

**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 No. 83 of May 2, 1941, as amended (Act 83), represented in this act by its Chief Executive Officer/Executive Director, José F. Ortiz Vázquez, of legal age, married, professional engineer, and resident of San Juan, Puerto Rico. -----

AS SECOND PARTY: BDO Puerto Rico, P.S.C., hereinafter referred to as "BDO", a professional services corporation organized and registered to do business in Puerto Rico, represented in this act by its Partner, mister Wallace Rodríguez Parissi, of legal age, single, certified public accountant, and resident of Trujillo Alto, Puerto Rico, duly authorized to appear in representation of BDO by Resolution dated January 29, 2020.-----

Both PREPA and BDO are herein individuals 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 the professional, technical and consulting services necessary and convenient to the activities, programs, and operations of PREPA, including in the matter of Puerto Rico Energy Bureau's (PREB) Resolution CEPR-AP-2015-0001; NEPR-AP-2018-0003 (as defined below); ----



WHEREAS, on June 27, 2019, PREB issued Resolution and Order no. CEPR-AP-2015-0001; NEPR-AP-2018-0003 (PREB's Resolution) ordering PREPA to prospectively implement several rider adjustments related to certain charges collected from its clients during Fiscal Years 2017, 2018 and 2019 (the "Transaction"); -----

WHEREAS, the PREB's Resolution, is considered a "subsequently discovered fact", which are facts that become known to the auditor after the auditor's report date, and if it had been known to the auditor at that date, may have caused the auditor to revise the auditor's report; -----

WHEREAS, PREPA analyzed the quantitative and qualitative aspects of PREB's Resolution with respect to the reconciliation of the provisional and permanent rates, as well as other rider adjustments included as part of the PREB's Resolution with regards to PREPA's audited financial statements for Fiscal Year 2017 and concluded that the Transaction has an immaterial effect on the financial statements; -----

WHEREAS, on November 7, 2019, BDO Puerto Rico, P.S.C. (BDO) informed PREPA that it will need to be engaged to assess the nature and impact of PREPA's position and the reissuance of the previously issued financial statements, if necessary; -----

WHEREAS, on December 16, 2019, BDO submitted a proposal (the "Proposal") with total estimated fees of sixty two thousand dollars (\$62,000), which includes thirty seven thousand four hundred thousand dollars (\$37,400) for the audit procedures over the subsequent event of the PREB's Resolution to evaluate management's assertion and

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twenty four thousand six hundred dollars (\$24,600) to reissue the Fiscal Year 2017 financial statements, if required;-----

WHEREAS, PREPA desires to enter into this Professional Services Contract (the “Contract”) with BDO to perform the Services as further described in this Contract.-----

WHEREAS, BDO states that it is ready, willing, and able to provide the Services described herein pursuant to the terms and conditions set forth herein.-----

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

1.1 BDO will evaluate PREPA’s management evaluation and conclusion regarding the impact, if any, of the PREB Resolution and Order CEPR-AP-2015-0001 and NEPR-AP-2018-0003, respectively, issued on June 27, 2019, to PREPA’s Audited Financial Statements for Fiscal Year 2017.-----

1.2 At the direction of PREPA, BDO may be required to work with other consultants, or other type of firms. The Parties agree to discuss such assignment in advance, so that all the Parties have a clear understanding as to their responsibilities. -----

1.3 Any other service that is necessary or convenient to fulfill the purpose of this Contract and that is contained in the Proposal.-----






1.4 All services described in this Article 1 shall be defined in this Contract as the “Services”. The Services will be provided on and subject to the terms and conditions set forth in this Contract and in accordance with the Proposal, copy of which is incorporated and made part hereof as an appendix to this Contract. If any part of the Proposal is found to be inconsistent with the terms and conditions set forth herein, the terms and conditions set forth herein shall take precedence over the Proposal and govern the matter in question.-----

Article 2. Services Coordination

All the Services of BDO in relation to this Contract will be coordinated through PREPA’s Chief Financial Officer or the person duly delegated by him. -----

Article 3. Contract Assignment or Subcontract

BDO shall not assign nor subcontract its rights and obligations under this Contract, except in the event PREPA gives written authorization for such actions, which authorization shall not be unreasonably withheld, delayed or denied. Provided, that no subcontract shall be considered for PREPA’s approval, except when the following requirements are met: (1) BDO 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 BDOs’ rights under the subcontract, in the event that PREPA declares BDO 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 BDOs' obligations under the Contract (*mirror image clause*), except for such obligations, terms and conditions which are 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 subcontract services shall be paid as part of the Contract Amount, as stated in Article 6, Payment. -----

