



GOVERNMENT OF PUERTO RICO

Puerto Rico Electric Power Authority
Governing Board

Regular Meeting Minutes February 26, 2020

The Governing Board of the Puerto Rico Electric Power Authority held a Regular Meeting on Wednesday, February 26, 2020, at 9:30 a.m., in the Dr. Modesto Iriarte, Jr., Conference Room, located at the NEOS building in San Juan, Puerto Rico. The Chairman, Engineer Ralph Kreil-Rivera, presided the meeting. Attorney Eduardo Arosemena, Corporate Secretary, took notes.

PRESENT FOR THE GOVERNING BOARD:

Eng. Ralph Kreil-Rivera, Chairman
Mr. David K. Owens, Vice Chairman
Atty. Gerardo Lorán Butrón, Ex Officio Member
Mr. Charles Bayless, Member
Mr. Robert G. Poe, Member
Eng. Tomás Torres-Placa, Member-Consumer Representative
Atty. Eduardo Arosemena-Muñoz, Corporate Secretary
Atty. Zahira Maldonado-Molina, Administrator

EXCUSED

Atty. María Palou-Abasolo, Member

PRESENT FOR THE PUERTO RICO ELECTRIC POWER AUTHORITY:

Eng. José Ortiz-Vázquez, Chief Executive Director
Mr. Jaime López-Díaz, Vice Executive Director
Mr. Nelson Morales-Rivera, Chief Financial Officer
Atty. Astrid Rodríguez-Cruz, General Counsel
Mr. Fernando Padilla-Padilla, Project Management Office Administrator
Atty. Marc Thys-Torres, Human Resources and Labor Affairs Director
Eng. Daniel Hernández-Morales, Generation Director
Eng. José L. Sepúlveda, Transmission and Distribution Director
Eng. Efran Paredes Maisonet, Planning and Environmental Protection Director
Mrs. Noriette Figueroa-Meléndez, Customer Service Director
Ms. Shehaly Rosado-Flores, Occupational Safety Division Head
Eng. Hiram Medero-Fernández, Strategy and Innovation Office Administrator
Mr. Josué Acevedo, Information Technology
Mr. Rafael A. Rivera-Rivas, Information Technology



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GUESTS:

Mr. Arturo Deliz, Disaster Funding Management Office, Administrator
Eng. Gary F. Soto-Fernández, Operation of the Electrical System, Division Head

2. Quorum Certification:

The quorum was certified with six members present: Chairman Ralph Kreil-Rivera, Mr. Mr. David Owens, Mr. Charles Bayless, Atty. Gerardo Lorán, Mr. Robert G. Poe, and Engineer Tomás Torres-Placa.

Atty. María Palou-Abasolo was excused.

3. Approval Minutes

a. Executive Session October 29, 2019

b. Executive Session November 20, 2019

c. Regular Meeting January 28, 2020

The Secretary of the Board, Atty. Eduardo Arosemena, indicated that Engineer Tomás Torres made some comments to the minutes. The changes suggested by Engineer Torres will be circulated to the members.

Attorney Arosemena requested to continue with the executive summaries.

The Chairman announced that Mr. David Owens is now the Vice Chairman of the Governing Board, as elected by a majority of its members.

III. Public Meeting – Executive Summaries

1. Contracting and Recovery

Mr. David Owens summarized some of the issues discussed at the Contracting and Recovery Committee Meeting.

Regarding the renewables projects that need to go forward in compliance with Act 17-2019, we are required to have 40% of our power supply consist of renewable energy by 2025.

We invited a third party to aid in developing the criteria that will be used to evaluate the renewable projects. This way we can move those projects forward expeditiously.

Sixteen of those projects were identified as projects that had potential, seven of which appear to be viable at this point.

Our main concern was that we wanted to make sure that the consumers of Puerto Rico will benefit, and the developers will not get excessive returns.

The two areas that would require some individual negotiation with developers, assuming that they meet the base line price, would be the interconnection requirements and the cost to integrate those sources, what we call MTRs.

