

COMMONWEALTH OF PUERTO RICO
PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU

2019 JUN 20 PM 3: 26

IN RE: REVIEW OF THE PUERTO
RICO ELECTRIC POWER
AUTHORITY INTEGRATED
RESOURCE PLAN

NO. CEPR-AP-2018-0001

SUBJECT: PREPA's Motions (1) to
Extend June 21 Compliance Deadline
and (2) for Approval of Siemens
Contract Amendment

**PREPA'S MOTIONS (1) TO EXTEND JUNE 21 COMPLIANCE DEADLINE AND
(2) FOR APPROVAL OF SIEMENS CONTRACT AMENDMENT**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW the Puerto Rico Electric Power Authority ("PREPA") and respectfully submits, to the honorable Puerto Rico Energy Bureau (the "Energy Bureau"), PREPA's Motions (1) to Extend June 21 Compliance Deadline and (2) for Approval of Siemens Contract Amendment. This filing is supported by a Memorandum from PREPA's independent integrated resource plan "IRP" experts, Siemens PTI, a copy of which is attached hereto as Exhibit 1. The proposed Siemens Contract Amendment is attached hereto as Exhibit 2. PREPA, as and in support of its Motions, states as follows:

Compliance Filing Extension

1. Under a combination of Energy Bureau orders issued on April 26, May 23, and June 12, 2019, PREPA is required to file by June 21, 2019, at 12:00 p.m., the results of a number of Long-Term Capacity Expansion ("LTCE") model runs relating to switching the AES coal plant to another fuel and certain additional information relating to biofuels and biomass. See April 26th order at pp. 5-6, as clarified, modified, and expanded by May 23rd order at pp. 2-3.

2. PREPA recognizes that the Energy Bureau already has extended the time for that compliance filing.

3. In brief, PREPA seeks additional time, however, for the compliance filing, for the following reasons: The Siemens team that is working on the compliance filing is the same Siemens team that developed the IRP that was filed on June 7, 2019, has worked on related filings and submissions, such as the submission of IRP work papers the week of June 10th and the testimony of Dr. Nelson Bacalao filed on June 14th. The necessary work on the IRP was substantially more than expected and that led both to work on the compliance filing being delayed as a matter of prioritization on IRP filing compliance and to Siemens reaching the spending limit on its current contract with PREPA. Siemens has estimated that, with active work beginning on June 24, 2019, it will take Siemens until July 12, 2019, to complete the analytical work and prepare a draft report for PREPA. Siemens anticipates that it will take PREPA and Siemens and additional three business days to review and finalize the report, i.e., until July 17, 2019.

4. PREPA's request is supported and expanded upon by Exhibit 1 hereto, the Memorandum from Siemens.

5. Accordingly, PREPA respectfully requests that the Energy Bureau grant an extension of time for the compliance filing to July 17, 2019.

Siemens Contract Amendment

6. On November 6, 2018, the Energy Bureau issued an order directing PREPA by November 21, 2018, to file copies of the PREPA IRP work contract with Siemens and any amendments to that contract, and to advise the Energy Bureau if any contract amendment was expected in the near future and, if so, certain related information.

7. On November 20, 2018, PREPA timely complied. PREPA noted that, at the time, it did not believe any further contract amendments would be needed because the contract was valid throughout the 2019 Fiscal year (ending June 30, 2019).

8. On December 20, 2018, the Energy Bureau issued an order finding that PREPA had timely complied with the November 6th order and directing PREPA that any future amendments to its IRP contract with Siemens must be submitted to the Energy Bureau, together with the scope of the amendment and the change in the contracted amount.

9. As noted above, due principally to Siemens having to perform significantly more work on the IRP than was expected, Siemens has reached the limit amount under its existing contract with PREPA.

10. PREPA also needs services from Siemens related to compliance with Financial Oversight and Management Board matters and Act 17-2019.

11. Accordingly, PREPA has entered into the attached proposed contract amendment with Siemens, Exhibit 2.

12. The proposed Siemens contract amendment will be submitted to the PREPA Governing Board for approval during the next few days.

13. The proposed Siemens contract amendment is supported by Exhibit 1 as well as the information in Exhibit 2.

14. Accordingly, PREPA respectfully requests that the Energy Bureau, by no later than June 27, 2019, approve the proposed Siemens contract amendment.

