



GOVERNMENT OF PUERTO RICO

Puerto Rico Electric Power Authority
Governing Board

REGULAR MEETING MINUTE May 28th, 2020

The Governing Board of the Puerto Rico Electric Power Authority held its Regular Meeting through the Microsoft Teams Application on Thursday, May 28, 2020, at 9:36 a.m. The Chairman, Engineer Ralph A. Kreil-Rivera, presided the meeting. Attorney Eduardo Arosemena-Muñoz, Corporate Secretary, took notes.

PRESENT FOR THE GOVERNING BOARD:

Eng. Ralph A. Kreil-Rivera, Chairman
Mr. David K. Owens, Vice Chairman
Mr. Robert G. Poe, Member
Mr. Charles E. Bayless, Member
Eng. Tomás Torres-Placa, Member-Consumer Representative
Atty. Gerardo Loran-Butrón, Ex Officio Member
Atty. María Palou-Abasolo, Member
Atty. Joel Pizá-Batiz, Member
Atty. Eduardo Arosemena-Muñoz, Corporate Secretary
Atty. Zahira A. Maldonado-Molina, Administrator

PRESENT FOR THE PUERTO RICO ELECTRIC POWER AUTHORITY:

Eng. José F. Ortiz-Vázquez, Chief Executive Director
Mr. Jaime López-Díaz, Vice Executive Director
Atty. Astrid Rodríguez-Cruz, General Counsel
Mr. Nelson Morales-Rivera, Chief Financial Officer
Eng. Daniel Hernández-Morales, Generation Director
Eng. Jose L. Sepúlveda-Aponte, Transmission and Distribution Director
Mr. Anthony Vega-Plúguez, Operations and Infrastructure Administrator
Ms. Shehaly Rosado-Flores, Head Division, Occupational Safety
Mr. Fernando A. Padilla-Padilla, Project Management Office Administrator
Eng. Efran Paredes-Maisonet, Planning and Environmental Protection Director
Mrs. Noriette Figueroa-Meléndez, Customer Service Director
Atty. Marc Thys, Human Resources and Labor Affairs Director
Eng. Gary Soto, Head Division, Electric System Operation
Eng. Hiram Medero-Fernández, Chief Strategy and Innovation Officer

GUESTS:

Mr. Josue Acevedo, Information Technology



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I. Quorum Certification

The quorum was certified with all members present: Eng. Ralph A. Kreil-Rivera, Mr. David K. Owens, Mr. Charles E. Bayless, Mr. Robert G. Poe, Engineer Tomás Torres-Placa, Atty. María Palou-Abasolo, Atty. Gerardo Loran-Butrón and Atty. Joel Pizá-Batiz.

II. Approval Meeting Minutes

April 15, 2020

April 29, 2020

The Secretary of the Board, Atty. Eduardo Arosemena, indicated that Engineer Tomás Torres submitted some minor corrections.

Mr. Charles Bayless presented a motion to approve both minutes, with Eng. Torres's recommendations, and it was seconded by Mr. David K. Owens. Both minutes were approved.

III. Public Meeting - Executive Summaries

Finance and Bankruptcy Committee

Mr. Charles Bayless, President of the Finance and Bankruptcy Committee, asked Mr. Nelson Morales, Chief Financial Officer, for an update regarding the insurance claims for Hurricane María and the January earthquake.

Mr. Morales informed that his team had completed another cash advance related to the insurance claim for Hurricane María. The cash advance amount is \$25 million. We are working closely with the insurance adjusters for additional cash advances. Regarding the insurance claims related to the earthquake, the forensic accountants are working closely with PREPA management and the insurance adjusters, to document and quantify the property damages.

Mr. Charles Bayless explained that insurance companies take between 6 and 7 years to pay. He further expressed that Mr. Morales, King & Spalding and the people who are working on the insurance claims are doing a good job. Mr. Morales thanked the PREPA management team for their efforts.

Mr. David K. Owens asked what's the maximum that we are seeking with respect to the earthquake damages. Mr. Morales explained that the maximum amount of coverage is \$300 million at the first level and an additional \$250 million in the second level.

Mr. Morales presented information about the liquidity of PREPA since the beginning of the state of emergency. We've been monitoring cash flow and liquidity levels. We focused primarily on ensuring that we can maintain our operation and repairs to all the infrastructure of Generation, Transmission & Distribution, Customer Service and IT, to ensure that all the employees can work productively remotely.

When the state of emergency and lockdown started on March 16th, 2020, we had approximately \$460 million in operating cash. As of May 22, 2020, the operating cash on hand was \$412.6 million. Today, the cumulative rate of collections is 80%.

Eng. Tomás Torres asked about the current deficit and our net position. Mr. Morales explained that the deficit is approximately \$407.5 million, and our net position was negative \$8.1 billion. Mr. Morales clarified that \$4.6 billion is related to the pension liability.

