



## GOVERNMENT OF PUERTO RICO

Puerto Rico Electric Power Authority  
Governing Board

### RESOLUTION 4769 DIRECT NEGOTIATION WITH GENERAL ELECTRIC (GE)

- WHEREAS: The Puerto Rico Electric Power Authority (PREPA) is a public corporation and an instrumentality of the Government of Puerto Rico created by Act 83 of May 2, 1941, as amended (Act 83). PREPA was created to provide electrical energy in a reliable way contributing to the general welfare and sustainable future of the people of Puerto Rico, maximizing benefits and minimizing social, environmental and economic impacts. In addition, PREPA provides a service based on affordable, fair, reasonable and non-discriminatory cost that is consistent with environmental protection, non-profit, focused on citizen participation and its clients.
- WHEREAS: Act 83 authorizes PREPA to grant contracts and formalize all the instruments that are necessary or convenient in the exercise of any of its powers.
- WHEREAS: Section 15(1)(a) of Act 83 states that all purchases made and contracts for supplies or services, except professional services, entered into by PREPA, including its capital construction contracts, shall follow a bid process.
- WHEREAS: Section 15 (2) of Act 83, lists the instances in which a bid process will not be required. Subsection (e) recognize the direct procurement when prices are not subject to competitive bidding because there is no more than one source of supply (only supplier).
- WHEREAS: The Costa Sur Power Plant (CSPP) consists of six steam turbine units, divided in three different structures. All structures were designed and built, between the 1950's and 1970's, by General Electric (GE) (Manufacturer), which is the original equipment manufacturer. Also, the turbines and generators were manufactured and installed by GE.
- WHEREAS: On January 7, 2020, Puerto Rico suffered a 6.4 magnitude earthquake, in the south coast of the island. As a consequence, Puerto Rico underwent a black out of PREPA's electrical system and specially the earthquake and subsequent aftershocks caused damages to the six units of CSPP.
- WHEREAS: Before the earthquake, only two of six units at CSPP, Units 5 and 6, were operational.



WHEREAS: PREPA commissioned GE to perform a structural condition survey inspection, and technical report on the structures of the boilers and the main components of all six units. Also, the study included the inspection and report of all damages regarding the steam high energy piping support system.

WHEREAS: GE determined that there were significant damages and indications of large displacement of structures, equipment and piping.

WHEREAS: GE recommended PREPA to perform the work in the following phases:

- a) Phase 1 – emergency effort to stabilize units against gross failure. This phase included a preparation of summary of damages that needed to be addressed to mitigate potential collapse failure prior performing more extensive assessments.
- b) Phase 2 – required repairs to units 5 and 6 prior to placing units back in service.
- c) Phase 3 – required repairs to units 5 and 6 that may be completed with units in service.
- d) Phase 4 – required access and egress repairs to units 5 and 6 that may be completed with the units in service.

WHEREAS: Due to the Earthquake and post seismic events that have occurred since January 7, 2020, PREPA has lost approximately 820 MW of generation capacity, which is approximately 20% of the total integrated capacity of the system. The Generation Directorate considers this matter must be attended to as soon as possible to avoid possible load sheds around the island, especially during the summer and fall seasonal period. PREPA needs to regain the power capacity necessary to maintain a generation fleet to assure an efficient and reliable service to its clients.

WHEREAS: The seismic damage experienced for Unit 6 at CSPP appears to be more significant than that of Unit 5. As such, it is expected that repairs for Unit 6 will take considerably longer than the repairs required to enable Unit 5 to become back in service.

WHEREAS: The forecasted energy squeeze anticipated by PREPA will occur in the summer of 2020.

WHEREAS: Time is of the essence in this situation with only three months remaining before the anticipated energy squeeze, and the PREPA Governing Board has expressed its strong preference that Unit 5 at

CSPP be brought into energy generation as soon as possible without regard to repairs on Unit 6.

WHEREAS: On March 13, 2019, GE, through its authorized representative, Alstom Caribe, Inc., submitted proposal 1494673, Rev. 3 for the necessary of CSPP, at a cost of \$5,141,098. The proposal includes all the mobilization and demobilization stages and the structural steel repair works for phases 2 and 3 for units 3 and 4 and for phases 2, 3 and 4 for units 5 and 6. Also, the repairs for the piping supports, boiler buckstays, buckstay guides and grating platforms for units 5 and 6.

WHEREAS Engineer Daniel Hernández-Morales, Generation Director, has requested authorization to proceed with a direct negotiation for the above mentioned services, and up to a maximum amount of \$5,141,098.

WHEREAS The above acquisition of services constitutes an exception for the requirement of an open competitive process because it is considered as an only supplier.

WHEREAS: PREPA's General Counsel considered Engineer Hernández-Morales memorandum and concluded that those services may be procured out without a competitive bid process, according to the faculty granted to PREPA by Section 15(2)(e) of Act 83, with the previous authorization of the Governing Board.

WHEREAS: On March 13, 2020, PREPA's Chief Financial Officer, Mr. Nelson Morales-Rivera, certified the availability of \$5,141,098 in the budget for Fiscal Year 2020-2021, for the requisition for the CSPP's repair services.

WHEREAS According to PREPA's Rules Regarding Levels of Approval of Documents, as revised (Norma sobre Niveles de Aprobación de Documentos de la Autoridad de Energía Eléctrica), Article IV, Materials Acquisitions, Equipment or Services, section B, the Governing Board can authorize, by means of a Resolution, contracts which are exempt of an open competitive process under direct negotiations, in excess of \$2,000,000.

THEREFORE: The Governing Board of the Puerto Rico Electric Power Authority resolves:

1. To authorize the Chief Executive Officer, to delegate to the Head of the Materials Management Division the direct negotiation between PREPA and Alstom Caribe, Inc., for the repair of only Unit 5, in CSPP.

2. To authorize the Chief Executive Officer to sign the resulting contract, in conformity with the recommendations made by the Head of the Materials Management Division.
3. To consider repairs for other CSPP units only after Unit 5 has been brought into production and after other units at other PREPA generation facilities that can be brought into production before the anticipated summer power squeeze, have also been brought into production.

Approved in San Juan, Puerto Rico, on the eighteenth day of March, two thousand twenty.



---

Eduardo Arosemena-Muñoz  
Secretary of the Board