WHEREFORE, the Puerto Rico Electric Power Authority respectfully requests that the Honorable Puerto Rico Energy Bureau grant the foregoing Motions, extend the referenced compliance filing due date to July 17, 2019; approve the proposed contract amendment by no later than June 27, 2019; and, enter such other relief as is warranted.

RESPECTFULLY SUBMITTED,

IN SAN JUAN, PUERTO RICO, THIS 20th DAY OF JUNE, 2019

PUERTO RICO ELECTRIC POWER AUTHORITY



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SIEMENS

Ingenuity for life

MEMO TO: PREPA CEO and IRP Team

FROM: Siemens PTI/EBA

DATE: June 19, 2019

SUBJECT: AES Coal Conversion Assessment

This memo explains the reasons for the extension of the June 21st Compliance Deadline for the AES Conversion Assessment. Under a combination of Energy Bureau orders issued on April 26, May 23, and June 12, 2019, PREPA is required to file by June 21, 2019, at 12:00 p.m. AT, the results of a number of Long-Term Capacity Expansion ("LTCE") model runs relating to switching the AES coal plant to other fuels, including biomass and natural gas. Siemens recognizes that the Energy Bureau already has extended the time for that compliance filing for PREPA, however, additional time is needed to complete the analysis.

The same Siemens team that developed the IRP is working on this assessment. The level of effort to perform the IRP scenarios and filing were significantly more than expected due to the reasons previously informed to the PREB, including the modeling issues encountered and the additional simulations needed to complete the IRP.

In addition, due to the additional work that needed to be carried out as a result of the Orders from PREB both prior to the February filing (November Orders) and post February Filing (April), and to account for observations from stakeholders like the FOMB, Siemens has reached the spending limit on our current contract with PREPA and we require to have a contract extension in place with PREPA in order to perform the analysis. This is in progress.

The PREB in its order is asking us to consider the 3 options (conversion of the boiler, HFCC and repowering to a new CCGT). For all these cases the Siemens team needs to develop capital and operating costs as well as performance estimates.

The PREB in its order is asking PREPA to assess the viability of Biofuels and Biomass, which requires its own independent study, in particular for a coal plant as large as AES with 454 MW of installed capacity. All of the biofuels and biomass generation in the U.S. are smaller than 113 MW, with 85% of the capacity operating being under 10 MW¹. This will be a supporting assessment and the center of our analysis will be done under the consideration that natural gas is the most practical and cost-effective option. Other fuels like LPG are expected to be costlier and /or insufficient (biofuels).

In Siemens view the timeline for conversion, HFCC or CCGT is likely to take a lot longer than end of 2020. We could assess 2020, but realistically the conversion will take time as the LNG terminal is required. In view of the Siemens team, the conversion may not happen prior to the end of 2022 (likewise the Mayaguez conversions).

Per the PREB order, the Siemens team needs to develop five LTCE cases in which AES is evaluated to be either retired by January 2021 or is converted to natural gas. The model may also decide to retire the converted unit if it finds to be uneconomical in the long-term. The assessment will be performed for the five core scenarios (scenarios 2, 1, 3, 5 and the ESM) for a total of 5 cases, all under base load forecast assumptions. This takes time due to the issues faced with the original IRP as the expansion plan will change and the decisions on other technologies including new gas and solar PV and storage may also change.

¹ The largest biomass operating plant is the Campbell Industrial Park in Honolulu, operational since 2010



In case that the plant is retired by Jan 2021, or partially retired, a steady state assessment will be also necessary to confirm the performance of the system without this plant and the additional generation added by the LTCE. Possibly a 2021 assessment and a 2025 assessment.

For the above reasons, the Siemens team would need through July 12 to perform the analysis. As indicated below and assuming the analysis starts on Monday, June 24, 2019, we have the following timeline planned.

Exhibit 1: Timeline

Task	Timeline
Develop performance metrics and costs for the conversion to natural gas	1 week / June 24 - June 28
LTCE Runs and assessment	2 weeks / July 1 st – July 12.
Steady State assessment	3 days (in parallel with the above)
Report	Draft to PREPA - July 12 Final to PREB - July 17

COMMONWEALTH OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY

SECOND AMENDMENT TO CONTRACT 2018-P00176

PROFESSIONAL SERVICES – INTEGRATED RESOURCE PLAN

APPEAR

As First Party: Puerto Rico Electric Power Authority (PREPA), a public corporation and government instrumentality of the Commonwealth of Puerto Rico, created by Act No. 83 of May 2, 1941, as amended, represented in this act by its Chief Executive Officer, mister José F. Ortiz Vázquez, of legal age, married, engineer and resident of San Juan, Puerto Rico.