PREPA has been in communication with the developers, and some projects have met that criteria.

We believe that we will begin to see some of these projects being finalized. There is an approval process. Once we complete our negotiations with the developers, we must go to the PREB and to the FOMB.

Streetlights

Mr. David Owens explained that we are firmly committed to moving streetlighting forward. PREPA is working on this project with its own staff and contractors, and some

municipalities have undertaken some of the work. We are very much on track with addressing this whole area.

Vegetation Management and Renewable Projects

Mr. David Owens explained that the vegetation management is a priority to avoid outages.

We have allocated more funds for the vegetation management program.

That program is going to move forward pretty aggressively, and in future meetings we will see the status of our vegetation management program.

Mr. Jaime López indicated that in the Contracting and Recovery Committee meeting, they presented and discussed the result of two RFP processes regarding professional services that would be provided to the Disaster Funding Management Office (DFMO). The DFMO is in charge of securing the federal assistance for the recovery and reconstruction of our power grid.

Mr. Fernando Padilla, Project Management and Innovation Office Administrator, indicated that there has been strong progress on the renewable projects, both on the operational and on the shovel-ready projects.

We are on continuous conversations with the operational projects, as mandated by the Fiscal Plan, to seek price reductions.

In terms of the shovel ready projects, we have set the proposed amendments from PREPA's side after weeks of discussions in terms of the guidance from the IRP, from the Fiscal Plan, and the independent report submitted by Mr. Kyle Datta.

We have formally sent to all of the project developers those draft amendments, and we are hopeful that we should move forward quickly with at least two of the projects within the next few weeks.

The Chairman, Engineer Ralph Kreil, requested a weekly report on those shovel ready projects.

In terms of the timeline, what we are seeking here is moving quickly with these shovel ready projects and the steps to follow. We are targeting that we need to initiate the series of approval, from the Board, the FOMB, and the PREB, based on the current oversight structure.

We are looking forward that, as we continue working with the contract and amendment language and continue discussing all aspects of normal negotiations on these types of contracts, we will be coming up to the Board seeking approval and then that will trigger the approval process of our oversight entities.

Regarding the vegetation management program, we have been working very closely with the Transmission and Distribution Directorate. We ran an RFP process, as mandated by the Board, and after running the evaluation and selection process, PREPA has selected one company, Master Link, to work on the transmission network.

Master Link has been assigned two lines, 50200 and 51200. These lines are key interconnections from north to south. We have seen strong challenges on the vegetation management component. Most of the reasons for the outages are directly or indirectly linked to the vegetation management aspect.

This work has been assigned for 67 miles through the end of the fiscal year. The contract is not to exceed \$10.5 million. Bringing up to \$52,400 per mile. The reason of this added cost as we have seen through the evaluation process, is the challenges of accessing the site and the backlog of vegetation management.

After receiving the input from Transmission and Distribution and the Operational team, we do believe that the best investment of our dollars, as we move forward both within program and also addressing the main challenges and the key metrics of Transmission and Distribution, are being assigned to this line.

Regarding the distribution network, we are close to complete the pilot program that was assigned for \$4 million. We have two local contractors working on the lines. After the evaluation, we have seen significant improvements to the metrics and to the circuit that has been worked by these two contractors. So, to continue on the program, PREPA selected two contractors: DRC and Experts. The DRC has been assigned to 234 miles through the regions of Mayagüez, Caguas, Bayamón, and Carolina through the end of the Fiscal Year. The contract value will not exceed \$11 million. Based on the preliminary schedules discussed with the contractor, we do understand that these are lines that would be advanced work and we see advanced metrics improvements.

We assigned 294 miles to Experts in the regions of Arecibo and Ponce. They are available for the San Juan region. We are limited on budget, because there is an \$11 million cap. We have assigned the circuits based on the schedule and the highest priorities.

This project has been not only directed by the Fiscal Plan, but we had also secured budget through this fiscal year. We hope that for the end of the fiscal year, we will see strong improvements to the network.

