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GOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY

PARTNERSHIP COMMITTEE REPORT

Puerto Rico Public-Private Partnership for the Puerto Rico Electric Power Thermal Generation Facilities

October 17, 2022

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GOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY

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1. Executive Summary

On August 25, 2022, after a robust and competitive procurement process that lasted more than 24 months, the Partnership Committee (the "**Partnership Committee**") established by the Puerto Rico Public-Private Partnerships Authority (the "**P3 Authority**") pursuant to Section 5 of the Puerto Rico Electric System Transformation Act, Act No. 120-2018, as amended (the "**Transformation Act**"), determined to recommend to the board of directors of the P3 Authority (the "**P3 Authority Board**") that the contract for the management, operation, maintenance, management of fuel supply, and decommissioning, where applicable, of certain base-load generation plants and gas turbine peaking plants (the "**LGA Project**," and such plants the "**Legacy Generation Assets**") be awarded to Genera PR LLC ("**Genera**"), a Puerto Rico limited liability company and a wholly-owned subsidiary of New Fortress Energy Inc. (NASDAQ: NFE) ("**NFE**"), formerly named Encanto Power LLC ("**Encanto Power**") when it qualified to bid on the LGA Project.

NFE is a multi-billion dollar, publicly traded, critical energy infrastructure company with (i) over 3,000 MW of experience installing, maintaining, operating, optimizing, monitoring and decommissioning generation assets, (ii) nearly 1,000 MW of power generation capacity currently operational, under development, or for which it provides fuel management services, (iii) demonstrated experience in fuel procurement and management, including seven terminals and fuel handling facilities operational or in development, and (iv) experience coordinating the integration of renewable generation with dispatchable thermal power. NFE is also an affiliate of NFEnergía LLC, which has significant, direct experience with fuel management and power generation in Puerto Rico, including the Fuel Sale and Purchase Agreement between NFEnergía LLC and the Puerto Rico Electric Power Authority ("**PREPA**" or the "**Owner**"), dated March 5, 2019 (the "**NFE FSPA**"), pursuant to which NFEnergía LLC agreed to convert generation units 5 and 6 of the San Juan Combined Cycle Power Plant to be capable of operating on liquified natural gas and to supply such gas to those units.

Genera is equipped to stabilize and optimize the operations of Puerto Rico's Legacy Generation Assets until replacement renewable and distributed energy generation is installed and the Legacy Generation Assets are decommissioned, ushering in both a clean and resilient energy future for the people of Puerto Rico.

As required by the Certified Fiscal Plans for PREPA and the Commonwealth of Puerto Rico, the Partnership Committee's decision marks another important milestone in the implementation of the Government of Puerto Rico's (the "**Government's**") objective of providing modern, carbon-free, affordable, resilient, and reliable power, which will serve as a driver of economic growth in Puerto Rico following the destruction wrought by hurricane Irma ("**Irma**") and hurricane Maria ("**Maria**") in September 2017, the earthquakes of December 2019, January 2020 and May 2020,[1] and hurricane Fiona ("**Fiona**") in September 2022. In particular, the PREPA Fiscal Plan, as certified on June 28, 2022 by the FOMB (the "**Certified PREPA Fiscal Plan**") highlights the LGA Project as a major transformation initiative needed to boost generation production and efficiency, increase environmental compliance, and improve reliability of services.

Prior to the impact of Irma and Maria, Puerto Rico already suffered from inherently disadvantaged energy infrastructure. In particular, the planning, design, and operation of an isolated (not interconnected) island-based electricity system necessarily imposes on PREPA, and Puerto Rico as a whole, significant

[1] Between December 28, 2019, and mid-April, 2020, more than 2,000 earthquakes hit the island of Puerto Rico, of which 30 were of a magnitude above 4.5 and five of a magnitude above 5.5.

challenges with respect to power system stability[2] and reliability. In addition, the Legacy Generation Assets have been vulnerable to turbine failures, generator failures, boiler failures and electrical system issues, among other challenges. As a result, the Legacy Generation Assets experience above industry average equivalent forced outage rates, primarily as a result of poor equipment conditions due to the age of the units and poor operational practices. Certain black start combustion turbines serve as peaking units, but are not currently operable and are scheduled for replacement. Because certain of the Legacy Generation Assets are indefinitely out of service or in need of significant repair, the Legacy Generation Assets in the aggregate have a dependable capacity of approximately 3,600 MW despite having a total installed capacity of 4,785 MW.

Further, the Legacy Generation Assets are dependent mostly on diesel (number 2 fuel oil) and number 6 fuel oil, with some units also dependent on natural gas. Particularly in the case of diesel and number 6 fuel oil, the Legacy Generation Assets produce higher air emissions, operate less efficiently and with less flexibility, and at high cost. As a result, regulatory agencies have found the Legacy Generation Assets to be noncompliant with certain environmental laws and regulations, and imposed limitations on their operation. Significant capital expenditures that could ameliorate these concerns are not contemplated by the currently effective integrated resource plan (the "**IRP**"), under which the Legacy Generation Assets will be retired in the near future in furtherance of Puerto Rico's commitment to renewable energy.

Moreover, Puerto Rico and PREPA were burdened with significant debt obligations, which further limited PREPA's ability to invest in Puerto Rico's energy infrastructure since 2014. On May 3, 2017 and July 3, 2017, the Financial Oversight and Management Board for Puerto Rico (the "**FOMB**") filed petitions for relief under Title III ("**Title III**") of the Puerto Rico Oversight, Management, and Economic Stability Act ("**PROMESA**") for the Government and PREPA, respectively. PROMESA offers mechanisms to achieve fiscal and budgetary balance, thereby restoring access to the capital markets, which facilitates necessary investment in the energy infrastructure. On March 15, 2022, upon the effectiveness of the plan of adjustment for the Government (the "**Commonwealth Plan of Adjustment**"), Puerto Rico's central government emerged from its Title III proceedings. The Commonwealth Plan of Adjustment reduced Puerto Rico's total funded debt obligations by 78% and discharged legacy Puerto Rico general obligation bonds, ERS bonds, and PBA bonds, as well as all of the related Puerto Rico, ERS, and PBA obligations and guarantees. However, PREPA continues to engage in the in-court debt restructuring process under PROMESA, which began before Irma and Maria struck Puerto Rico.