Article 4. Contract Term

This Contract shall be in effect from the date of its execution until June 30, 2020 (The Contract Period), unless earlier terminated as provided herein or extended by amendment executed in writing 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 BDO. If notice is given, the Contract shall terminate upon the expiration of the thirty (30) days and PREPA shall be obligated to pay for all the Services rendered by BDO 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. BDO 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 BDO, 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 BDO'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 BDO no later than thirty (30) days before the effective date of any such Transfer. -----

BDO acknowledges that all its 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



6.1 In accordance with the terms and conditions contained herein, PREPA agrees and BDO accepts that the total amount to be paid under the Contract shall not exceed a cumulative amount of sixty-two thousand dollars (\$62,000) (the “Contract Amount”). All payments to be made under this Contract will be charged to account 01-4019-92303-614-556. 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 BDO under the Contract. -----


6.2 PREPA will pay for the Services rendered by BDO according to the following hourly rates:

Partners -----	\$130
Managers -----	\$110
Field Auditors -----	\$80

6.3 Should BDO assign another position to attend to PREPA’s matters pursuant to this Contract, BDO shall promptly send PREPA an amended schedule to include such position and rate, as well as request approval from PREPA.-----

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

Article 7. Invoices



7.1 BDO shall submit its invoices on a monthly basis for the work already performed during the preceding month. BDO 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 BDO. BDO shall allocate any invoiced fees between: (i) activities undertaken outside of Puerto Rico; and (ii) those relating to activities undertaken within Puerto Rico.-----

7.2 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. Payment is due forty-five (45) days of receipt of the invoice. 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. -----


7.3 All invoices submitted by BDO shall include the following Certification in order to proceed with its payment:-----

No Interest Certification:

“We certify under penalty of nullity that no public servant of PREPA will derive or obtain any benefit or profit of any kind from the contractual relationship which is the basis of this invoice. If such benefit or profit exists, the required waiver has been obtained prior to entering into the Contract. The only consideration to be received in exchange for the performance of the Services provided is the agreed-upon price that has been negotiated with an authorized representative of the PREPA. The total amount shown on this invoice is true and

correct. The Services have been rendered, and no payment has been received”.


BDO’s Authorized Representative Signature



This is an essential requirement and those invoices without this Certification will not be processed for payment. In order to comply with the certification requirements set forth above, BDO shall require that subcontractors, if any approved by PREPA, providing Services also make the certification set forth above in any invoices submitted in connection with the Services. -----

Article 8. Transfer of Funds

- 8.1 If BDO decides to assign or transfer an amount, due or payable, to which it is entitled for services rendered or goods provided during the term of this Contract, BDO 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 identification information regarding the assignee (full name of the person or company), address and any other contact information.-----
- 8.2 BDO acknowledges and agrees that PREPA may deduct any amount, due or payable under this Contract, that BDO owes; PREPA may retain any said amount if BDO 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. BDO 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 BDO is entitled to under this Contract. -----

8.3 BDO 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 BDO all reasonable information, documents and data necessary for BDO to perform the Services under this Contract and those material facts that BDO may reasonably require in order to provide its Services to PREPA. PREPA will ensure that the documents, data, and other information and material facts provided to BDO, which are under its control, are true and complete, and does not constitute misleading or inaccurate information.-

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

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 BDO, and take all reasonable steps to ensure that such information is not disclosed or distributed by its officers, directors, 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 BDO 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. BDO 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 BDO by PREPA or at PREPA’s direction regarding its facilities or operations and any and all information gathered or developed by BDO regarding the same. The Parties further agree that proprietary records and documents related to BDO’s business operations are confidential information to BDO 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 BDO'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. ----

10.5 If this Contract terminates for any reason, the receiving Party 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 BDO 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 receiving Party of the provisions of this paragraph, the disclosing Party shall be entitled to injunctive relief for such breach. Nothing herein shall be construed as prohibiting the disclosing Party from pursuing any other legal remedies available, including the recovery of damages from the receiving Party. -----