Streetlighting

Mr. Fernando Padilla indicated that we have a comprehensive analysis of the work performed on streetlights by the Transmission and Distribution team, by our private contractors and by the municipalities.

The required repairs were 287,000, and of those 246,000 have been repaired. This gives us enough insight to state that 85.5% of the work that was assigned has been completed.

We are going to be budgeting a strong amount for the next fiscal year in order to impact the full inventory, following the public policy and the safety commitment PREPA has to Puerto Rico, in order to provide streetlighting for our roads and our rights of ways.

The working contractors have completed 80% of the work. The Transmission and Distribution team from PREPA have completed 84% of the work. In terms of the municipalities, we have been supplying them with 100% of what they have asked. They are working with their own contractors.

The PMO continues the execution with the contractors and the Transmission and Distribution team continues their work implementation and assignments within PREPA's operational team.

The presence of Engineer José Ortiz Vázquez, Chief Executive Officer, was recognized.

RFP Grant Management

Mr. Jaime López, Vice Executive Director, indicated that PREPA started a process for various professional services related to the disaster and reconstruction efforts.

On December 4, 2019, Request for Proposal (RFP) 99703 was issued to request proposals for professional and/or expert services in the area of Grant Management Services. After a detailed calendar and clarification process, on January 6, 2020, PREPA received one sole proposal from Tidal Basin Caribe LLC (Tidal Basin).

In view of the scopes of work and technical requirements of the aforementioned RFP, an Evaluation Committee was appointed to proceed with the evaluation of the proposal. The Evaluation Committee was composed of:

- Disaster Funding Management Office
- General Counsel
- Generation Director
- Planning & Environmental Protection Director
- Deputy Executive Director

After the completion of a detailed evaluation of the proposal, and a presentation to this Governing Board, the evaluation Committee unanimously determined that Tidal Basin's proposal complies with the intent, specifications, terms and conditions of RFP 99703.

Regarding the Grant Management RFP, Mr. Arturo Deliz recused himself from the process, because this a contractor that currently being managed by his office. The rest of the process was managed, evaluated and recommended by the remaining members of the evaluation committee.

Engineer Torres asked the specific amount of the bid. Mr. López explained that it is an estimate. We asked for a proposed budget for the next two years as part of the meetings that we have. The run rate should be approximately \$2 million a month. The budget for the rest of the balance is for this fiscal year, and for the next year the amount that is being requested is 24 million for 20 months.

Engineer Torres asked if we have the funds for this contract. Engineer José Ortiz indicated that the \$52 million for the administrative costs are ready for drawdown. We just have to submit the claim. We just prepared a claim for \$7 million for the expenses already incurred. The \$52 million for the next two years are already available.

Mr. Robert Poe presented a motion and it was seconded by Atty. Gerardo Lorán. Engineer Tomás Torres voted against because of funding concerns.

RFP Program Management

Mr. Jaime López presented the Request for Proposal (RFP) Program Management.

On December 4, 2019, the RFP for the Program Management Services was issued to request proposals for professional and/or expert services in the area of Program Management Services.

PREPA received the following proposals: Burns & Mc Donnell Caribbean (Puerto Rico) P-LLC; Integra Design Group, PSC; Sargent & Lundy, LLC; Tidal Basin Caribe LLC and TRC Engineers Inc.

Mr. López requested a brief paused to provide pricing and punctuation details.

The Chairman announced an Executive Session. As soon we finish, we will be back on the air.

The Committee selected Burns & Mc Donnell Caribbean (Puerto Rico) P-LLC (Burns & McDonnell), as their proposal best complies with the intent, specifications, terms and conditions of RFP 99688.

Mr. Robert Poe presented a motion and it was seconded by Mr. Charles Bayless. Engineer Tomás Torres voted against because of funding concerns.

Sargent & Lundy

Mr. Fernando Padilla presented the Amendment to Sargent and Lundy Professional Services Contract.

The management requested a budgeting increase for the Sargent & Lundy Professional Services Contract.