The damage caused by Irma and Maria exacerbated PREPA's challenges and created new ones. Additionally, the damage to PREPA's power station in Costa Sur (the "**Costa Sur Power Plant**") as a result of the earthquakes in December 2019 and January 2020 significantly worsened the situation.

In the face of these unprecedented challenges, the Government sought not only to rebuild after Irma and Maria and restructure PREPA's legacy debt obligations, but also to use the recovery process to both jumpstart a long-term revitalization of the Puerto Rican economy and upgrade Puerto Rico's electric system to be more resilient against future natural disasters and to transition to renewable energy. In the months following Irma and Maria, the Government spent substantial time and resources to bolster the legal framework for public-private partnerships ("**PPPs**") in the electric sector in order to attract and harness private

[2] Power system stability refers to the ability of (i) the power generation plants and the electrical transmission and distribution system load to remain in balance during normal conditions and (ii) the power system to respond quickly to, and return to its normal state after, a power system disturbance. The power system design for island utilities must account for the lack of interconnection to other utilities. Otherwise, the power system will not be inherently stable and will suffer from load sheds and outages.

sector creativity and resources, with a view towards fully delivering on the economic, infrastructure, and societal goals identified by the Government. As a result, the Transformation Act was enacted in June 2018, with the stated motive of transforming Puerto Rico's energy system into a modern, sustainable, reliable, efficient, cost effective, and resilient one through PPPs or sale agreements with respect to the functions, services or facilities of PREPA. The Transformation Act and the accompanying Regulation provided guidelines and procedures for identifying the PREPA assets, functions, services or facilities for which PPPs would be established and conducting the related procurement processes. Additionally, pursuant to the Transformation Act, a new energy public policy was developed that requires 100% of PREPA's energy to come from renewable sources by 2050.

The first energy project pursued by the Government under the new legal framework was the private operation and management of Puerto Rico's electric power transmission and distribution system (the "**T&D System**") pursuant to a long-term contract (the "**T&D Project**"). The P3 Authority issued the RFP for the T&D Project on February 1, 2019, and the RFP process culminated in PREPA entering into a 15-year operation and maintenance agreement (the "**T&D O&M Agreement**") on June 20, 2020, with LUMA Energy, LLC and LUMA Energy Servco, LLC (together, the "**T&D Operator**"). LUMA Energy, LLC is a Puerto Rico company formed by Canadian Utilities Limited, an ATCO Ltd. energy and utilities company, and Quanta Services, Inc.

In August 2020, the P3 Authority launched the procurement process for the LGA Project as the next phase of the Government's mission to transform Puerto Rico's electric system into a modern, renewable, sustainable, reliable, efficient, cost-effective, and resilient system. On August 10, 2020, the P3 Authority issued the Request for Qualifications (the "**RFQ**") for the LGA Project. On or before September 15, 2020, 15 private sector parties (including Encanto Power, the NFE subsidiary that participated in the RFQ, which was later renamed Genera PR LLC) interested in the LGA Project (each, a "**Respondent**") submitted Statements of Qualifications ("**SOQs**") in response to the RFQ.

On October 22, 2020, the Partnership Committee selected eight experienced and reputable Respondents in the qualification process conducted pursuant to the RFQ (the "**RFQ Process**") to participate in the next phase of the process: (i) EcoEléctrica, L.P. ("**EcoEléctrica**"); (ii) Empresa Generadora de Electricidad Haina, S.A. ("**EGE Haina**"); (iii) EthosEnergy Group Limited ("**EthosEnergy**"); (iv) Genera; (v) ProEnergy Services LLC ("**ProEnergy**"); (vi) NAES Corporation ("**NAES**"); (vii) NRG Energy Services Group LLC ("**NRG Energy Services**"); and (viii) Siemens Energy, Inc. ("**Siemens**"). On November 10, 2020, the P3 Authority issued the Request for Proposals (the "**RFP**") for the LGA Project. On December 22, 2021, two participants (each, a "**Proponent**") in the procurement process conducted pursuant to the RFP (the "**RFP Process**"), Genera and NAES (or the "**Other Proponent**"), submitted proposals in response to the RFP, which were subsequently modified and supplemented from January to May 2022 (each such proposal as supplemented and modified in writing, a "**Binding Proposal**").

The RFP required that each Proponent submit a Binding Proposal including the following three key elements:

- a proposal (the "**Operational Proposal**") reflecting (i) each Proponent's proposed plan (the "**Mobilization Plan**") to transition the Legacy Generation Assets from PREPA to the winning Proponent (the "**Operator**") consistent with the terms of the long-term operation and maintenance agreement with PREPA for the LGA Project (the "**O&M Agreement**"), (ii) each Proponent's approach to performing the operation and maintenance services (the "**O&M Services**") under the O&M Agreement, (iii) each Proponent's approach to performing the decommissioning of the Legacy Generation Assets (the "**Decommissioning Services**") under the O&M Agreement, (iv) each Proponent's approach to the transition and handover of services and other rights and responsibilities at the conclusion of the term of the O&M Agreement (the "**Demobilization Plan**"), and (v) each

Proponent's proposed plan for staffing and training employees and subcontracting certain services (the "**Operator Recruitment and Staffing Plan**");