10.6 The above provisions do not apply with respect to information, which a Party is requested to disclose under applicable law and regulations, court order, subpoena or governmental directives, in which case the receiving Party shall provide the disclosing Party prompt notice of such request in order to procure for the disclosing Party a reasonable opportunity to oppose such disclosure. The receiving Party agrees to expeditiously notify and submit to the disclosing Party a copy of any court order or subpoena and to the extent possible provide any assistance to the disclosing Party (in the form of documents) regarding the submission of such information. -----

10.7 With respect to this Contract and any confidential information supplied in connection with this Contract, 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 BDO will submit any reports reasonably required to meet its contractual obligations under this Contract. The form and content of any communication will be discussed with PREPA before issuance. -----

11.2 All rights, titles and interest in any reports, documents, analyses, investigations and any other by-product conceived or developed by BDO exclusively for PREPA as a result of performing its obligations under this Contract shall be the exclusive property of PREPA. BDO 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 BDO, 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 BDO under this Contract.-----



Article 12. 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 13. Independent Contractor

13.1 BDO shall be considered as an independent contractor, for all material purposes under this Contract, and all persons engaged or contracted by BDO for the

performance of its obligations herein, shall be considered as its employees or agents, and not as employees or agents of PREPA.-----

13.2 As an independent contractor, BDO 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 14. 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 15. Conflict of Interest

15.1 BDO 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. BDO 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 BDO.-----

15.2 BDO 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, BDO 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 BDO when performing its responsibilities under this Contract. If BDO is required to provide services to another entity of the Executive Branch under the provisions of Article 27 such services could result in a conflict of interests, BDO will notify PREPA in writing as provided in this article.




15.3 The Parties understand and agree that a conflict of interest exists when BDO 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 BDO and its personnel.-----

15.4 In the event that any of the partners, directors, agents or employees of BDO 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.-----

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

15.6 BDO acknowledges that PREPA's Chief Executive Officer shall have the power to intervene with the acts of BDO 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 BDO in writing of PREPA's intention to terminate this Contract within a thirty (30) day period and BDO's right to request a meeting in such period. During said period, BDO may request a hearing with the Chief Executive Officer to present its arguments regarding the alleged conflict of interests. In the event that BDO 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 terminated. -----

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

Article 16. 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: José F. Ortiz Vázquez
Chief Executive Officer

To BDO: BDO Puerto Rico, P. S. C.
PO Box 363436
San Juan, Puerto Rico 00936-3436

Attention: Wallace Rodríguez Parissi
Partner
Assurance Services



Article 17. 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 18. 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 BDO's costs when providing the services, shall be BDO's responsibility and PREPA shall not be obligated to increase the Contract Amount.-----

Article 19. Force Majeure

19.1 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. -----

19.2 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. -----

19.3 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 20. Novation

20.1 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. ----

20.2 The previous provision shall be equally applicable in such other cases where PREPA gives BDO 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 21. 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 22. Save and Hold Harmless

BDO 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 BDO by a gross negligent act or omission in the performance or nonperformance of its obligations under the Contract, but not if directly caused by negligence or tort of PREPA or a third party, which is not an employee or subcontractor of BDO. -----

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 23. Insurance

BDO 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:-----

1. Commonwealth of Puerto Rico Workmen’s Compensation Insurance:

BDO shall provide Workmen’s Compensation Insurance as required by the Workmen’s Compensation Act 45-1935 of the Commonwealth of Puerto Rico. BDO shall also be responsible for compliance with said Workmen’s Compensation Act by all its sub-contractors, agents, and invitees, if any. -----

BDO shall furnish a certificate from the Puerto Rico State Insurance Fund showing that all personnel employed in the Services are covered by the Workmen’s Compensation Insurance, in accordance with this Contract. -----

2. Employer’s Liability Insurance:

BDO shall provide Employer’s Liability Insurance with a minimum bodily injury limits of at least \$1,000,000 for each employee and at least \$1,000,000 for each accident covering against the liability imposed by Law upon BDO 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. -----

3. Commercial General Liability Insurance:

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

4. Commercial Automobile Liability Insurance:

BDO shall provide a Commercial Automobile Liability Insurance with limits of at least \$1,000,000 combined single limit covering all owned or scheduled autos, non-owned autos, and hired automobiles. -----

5. Professional Liability Insurance:

BDO 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 and Commercial Automobile 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, Puerto Rico 00936-4267

b. A 30 day 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) for claims due to BDO's sole negligence. -----

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

“The Breach of any of the Warranties or Conditions in this policy by the Insured shall not prejudice PREPA’s rights under this policy.”-----

Furnishing of Policies:

All required policies of insurance shall be issued only by insurance companies authorized to do business in Puerto Rico.-----

BDO shall furnish a certificate of insurance in original signed by an authorized representative of the insurer in Puerto Rico, describing the coverage afforded.----

Article 24. Compliance with the Commonwealth of Puerto Rico Contracting Requirements

BDO will comply with all applicable State Law, Regulations or Executive Orders that regulate the contracting process and requirements of the Commonwealth of Puerto Rico, including but not limited to: -----

A. Executive Order No. OE-1991-24 of June 18, 1991 to require certification of compliance with the Treasury Department of the Commonwealth of Puerto Rico: Pursuant to Executive Order No. OE-1991-24 of June 18, 1991, BDO 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. BDO 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. BDO 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.


BDO will be given a specific amount of time to produce said documents. During the term of this Contract, BDO agrees to pay and/or to remain current with any repayment plan agreed to by BDO 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 No. 1992-52, dated August 28, 1992 amending OE-1991-24, BDO 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. BDO accepts and acknowledges its responsibility for requiring and obtaining a similar warranty and certification from each and every consultant and sub-consultant whose service BDO 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: BDO 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")). BDO 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. BDO shall





provide, to the satisfaction of PREPA and whenever requested by PREPA during the term of this Contract, Certification issued by the CRIM, assuring that BDO does not owe any tax accruing to such governmental agency. To request such Certification, BDO will use the form issued by the CRIM (called “*CRIM-Certificados, Radicación, Estado de Cuenta y Todos los Conceptos*” in the website). BDO will deliver upon request any documentation requested by PREPA. During the Term of this Contract, BDO agrees to pay and/or to remain current with any repayment plan agreed to by BDO with the Government of Puerto Rico with regards to its property taxes.-----


BDO shall provide a Personal Property Tax Filing Certification, issued by the CRIM which indicates that BDO has filed its Personal Property Tax Return for the last five (5) contributory terms or Negative Debt certification issued by the CRIM with respect to real and property taxes and a sworn statement executed by BDO 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 1st 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 CRIM’s electronic system.---

D. BDO shall furnish a Certification issued by the Treasury Department of the Commonwealth of Puerto Rico which indicates that BDO 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.-----

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

F. BDO shall provide a copy of BDO's Certificate of Merchant's Registration issued by the Treasury Department of the Commonwealth of Puerto Rico. -----



G. Puerto Rico Child Support Administration (*ASUME*): BDO shall present, to the satisfaction of PREPA, the necessary documentation certifying that BDO 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)*). BDO will be given a specific amount of time to deliver said documents. 3 L.P.R.A. § 8611 et seq.;-----

H. BDO shall provide a Good Standing Certificate issued by the Department of State of Puerto Rico.-----

I. BDO shall provide a Certification of Incorporation, or Certificate of Organization or Certificate of Authorization to do business in Puerto Rico issued by the Department of State of Puerto Rico.-----

J. 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.-----

K. Social Security and Income Tax Retentions: In compliance with Executive Order 1991 OE- 24; and 20 C.F.R. Part 404 et. Seq., BDO 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.-----




L. 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 BDO 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*). BDO will request PREPA not to make such withholdings if, to the satisfaction of PREPA, BDO timely provides a release from such obligation by the Government of Puerto Rico's Treasury Department. 3 L.P.R.A. § 8611 et seq., 2011 L.P.R. 232; 232-2011.-----

M. Compliance with Act 1-2012 of Governmental Ethics: BDO will certify compliance with Act 1-2012, as amended, known as the Ethics Act of the Government of Puerto Rico, which stipulates that no employee or executive of PREPA nor any



member of his/her 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. For the avoidance of doubt, “any direct or indirect pecuniary interest in the services to be rendered under this Contract” shall not include current employees or contractors of BDO without authority or power to contract or influence to contract, who only receive their regular wages, salary, benefits and other compensation for their work performed as employees or contractors of BDO and have no other direct or indirect pecuniary interest in the Contract or receive any other benefit from the Contract and its proceeds.-----

N. Act 168-2000: Law for the Strengthening of the Family Support and Livelihood of Elderly People: BDO 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.-----



O. 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. PREPA shall make any and all filings and certifications as may be required by law or administrative regulation for this Contract to become effective and enforceable. All such filings and certifications shall be made within the time periods specified therein and PREPA shall notify BDO as soon as such filings and certifications are made. -----