Contracting and Recovery Committee

Mr. David Owens, President of the Contracting and Recovery Committee, presented a layout of the framework of the committee's discussion. He explained how the committee is guided, and the whole notion of competitive procurement processes. We do have a very robust process that was put in place, and particularly enhanced, by board member Robert Poe.

The competitive procurement process requires three bidders and it requires that we have a robust evaluation process with respect to the winning bidder. Mr. Owens explained the importance of transparency. We must make decisions with all the elements tied in. We always have to ensure that we apply the proper governance process, and we need to comply with the with the Fiscal Oversight and Management Board (FOMB) and be appropriately reviewed by the Puerto Rico Energy Bureau (PREB).

Resolutions:

Mr. Owens indicated that there were 17 board resolutions being presented. Mr. Jaime López, Vice Executive Director, presented a total of 14 resolutions, and Mr. Fernando Padilla presented 3 resolutions:

Mr. López commented that all the resolutions have a certification of funds and legal opinion of our General Counsel.

1. Acumenian, LLC

On March 17, 2020, PREPA issued Request for Proposal (RFP) 103582, for professional services from responsible and qualified firms to provide analytics and information technology and advisory services to the Program Management, Restructuring and Fiscal

Affairs Office (PMO). Six companies were invited to participate and three submitted proposals: FusionWorks, ITDG and Acumenian, LLC.

Upon the completion of a uniform evaluation of the proposals received through the competitive process, the Evaluation Committee unanimously determined that Acumenian's proposal substantially complied with the intent, specifications, terms and conditions of the RFP requirements, and represented the best offer for the requested services.

The PMO requested approval of a professional services contract for approval, with a maximum of \$1 million for Fiscal Year 2020-2021.

Mr. Bayless presented a motion and it was seconded by Mr. Poe. The resolution was approved.

2. ScottMadden

PREPA issued RFP 103478 to request offers for professional services regarding organizational program management support services to the PMO. The event was published on Power Advocate, PREPA's official electronic sourcing platform, on March 25, 2020, and the following companies were invited to the event:

1. Accenture Puerto Rico, LLC
2. Bain & Company
3. Deloitte Consulting, LLP
4. Insight Sourcing Group
5. Mckinsey & Co New York
6. Navigant Consulting, Inc.
7. ScottMadden, Inc.

Mr. López informed that only two proposals were received: Accenture Puerto Rico, LLC and ScottMadden. Upon the completion of a uniform evaluation of the proposal received through this competitive process, the Evaluation Committee determined that ScottMadden's proposal substantially complied with the intent, specifications, terms and conditions of the RFP and represented the best offer for the requested services.

The PMO requested approval of this contract, for a maximum amount of \$3,996,000 for the next Fiscal Year 2020-2021, with the option of an additional one-year extension, subject to the availability of funds and the performance of the company.

Mr. Padilla explained that we are deploying a larger project management structure within the fiscal plan, and to all projects across the PREPA operation. This contract will not only help in the project management automation reporting, but also the key metrics in order to

develop the scope, the budget schedule and the execution and controls of the projects within the fiscal plan.

They will also be executing works within the operational projects and they are also helping us with the quality management system, which is bringing up industry standards and industry expertise. We are also using the expertise of ScottMadden in order to develop the infrastructure and the framework to bring a more automated process for the deployment of the federal funding in all the projects. That will assure control, accountability and execution for these projects.

Eng. Torres asked if these tasks could be performed in-house. Mr. Padilla explained that we do not have the personnel and the expertise for these particular services.

Mr. Owens presented a motion and it was seconded by Mr. Poe. Eng. Torres opposed. The resolution was approved.

3. King & Spalding

The PMO proposes to increase the annual budget of the King & Spalding from \$7.5 million to \$9.5 million for Fiscal Year 2019-2020. King & Spalding provides legal services to PREPA about the restructuring, strategic matters, and all regulatory aspects for the transformation of PREPA.

Mr. López presented the resolution to authorize the CEO to execute the first amendment between PREPA and King & Spalding for this Fiscal Year.

Mr. Torres asked if we can find local resources that can provide this service for a fraction of that cost. Mr. Padilla explained that King & Spalding have brought an expertise on specific transactions, and that has been of value within the performance of this contract. We are pending to close some transactions during this Fiscal Year, and this is what triggers the amendment to increase the budget. King & Spalding have played a key role on the Ecoelectrica energy transaction and the PPOA's. We have engaged Díaz & Vázquez, which complemented King & Spalding with local laws and expertise.

Mr. Owens presented a motion and it was seconded by Atty. Gerardo Lorán. Eng. Torres opposed. The resolution was approved.