Sargent & Lundy, LLC are currently our lead infrastructure advisors. They are working with the variety of work streams in terms of the strategy and ongoing operation of the utility. They have been providing very strong input and assessment on all the workstream in support of the concessionaire and the Transmission and Distribution transaction.

They serve as the infrastructure advisor from the PREPA side and there have been ongoing interactions with the different proponents across the RFP process.

They have been serving expert witnesses for the insurance claim. They have been helping on specifics on the gas or fuel supply strategy across the organization. They have

been helping us on contract and optimization support specifically on the fuel procurement side, in support of the PPOA, Net Energy and EcoEléctrica contracts.

We added scope to them on the strategic planning and support this on the renewable side. We have seen a very strong leverage they have in terms of the knowledge of the system. Specifically, on Transmission and Distribution and substations.

We have used them on the interconnection studies looking into the MTR. They have been providing support to the management team across the negotiations of the shovel ready and operational PPOA.

This has been one of the reasons their budget has been consumed at a slightly higher rate than expected. Therefore, as we are going forward for the next few months and complete the shovel-ready projects, and we are also heading into the integrations of the concessionaire, we are recommending an additional increase of the budget for Sargent and Lundy. They will enhance value to the ongoing operation and the implementation strategy. The current ask is an amendment of \$1.2 million for labor. We have seen a reduction close to ten percent on the current rate.

Mr. Charles Bayless presented a motion, and it was seconded by Mr. Robert Poe. Engineer Tomás Torres voted against because of funding concerns.

CPM

Mr. Fernando Padilla-Padilla presented the First Amendment CPM PR, LLC Contract.

CPM has been providing services for inspections. We have been working with them in support of the PREPA team and the PMO organization, regarding the streetlight and vegetation management programs.

We have limited resources performing inspection services on the side of the utility. And we have seen strong ongoing progress, both on the streetlight and on the continuous implementation of the vegetation management program.

The specific tasks assigned by PREPA to the Contractor are the following: inspection, administration and engineering of all construction works for the installation of streetlights and accessories, reviewing the scope of work with the contractors according to the damage assessment provided, reporting to PREPA any discrepancies in the assigned scopes of work, and providing inspection reports, project weekly progress reports per assignment, analysis of progress, and recommendations, among others.

We are requesting an increase of \$3.5 million for the CPM Contract to continue the support, specifically on the streetlighting portion. The total amount of the contract will be \$9.5 million.

These dollars will come from the emergency account. They are reimbursable by FEMA, based on the ongoing PW submitted on this project.

Engineer Torres asked if PREPA has internal resources that can perform these jobs and save \$3.5 million. Mr. Padilla indicated that we don't have enough capability in order to carry the project with the internal resources.

Mr. Robert Poe presented a motion, and it was seconded by Mr. Charles Bayless. Engineer Tomás Torres voted against because of funding concerns.

Tidal Basin

Mr. Jaime López presented the Second Amendment of the Tidal Basin Caribe, LLC Contract.

Mr. López explained that there were two subsequent events that happened after signing the contract that required the mobilization of additional resources and expenses for this consultant.

On December 31, 2019, the Central Office for Recovery, Reconstruction and Resiliency (COR3) cancelled a professional services contract with Navigant Consulting Inc.

The Consultant recruited Navigant's personnel to not lose the manpower necessary to continue the works to complete PREPA's PWs drafting, damage assessments and scopes of work under Section 428 permanent work projects.

The second event was the 6.4 magnitude earthquake that affected the Peñuelas-Guayanilla's area, which caused severe structural and operational damages to the Costa Sur Power Plant. As a consequence, the Consultant was mobilized, under the Contract, to perform damage assessments and PWs, in order to proceed with new damages claims

before FEMA and PREPA's insurance companies. Due to those unforeseeable events, the original budget for the contract was consumed in a shorter term.

In order to continue receiving the Consultant's services, Mr. Arturo Deliz requests an increase in the Contract amount by \$3,600,000, for a maximum amount of \$9,000,000, for Fiscal Year 2019-2020.