P. 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: BDO acknowledges and accepts that it is knowledgeable of the rules of ethics of his/her profession and assumes responsibility for his/her own actions.-----

W. Provisions Required under Act 14-2004: BDO agrees that articles extracted, produced, assembled, packaged or distributed in Puerto Rico by enterprises with operations in Puerto Rico, or distributed by agents established in Puerto Rico shall be used when the service is rendered, provided that they are available.-----

If any of the previously required Certifications shows a debt, and BDO has requested a review or adjustment of this debt, BDO 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, BDO will provide, immediately, to PREPA a proof of payment of this debt; otherwise, BDO accepts that the owed amount be offset by PREPA and retained at the origin, deducted from the corresponding payments.-----

Article 25. Anti-Corruption Code for a New Puerto Rico

BDO 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. BDO hereby certifies that it does not represent particular interests in cases or matters that imply a conflicts of interest, or of public policy, between the executive agency and the particular interests it represents.-----

BDO shall furnish a sworn statement to the effect that neither BDO 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 BDO 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 or any of the crimes included in Act 2-2018.-----

BDO hereby certifies that it has not been convicted in Puerto Rico or United States Federal court for under Articles 4.2, 4.3 or 5.7 of Act 1-2012, as amended, known as the Organic Act of the Office of Government Ethics of Puerto Rico, any of the crimes listed in Articles 250 through 266 of Act 146-2012, as amended, known as the Puerto Rico Penal Code, any of the crimes typified in Act 2-2018, as amended, known as the Anti-Corruption Code for a New Puerto Rico 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, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico.-----


PREPA shall have the right to terminate the Contract in the event BDO is convicted in Puerto Rico or United States Federal court for under Articles 4.2, 4.3 or 5.7 of Act 1-2012, as amended, known as the Organic Act of the Office of Government Ethics of Puerto Rico, any of the crimes listed in Articles 250 through 266 of Act 146-2012, as amended, known as the Puerto Rico Penal Code, any of the crimes typified in Act 2-2018, as amended, known as the Anti-Corruption Code for a New Puerto Rico 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, as amended, known as the

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Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico.-----

Consequences of Non-Compliance: BDO 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 terminate this Contract.-----

Article 26. Dispute Resolution



Executive Negotiation: Any unresolved disputes shall be referred to the Contracting Officer, Project Manager or designee by PREPA and BDO 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 in writing, 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 to settle the dispute, they shall cause a written settlement agreement to be prepared, signed and dated (an “Executive Settlement”), and the dispute shall be deemed settled, and not subject to further dispute resolution. If a dispute is not resolved through the Executive negotiation, the Parties agree to resolve the dispute according to the jurisdiction established in the Applicable Law and Venue Article of the Contract.-----

Article 27. Termination by the Chief of Staff of the Governor of Puerto Rico and Interagency Agreements

Pursuant to Memorandum No. 2017-001, Circular Letter 141-17, of the Office of the Chief of Staff of the Governor of Puerto Rico (*Secretaría de la Gobernación*) and the Office of Management and Budget (*Oficina de Gerencia y Presupuesto – OGP*), the Chief of Staff shall have the authority to terminate this Contract at any time. If so directed by the Chief of Staff, PREPA will terminate this Contract by delivering to BDO a notice of termination specifying the extent to which the performance of the work under this Contract is terminated, and the effective date of termination. Upon the effective date of termination, BDO shall immediately discontinue all services affected and deliver to PREPA all information, studies and other materials property of PREPA. In the event of a termination by notice, PREPA shall be liable only for payment of services rendered up to and including the effective date of termination.-----

Both Parties acknowledge and agree that the contracted services herein may be provided to another entity of the Executive Branch which enters into an interagency agreement with PREPA or by direct disposition of the Office of the Chief of Staff. These services will be performed under the same terms and conditions in terms of hours of work and compensation set forth in this Contract. For the purpose of this clause, the term “entity of the Executive Branch” includes all agencies of the Government of Puerto Rico, as well as all public instrumentalities and public corporations.-----



Article 28. Non-Discrimination

BDO 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, for 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 29. Risk Management

In the event BDO is requested pursuant to subpoena or other legal process to produce its documentation and/or testimony relating to this Contract in judicial or administrative proceedings in which BDO is not a party, PREPA shall reimburse BDO at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such requests. BDO may be requested to make certain documentation available to regulators pursuant to authority provided by law or regulation. If requested, access to such documentation will be provided under the supervision of BDOs' professionals, PREPA shall also reimburse BDO at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred by BDO in responding to such requests. This Article 29 shall survive for one (1) year the termination or expiration of this Contract. -----