4. Sargent & Lundy

PREPA issued RFP 103430 on April 6, 2020, to request offers for technical support, advising, engineering planning, and specific project management areas. Three companies were invited to register for the procurement event:

1. Black & Veatch Puerto Rico
2. Burns & MacDonnell Caribbean, LLC
3. Sargent & Lundy

Mr. López indicated that PREPA received proposals from Burns & MacDonnell Caribbean and Sargent & Lundy.

After reviewing both proposals, the Evaluation Committee determined that Sargent & Lundy's proposal substantially complied with the intent, specifications, terms and conditions of the RFP, and represent the best offer for the requested services. The maximum amount of this contract is \$9 million for Fiscal Year 2020-2021.

Mr. Padilla explained that Sargent & Lundy serves as our infrastructure advisor and consultant and they have played key roles on important infrastructure strategy decisions being presented to management and the Governing Board during this Fiscal Year.

Eng. Torres asked the amount of people Sargent and Lundy had on-site. Mr. Padilla replied that around 20-25 full-time equivalents (fte's). He added that we use them on demand, and their rate structure is lower compared to other global entities. We use a lot of expertise from our directorates.

Mr. Owens presented a motion and it was seconded by Mr. Poe. Eng. Torres opposed. The resolution was approved.

5. Freepoint Commodities, LLC

PREPA proposed an amendment for a fuel supply agreement with Freepoint Commodities. This amendment will allow PREPA to benefit from current fuel market conditions and provide a guaranteed reduction in fuel expenses in the range of \$6 to \$12 million per month, as compared to 2019 historical expenses.

Mr. López indicates that the CEO and the FOMB evaluated alternatives to provide any kind of hedging or fixed price mechanism to PREPA under the constraint of our current financial situation. The requested amendment may result in savings to PREPA's customers.

Considering the tradeoff between market risk resulting from a high volatile global environment and the benefits of the current probe levels, PREPA management recommends a hybrid fuel management strategy composed of a short-term fixed contract price and spot market purchasing. Therefore, we request approval to enter into the fixed price formula with Freepoint through December 31, 2020, for a volume of 250,000 barrels per month.

Atty. Joel Piza indicated that according to the United States Energy Information Administration, the estimate for the second half of 2020 is that the price per barrel will be \$32.00. The Freepoint proposal for the first 7 months' estimates the barrel price from \$46.00 to \$48.00. Atty. Piza expressed his concern about if PREPA will end up paying more, specifically for the second half of 2020, according to this proposal. Mr. López explained that the pricing mechanism of the proposal has several components in order to reach a fixed price. The Freepoint proposal includes a fixed price based on the futures curve at the time of the agreement, at an about \$3.00 to \$4.00 risk premium charge, which is basically the cost of the pricing swap that will enter with third-party financial institutions to guarantee the fixed price.

Mr. López indicated that it is imperative to proceed to approve this transaction as soon as possible, because the market is beginning to turn around, as has been pointed out, and prices are beginning to increase. The transaction will be subject to FOMB approval.

Eng. Torres indicated that, according to the West Texas index, the price per barrel will be lower than \$29.50. The difference basically will be nearly \$20 per barrel to the Freepoint proposed agreement. Mr. López explained that the price that was quoted includes the delivery to our facilities.

Mr. Owens presented a motion and it was seconded by Mr. Poe. Eng. Torres opposed. The resolution was approved.

6. Appointing Mr. Juan Carlos Adrover Ramírez as Member of the Board of Trustees of the Retirement System - AEE

Mr. López presented the CEO's recommendation to appoint Mr. Juan Carlos Adrover-Ramírez as a member of the Board of Trustees of the Retirement System (BTRS).

The term of Mr. Adrover's appointment as trustee expires on June 30, 2020. Section 2(e) of the PREPA corporate bylaws grants the Governing Board the power to appoint, with the Executive Director's recommendation, three members who shall represent it before the BTRS.

At present, Mr. Adrover has been a member of the BTRS since July 7, 2017 and has had a distinguished career as such. This trustee's appointment shall be for a term of 3 years, from July 1, 2020, until June 30, 2023.

Mr. Morales indicates that he supports the appointment of Mr. Adrover for his outstanding performance in the Finance Directorate.

Eng. Kreil presented a motion and it was seconded by Mr. Owens. The resolution was approved.

7. Requisition Surveillance and Protection Services in the San Juan Region

PREPA management requests approval for the requisition of Surveillance and Protection Services in the San Juan region. The contract includes private security service to protect our main assets in the San Juan region, which includes our corporate buildings, infrastructure, power plants, substations, etc., for an amount in excess of 40 security guard stations around this region. The estimated cost of this contract would be \$4,186,743. This is a request to approve the requisition to proceed with a public bid process to select the contractor to provide these services for the next Fiscal Year.

Mr. López clarified to Eng. Torres that this resolution is only to authorize to initiate a public bidding process.

Mr. Poe presented a motion and it was seconded by Mr. Owens. The resolution was approved.

