



GOVERNMENT OF PUERTO RICO

Puerto Rico Electric Power Authority
Governing Board

RESOLUTION 4795

DIRECT NEGOTIATION TO UPDATE THE CONTROL NETWORKS OF THERMOELECTRIC UNITS AT PALO SECO AND SAN JUAN STEAM PLANTS

- 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. It also provides a service based on affordable, fair, reasonable and non-discriminatory costs 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. Subsections (c) and (e) recognize as an exception the direct procurement and acquisition of equipment and services in cases where spare parts, accessories, equipment or supplemental services are needed, which were previously provided, or when prices are not subject to competitive bidding because there is no more than one source of supply (only supplier).
- WHEREAS: Units 1, 3 and 4 of the Palo Seco Thermoelectric Plant, and Units 7, 8, 9 and 10 of the San Juan Thermoelectric Plant, have the capacity to generate 917 MW. This is equivalent to 33.8% of the availability of the electrical system, as of May 15, 2020.
- WHEREAS: Units 1, 3 and 4 of Palo Seco and Units 7, 8, 9 and 10 of San Juan, have installed a Foxboro control system, manufactured by Schneider Electric/Foxboro Controles S. A. (Schneider).



WHEREAS: Schneider notified PREPA that the servers and workstations of 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.

WHEREAS: At PREPA's request, LT Automation, Inc. (LT Automation), Schneider's exclusive representative in Puerto Rico, submitted proposals EP37-0625 Rev. 4 and EP37-0626 Rev. 4, both dated March 23, 2020, to update the control networks of the thermoelectric units of Palo Seco and San Juan, for a maximum amount of \$5,939,486 and a 20-week schedule to perform the work. The proposal includes purchase, design, manufacturing, installation and commissioning of the updating of the control networks. The breakdown of the costs for updating the control network that will allow implementing cybersecurity strategies, according to the proposals presented, shall not exceed \$5,939,486 and shall be as follows:

Proposal Number	Power Plant	Cost
EP37-0625 Rev. 4	Units 1, 3 and 4 PSSP	\$3,132,719
EP37-0626 Rev. 4	Units 7, 8, 9 and 10 SJSP	\$2,806,767

WHEREAS: Engineer Daniel Hernández-Morales, Generation Director, has requested authorization to proceed with a direct negotiation for the abovementioned services, and up to a maximum amount of \$5,939,486.

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

WHEREAS: Although the Generation Directorate has a certification of availability of funds for this control system upgrade, only 30% of each of the projects will be performed during the present fiscal year; this is approximately \$939,816 for the Palo Seco and \$842,030 for the San Juan, for a total of \$1,781,846.

WHEREAS: PREPA's Chief Financial Officer, Mr. Nelson Morales-Rivera, certified the availability of funds in the amount of \$1,781,846, which is 30% of the total cost for the San Juan and Palo Seco projects, corresponding to fiscal year 2019-2020. The remaining amount needed for the projects will be considered and approved for fiscal year 2020-2021, as part of the

Generation Directorate's 2020-2021 Necessary Maintenance Expense Program.

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

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

THEREFORE: In accordance with Act 83, this Governing Board resolves to:

1. Authorize the Chief Executive Officer 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.
2. Authorize the Chief Executive Officer to sign the resulting contract, according to the recommendations made by the Head of the Materials Management Division.

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



Eduardo Arosemena-Muñoz
Secretary of the Board