



GOVERNMENT OF PUERTO RICO

Puerto Rico Electric Power Authority
Governing Board

RESOLUTION 4783 CORCO LEASE AGREEMENT

- 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 by a bid process.
- WHEREAS:** According to Section 15(2)(e) of Act 83, a competitive bidding process shall not be necessary, when: prices are not subject to competitive bidding because there is no more than one source of supply.
- WHEREAS:** On February 1, 2008, PREPA and the Commonwealth Oil Refining Company (CORCO) entered into a Terminalling Services Agreement (Contract 902-11-07) for a period of 12 years. Through this Agreement, PREPA leased nine (9) storage tanks from the CORCO terminal in Peñuelas. Six (6) of the tanks, with a total storage capacity of 1,454,000 barrels, handle No. 6 fuel oil. The remaining three (3) tanks, with a total storage capacity of 450,000 barrels, handle No. 2 fuel oil. Throughout the 12-year term of the Agreement, PREPA has used the storage tanks to store PREPA-owned fuel or has subleased tanks to its fuel suppliers as needed. The total cost of the Agreement was \$145,733,029.
- WHEREAS:** Upon expiration of the Terminalling Services Agreement on January 31, 2020, PREPA issued two purchase orders for two (2) months periods each, for the lease of the six (6) No. 6 fuel oil tanks, to continue with the services from February through May 2020, in order



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to have time to work on a long-term agreement. The maximum amount of each purchase order was \$1,996,987.58.

WHEREAS: On August 1, 2019, PREPA and Freepoint Commodities LLC (Freepoint) executed a Fourth Amendment to Contract 902-02-15 (Contract 2016-P00009). Through this Contract, Freepoint provides No. 6 fuel oil for PREPA's Generation Plants.

WHEREAS: Since the execution of the Fourth Amendment to Contract 2016-P00009 did not change the Terminalling Services Agreement, PREPA must continue providing a fuel tank sublease while Contract 2016-P00009 is in effect. Moreover, Contract 2016-P00009 will be in effect until October 31, 2020, with an option for an additional year until October 31, 2021, unless either party indicates their intention otherwise as stipulated in said Contract.

WHEREAS: Since the last purchase order is effective until May 31, 2020, the Fuels Office, with the collaboration of the Supply Chain Division, has researched the market of leasing tanks and determined that CORCO is the only supplier that can provide PREPA a lease for the fuel tanks for the term needed.

WHEREAS: Engineer Edwin Barbosa-Viera, Fuels Office Administrator, requests the approval of a direct negotiation with CORCO, for the lease of the fuel oil tanks, for an amount of \$41,019,708. As certified by Engineer Barbosa Viera, PREPA will recover a total amount of \$33,609,708 from the sublease to Freepoint. Therefore, the net cost for PREPA will be around \$7,000,000.

WHEREAS: In order to achieve PREPA's goals and to maintain the availability for the storage of No. 6 fuel oil, Engineer Barbosa-Viera requests the authorization for a direct negotiation with CORCO.

WHEREAS: On April 8, 2020, Mr. Nelson Morales-Rivera, Chief Financial Officer, certified the availability of funds for the leasing of these tanks, under account 1-2321-23215-000-000.

WHEREAS: On April 20, 2020, the General Counsel evaluated the legal aspects of the request presented by Engineer Barbosa-Viera and concluded that the direct negotiation with CORCO is subject to the approval of PREPA's Governing Board.

THEREFORE: In accordance with Act 83, PREPA's Governing Board resolves to:

1. Authorize the direct negotiation between PREPA and CORCO for the leasing of the fuel tank for No. 6 oil, for an estimated amount of \$41,019,708, until December 31, 2021.
2. Authorize the Chief Executive Officer, to delegate in the Head of the Supply Chain Division the direct negotiation between PREPA and CORCO, for the leasing of the fuel tanks.
3. Authorize the Chief Executive Officer to sign the resulting contract, in conformity with the recommendations made by the Head of the Supply Chain Division.
4. The execution of the contract must be in accordance with the applicable local and federal laws, and subject to the approval of the Fiscal Oversight and Management Board for Puerto Rico.

Approved in San Juan, Puerto Rico, on the twenty-ninth day of April, two thousand twenty.



Eduardo Arosemena-Muñoz
Secretary of the Board