8. Approval of Four Requisitions for the Acquisition of Various Transformers

The Transmission and Distribution Directorate requested an authorization to proceed with an RFP to award the purchase of four transformers. These transformers are badly needed because of the condition of certain transformers in Caguas, Sabana Llana, Costa Sur, Bayamón and Manatí.

Mr. López indicates that the total cost for the acquisition of the equipment is an estimated \$12.9 million. The procurement and manufacturing delivery process for all these transformers would take approximately two and a half years. The expenditure is estimated to occur in three Fiscal Years five, about 5% this Fiscal Year, 50% for the next Fiscal Year and 44% on the 2021- 2022 Fiscal Year.

Mr. Kreil presented a motion and it was seconded by Mr. Owens. The resolution was approved.

9. Approval of a Direct Negotiation Process for Microsoft Azure Cloud Services

The Corporate Strategy Office (IT Office) manages strategic issues that keep PREPA's operations. There are also new initiatives, such as Corporate Data Lake and the migration of the Information Technology infrastructure to the Cloud.

Microsoft Azure is a cloud computing service created by Microsoft for building, testing, deploying, and managing applications and services through Microsoft-managed data

centers. It provides a platform service which supports many different programming languages, tools, and frameworks, including both Microsoft-specific and third-party software and systems.

Mr. López indicates that the estimate budget for these works is \$1.5 million for the next Fiscal Year. We are requesting authorization for the CEO to delegate in the Chief Strategy and Innovation Officer and the Head of the Materials Management Division the direct negotiation between PREPA and Microsoft Cloud.

Mr. Poe presented a motion and it was seconded by Mr. Owens. The resolution was approved.

10. Ordering Document Contract Oracle Caribbean, Inc. for Oracle Managed Cloud Services

PREPA currently uses the services of Oracle Caribbean, Inc. (Oracle), for the operation and maintenance of the Oracle Business Suite System; for equipment, programs, software applications; and the Maximum Availability Option, among others. PREPA uses this program for Project Accounting, General Ledger, Human Resources, Payroll, local purchase orders and other areas.

Mr. López indicates that the total amount of the contract would be \$1,093,215 for Fiscal Year 2020-2021. We are seeking authorization for the executive CEO to execute this contract with Oracle Caribbean, Inc.

Mr. Hiram Medero clarified to Eng. Torres that PREPA has a Master Agreement with Oracle dating back many years ago, and every year we have to renew the contract.

Mr. Poe presented a motion and it was seconded by Atty. Lorán. The resolution was approved.

11. Worldwide Services

PREPA uses the services of Worldwide Services (WWS) for the update and maintenance of the Outage Management System (OMS) and Geographic Information System (GIS) to ensure compatibility with the operating systems and management databases used by PREPA.

On December, 2019, PREPA and WWS executed a contract for an amount of \$2.3 million until June 30, 2020. Due to the COVID-19 Pandemic and the associated travel restrictions, PREPA and WWS have had difficulties in the execution of workshops, trainings, and system acceptance testing as originally scheduled.

In order for PREPA to continue receiving the services of WWS, Mr. López presented a time extension for the Contract, from July 1 to December 31, 2020, under the same terms and conditions, and for the available balance of \$1,280,126.

Mr. Owens presented a motion and it was seconded by Mr. Poe. The resolution was approved.

12. Authorization of a Direct Negotiation Process for Updating the Control Networks of the Thermoelectric Units at Palo Seco and San Juan Steam Plant

Mr. López presented for consideration an authorization for the CEO to delegate in the Head of the Materials Management Division, the direct negotiation between PREPA and LT Automation, for a turnkey price not to exceed \$5,939,486, for the update of the Control Networks of the Thermoelectric Units at the Palo Seco and the San Juan Steam Plants.

These control systems are obsolete and their Operating Systems, Windows Server 2003 and Windows XP, have no technical support or security patches from the manufacturer, Microsoft, which makes PREPA's control networks vulnerable to a possible cyber-attack. Schneider Electric is the exclusive representative of LT Automation in Puerto Rico.

Eng. Kreil recognized the position of the Generation Director, Eng. Daniel Hernández, who worked together with IT in this important matter.

Eng. Kreil presented a motion and it was seconded by Mr. Owens. The resolution was approved.

13. Hogan Lovells

On April 29, 2020, RFP 104575 was issued for professional and/or expert legal and technical services in the area of federal and state environmental laws and regulations, to be able to evaluate different law firms that could provide these services. The following companies were invited to register for the procurement event:

1. Nixon Peabody LLP
2. Duane Morris LLP
3. Hogan Lovells LLP

Mr. López indicated that the Evaluating Committee recommended awarding the RFP to Hogan Lovells, LLP, considering that their economic proposal is 11% lower than the current contract rates, and allows PREPA to continue with the uninterrupted services they have satisfactorily provided. The professional services contract is for a maximum amount of \$1.5 million, and effective for Fiscal Year 2020-2021, with an option of one additional year extension subject to the availability of funds and the performance of the firm.