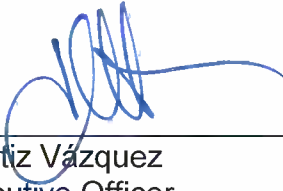


Article 30. Entire Contract

The terms and conditions contained herein constitute the entire agreement between PREPA and BDO 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.-----

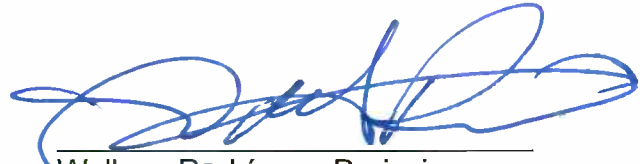
IN WITNESS THEREOF, the Parties hereto sign this Contract in San Juan, Puerto Rico this 10 day of February, 2020. -----

**PUERTO RICO ELECTRIC
POWER AUTHORITY**



José F. Ortiz Vázquez
Chief Executive Officer
Tax ID: 660-43-3747

BDO PUERTO RICO, P.S. C.



Wallace Rodríguez Parissi
Partner
Tax ID: 660-57-8857



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December 16, 2019

Mr. Nelson Morales
Autoridad de Energía Eléctrica
1110 Ave. Ponce de León
Edificio Neos, Piso 8
Oficina 801
Santruce, PR

Dear Mr. Morales:

Season's greetings and hope is all well. As requested, enclosed is the estimate to complete the required procedures for the June 30, 2017 report. This engagement letter is issued with the express understanding that the Authority's Governing Board will wave BDO Puerto Rico from the requirement to issue the Government Auditing Standards report that was originally required, pursuant to Part II, **Audit Services**, Article 1.4 of our original professional services contract number 2018-P00016, dated August 17, 2017, as amended. Once we receive the professional services contract draft, it must be evaluated by our legal division, to ensure that it appropriately meets our expectations. Also, we must receive the Governing Board's signed and approved waiver of the above-mentioned requirement before signing the professional services contract.

Please feel free to contact me at your earliest convenience should you have comments or questions.

Regards,

Wallace Rodríguez, CPA
Partner
Assurance Services



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Mr. José Ortiz
Executive Director
Puerto Rico Electric Power Authority
San Juan, Puerto Rico

December 16, 2019

Dear Mr. Ortiz:

We are pleased to confirm our understanding of the services we are to provide **Puerto Rico Electric Power Authority** (the "Authority") for the fiscal year ended **June 30, 2017**.

Scope of Services

We have previously issued our report on the Authority's June 30, 2017 financial statements, dated June 28, 2019, completing our audit based on the evidence provided to us through that date. However, on June 27, 2019, the Authority received a Resolution and Order from the Government of Puerto Rico, Public Service Regulatory Board - Puerto Rico Energy Bureau (the "Order"). The Authority has evaluated the possible consequences of the Order on the previously issued financial statements and have requested BDO Puerto Rico, P.S.C. ("BDO") to evaluate the Authority's conclusion regarding the effects of such Order on the previously issued financial statements.

This engagement letter is being issued pursuant to the Authority's request to evaluate the Authority's conclusions on the above matter and is subject to the requirements of AU-C Section 560, *Subsequent Events and Subsequently Discovered Facts*.

Accordingly, we will extend our audit procedures over the Authority's consideration of the effects of the Order on the financial statements of the Authority, which comprise the Statements of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of cash flows, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the Authority as of and for the fiscal year ended **June 30, 2017**.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as Management's Discussion and Analysis (MD&A), to supplement the Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BDO in Puerto Rico offers its services through one or more of the following affiliated entities: BDO-Audit, PSC; BDO-Advisory, LLC; BDO-Outsourcing Services, PSC; BDO-Tax, LLC; BDO Puerto Rico, PSC, and BDO-Government Services, LLC, all Puerto Rico entities; and BDO USVI, LLC, a United States Virgin Island's limited liability company. All such entities are members of BDO International Limited, a United Kingdom company limited by guarantee, and form part of the international BDO network of independent member firms.