As Second Party: Siemens Industry, Inc. (Consultant), a corporation organized and existing under the laws of Delaware and authorized to do business in Puerto Rico, with offices at 400 State Street, Schenectady, NY 12305, herein represented by its General Manager, Scott Hulett, of legal age and resident of Texas, and its Commercial Controller, Krishant Sivanesan, of legal age and resident of New York, duly authorized to appear in representation of the Consultant by Resolution dated March 5, 2018.

Both, PREPA and the Consultant which are hereinafter referred to individually as a "Party" and jointly as "Parties",

WITNESSETH

WHEREAS, PREPA, by virtue of its enabling act, Act No. 83 of May 2, 1941, as amended (Act No. 83), has the authority to engage those professional, technical and consulting services necessary and convenient to the activities, programs, and operations of PREPA.

WHEREAS, Act of May 27, 2014, No. 57, as amended (Act No. 57), requires PREPA to develop an Integrated Resources Plan (IRP), which shall consist of a detailed planning process considering all reasonable resources for satisfying the demand for electrical services in Puerto Rico during a period of twenty (20) years, including those resources related to energy supply and demand.

WHEREAS, on June 14, 2018, the appearing Parties executed a Professional Services Contract 2018-P00176 (Contract) for the performance of an IRP with a maximum amount of \$908,000 (Contract Amount) and a term starting its execution date and expiring on September 30, 2018 (Contract Period).

WHEREAS, on September 28, 2018, the appearing Parties executed a First Amendment of the Professional Services Contract 2018-P00176 (Contract) to increase its amount by \$1,000,000 for a maximum amount of \$1,908,000 and extend its term until June 30, 2019.

WHEREAS, PREPA needs to continue receiving the Consultant's services regarding the Puerto Rico Energy Commission's requirements in matters of the IRP, services related to the compliance with the Financial Oversight and Management Board for Puerto Rico and the public policies for energy in accordance with Act No. 17 of April 11, 2019, among others.

WHEREAS, the Consultant's services for Fiscal Year 2019-2020, requires an amount of \$2,658,000.

THEREFORE, the appearing Parties hereby agree to enter into this Second Amendment under the following:

TERMS AND CONDITIONS

First: The Parties agree to amend Article 2 of the Contract to extend its term until June 30, 2020.

Second: Both Parties agree that the amount for this Second Amendment, for Fiscal Year 2019-2020 is two million six hundred fifty eight thousand dollars (\$2,658,000).

Third: The Consultant will comply with all applicable State Law, Regulations or Executive Orders that regulate the contracting process and requirements of the Commonwealth of Puerto Rico. Particularly: *Law 237-2004*, as amended, which establishes uniform contracting requirements for professional and consultant services for the agencies and governmental entities of the Commonwealth of Puerto Rico. 3 L.P.R.A. § 8611 et seq., and the Puerto Rico Department of Treasury Circular Letter Number 1300- 16-16.

The Consultant shall provide to PREPA the Certifications mentioned on the list below, in at least 15 days after the signature of the Contract Amendment. The sworn statement related to the Anti-Corruption Code shall be provided by the Consultant at the date of the signature of the Contract Amendment.

A. Pursuant to Executive Order Number OE-1991-24 of June 18, 1991, Consultant will certify and guarantee that it has filed all the necessary and required income tax returns to the Government of Puerto Rico for the last five (5) years. Consultant, further will certify that it has complied and is current with the payment of any and all income taxes that are, or were due, to the Government of Puerto Rico. Consultant shall provide, to the satisfaction

of PREPA, and whenever requested by PREPA during the term of this Contract, the necessary documentation to support its compliance with this clause. Consultant will be given a specific amount of time to produce said documents. During the term of this Contract, Consultant agrees to pay and/or to remain current with any repayment plan agreed to by the Consultant with the Government of Puerto Rico.

B. Pursuant to Executive Order Number 1992-52, dated August 28, 1992 amending OE-1991-24, Consultant will certify and warrant that it has made all payments required for unemployment benefits, workmen's compensation and social security for chauffeurs, whichever is applicable, or that in lieu thereof, has subscribed a payment plan in connection with any such unpaid items and is in full compliance with the terms thereof. Consultant accepts and acknowledges its responsibility for requiring and obtaining a similar warranty and certification from each and every contractor and Sub Contractor whose service the Consultant has secured in connection with the services to be rendered under this Contract and shall forward evidence to PREPA as to its compliance with this requirement.