Eng. Kreil presented a motion and it was seconded by Mr. Owens. The resolution was approved.

14. KPMG

On January 24, 2020, PREPA and KPMG executed a Professional Services Contract, with a maximum amount of \$749,600, until June 30, 2020, with the option to an additional extension of one year, subject to the availability of funds. Through this contract, KPMG provides PREPA with auditing services for the financial statements of Fiscal Years 2018, 2019 and 2020.

Mr. López explained that due to the COVID-19 situation, some of the services of KPMG have been delayed. The Finance Directorate is requesting an amendment to extend the Contract term, from July 1, 2020 to June 30, 2021, and increase the Contract Amount by \$662,000, for a total Contract Amount of \$1,242,000, in order to assure the continuity of KPMG's auditing services of PREPA's financial statements.

Mr. Owens presented a motion and it was seconded by Mr. Bayless. Eng. Torres opposes the language of the resolution. The resolution was approved.

15. Approval of Amended & Restated Non-Operating Renewable Energy PPOAs

Mr. David Owens explained, particularly to the public, where we were six months ago with respect to our renewable projects. We may all recall that Act 17-2019 requires that we have 40% of our power supply in renewables by 2025. It is important to make sure that we're competitive, that we're transparent and that we try to get the best deal for the customers of Puerto Rico.

We sought a third party to come in and to assist us to put together a framework to evaluate these projects, while working closely with the staff. Incidentally, this third party has extensive experience in the renewable area, with some affinity to projects in Hawaii and throughout the nation.

Mr. Owens explained that the price of renewable projects has gone down significantly throughout the world, and we decided to start with a benchmark price of 10 cents a kilowatt hour.

Mr. Padilla explained that during the last year, we have engaged in conversations with what we denominated shovel-ready or non-operational PPOAs. After a very long process discussing and negotiating the price of our interconnection dispositions and language in the contracts, we were successful on negotiating 16 out of the 19 non-operational projects. We have come into a commercial and form of a legal language agreement with these 16 projects. The projects resulted in close to 35%, valued in excess of \$1 billion to PREPA and the ratepayers of Puerto Rico, over the term of the agreement, and represent

over 590 megawatts of renewable generation that can potentially be in the system within a period from commercial operation. We present the results of these projects for the approval from our Governing Board, FOMB and PREB.

Mr. Owens clarified to the public that in the discussion on renewables, specifically the non-operating projects, we have 19 projects and we rejected 3 of those.

Eng. Kreil recognized the excellent job that entire Governing Board members have done on this, in compliance with the public policy in the benefit of the consumers, second our CEO, and third our entire team.

Mr. Bayless presented a motion and it was seconded by Mr. Poe. Atty. Lorán abstained. The resolution was approved.

16. Approval of Amended Operating Renewable Energy PPOAs

Mr. Padilla explained that in the same spirit, guided by our Governing Board, CEO, and following the guidelines of the IRP and the Fiscal Plan, PREPA's management carried out direct negotiations with nine counterparties to existing PPOAs related to operating renewables projects, to amend their agreements, and provide a targeted 10%-15% reduction over the remainder of the contracts.

The renegotiated deals comprise over 250 megawatts of renewable energy generation and deliver price reductions, which will produce approximately \$200 million (non-discounted) over the terms of the subject transactions versus the existing operation PPOAs.

We are seeing a very strong compromise from the private sector and our counterparts in that they are also willing to continue investing on their projects and on making more reliable energy to our system.

Mr. Owens clarified to the public that in the discussion on renewables, specifically the operational projects, we have 7 projects and we rejected 2 of those.

Mr. Poe presented a motion and it was seconded by Mr. Owens. Atty. Lorán abstained. The resolution was approved.

17. Costa Sur Unit 6 Repairs Authorization

Mr. Owens commented that on January 7, 2020, we experienced a 6.4 magnitude earthquake which substantially affected and damaged the Costa Sur Plant.

Mr. Owens explained that Costa Sur is a very critical facility for us, as it helps us maintain reliability as we move into the summer period and into the hurricane season.

Mr. Padilla indicated that it is important to show the public the progress we are doing in Costa Sur Plant. We have 179 resources on the ground working on the repairs of the Plant. We have four critical paths that we're currently working within. 34% of the repair works were completed. We should be ramping close to 40% of completion at the end of the week, and we are targeting on August 14, 2020 to have the unit online.

Mr. Padilla showed the dashboard that represents the progress of the project. We have been able to secure 93% of the procurement and the contracts we need in order to move ahead with our work.

We are using 88 PREPA personnel working on it. There has been a very strong blend between the expertise of the operators and union workers, and also leveraging on the private sector expertise and resources in order to bring the unit on as promptly as possible. There are 475 scheduled tasks and we have completed 23% of them. Mr. Padilla indicated that we are progressing very strongly on the execution of works.