- a proposal (the "**Financial Proposal**") reflecting certain financial terms and conditions proposed by each Proponent to be included in the O&M Agreement, including (i) the annual fixed fee payable by the Owner to the Operator for providing the O&M Services (the "**O&M Fixed Fee**"), (ii) incentive payments payable by the Owner to the Operator (an "**O&M Incentive**"), and penalties payable by the Operator to the Owner (an "**O&M Penalty**"), based on the Operator's performance of the O&M Services, (iii) beginning on the sixth Contract Year, the fixed fee payable by the Owner to the Operator for providing Decommissioning Services with respect to any Legacy Generation Assets (the "**Decommissioning Fixed Fee**"), (iv) incentive payments payable by the Owner to the Operator (a "**Decommissioning Incentive**"), and penalties payable by the Operator to the Owner (a "**Decommissioning Penalty**" and, together with the O&M Incentive, the O&M Penalty and the Decommissioning Incentive, the "**Incentives and Penalties**"), based on the Operator's performance of the Decommissioning Services, (v) the cost for the Operator to provide the services to transition the Legacy Generation Assets from PREPA to the Operator (the "**Mobilization Service Fee**") during the period between execution of the O&M Agreement and the Operator's assumption of operational control of the Legacy Generation Assets (the "**Mobilization Period**"), (vi) a profit percentage for the Operator to provide the services to transition any remaining Legacy Generation Assets from the Operator to Owner or the Government (the "**Demobilization Service Fee**") upon the expiration or early termination of the term of the O&M Agreement (the "**Contract Term**"), (vii) liquidated damages for delays in satisfying the Service Commencement Date Conditions and commencing the O&M Services, (viii) fees payable to the Owner or the Operator, as applicable, in the event the O&M Agreement is terminated prior to the end of the term (the "**Termination Fee**"), and (ix) the dollar value of certain caps on liability; and

- a legal proposal (the "**Legal Proposal**") consisting of a mark-up of the proposed form of O&M Agreement for the LGA Project.

The Partnership Committee recommended to the P3 Authority Board that Genera be awarded the LGA Project because, of the two Binding Proposals submitted in response to the RFP, Genera's contained terms that were overall more favorable to the Government and the people of Puerto Rico.

Genera's Operational Proposal presented a tailored approach to the O&M Services for the Legacy Generation Assets, which demonstrated a strong understanding of PREPA and the context in which it operates. Among other things, Genera provided a comprehensive Mobilization Plan and Operator Recruitment and Staffing Plan. In addition, Genera essentially accepted the Government's approach to the Incentives and Penalties included in the RFP and proposed an additional O&M Incentive for fuel savings, which were designed to incentivize the Operator to perform the O&M Services in respect of the Legacy Generation Assets in a manner that maximizes cost-efficiency, availability, health and safety compliance and environmental compliance, for the benefit of the people of Puerto Rico. Finally, Genera demonstrated a unique commitment to transitioning PREPA generation employees ("**PREPA Employees**"), and further training and development of the generation workforce, as evidenced by its agreement to interview and provide offers of employment to all full-time plant employees in good standing, and to give preference to other non-plant PREPA employees for the new roles as well. In addition, PIC Group, Inc. ("**PIC Group**"), a major and well-qualified subcontractor of Genera, will provide O&M Services, for much of the employee screening, assessment, hiring, training and qualifying of people for the new organization. This approach will include training employees for multi-skilled roles. PIC Group will also assist with the performance of certain O&M Services.

Genera's Financial Proposal included an O&M Fixed Fee (which included the value of a Decommissioning Fixed Fee, as Genera's Financial Proposal removed the concept of the Decommissioning Fixed Fee) with a net present value over the Contract Term close to $65 million lower than that of the Other Proponent. In addition, Genera's Financial Proposal included higher delayed liquidated damage payments than the Other Proponent in the event the Target Service Commencement Date is delayed.

Finally, from a legal and contractual perspective, Genera agreed to a form of the O&M Agreement that was closer to the one prepared by the P3 Authority and included in the RFP. In effect, Genera accepted, without significant change, the key elements of the O&M Agreement and required fewer material changes to the document, thus resulting in less risk and cost transfer from the Operator to the Government.

In view of all of the above, the Partnership Committee believes that the Binding Proposal submitted by Genera (i) meets the qualifications for the operational components of the RFP, (ii) reflects the more favorable approach to the financial components of the RFP, (iii) more closely aligns with the legal components contained in the draft of the O&M Agreement distributed with the RFP, (iv) presents a path forward to achieving the Government's objective of transforming PREPA's aged, inefficient and fossil fuel reliant generation system into one that is safer, more reliable, and more efficient, and (v) is the better option for the people of Puerto Rico.

2. Introduction

As required by law, this Partnership Committee Report (the "**Report**") has been prepared pursuant to:

- Section 8(b)(vii) and Section 9(g)(i) of the Public Private Partnership Authority Act, Act No. 29-2009, as amended ("**Act 29**");
- Section 5 and Section 10 of the Transformation Act; and
- Section 8.1 of the Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Partnership Contracts and Sale Contracts for the Transformation of the Electric System under Act No. 120-2018, as amended (the "**Regulation**").

Except as provided in Exhibit A hereto (*Defined Terms*), capitalized terms used but not otherwise defined in this Report have the meaning ascribed to them in, as applicable, Act 29, the Transformation Act, the Regulation or the RFP issued by the P3 Authority on November 10, 2020.

Pursuant to Section 5 of the Transformation Act and Resolution No. 2018-55 of the P3 Authority Board, as amended, on July 13, 2020, the P3 Authority established the Partnership Committee responsible for the procurement of a PPP with PREPA for the management, operation, maintenance, management of fuel supply, and decommissioning, where applicable, of the Legacy Generation Assets.