C. Consultant will certify and guarantee that it does not have any current debt with regards to property taxes that may be registered with the Government of Puerto Rico's Municipal Tax Collection Center (known in Spanish as *Centro de Recaudación de Ingresos Municipales* ("CRIM")). Consultant further will certify to be current with the payment of any and all property taxes that are or were due to the Government of Puerto Rico. Consultant shall provide, to the satisfaction of PREPA and whenever requested by PREPA during the term of this Contract, Certification issued by the Municipal Revenues Collection Center (MRCC), assuring that Consultant does not owe any tax accruing to such governmental agency. To request such Certification, Consultant will use the form issued by the MRCC (called "CRIM-Certificados, Radicación, Estado de Cuenta y Todos los Conceptos" in the website). Consultant will deliver upon request any documentation requested by PREPA. During the Term of this Contract, Consultant agrees to pay and/or to remain current with any repayment plan agreed to by Consultant with the Government of Puerto Rico with regards to its property taxes.

Consultant shall provide a Personal Property Tax Filing Certification, issued by the MRCC which indicates that Consultant has filed its Personal Property Tax Return for the last five (5)

contributory terms or Negative Debt certification issued by the MRCC with respect to real and property taxes and a sworn statement executed by Consultant indicating that (i) its revenues are derived from the rendering of professional services, (ii) during the last five (5) years (or the time in which it has been providing professional services) it has had no taxable business or personal property on the 1st of January of each year, (iii) that for such reasons it has not been required to file personal property tax returns, as required under Article 6.03 of Act 83-1991, as amended and (iv) that for such reason it does not have an electronic tax file in the MRCC's electronic system.

- D. Consultant shall furnish a Certification issued by the Treasury Department of Puerto Rico which indicates that Consultant does not owe Puerto Rico Sales and Use taxes to the Commonwealth of Puerto Rico; or is paying such taxes by an installment plan and is in full compliance with its terms.
- E. Consultant shall provide a Puerto Rico Sales and Use Tax Filing Certificate, issued by the Treasury Department of Puerto Rico assuring that Consultant has filed his Puerto Rico Sales and Use Tax for the last sixty (60) contributory periods.
- F. Consultant shall provide a copy of Consultant's Certificate of Merchant's Registration issued by the Treasury Department of Puerto Rico.
- G. Consultant shall present, to the satisfaction of PREPA, the necessary documentation certifying that the Consultant nor any of its owners, affiliates of subsidiaries, if applicable, have any debt, outstanding debt, or legal procedures to collect child support payments that may be registered with the Puerto Rico Child Support Administration (known in Spanish as the *Administración para el Sustento de Menores (ASUME)*).
- H. Consultant shall provide a Good Standing Certificate issued by the Department of State of Puerto Rico.
- I. Consultant shall provide a Certification of Incorporation, or Certificate of Authorization to do business in Puerto Rico issued by the Department of State of Puerto Rico.
- J. Consultant agrees to comply with the provisions of Act 2-2018, as the same may be amended from time to time, which establishes the Anti-Corruption Code for a New Puerto Rico. Consultant hereby certifies that it does not represent particular interests in cases or matters that imply a conflicts of interest, or of public policy, between the executive agency and the particular interests it represents.

Consultant shall furnish a sworn statement to the effect that neither Consultant nor any president, vice president, executive director or any member of a board of officials or board of directors, or any person performing equivalent functions for Consultant has been convicted of or has pled guilty to any of the crimes listed in Article 6.8 of Act 8-2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico or any of the crimes included in Act 2-2018. Consultant hereby certifies that it has not been convicted in Puerto Rico or United States Federal court for under Articles 4.2, 4.3 or 5.7 of Act 1-2012, as amended, known as the Organic Act of the Office of Government Ethics of Puerto Rico, any of the crimes listed in Articles 250 through 266 of Act 146-2012, as amended, known as the Puerto Rico Penal Code, any of the crimes typified in Act 2-2018, as amended, known as the Anti-Corruption Code for a New Puerto Rico or any other felony that involves misuse of public funds or property, including but not limited to the crimes mentioned in Article 6.8 of Act 8-2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico.