Eng. Kreil recognized the compromise of the entire team to bring Unit 5 back on service.

Eng. Kreil clarified that the project has had some small delays, but at the same time that construction is reaching other things that are working and Mr. Padilla has been working on it.

Mr. Padilla indicated that regarding Unit 6, and the response to the Order issued by the PREB last week, they have been authorized additional amounts. The Order basically contains \$25.2 million to begin the repairs of the full facility.

Eng. Torres presented his concern about the language of the resolution, specifically letter E and proposed to modify it. Eng. Kreil indicates that he has no problem with the change. The resolution was moved with the suggested changes.

Mr. Owens presented a motion and it was seconded by Eng. Torres. Atty. María Palou abstained. The resolution was approved.

Infrastructure and Occupational Safety Committee

Occupational Safety Report

Ms. Shehaly Rosado, Occupational Safety Division Head, presented the report. Ms. Rosado informed about one incident that happened last month. We are working on inspecting the areas and implementing COVID-19 protocols, and we worked to update the corporate action plans for emergencies including; hurricane, earthquakes, pandemics, flood, etc.

Eng. Kreil congratulated the Occupational Safety team because it has been able to make sure that our employees are kept safe working through the pandemic.

Mr. López mentioned that the auto evaluation for the “return to work” protocol has been approved by the Department of Labor and Human Resources of Puerto Rico.

Operations and Infrastructure Report

Mr. Anthony Vega, Operations and Infrastructure Administrator, we presented a special report of PREPA’s fuel availability.

Aguirre Plant

1. 25 days of Bunker C reserve with Units 1 and 2 in service.
2. 10 days of diesel reserve in the Combined Cycle with 7 units available.

San Juan Plant

1. 21 days of Bunker C reserve with Units 7 and 9 in service.
2. 9 days of diesel reserve with Unit 5 in service.
3. Unit 6 is currently in Natural Gas.

Palo Seco Plant

1. 31 days of Bunker C reserve with Units 1, 3 and 4 in service.
2. 6 days of diesel reserve with 6 gas turbines available.
3. 10,000 bbls of diesel are received every two days to maintain an optimum operational level.

Cambalache Plant

1. 12 days of diesel reserve with Units 2 and 3 at full load.
2. Last Diesel barge (29,000 bbls) was received 5/27/20.

Mayagüez Plant

1. 15 days of diesel reserve with 2 Units at full load.
2. Next diesel barge (29,000 bbls) on schedule for early June 2020.
3. 2 Units are undergoing repairs.

Gas Turbines

1. Turbines in Daguao, Jobos, Yabucoa and Vega Baja are available.
2. All diesel tanks at optimum levels.

3. Next tank truck deliveries on schedule for May 26, 2020.

The pricing per barrels: Bunker C: \$44.85 (San Juan and Palo Seco), \$46.85 (Aguirre and Costa Sur). Approximately 51% decrease since January 5, 2020. Diesel: \$48.96 (all units). Approximately 48% decrease since January 4, 2020. The prices Bunker C and Diesel are increasing since April 27, 2020.

Eng. Torres asked why the gas prices for Units 5 & 6 of Central San Juan Plant were more expensive to PREPA. Mr. Vega explained that due to the pandemic, diesel prices dropped down compared to natural gas. We have a difference of \$ 20.00 between natural gas and diesel.

Transmission and Distribution Report

Eng. José Sepúlveda, Transmission and Distribution Director, presented his report.

Eng. José Sepúlveda explained that for the month of April, Transmission & Distribution experienced 1,803 interruptions for the SAIDI index duration 41.46 minutes. The SAIFI frequency index was .3316 times. 34% of the total outages are a result of the deteriorated or damaged equipment. Vegetation Management contributes with 28% of the total. This two causes combined represented 62% of all outages for the last month.

We are working on our action plans. The Transmission & Distribution Directorate worked with two major courses of actions: first, to maintain a system running by tending to outages with our field workers, and to establish working methods and protocols to keep our workers safe.

Eng. Sepúlveda indicates that the employees were reactivated mostly by necessary services to our clients and returned to our maintenance construction programs.

Eng. Kreil asked if the Vegetation Management Program is back. Eng. Sepúlveda indicated that the Vegetation Management contractors are in the field doing their job.

Planning & Environmental Protection Report

Eng. Efran Paredes, Planning & Environmental Protection Director, informed about the two main topics they are working on: the IRP and Environmental Protection Agency (EPA) issues. Regarding the IRP, we are waiting for the final resolution from the PREB. In terms of the EPA, we received the non-action assurance from our limited use units until August 15, 2020, or the put in service of the Costa Sur Plant, whichever comes early, the non-action assurance will be in place. We are waiting for the EPA to finish the Consent Decree negotiations.