On February 18, 2020, the Finance Directorate certified the availability of \$3,600,000 in the budget for Fiscal Year 2019-2020, for this Second Amendment to the Contract.

Engineer Torres asked if PREPA has internal resources that can perform these jobs and PREPA could saving \$3.6 million. Engineer Ortiz-Vázquez indicated that this was performed by COR3 until a few months ago, when they asked us to go directly and contract them. So, we absorbed their contract and we brought them in just to avoid conflicts with COR3. We have to continue with the people that have been there for over a year performing those services. Our expectation is that by March 31, we complete the process of the estimates and most of the scope of work.

At this point, we recommend completing the process with the people who started this more than a year ago, and this is reimbursable by the \$52 million from the direct expenses.

Engineer Kreil mentioned that we want to move forward and comply with the transformation.

Engineer Torres mentioned that he would agree with all of this, if we have a written policy on how to proceed, in terms of what is done with our own resources and what is

outsourced, especially when considering the financial condition of the utility, as for example with public lighting and vegetation management. We need a guide and once we have it, we may have a consensus in the votes.

Mr. Robert Poe mentioned that our guide is the Integrated Resources Plan (IRP), what we should follow.

Mr. Charles Bayless presented a motion, and it was seconded by Attorney Gerardo Lorán. Engineer Tomás Torres voted against because of funding concerns.

2. Audit

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

Regarding what we are doing in the Costa Sur plant for recovery, we are working with the insurance company and FEMA, which are the funds that we can eventually use to rebuild or recover in one way or another the damage that occurred due to the earthquakes.

It is probably not worthwhile getting into all details right now, but we're on top of it and know that we are aggressively going after insurance reimbursement.

We want to make sure that we were keeping up on track of our competitive procurement efforts. Many of the contracts that we're doing are following these new procurement standards

Attorney Astrid Rodríguez mentioned that, as requested by the Governing Board, we are in the process of reviewing the internal procedure to include the new contract acquisition form for professional services of more than \$500,000.

Mr. Poe indicated that we are going to try to get that tightened up and have it done by the end of the month. In the meantime, all procurement is following the process.

Mr. Nelson Morales explained that PREPA signed a contract with BDO two weeks ago. We received a request for an update on management's position regarding the review that they will be performing. We will be providing that information this week.

KPGM is currently performing the 2018 audit.

We received federal funds for Fiscal Year 2018 which requires a separate report.

Disaster Funding Management Office (DFMO)

Regarding the DFMO organization, it is really to deal with the very complicated process of rebuilding energy in Puerto Rico. Through the DFMO, we will see thousands of projects go through and we will see billions of dollars through in the upcoming years.

On December 28, 2019, Puerto Rico began experiencing a series of earthquakes along the south coast of the Island, including a 6.4 and a 6.2 earthquake on January 7, 2020. A large number of earthquakes have continued in a "swarm" pattern along the south coast through today. PREPA must now recover both from the unprecedented damage caused from Hurricanes Irma and María, but also now from substantial damage caused by recent seismic activity along the south coast of Puerto Rico.

Mr. Poe read the Therefore of the Resolution.

- DFMO will continue in its current reporting relationship to the Executive Director. A clear organization chart shall be produced immediately illustrating the PREPA positions and personnel staffing the office and their respective reporting relationships.
- The DFMO shall immediately establish a firm, annual operating budget for its operational and administrative activities in a similar manner to other PREPA organizational entities. It is recognized by PREPA's Governing Board that the DFMO is operating in a highly changing environment, and therefore, the Board anticipates potential budget adjustments from time to time, to reflect changes in the external operating environment of the DFMO.
- Since the recovery of Puerto Rico's electric system will be a multi-year effort, positions in DFMO shall be established permanently. Any personnel who have been loaned to the DFMO from other PREPA organizational entities should either be brought into the DFMO operating budget or returned to their original organizations within 60 days of this resolution.
- In light of the significant dollar value, FEMA's programmatic requirements, the likelihood of audit, and the emphasis on transparency and integrity in PREPA's procurement process.
 - a. The DFMO shall immediately begin to coordinate its financial reporting and financial controls in line with the requirements of the PREPA's Chief Financial Officer (CFO). The CFO will be the final judge on the financial reporting

requirements for the DFMO within PREPA. Additionally, if the CFO requires additional financial controls or financial reporting from the DFMO, the DFMO shall comply.