This Report has been prepared in accordance with the Partnership Committee's recommendation to the P3 Authority Board that the LGA Project be awarded to Genera, a subsidiary of NFE, a global energy infrastructure company with nearly 1,000 MW of power generation capacity currently operational or under construction or for which it provides fuel management services. NFE is also an affiliate of NFEnergía LLC, which has significant, direct experience with fuel management and power generation in Puerto Rico.

On August 25, 2022, following a process of more than 24 months, the Partnership Committee voted unanimously to recommend to the P3 Authority Board that Genera be selected to execute the O&M Agreement for the LGA Project. As required by Section 9(g) of Act 29, the Partnership Committee has prepared this Report to describe the procedures followed in the procurement process for the award of the O&M Agreement and the reasons for its decision. In particular, this Report describes, pursuant to Section 9(g) of Act 29, the following considerations:

- the public policy, environmental compliance, social welfare, and economic development objectives the P3 Authority seeks to address through the implementation of the LGA Project;
- the process leading to the recommended award of the O&M Agreement, including the RFQ Process, the RFP Process, and the evaluation of Binding Proposals;
- the Partnership Committee's selection of Genera as the Preferred Proponent to engage in exclusive discussions and negotiations with the P3 Authority in connection with the LGA Project (the "**Preferred Proponent**");
- the determination that Genera's Binding Proposal is the most advantageous to the Government and the people of Puerto Rico following such exclusive negotiations;

- the Partnership Committee's rationale for recommending to the P3 Authority Board that the O&M Agreement be awarded to the Genera (the "**Recommended Award**"); and
- the core elements and key provisions of the O&M Agreement.

Act 29 provides the Partnership Committee with the authority to negotiate the terms of the O&M Agreement and PREPA with the authority to execute the O&M Agreement negotiated by the Partnership Committee with the Preferred Proponent, subject to (i) the approval of the Puerto Rico Energy Bureau ("**PREB**") created by Act 57-2014, as amended, to regulate, monitor, and enforce the energy public policy of the Government, (ii) the approval of the P3 Authority Board and the board of directors of PREPA, and (iii) the approval of the Governor of Puerto Rico or a delegate, in each case pursuant to the Regulation (the approvals described in clauses (i) through (iii) together, the "**Required Approvals**").

In addition, PREPA's authority to execute the O&M Agreement negotiated by the Partnership Committee with the Preferred Proponent is subject to the consent of the FOMB ("**FOMB Consent**") pursuant to the FOMB's contract review policy established pursuant to Section 204(b)(2) of PROMESA, which requires FOMB approval of all local Puerto Rico contracts with an expected value of $10 million or more in the aggregate.

Accordingly, the O&M Agreement was submitted to the relevant entities for the Required Approvals and to the FOMB for review and consent. Upon receipt of the Required Approvals and the FOMB Consent, as well as the execution of the O&M Agreement, this Report will be (i) filed with the Office of the Clerk of the House of Representatives and of the Senate of the Legislative Assembly of the Commonwealth of Puerto Rico (the "**Legislature**") and (ii) published on the P3 Authority's website at: www.p3.pr.gov.

Throughout the procurement process for the LGA Project, the P3 Authority and the Partnership Committee have received advice from various consultants to the P3 Authority, the Puerto Rico Fiscal Agency and Financial Advisory Authority (known by its Spanish acronym "**AAFAF**"), PREPA, and the FOMB (the "**Consultants**").[3] In addition, the FOMB has been actively involved in each stage of the procurement process through the participation of its Director of Infrastructure and/or its financial Consultants (together, the "**FOMB Representatives**"), and in all meetings and other interactions with Proponents.

[3] Cleary, Gottlieb, Steen & Hamilton LLP ("**Cleary**"), FTI Consulting, Inc. ("**FTI**"), Pietrantoni Mendez & Alvarez LLC ("**PMA**," and together with Cleary and FTI, the "**P3 Consultants**"), CPM P.R. LLC ("**CPM**"), Baker, Donelson, Bearman, Caldwell & Berkowitz, PC ("**Baker Donelson**")were Consultants to the P3 Authority. Cleary and PMA provided legal advice. FTI provided technical and certain financial advice. CPM provided advice in the procurement process. Baker Donelson provided advice on matters related to federal funding. OMM provided advise on matters related to the Title III process. Citigroup Global Markets Inc. ("**Citigroup**"), Nixon Peabody LLP ("**Nixon**"), and Proskauer Rose LLP ("**Proskauer**") were Consultants to the FOMB and participated in the LGA Project on behalf of the FOMB. Citigroup provided financial advice. Nixon provided advice on tax-related matters, including with respect to ensuring that the O&M Agreement is a qualified management agreement. Proskauer provided advise related to labor matters. Ankura Consulting Group, LLC was a Consultant to PREPA and AAFAF, and provided certain technical and financial advice related to the Legacy Generation Assets and compliance with the fiscal plan. Hogan Lovells US LLP provided advice on environmental law. Finally, certain other Consultants provided advice from time to time on various specific elements of the LGA Project.

This Report has been prepared by the Partnership Committee and is divided into five main sections:

- this introduction;
- a summary of the LGA Project background and objectives;
- a summary of the procurement process;
- a summary of the selection process and key considerations relevant to the Recommended Award; and
- a conclusion.

3. Project Background and Objectives

3.1 Project Background

3.1.1 PREPA and the Legacy Generation Assets

PREPA is a public corporation and instrumentality of the Government, created pursuant to the PREPA Enabling Act, Act No. 83-1941, as amended. Its purpose is to provide electric power in a reliable manner, contribute to the general welfare and the sustainable development of Puerto Rico, and maximize the benefits while minimizing the social, environmental, and economic impacts of electric energy generation and distribution. As the sole electric utility in Puerto Rico, PREPA (currently through the T&D Operator) provides electricity to approximately 1.5 million customers, making it one of the largest U.S. public utilities by customers served.