Operation Electrical System Report

Eng. Gary Soto, Head Division, Electric System Operations, presented his report.

Eng. Soto presented some information on how our system has been behaving during the last month. We had two big earthquakes during this year, on January 7, 2020 and March 15, 2020, that affected PREPA's generation system.

Due to those events, we now have a big percentage of error considering what we were expecting at that time on our system, and what we were able to manage because of the generation situation and some damages that our transmission distribution lines suffered. So at that time, we were up to 18.65% on our load percent reduction, and 20.60% on our production reduction.

From January up to now, we are talking about a 3.5% reduction, and if we compare the peaks during each day, we are talking about 2.75% reduction.

The load forecast versus reloads that we are handling for this period goes down during the event on January, but at the end you can see that most of the months we have been having peak loads over what was expected, and the difference on some of them when the forecast is over is not that significant.

Eng. Soto indicated to our customers that the consumption of energy is maintained basically the same. We worked to keep the fleet availability and we can manage high peaks during the afternoon and the evening. We had a significant event during the last five months, but on regular months the forecast and load are very near.

Generation Directorate Report

Eng. Daniel Hernández, Generation Director, presented his report. Eng. Hernández informed the generation production in April to compare where we are today. On April 2020, the generation capacity wase around 2,800 MWh. We reached 3,100 MW from which 2,200 MW is base generation.

This is the first time we reached this level of generation since the earthquake in January. We just completed that includes Aguirre Unit 2, other units on San Juan Plant as for instance San Juan Unit 9, the combustion turbine #6, Palo Seco, and the combined cycle of Aguirre. All these units have been completely repaired and we removed their limitations.

For the next month of June, there is an important amount of additional megawatts. We will be repairing around 600 megawatts that include San Juan Unit 7, Aguirre Unit 1, Mayaguez Unit 2 & 4. An aggressive repair program has been implemented in order to reach those numbers.

The peak demand on April was 2,435 megawatts, which was around 15 megawatts above last year for the same month.

The total production of PREPA was 56%, Ecoeléctrica 20%, AES 20%, and the renewables around 2.66%. We already started using some Natural Gas on San Juan Plant that represents a reduction in Bunker C and Diesel. This represents how we are going to change our generation fleet according to the production by fuel.

Our production cost on generation dropped from 13.42 cents per kilowatt hour on March to 11.52 cents per kilowatt hour on April. The production cost for the private ones: Ecoeléctrica 10.42 cents, AES 9.65 cents, Solar 19 cents, Wind 16 cents, and landfill 10 cents.

Eng. Hernández informed that they already started preparing for the hurricane season. We activated the Emergency Plan for Atmospheric Disturbance with all our Plant Managers.

We already established communication with FEMA and confirmed the availability of 10 mobile generators of 1.85 megawatts each. Those are located on the Ponce Warehouse. These generators are similar to those we used after Hurricane María on different municipalities, creating microgrids to provide a service to the critical load.

Eng. Torres asked how long we are expecting the Aguirre Plant to be out of service and when the steam part of San Juan Unit 6 will be repaired. Eng. Hernández explained that the Aguirre Plant has three different limitations the outage is for seven days. The steam part will be completed on July 31, 2020.

Audit Committee

Mr. Robert Poe, Chairman of the Audit Committee, presented a summary of the issues discussed in the Audit Committee.

Mr. Poe mentioned that Audit Committee works to make sure that the DFMO will have all the money flowing through it.

Regarding the Corporate IT Office, PREPA had a phishing attack recently that did penetrate our defenses. In this case, somebody responded to an email they shouldn't have, and triggered a chain of events but we took care of that.

Mr. Poe explained that the 2018 audit has not been completed. We had a resolution today to talk about KPMG and their audits in the future. KPMG is looking pretty good, and then there were some amounts identified in the very last days of 2017 that called into question those that had not been included in the work of BDO. Mr. Nelson Morales and

his team are evaluating all successive financial transactions that were in any way connected to that. The net impact to the statement of net position of \$9 million.

The Office of Inspector General of Puerto Rico (OIG) is making an effort to consolidate its various auditing functions across agencies into one organization. PREPA is no exception. The OIG will be moving ahead with that and, as one would expect, there are some staff concerns, but this is the direction the Puerto Rico government is going and we're part of it.

Eng. Torres asked when we can expect to have the financial statements of 2018. Mr. Morales explained that we expect to complete them between September to October.

Customer Service Committee

Ms. Noriette Figueroa, Customer Service Director, presented the Customer Service report.

All district offices are closed to the public. We are only working on field activities; connecting and disconnecting or net metering accounts related. We are working remotely and clients must contact PREPA between our call centers 24 hours a day, 7 days a week.

The call centers have been pretty busy receiving payments we have to highlight that 42% of our collections are residential customers, industrials and commercial accounts have been the 49% of our income.