- b. The DFMO shall comply with recommendations from the PREPA Internal Auditor,
- c. The DFMO shall comply with all PREPA procurement procedures,
- d. The DFMO shall work with the PREPA Legal Department to ensure compliance with all relevant laws, rules and regulations.
- e. In line with the DFMO operating budget, with progress it is making toward rebuilding the power infrastructure within Puerto Rico, with information it gains from FEMA and other relevant federal and Puerto Rico agencies, the DFMO shall immediately present an annual plan of work and a detail description of the resources needed.
- f. The DFMO will provide a weekly report to PREPA's Governing Board, Reporting will be done in writing and reported to at least the Governing Board's Executive Committee weekly. Participation in the weekly meeting can be done in person or through electronic means.

Engineer Ortiz commented that we have to understand that the DFMO is not another department only, it is a huge initiative, bigger than 98% of the agencies out there. We need full support from the auditing and the accounting departments, compliance with the ethics guidelines, but also with the federal guidelines.

Engineer Torres requested to amend item F to include the monthly report to all members.

Mr. Charles Bayless presented a motion, and it was seconded by Mr. David Owens. It was approved.

Attorney Gerardo Lorán commented that the report should be shared with FEMA and the FOMB.

Coded Materials Requisition

Engineer Ralph Kreil presented the Coded Materials Requisition Resolution.

According to PREPA's Rules Regarding Levels of Approvals of Documents (August 15, 2019 Revision) the requisitions for coded equipment, parts and materials over \$2,000,000 require the Governing Board's approval.

Coded materials, are those materials used by PREPA for its regular, everyday operations, acquired through contract and upon, request by PREPA.

Due to the necessity to maintain proper inventories of materials in PREPA's warehouses in order to meet PREPA's need for said materials in an efficient and expedited manner, PREPA's Governing Board has determined to delegate in Mr. Robert Poe, Member, the faculty to approve the abovementioned requisitions through the Asset Suite platform.

Attorney Gerardo Lorán presented a motion, and it was seconded by Mr. Charles Bayless. It was approved.

3. Customer Affairs

Mr. Robert Poe, Chairman of the Customer Affair Committee, presented the issues discussed at the meeting held on February 24, 2020.

We reviewed media efforts and successes in terms of earthquake communication. We think we're doing a good job in terms of public communications letting people know when we are going to get things fixed.

In all these efforts, there is a lot of Infrastructure Technology (IT) help that is required.

We want to make an effort for the next month to figure out how we can possibly mediate these issues to try to move some of these consumer programs ahead faster.

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

The Call Center Project is already done.

The projected collections for January 2020 were \$261.5 million. We are focusing on commercial and industrial accounts, that represent a 52% of our income.

Regarding Irregularities in Electric Power Consumption, 2,293 customers were visited, resulting in 453 of them being positive for theft, 1653 negative and 187 not accessible meters.

We have begun to receive the meters. Meters are needed in the Irregularities in Consumption of Electric Energy Division (ICEE) and in the Customer Service Division. We have focused first on Net Metering accounts.

Engineer Torres recommended that for the next public meeting, we continue to engage with consumers and, at minimum, give one or two minutes for public comments.

We are working on a campaign so that consumers know what services they can do by phone. Engineer Torres encouraged Mrs. Figueroa to finish the Tablet platform project, which will improve efficiency of fieldwork.

4. Infrastructure and Occupational Safety

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

In the average performance over the past 12 months (February 2019 – January 2020), SAIDI had an average deviation of 10.82 minutes per customer, SAIFI had an average deviation of .0670 interruptions per customer, and CAIDI had an average deviation of 1.83.