PREPA's Legacy Generation Assets consist of base-load generation plants, peaking and emergency generation plants. In addition, at the large generation complexes, there are black start combustion turbines that also serve as peaking plants on occasion. Some of these black start units are currently not operable and are scheduled for replacement under the mitigation program of the Federal Emergency Management Agency ("**FEMA**") in the near term. The Legacy Generation Assets are dependent mostly on, diesel (number 2 fuel oil) and number 6 fuel oil, with some units also dependent on natural gas. Although these plants have a total installed capacity of approximately 4,785 MW, their dependable capacity is approximately 3,600 MW as a result of certain units being indefinitely out of service or in need of significant repair for various reasons.

NFEnergía LLC completed the conversion at the San Juan base-load generation plant of combustion turbine units 5 & 6 ("**San Juan Unit 5**" and "**San Juan Unit 6**") from oil to dual fuel capability. As a result, both units are now capable and commissioned to burn natural gas or diesel (number 2 fuel oil). This conversion was implemented in conjunction with the adjacent development of an NFEnergía LLC-owned and operated liquified natural gas import facility and other gas infrastructure that supply San Juan Unit 5 and San Juan Unit 6.

Because of (i) the age and the inefficient heat rates of the Legacy Generation Assets, (ii) the Environmental Protection Agency's ("**EPA**") Mercury and Air Toxics Standards ("**MATS**") requirements, and (iii) the requirements of Puerto Rico's energy public policy and the IRP, PREPA intends to retire and decommission most of the Legacy Generation Assets. Certain of the Legacy Generation Assets may be needed for interim operating periods, as determined by the needs of the T&D System and the timing of new, modern and renewable replacement generation sources, which will be developed through PPPs and in accordance with the parameters set forth in the IRP. Further, in accordance with the IRP, no capital expenditures by PREPA or a private partner that would extend the useful life of a Legacy Generation Asset are anticipated.

PREPA's current priorities are focused on improving safe and reliable electric service, reducing energy costs, and protecting the environment. Strategies to achieve these objectives include:

- reducing operating expenses;
- increasing efficiency;

- optimizing the availability of the baseload Legacy Generation Assets;
- diversifying energy sources and reducing reliance on fossil fuels
- increasing environmental compliance; and
- maximizing the use of advanced and renewable technologies.

3.1.2 Recent Challenges

PREPA has faced a number of significant challenges in recent years, including:

- a lack of managerial continuity and long-term planning, notably six people filling the role of executive director in three years;
- a bankruptcy-like process (*i.e.*, the Title III process) due to unmanageable balance sheet liabilities, including bond debt and pension obligations, which has led, among other things, to an inability to access credit markets for long term capital investment;
- a dated electrical generation and T&D System that is in a challenged condition due, in part, to the impact of major weather events including hurricanes and earthquakes, substandard practices, and chronic infrastructure under investment (due in large part to budget constraints imposed by the aforementioned liabilities);
- the geographic mismatch between supply and demand — much of the generation is located on the south side of the island while a majority of the demand has increasingly developed on the north side of the island, exacerbating the fragility and instability of the whole system;
- an aged and aging generation fleet that is expensive, inefficient, inflexible, and heavily reliant on historically costly fossil fuels; and
- a lack of credibility among major stakeholders.

Puerto Rico's dated and fragile electric system, which has received limited investment and corrective maintenance as a result of budget constraints, has faced significant operational and reliability challenges and has struggled to provide residents with reliable and affordable power, as evidenced by safety and reliability metrics below U.S. mainland and other island utility industry standards. PREPA's historical record of performance with respect to such metrics is described in more detail below.

Safety – Public and employee safety is a critical component to successful electric power plant operation. Eliminating hazards requires proper training and strict adherence to the rules and regulations set forth by the Occupational Safety and Health Administration ("**OSHA**"). OSHA requires the reporting of several metrics to evaluate and track the safety of an organization, including Incident Rate, which measures the number of safety-related incidents that are reported to OSHA scaled to workforce size, and number of fatalities, which measures job-related fatalities reported to OSHA.

Since 2003, PREPA's safety performance has been more than five times worse than the industry average. Incident Rates for T&D and generation on an annual basis have ranged from 11.0 to 19.0 and averaged approximately 15.0; this compares to a U.S. average for public power of approximately 4.92. [4]

Figure 1 below shows PREPA's 2022 average year-to-date OSHA performance, indicating a Recordable Rate[5] of 4.6, compared to the industry average of 1.5[6], a Severity Rate[7] of 17.7 and DART Rate[8] of 3.4, which are higher than the PREB benchmarks shown of a Recordable Rate of 1.8 and DART Rate of 0.9.

Figure 1. PREPA Generation OSHA Metrics for 2022[9]

OSHA Metric	Sub-Group	FY 2022 Average	PREB Benchmark
OSHA Recordable Rate	Generation	4.6	1.8
OSHA Fatality Rate	Generation	0	0
OSHA Severity Rate	Generation	17.7	To be determined
OSHA DART Rate	Generation	3.4	0.9

[4] *American Public Power Association*, "Evaluation of Data Submitted to the American Public Power Association's 2020 Safety Awards of Excellence," 2020.

[5] The "**Recordable Rate**" is a mathematical calculation that describes the number of employees per 100 full-time employees that have been involved in an OSHA-recordable injury or illness.

[6] *US Bureau of Labor Statistics, Incidence rates of nonfatal occupational injuries and illnesses by industry, fossil fuel electric power generation utilities*, NAICS code 221112, available at: https://www.bls.gov/home.htm.

[7] The "**Severity Rate**" is a mathematical calculation that describes the number of lost workdays experienced per 100 full-time employees as compared to the number of incidents experienced.

