback requirements. There will not be an “alternative bid process” in this DBFM project.

Question 13: I-75 project cost information:

What is the total estimated construction cost for the entire project?

What is the total estimated pavement cost (based on those the items that are included in a normal MDOT LCCA)?

Answer 13: Current capital cost estimate for the project is \$575M. Estimated pavement cost is \$53.4M.