The main causes for outages were vegetation, equipment deterioration, defective equipment and interruptions caused by bad weather.

Regarding vegetation management, we operated 0.87 effective miles in transmission, and 9.01 effective miles in distribution. We currently have accumulated 4.3 effective miles for transmission, and 87.3 miles for distribution.

Engineer Efran Paredes, Planning and Environmental Protection Director, presented an update of the Integrated Resources Plan (IRP).

Regarding the IRP, we are in the final steps. At the beginning of February, we were in the evidentiary hearings.

Currently, we are drafting the legal brief to submit to the Puerto Rico Energy Bureau (PREB) this Friday.

On March 2, 2020, the final public comments are due, and on March 9, the reply to the legal brief.

The PREB will start the internal process to make the final decision regarding that. Basically, we are waiting for those dates.

Engineer Kreil asked Mr. Padilla if the PREB had answered in relation to the RFP for Emergency Generation for Costa Sur. Mr. Padilla answered that we have not had an answer from the PREB. We submitted a complementary motion to try to move it forward. They asked for the latest assessment on the power plant. They have asked for some specific wording in terms of the regulation, but the scope of the information and the scope of the strategy have been submitted to them, and we have very clearly asked to move forward with the approval so we can publish the RFP event.

Engineer Daniel Hernández, Generation Director, presented his report.

Regarding the use of fuel, we are compensating for the lack of generation from EcoEléctrica during the emergency.

In terms of base generation, our actual generation is 1883 megawatts; the average demand is 823 megawatts, and the required additional generation for us to be as operational is at least 450 megawatts.

Currently, PREPA has a base generation deficiency of 867 megawatts. There is 922 megawatts of base generation on our power plants, that is San Juan, Palo Seco and Aguirre.

AES and EcoEléctrica run at 100% of their capacity.

PREPA's reserve generation is 785 megawatts, which is around 52%; 5 megawatts on hydro for a total generation of 2,673 megawatts.

We have 201 megawatts available on renewables.

Engineer Hernández presented the units that are out of service.

Unit 5 of San Juan the steam turbine generator is out of service. It is in the process of being fixed. We expect to have this unit back in operation by March 14.

Regarding San Juan Unit 6, the steam turbine generator was damaged on January 26.

We expect to have it on August or September 2020.

Unit 8 is already fixed, what we need to do is maintenance on the main power breaker.

On March 14, we are recovering another 45 megawatts.

Palo Seco Units 1, 3 and 4 are in operation. Unit 2 is out of service.

Aguirre Unit 1 has a limitation of 325 that we are now repairing. The unit will be at least on 400 megawatts for the next weekend.

The Aguirre Unit 2 transformer is already replaced. We are starting the final test on Monday.

Once we finish all these repairs, we are going to add another 960 megawatts to the base generation for PREPA.

We are working with the peakers. We have 18 peakers on our system.

Engineer Hernandez presented the recently repaired peaker units.

In San Juan, we already have the LNG ship on San Juan Port. We are expecting to start burning LNG on Unit 5, which is already converted. The contractor is doing some commissioning test on the port.

San Juan Unit 6 will be out of service this weekend. We expect to have it ready at the beginning of April. Mayaguez Units 2 and 4 are damaged because of the earthquake. Unit 2 will be back on service on April. Unit 4 still has some pending repairs regarding the bearings.

If we fix all these units, we are going to add another 960 megawatts to our base generation system. The forecast of the load is 2800 megawatts in August. We have a big deficiency in base generation.

We need to add, as soon as possible, another 500 megawatts.

If we put the peakers in, if we do all that maintenance that we were talking about and accelerate of all that, we need up to 500 megawatts. In order to have a comfortable reserve for contingencies and so forth.

Engineer Kreil mentioned that we agree that we need additional generation, and it is for this reason that we are executing the RFP for emergency generation in parallel, to see what the final decision regarding Costa Sur Units 5 and 6 will be.

The emphasis on base generation is that it's the cheapest, most reliable generation that we have. We need to focus on how we can improve that base generation in our system.