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Mr. José Ortiz
Puerto Rico Electric Power Authority
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The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Schedule of Funding Progress - Post Employment Health Plan
- 3) Schedule of Changes in the Authority's Net Pension Liability and Related Ratios
- 4) Schedule of Employer Contributions - Pension Plan

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

- 1) Schedule IV - Sources and Disposition of Net Revenues Under the Provisions of the 1974 Agreement, Statement of Revenues, Expenses and Changes in Net Position and Reconciliation of Net Income
- 2) Schedule V - Supplemental Schedule of Sources and Disposition of Net Revenues under the Provisions of the 1974 Agreement
- 3) Schedule VI - Supplemental Schedule of Funds Under the Provisions of the 1974 Agreement
- 4) Schedule VII - Supplemental Schedule of Changes in Cash and Investments by Funds
- 5) Schedule VIII- Supplemental Schedule of Changes in Long-Term Debt and Current Portion of Long-Term Debt



Audit Objectives

The objective of our audit is the expression of an opinion as to whether the Authority's June 30, 2017 financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to above when considered in relation to the financial statements as a whole.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; and will include tests of accounting records, and other procedures we consider necessary to enable us to express such opinion. We will issue written reports upon completion of our audit. Our report will be addressed to the Governing Board. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express our opinion or issue report, or we may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent

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Mr. José Ortiz
Puerto Rico Electric Power Authority
December 16, 2019
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financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Authority or to acts by management or employees acting on behalf of the Authority.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the Authority and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements.

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Puerto Rico Electric Power Authority
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However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Management is responsible for (1) establishing and maintaining effective internal controls, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that the Authority's programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Authority involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees; former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Authority complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

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The Authority is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information; (2) you believe the supplementary information, including its form and content, is fairly presented with respect to the Authority's basic financial statements; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

The Authority is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.



We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

You are required to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. You agree that you will not date the subsequent event note earlier than the date of your management representation letter.

BDO in Puerto Rico offers its services through one or more of the following affiliated entities: BDO-Audit, PSC; BDO-Advisory, LLC; BDO-Outsourcing Services, PSC; BDO-Tax, LLC; BDO Puerto Rico, PSC, and BDO-Government Services, LLC, all Puerto Rico entities; and BDO USVI, LLC, a United States Virgin Island's limited liability company. All such entities are members of BDO International Limited, a United Kingdom company limited by guarantee, and form part of the international BDO network of independent member firms.

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Mr. José Ortiz
 Puerto Rico Electric Power Authority
 December 16, 2019
 Page 6

Services Fees

Our fee for these services will as follows:

Audit procedures over subsequent event to evaluate management's assertion:

	Discounted		
	Rates	Hours	Fees
Partners	\$ 130	80	\$ 10,400
Managers	110	100	11,000
Field auditors	80	200	16,000
		380	\$ 37,400

If reissuance of report is required, additional fees would be as follows:

	Discounted		
	Rates	Hours	Fees
Partners	\$ 130	60	\$ 7,800
Managers	110	80	8,800
Field auditors	80	100	8,000
		240	\$ 24,600

However, we may need additional time depending on how the process unfolds, including the team's access to information and the nature of the information received. Upon acceptance of this engagement, we will provide management with a list of information required to complete this engagement. A fundamental term of our engagement is that you will provide us with all information relevant to these services to be performed and to provide us with any customary assistance in a timely manner as may be required to properly perform the engagement. In addition, management agrees to bring to our attention any matters that may require further consideration to determine the proper action of any relevant item. Management agrees to bring to our attention any changes in the information as originally presented, as soon as such information becomes available. BDO will rely on information supplied by you in performing the services under this agreement and will not independently verify the accuracy of such information.

The actual hours by level may change, depending upon the circumstances that we may encounter. Therefore, the Authority agrees to pay the invoices up to the total amount of hours incurred by professional level, regardless of the actual mix.

The fee estimate by is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during our audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered as work progresses and are payable on presentation and before delivery of our reports or other. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not completed our reports, you will be obligated to compensate us for all time expended through the

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We will contact you to coordinate commencement of procedures. Please make sure you notify us with sufficient time in advance should you be unable to materially meet the scheduled dates or to provide us with sufficient information required to perform procedures in a timely manner, so as to avoid additional billings that could result from downtime of our professional staff.

Conflicts of Interest

This engagement is subject to BDO client acceptance internal review. We reserve the right of completing a background check to determine that we have no present or contemplated conflict of interest in connection with this engagement. It is agreed that our fee is not contingent upon the results of our work.