[8] The "**DART Rate**" (Days Away/Restricted or Transfer Rates) is a mathematical calculation that describes the number of recordable injuries and illnesses per 100 full-time employees that resulted in days away from work, restricted work activity and/or job transfer that a company has experienced in any given time frame.

[9] *PREB Benchmark per Resolution and Order, June 2021 - May 2022, 12-Month Metrics Summary*, August 18, 2022, available at: https://energia.pr.gov/wp-content/uploads/sites/7/2022/08/20220818-MI20190007-Resolution-and-Order.pdf.

Thus, in 2022 PREPA's rate of recordable injury or illnesses has been **over two and half times greater**, and the rate of recordable injury or illnesses that resulted in days away from work, restricted work activity and/or job transfer has been **over three and a half times greater**, than the benchmarks established by PREB.

Reliability – The North American Electric Reliability Corporation ("**NERC**") initiated the Generation Availability Data System ("**GADS**") in 1982 to expand data collection activities that it began in 1963. Today, NERC's GADS maintains operating histories on more than 5,000 generating units in North America.

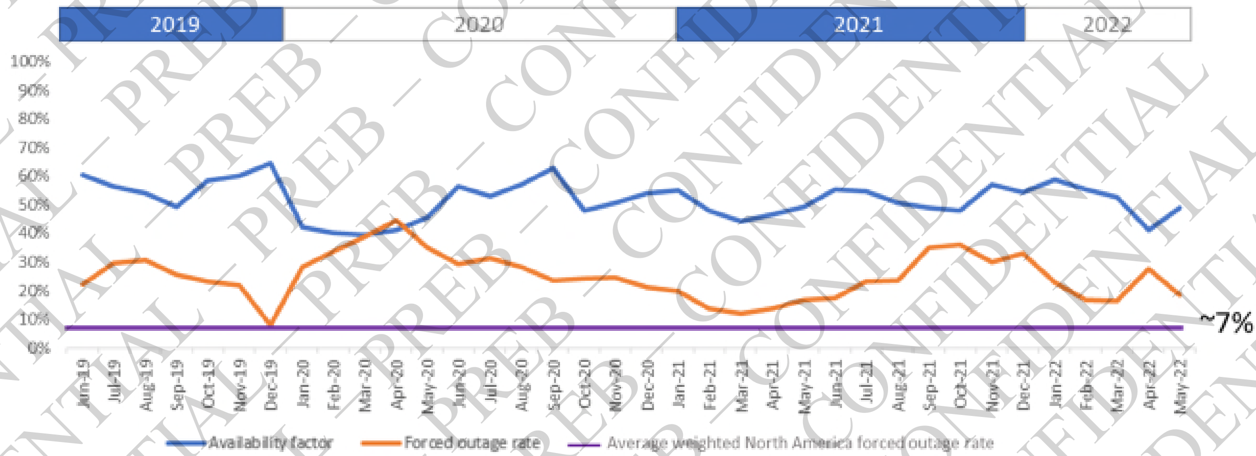
GADS is recognized as a valuable source of reliability information for total unit and major equipment groups and is widely used by industry analysts in a variety of applications. Through GADS, NERC collects information about the performance of electric generating equipment and provides assistance to those researching information on power plant outages. GADS also supports equipment availability analyses and other decision-making processes in the industry. GADS data is also used in conducting assessments of generation resources and improving their performance.

GADS is a mandatory industry program for conventional generating units that are 20 MW and larger in NERC jurisdiction. PREPA's generating plants have participated on a voluntary basis in GADS for many years but PREPA has not consistently followed the data collection process in a rigorous way. Even so, recent analysis shows that the PREPA plants operate with Forced Outage Rates **up to five times worse** than the industry average.

PREPA's generation plant performance from June 2019 to May 2022 is shown in Figure 2 below, highlighting underperformance in plant availability factor (at approximately 50% on average throughout the period) and plant Forced Outage Rates (approximately 25% on average versus the NERC North America average of approximately seven percent).

Figure 2. PREPA Generation Plant Performance 2019 through 2022[10]

[10] See *Request for Modification of Schedule for Filing System Data and Submission of Performance Metrics Report for June 2022 Subject: 22.07.29 Resumen Métricas*, available at: https://energia.pr.gov/en/dockets/?docket=nepr-mi-2019-0007.



With the generation plants performing at a low availability factor, and Forced Outage Rates **over three and a half times greater** than the NERC North America average, the likelihood of forced outages leading to an interruption of the delivery of electricity to customers is heightened. **Indeed, some of these forced outages resulted in inadequate generation supply and significant loss of adequate power supply to meet customer demand.**

Increased and improved focus on the reliability of the Legacy Generation Assets is critical to reducing power outages. When there is insufficient power supply to meet demand, a large number of generation outages could result in load shed events, during which the operator of the T&D System must interrupt delivery of electricity to customers in order to prevent grid failures and more extended outages. It is believed that a third-party generation operator will be able to stabilize and reduce generation outages, allowing for higher reliability and continuous power flowing more effectively.

Generation Resource Adequacy – Further, on August 30, 2022, the T&D Operator filed with PREB the results of a generation resource adequacy analysis it had performed, which concluded that:[11]

- Puerto Rico has inadequate supply resources to deliver reasonable system reliability to meet expected demand, thereby raising the risk of load shedding outages beyond industry standards.

- The loss of load expectation for Puerto Rico for 2023 was calculated to be 8.81 days per year, which is 88 times higher than the utility industry benchmark of 1 day in 10 years or 0.10 days per year. This means that on average it is expected that there will be 8.81 days per year when demand will not be met by generation supply in 2023.

- The risk of load shedding outages is partially the result of inadequate reliable generation capacity due to PREPA's unreliable, old and improperly maintained generation plants which account for 77% of Puerto Rico's thermal generation.