PREPA shall have the right to terminate the Contract in the event Consultant is convicted in Puerto Rico or United States Federal court for under Articles 4.2, 4.3 or 5.7 of Act 1-2012, as amended, known as the Organic Act of the Office of Government Ethics of Puerto Rico, any of the crimes listed in Articles 250 through 266 of Act 146-2012, as amended, known as the Puerto Rico Penal Code, any of the crimes typified in Act 2-2018, as amended, known as the Anti-Corruption Code for a New Puerto Rico or any other felony that involves misuse of public funds or property, including but not limited to the crimes mentioned in Article 6.8 of Act 8-2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico.

If any of the previously required Certifications shows a debt, and Consultant has requested a review or adjustment of this debt, Consultant will certify that it has made such request at the time of the Contract execution. If the requested review or adjustment is denied and such determination is final, Consultant will provide, immediately, to PREPA a proof of payment of this debt; otherwise, Consultant accepts that the owed amount be offset by PREPA and retained at the origin, deducted from the corresponding payments.

Consultant expressly agrees that the conditions outlined throughout this Article are essential requirements of this Contract. Consequently, should any one of these representations, warranties or certifications be incorrect, inaccurate or misleading, in whole or in part, there shall be sufficient cause for the PREPA to render this Contract null and void, and Consultant shall reimburse the PREPA all moneys received under this Contract.

Fourth: Consultant will certify that if there is any Judicial or Administrative Order demanding payment or any economic support regarding Act 168-2000, as amended, the same is current and in all aspects in compliance. Act 168-2000 "*Law for the Strengthening of the Family Support and Livelihood of Elderly People*" in Spanish: "*Ley para el Fortalecimiento del Apoyo Familiar y Sustento de Personas de Edad Avanzada*".

Fifth: Consultant hereby certifies that it does not represent particular interests in cases or matters that imply a conflicts of interest, or of public policy, between the executive agency and the particular interests it represents.

Sixth: The Parties acknowledge that PREPA is undergoing a transformation process, and therefore, both Parties agree that in the eventuality of the execution of a Partnership Contract, Sale Contract or any other PREPA Transaction (as these terms are defined in Act 120-2018), PREPA may sell, assign, convey, transfer, pledge, mortgage, sublease, delegate, hypothecate, or otherwise dispose (each, a "Transfer") any of its rights, title, or interest in this Contract as permitted by applicable law and at any time, and without Consultant's consent or cost, expense or incremental liability to PREPA, to any future operator of Puerto Rico's electric power transmission and distribution system or any of its affiliates, or to any governmental agency, body, public corporation or municipality of Puerto Rico; provided, that PREPA shall notify Consultant no later than thirty (30) days before the effective date of any such Transfer.

The Consultant acknowledges that all his responsibilities and obligations under the Contract, such as work to be performed and services to be provided, etc., will continue in full force and effect until the expiration of the thirty (30) day period.

Seventh: The Consultant acknowledges its responsibility to comply with PREPA's requests in terms of the work and tasks assigned and the date required by PREPA. The Consultant shall make available to PREPA all the required information, or documents by the date

requested by PREPA. If the abovementioned Consultant's obligations are not fulfilled and its noncompliance results in monetary fines, sanctions or penalties imposed to PREPA, the Consultant will be responsible for the payment of those fines, sanctions and penalties.

Eighth: Any and all necessary dispensations have been obtained from any government entity and that said dispensations shall become part of the contracting record.

Ninth: Consultant acknowledges and accepts that it is knowledgeable of the rules of ethics of his/her profession and assumes responsibility for his/her own actions.

Tenth: The Payment for services object of this Amendment of Contract will not be made until this Amendment of Contract is properly registered in the Office of the Comptroller of the Government of Puerto Rico.

Eleventh: All other terms and conditions, specifications, stipulations, insurances and requirements established in the Contract remain unaltered and fully enforceable.

This is the agreement between the appearing Parties under this Second Amendment and so is hereby ratified.

IN WITNESS THEREOF, the Parties hereto execute this Second Amendment as of the _____ of _____, 2019.

Puerto Rico Electric Power Authority
Employer Social Security 660-43-3747

Siemens Industry, Inc.
Employer Social Security 13-2762488

José F. Ortiz Vázquez
Chief Executive Officer

Scott Hulett
General Manager

Krishant Sivanesan
Commercial Controller