The peakers are not to be in service 24/7. The peakers are for emergencies, for special conditions. We cannot rely solely on the peakers.

We want to add the 960 megawatts in base generation to the system just before August. In parallel, we are making the effort to add another new temporary generation, trying to cover at least another 500 megawatts of the deficiency projected for August.

5. Human Resources

Mr. Charles Bayless, Chairman of the Human Resources and Legal Affairs Committee, informed that the matters discussed are exempted from public discussion, as established by Act 83 of 1941, as amended.

6. Finance and Bankruptcy

Mr. Charles Bayless informed that the enterprise risk management system that is being installed, is a system that looks at risk throughout the whole Company.

Coronavirus is now in South America, and the cases have only tripled overnight. It probably is going to get here as well as everywhere else, and we need to be mindful of how we operate in an environment where there are working orders and you cannot have large meetings. We need to have people working online. Management should look at this.

Mr. Nelson Morales, Chief Financial Officer, presented his report.

Kilowatts sales for January 2020 were greater than budgeted by .3% and greater than the prior year amount by 3.7%.

Monthly efficiency for January was 91.1%.

The actual year to date amount of barrel's 22.3% greater than budgeted and 10.7% greater than last year.

Price per barrel equivalent for January was \$76.1, which is, 5.1% greater than budgeted and .5% lower than the prior year.

Price per kilowatt hour for January 2020 was 27.88 cents compared to the budgeted amount of 21.74 cents.

There was an adjustment that took place in January of about three cents, and another 90 cents for the use of Bunker C and diesel following the earthquake, estimated at about \$35.9 million, and there is a correction as well in the municipal lighting expense report for July to December 2019.

7. Chief Executive Officer

Engineer José Ortiz-Vazquez mentioned that they had the first meeting with the new Chief of Staff from the Governor's Office, and it was a very productive.

The matter discussed was the priorities that we were pursuing.

Engineer Ortiz mentioned that they had a meeting yesterday with HUD's Entourage: Mr. Brian Montgomery, Assistance Secretary, Mr. Robert Couch, Coordinator for CBDG-DR Funding, the original director and the local director of the HUD Offices. It was a very good meeting.

They wanted to know about the earthquakes, and especially on the financing of CBDG-DR which is \$1.9 billion. What will be done with that financing.

We talked about the IRP and the main resiliency in many ways. The main resiliency project is basically having a long-term vision and execution in PREPA.

In the last ten years, we have had ten executive directors. It is impossible to roll out the energy policy of any country or state in that way.

We are looking for that transformation with an entity that is for a term of 15 to 20 years. Metrics and objectives will be established.

We talked about the RSA, where we stand right now, and the way to provide political resiliency to the agency in some way.

We talked about the Board we have right now, and, also, the agreements with FEMA. They basically said that this is very important, and I spoke about the many meetings we have had with Mr. Bruce Walker and his team at the Department of Energy. They highlighted the fact that, whatever we want to use this money for, it has to be in concert with the DOE and aligned with FEMA's decisions on 428.

We talked about the Fiscal Plan. We talked about most recent agreement with FEMA. I would like to say that by the end of March, the intentions are to have basically a settlement in terms of estimates and the scope of work.

Once we have that agreed with the local FEMA team, that goes to Washington.

We had a previous experience with CDBG funding, because when the \$7.2 billion came to Puerto Rico through the American Recovery and Reinvestment Act funds, he was the Coordinator for the island.

We talked about the potential action plan for the \$1.9 billion. We have an IRP and we have to wait for that to see what the gaps between the IRP are, the grid modernization plan, and probably the \$1.9 billion will come in a good moment to fit in to those gaps.

We took them to Costa Sur Plant, and they saw the facilities. We talked what we are doing and the analysis.

Approval of the minutes.

Mr. Charles Bayless presented a motion and it was seconded by Engineer Ralph Kreil. They were approved with the inclusion of Eng. Torres's comments.

The meeting adjourned at 12:37 p.m.



Eduardo Arosemena-Muñoz
Corporate Secretary