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[11] *Filing of Resource Adequacy Study prepared by LUMA*, available at: https://energia.pr.gov/wp-content/uploads/sites/7/2022/09/Motion-to-Submit-Lumas-Resource-Adequacy-Study-NEPR-MI-2022-0002.pdf.

- In order to minimize the risk of generation outages, the following needs to be achieved: (i) attainment of 65% generation plant availability (as of today, PREPA's generation plant availability is 52%) and (ii) reduction of generation planned outage durations through significantly improved outage planning and execution (as of today, the duration of PREPA's generation planned outages are on average 20% longer than the original planned duration (compared to an industry average of less than 5%)).

Environmental Compliance – Additionally, PREPA has identified improving air quality by reducing harmful emissions as one of the most important challenges it faces with regard to the Legacy Generation Assets. Although the Legacy Generation Assets suffered comparatively minor damage from Irma and Maria, the Costa Sur base-load generation plant and two of the four Mayaguez peaking units sustained significant damage as a result of the January 7, 2020 earthquake, further demonstrating the vulnerability of the generation system. Indeed, while Costa Sur Unit 5 returned to service in August 2020 and Costa Sur Unit 6 returned in December 2020, Costa Sur Unit 6 experienced a mechanical failure in August 2021 and remained out of service until December 2021. Combined with reduced generation from other natural gas power plants, the loss of Costa Sur Unit 5 and Costa Sur Unit 6 shifted Puerto Rico's power supply for the first three months of 2020 to petroleum, which accounted for 60% of generation compared with 38% in 2019.[12]

Further, as discussed above, due to poor equipment conditions and the age of the units,[13] the Legacy Generation Assets have suffered above industry average equivalent forced outage rates. Reduced availability at base-load generation plants has led to an overreliance on peaking units, intended for operation only at times of peak demand, as effective base-load generation plants, resulting in increased usage of diesel fuel and higher costs. Limitations imposed for compliance with MATS, the United States Department of Justice ("**DOJ**") 1999 Consent Decree (the "**Consent Decree**"), which includes clean air and water compliance programs, and anticipated compliance with the National Ambient Air Quality Standards for sulfur dioxide further restrict the operation and efficient power generation of certain Legacy Generation Assets.

Finally, on September 18, 2022, Fiona struck Puerto Rico, a Category 1 storm that caused one of the largest rainfalls ever recorded during a hurricane from 12 to 30 inches. Almost five years after Irma and Maria and over two years after the earthquakes, which significantly impacted the Costa Sur Power Plant, the T&D Operator has assumed operation and management of the T&D System. However, the Legacy Generation Assets continue to operate at significantly lower availability than their nameplate capacity and suffer from long-standing operational deficiencies and disrepair, resulting in load shed events and, in the aftermath of Fiona, delays in returning generation plants to service.

[12] U.S. Energy Information Administration, *Puerto Rico's electricity generation mix changed following early 2020 earthquakes* (June 24, 2020) https://www.eia.gov/todayinenergy/detail.php?id=44216.

[13] In particular, the units at Aguirre were initially operated in 1971 (Aguirre Unit 1) and 1972 (Aguirre Unit 2 and Aguirre gas turbine peaking units); at Costa Sur in 1962 (Costa Sur Unit 1, Costa Sur Unit 2, Costa Sur Unit 3 and Costa Sur Unit 4) and 1972 (Costa Sur Unit 5, Costa Sur Unit 6 and Costa Sur gas turbine peaking units); at Palo Seco in 1959 (Palo Seco Unit 1 and Palo Seco Unit 2), 1967 (Palo Seco Unit 3 and Palo Seco Unit 4) and 1972 (Palo Seco gas turbine peaking units); at San Juan in 1964 (San Juan Steam Unit 1, San Juan Steam Unit 2, and San Juan Steam Unit 3); at Daguao in 1972 (Daguao gas turbine peaking units); at Yabucoa in 1971 (Yabucoa gas turbine peaking units); at Jobos in 1971 (Jobos gas turbine peaking units); and at Vega Baja in 1971 (Vega Baja gas turbine peaking units).

3.1.3 Government Response

Against the backdrop of two devastating back-to-back hurricanes that intensified an economic and fiscal crisis, the Government sought to move forward in its economic and disaster recovery by investing in infrastructure, people, and the environment. In particular, Irma and Maria forced the Government to rethink how PREPA's power supply and delivery infrastructure should be managed and upgraded to ensure that it is better prepared for inevitable future weather events. A critical component of the transformation of the energy sector is the ability to bring to bear U.S. mainland and other international best industry practices to PREPA, as well as the expertise, experience, and know-how to design and execute on a transformation through managerial continuity and long-term planning.

Over the past decade, the Government has had success in bringing to bear such best industry practices, expertise, experience, and know-how to its infrastructure projects by entering into PPPs with private sector participants in other sectors pursuant to the framework set forth in Act 29. These include the long-term concession of toll roads PR-22 and PR-5 that was awarded in 2011 (the "**Toll Roads Project**"), the long-term lease agreement for the Luis Muñoz Marin International Airport that was awarded in 2013 (the "**LMM Airport Project**"), the T&D O&M Project, and the Operation and Maintenance Agreement between the Puerto Rico Maritime Transport Authority (the "**MTA**"), HMS Ferries – Puerto Rico, LLC and HMS Ferries, Inc. to operate and maintain the MTA's ferry system, including the operation and maintenance of vessels and related facilities for the municipal ferry service provided in the key routes of Cataño-San Juan and Ceiba-Vieques-Culebra that was awarded in 2020 (the "**Ferries Project**"). In each of these cases, the Government sought to strike a balance between government and private sector participation through a mutually beneficial contractual relationship that results in the efficient, effective, and affordable delivery of public goods and services to all people of Puerto Rico.

