



GOVERNMENT OF PUERTO RICO

Puerto Rico Electric Power Authority
Governing Board

RESOLUTION 4800 COSTA SUR REPAIR WORK

WHEREAS: The Puerto Rico Electric Power Authority ("PREPA") is a public corporation and an instrumentality of the Government of Puerto Rico created by Act No. 83 of May 2, 1941, as amended (Act No. 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, it provides a service based on affordable, fair, reasonable and non-discriminatory cost that is consonant with environmental protection, non-profit, focused on citizen participation and its clients.

WHEREAS: Act No. 83 authorizes PREPA, in the management of its functions, to formalize all the instruments that are necessary or convenient in the exercise of any of its powers and to conduct all the necessary or convenient acts to effectuate the powers granted to it by Act No. 83 or any other law.

WHEREAS: On January 6 and 7, 2020, Puerto Rico was impacted by two major seismic events ("Seismic Events"), which caused considerable damage to PREPA's Costa Sur generation facility ("Costa Sur"). At the time of the Seismic Events, two (2) power generation units with a capacity of 410 Megawatts ("MW") each, identified as Unit CS-5 and Unit CS-6, were in operation in Costa Sur. As part of the operation of Units CS-5 and CS-6, a series of ancillary equipment and processes were also in operation, necessary and indispensable for the operation of Units CS-5 and CS-6. As a result of the damages sustained, Units CS-5 and CS-6 went out of service on January 7, 2020. Today, both units remain out of service, causing a significant deficiency in the generating capacity of PREPA.

WHEREAS: To provide electrical energy in a reliable way contributing to the general welfare of Puerto Rico, PREPA has the responsibility to supply the energy generation that the system demands and thus PREPA needs to both mitigate the effects of the loss of Costa Sur and repair Units CS-5 and CS-6 as soon as possible.



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WHEREAS: PREPA is in the process of bringing Unit CS-5 back on-line. To date, PREPA has completed the baseline of the project schedule, secured approval to utilize PREPA's emergency procurement process to support project needs, mobilized contractors for structural repairs and asbestos and lead removal, selected contractors for condensate water tank repairs, mobilized contractors to initiate boiler repair works and completed repairs in the overhead crane for Units 3-6. The progress in the work is reported by PREPA's Project Management Office to PREPA's Governing Board on a weekly basis and to the Puerto Rico Energy Bureau (the "Energy Bureau") and to the Puerto Rico Fiscal, Oversight and Management Board (the "Oversight Board") monthly.

WHEREAS: On account of the severe damage sustained by Unit CS-5 and Unit CS-6 of Costa Sur, the resulting reduction in PREPA's generation capacity and the time it would take to make the appropriate repairs on both units, on February 12, 2020, PREPA submitted before the Puerto Rico Energy Bureau a request for proposals (RFP) to acquire capacity and energy for the purpose of replacing in the short term the loss of 820 MW of base generation from Costa Sur ("Temporary RFP case"). This temporary generation has become particularly important given the approaching peak generation demand season. As part of the proposed RFP process PREPA submitted information to the Energy Bureau related to the Costa Sur damages assessment process, costs associated with repairs and estimated completion timelines for approval by the Energy Bureau.

WHEREAS: On May 22, 2020, after thoroughly evaluating the information submitted by PREPA, the Energy Bureau entered a Resolution and Order for PREPA in the Temporary RFP case, to comply, among others, with the following directives:

- (a) Approving a budget in the amount of twenty-five million two hundred thousand dollars (\$ 25,200,000) for the execution of the repair works of Costa Sur which includes the cost attributable to the works that will be executed by PREPA using its own personnel, materials and equipment and also includes all the phases and components of planning, design, permitting, construction, inspection, as well as any work or activity necessary to begin the operation and dispatch of Units CS-5 and CS-6 of Costa Sur;

(b) Allowing PREPA to commit funds in the amount of fifteen million dollars (\$ 15,000,000) for the expenses associated with the repair works. The Authority must request the Energy Bureau authorization to compel any resource in excess of the amount established herein. The Energy Bureau will expeditiously process any request made by the Authority for these purposes, in response to the emergency circumstances prevailing at the time of said request;

(c) Beginning on May 30, 2020, PREPA will submit every 15th and 30th of the month a detailed report on the progress of the repair works on both Units CS-5 and CS-6 of Costa Sur including information on any contract granted;

(d) PREPA shall, jointly with the execution of the repair works, and within the authorized budget for them, complete the assessment of the extent of damage sustained by Unit CS-6. PREPA shall carry out all those activities that it must reasonably perform to put the CS-6 Unit into service promptly, if possible and as a result of the abovementioned evaluation;

(e) Beginning on May 31, 2020 PREPA shall report the progress of the evaluations of damage and action plan regarding the repair of Unit CS-6;

WHEREAS: Act No. 83 authorizes PREPA to conduct all the necessary or convenient acts to effectuate the powers granted to it by Act 83 or any other law and there is no legal impediment for PREPA to authorize and approve the necessary actions required by the Energy Bureau.

THEREFORE: Pursuant to the circumstances and information detailed above, the Board hereby authorizes and/or approves the following:

a. Authorizes PREPA Management to commence repair work on Unit CS-6 of Costa Sur with the understanding that Unit CS-5 of Costa Sur remains the priority.

b. Authorizes PREPA Management to inform the Energy Bureau on the progress of the repair work for both Units CS-5 and CS-6 of Costa Sur on a bi-weekly basis.

c. PREPA Management will keep reporting to the Governing Board the progress of the repair work for both Units CS-5 and CS-6 of Costa Sur on a weekly basis.

d. Approves a budget in the amount of twenty-five million two hundred thousand dollars (\$ 25,200,000) for the execution of the repair works of both Units CS-5 and CS-6 of Costa Sur with the understanding that Costa Sur 5 is the priority. As long as the work on Unit CS-6 does not interfere with the progress of repair work on Unit CS-5 there is no impediment to use any remaining amounts of the allocated budget for the repair work on Unit CS-6.

e. Approves and authorizes PREPA Management to request from the Energy Bureau the approval of an additional budget of fifteen million dollars (\$15,000,000) for the expenses associated with the repair works on both Units CS-5 and CS-6 of Costa Sur.

f. Authorizes PREPA Management to request the Energy Bureau to approve an increase in the budget amounts approved for repair works on both Units CS-5 and CS-6 or expenses associated with the repairs, if necessary. Approval of any additional amount will not override any requirements necessary pursuant to applicable laws and regulations, including those included in Act 83.

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



Eduardo Arosemena-Muñoz
Secretary of the Board