We have been in contact with some government agencies to help them if they have any problems to make their payments, and to let them know that we are available to receive payment on a drop-off box.

Ms. Figueroa indicated that we have worked to make sure that all the working stations in the district offices are in place and have everything they need in order for the employees and customers to be safe.

We are working on a proposal to establish an appointment system around the district offices for those customers who do not have internet or don't know how to use our payment system. Ms. Figueroa explained that we are looking forward to having this system in place before we reopen our district offices.

Ms. Figueroa indicated that we worked on a new process for payment plans to make sure that the customers have all the options available by phone, so they don't have to go in person to any district offices once we reopen.

Ms. Figueroa explained that in terms of the social media presence, it has continued to be very strong on Twitter and Facebook. PREPA started an official campaign to promote

the use of our own payment channels, and we started with our social media platforms. The campaign is expected to continue later this week or early next week with local newspapers. Other Customer Services communications initiatives are being worked on closely with the Corporate IT office.

Eng. Torres asked what PREPA can do to review the estimated bills that customers receive without them having to pay for over estimated charges.

Ms. Figueroa explained that estimation is a daily process. Sometimes we're going to be able to read and sometimes we won't. The estimation is based on the previous consumption of the customers. Also, some commercial accounts have a contracted load and they must pay for that even if there is less consumption.

The customers may file an objection. During the investigation and during the process, we take a look at the meter and make sure that we can solve the problem, so the customer won't have to pay during that time since it's objected.

Mrs. Edith Seda, Corporate Communications Officer, presented her report. She indicated that they are planning an announcement with the Governor at the main warehouse in Palo Seco related to PREPA's plans, equipment, and materials for the hurricane season.

Human Resources & Legal Affairs Committee

Atty. Marc Thys, Human Resources and Labor Affairs Director, presented his report. Atty. Thys mentioned that PREPA has never closed operations completely, we are currently working with essential personnel. On June 1, 2020, PREPA followed the Governor's guidelines and Human Resources, Finance, and the Purchasing Office is going to resume operations. We have followed the Occupational Safety and Health Administration (OSHA) guidelines. He indicated that our goal by June 15, 2020, is that all PREPA employees are working remotely or physically. On remote work, we are negotiating with the different unions. We have not made that much progress with the UTIER in the negotiation, but the UEPI is very close to make an agreement for next week.

Atty. Thys informed that we had COVID-19 positives in rapid tests, but none of those tests was confirmed by the molecular tests. PREPA will apply the corresponding protocols and government guidelines in the cases of employees who test positive for COVID-19.

Eng. Kreil recognized the excellent job of our nurses in the Generation Plants. The safety team are doing their job, and everything is taken care of.

Atty. Astrid Rodríguez, General Counsel, mentioned that we continued working remotely with the essential personnel to give support in all the operational areas regarding the evaluation of contracts and RFP documents for the different procurement processes, and

also, we worked on some opinions and other administrative matters. Atty. Rodríguez mentioned that we are expecting to come back to the offices in a very smooth way.

Eng. Kreil clarified that all resolutions, documents that go to PREB, negotiation documents and contracts must be reviewed by the Counsel General and recognizes the hard work that Atty. Rodríguez is doing.

PMO Report

Mr. Fernando Padilla presented the PMO report. The PMO has some other key projects. On the Vegetation Management project, we have three private contractors being mobilized to the different sites. This helps in preparation for the hurricane season. We almost finished 10% of the project.

On the Streetlighting project, we have the public lighting contractors also out with the proper personnel to start working on that key infrastructure. We are also working very closely on the Fiscal Plan and we should be targeting to have an approved budget and approved and certified Fiscal Plan by June 30, 2020, in coordination with the FOMB.

Chief Executive Officer Report

The CEO was excused, as he has important commitments to the press and the Governor in La Fortaleza related to preparations for the next hurricane season.

Eng. Kreil asked Mr. López if there were other topics to be brought up.

About federal funding, Mr. López explained that we continue to work towards securing federal funding for the rebuilding of our network. He indicated that more details will be given later about the ongoing conversations with the stakeholders and decision-makers, but we are expecting good news regarding those conversations in the next few weeks.

Regarding the private operator of the Transmission & Distribution and other areas, that process continues to move forward and we expect to have announcements by the P3 Authority in the near future.

Mr. López explained that PREPA has a press conference to formally announce all the preparations, protocols, equipment and inventory levels for the hurricane season.

We have agreements with public utilities for their support in case of emergency and with private contractors. We are in the process of finalizing an RFP for Master Service Agreements with private contractors. Finally, PREPA management feels confident about our ability to be prepared and respond to all emergencies.

The meeting adjourned at 1:47 p.m.

A handwritten signature in blue ink, consisting of stylized, cursive letters that appear to read 'E. Arosemena-Muñoz'.

Eduardo Arosemena-Muñoz
Secretary of the Board