Email Communication

BDO disclaim and waives, and you release BDO from, any and all liability of the interception or unintentional disclosure of email transmissions or for the unauthorized use of failed delivery of emails transmitted or received by BDO in connection with the services we are being engaged to perform under this agreement.

External Computing Options

If, at the Authority's request, BDO agrees to use certain external commercial services, including but not limited to services for cloud storage, remote access, third party software and/or file sharing options (collectively "External Computing Options"), that are outside of BDO's standard security protocol, the Authority acknowledges that such External Computing Options may be associated with heightened security and privacy risks. Accordingly, BDO disclaims, and the Authority agrees to release BDO from, and indemnify BDO for, all liability arising out of or related to the use of such External Computing Options.

Ownership of Working Papers

The audit documentation for this engagement is the property of BDO Puerto Rico, P.S.C. and constitutes confidential information. However, subject to applicable laws and regulations, documentation and appropriate individuals will be made available upon request and in a timely manner to any appropriate government regulator for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities, if applicable. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of BDO Puerto Rico, P.S.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties, may intend, or decide, to distribute the copies of information contained therein to others, including governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the regulator. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

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If the Authority requests BDO Puerto Rico, P.S.C. to object to or respond to, or BDO Puerto Rico, P.S.C. receives and responds to, a validly issued third party subpoena, court order, government regulatory inquiry, or other similar request for, or legal process for the production of, documents and/or testimony relative to information we obtained and/or prepared during the course of this or any prior engagements with the Authority, you agree to compensate us for all time BDO Puerto Rico, P.S.C. expends in connection with such response, at our standard rates, and to reimburse BDO Puerto Rico, P.S.C. for all related out-of-pocket costs (including outside attorneys' fees) that we incur.

Release

Because of the importance of oral and written representations to an effective engagement such as this one, the Authority releases BDO Puerto Rico, P.S.C. and its personnel from any and all claims, liabilities, costs and expenses solely attributable to any misrepresentation deliberately made intentionally, knowingly by management.

In no event shall BDO Puerto Rico, P.S.C. be liable to the Authority, whether a claim be in tort, contract or otherwise, for any consequential, indirect, lost profit or similar damages relating to BDO Puerto Rico, P.S.C. services provided under this engagement letter, except to the extent finally determined to have resulted from the gross negligence, willful misconduct or fraudulent behavior of BDO Puerto Rico, P.S.C. related to such services.

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense to both parties, the Authority and BDO Puerto Rico, P.S.C. agree not to demand a trial by jury in any action, preceding or counterclaim arising out of our services and fees for this engagement.

Employment Discussions

The AICPA Code of Professional Conduct and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the Authority in the performance of our services. Any discussions that you have with personnel of BDO regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence. In addition, if you hire one of our personnel, you agree to pay us a fee of 20% of that individual's base compensation at the Authority 90 days from the first day of employment.

* * *

We look forward to serving you on the achievement of this important project and appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms and conditions of our engagement.

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If you have any questions or comments regarding the terms of this engagement letter, please do not hesitate to contact **Wallace Rodríguez, CPA, CFE**, Partner or **Edgar Muñoz, CPA**, Manager at (787) 754-3999. If the terms are in accordance with your understanding of our engagement, please return this letter signed at your earliest convenience.

Very truly yours,

BDO Puerto Rico, P.S.C.

* * *

RESPONSE:

This letter correctly sets forth the understanding of **Puerto Rico Electric Power Authority**.

José Ortiz

Title: _____
Executive Director

Date: _____




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December 16, 2019

Mr. Nelson Morales
Autoridad de Energía Eléctrica
1110 Ave. Ponce de León
Edificio Neos, Piso 8
Oficina 801
Santruce, PR

Dear Mr. Morales:



Season's greetings and hope is all well. As requested, enclosed is the estimate to complete the required procedures for the **June 30, 2017** report. This engagement letter is issued with the express understanding that the Authority's Governing Board will wave BDO Puerto Rico from the requirement to issue the Government Auditing Standards report that was originally required, pursuant to Part II, **Audit Services**, Article 1.4 of our original professional services contract number 2018-P00016, dated August 17, 2017, as amended. Once we receive the professional services contract draft, it must be evaluated by our legal division, to ensure that it appropriately meets our expectations. Also, we must receive the Governing Board's signed and approved waiver of the above-mentioned requirement before signing the professional services contract.

Please feel free to contact me at your earliest convenience should you have comments or questions.

Regards,

Wallace Rodríguez, CPA
Partner
Assurance Services

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