Puerto Rico's Existing PPP Program

For several years, Puerto Rico has been one of the few U.S. jurisdictions with an organized PPP program. Even before the enactment of the Transformation Act and the Regulation, the Government enacted Act 29 and promulgated the Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Participatory Public-Private Partnerships Contracts under Act No. 29-2009, as amended (the "**Act 29 Regulation**"), in order to finance infrastructure projects and provide multiple public services.

By providing clarity, uniformity, and certainty with respect to PPP selection and contracting, Act 29 and the Act 29 Regulation comprise one of the most robust legal frameworks for PPPs in the Americas. In particular, Puerto Rico's PPP program is guided by the following five key components of a successful PPP program identified by the World Bank Group: *clear public policy*, *strong legal framework*, *clear processes and institutional responsibility*, *responsible financial management, and good governance arrangements*, each of which is described in more detail below.[14]

1. *Clear Public Policy* – Puerto Rico's PPP program clearly articulates (i) the Government's intent to use PPPs to deliver public services and (ii) the objectives, scope, and implementing principles of the PPP program.

[14] World Bank Group; Private Infrastructure Advisory Facility; Asian Development Bank; Inter-American Development Bank; Multilateral Investment Fund. Public-Private Partnerships Reference Guide, version 3, 2017.

2. *Strong Legal Framework* – Puerto Rico's PPP program is grounded in a strong legal framework that sets the rules and boundaries for how PPPs are implemented.

3. *Clear Processes and Institutional Responsibility* – Puerto Rico's PPP program provides a detailed, clear, and consistent process by which PPP projects are identified, developed, appraised, implemented, and managed, and sets forth the roles of different entities involved in that process.

4. *Responsible Financial Management* – Puerto Rico's PPP program requires responsible public financial management that ensures PPPs provide value without placing undue burden on future generations.

5. *Good Governance Arrangements* – Puerto Rico's PPP program provides for governance arrangements that allow other entities, such as auditing entities, the Legislature, and the public, to participate in PPP projects.

Act 29 provides that the public policy with respect to PPPs must be to maintain such controls as are necessary to protect the public interest, yet balance this need for controls with the profit-making purpose of any private operation. As described in Section 3.1.1 hereof (*PREPA and the Legacy Generation Assets*), the P3 Authority is a public corporation of the Government affiliated with AAFAF as part of the fiscal and economic component of the government of Puerto Rico. The P3 Authority is designated as the sole government entity authorized and responsible for implementing the Government's public policy on PPPs and for determining the functions, services, and facilities for which PPPs are to be established.[15]

Act 29 recognizes the need for PPPs to allow for the development of infrastructure and other projects by delegating the risks inherent to such development or service to the party that is best capable of assessing and managing such risks, improving services, creating new jobs, and developing Puerto Rico's economy and competitiveness. Likewise, these partnerships enable the Government to make infrastructure projects feasible when the funds needed to complete a project are not available in the public treasury.

The robustness of the Act 29 framework is evidenced by the success of the Toll Roads Project and the LMM Airport Project, T&D O&M Project and the Ferries Project. In fact, the P3 Authority was presented with the *Organization of the Year – Public Sector* award at the **P3 Awards 2021** international awards ceremony. The *Organization of the Year – Public Sector* award was presented to the P3 Authority for its ability to solidly lead and execute large-scale transformation projects, even in the face of unprecedented challenges such as the impact of hurricanes Irma and Maria, the earthquakes of 2019 and 2020, a deteriorated fiscal situation, and the restrictions stemming from the pandemic, among others.

The Toll Roads Project

The Toll Roads Project was initially structured as a 40-year concession agreement (the "**Toll Roads Agreement**") between Autopistas Metropolitanas de Puerto Rico LLC ("**Metropistas**"), a consortium

[15] In addition, Act 29 expressly states that it is the public policy of the Government to favor and promote the establishment of PPPs and further authorizes all departments, agencies, public corporations, and instrumentalities, as well as municipalities and the legislative and judicial branches of the Government, to use the establishment of PPPs in accordance with the process specified therein. Act 29 also prohibits the Government from legislating to limit the powers or rights granted to the P3 Authority and partnering government entities, like PREPA, under Act 29 until the obligations under an executed PPP contract are satisfied.

composed by Goldman Sachs Infrastructure Partners and Abertis Infrastructures, and the Puerto Rico Highway and Transportation Authority ("**PRHTA**") for the maintenance and operation of two highways, PR-22 and PR-5. Pursuant to the Toll Roads Agreement, Metropistas made an up-front payment to PRHTA in the amount of $1.08 billion and committed to make certain investments to upgrade toll roads PR-22 and PR-5 and bring them to world-class standards. The Toll Roads Agreement provides that revenues generated by the toll roads belong to Metropistas. The Toll Roads Project was the first concession of its type successfully achieved in Puerto Rico and was internationally recognized as a successful PPP project, winning both Project Finance International's deal of the year in the Americas award and the American Road and Transportation Builders Association's project of the year award in 2011.

The LMM Airport Project

The LMM Airport Project was structured as a 40-year lease agreement (the "**LMM Airport Agreement**") between the Puerto Rico Ports Authority ("**PRPA**") and Aerostar Airport Holdings LLC ("**Aerostar**"), a partnership between Grupo Aeropuertuario de Sureste S.A.B. de C.V. and Highstar Capital IV, L.P., to operate the Luis Muñoz Marin International Airport, the busiest airport in the Caribbean with the largest air cargo operation in Puerto Rico. Pursuant to the LMM Airport Agreement, Aerostar made an up-front payment to PRPA in the amount of $615 million, agreed to annual payments equal to a percentage of airport revenues, and committed to make certain investments to upgrade the airport facilities. Like in the Toll Roads Project, the LMM Airport Agreement provides that revenues belong to Aerostar. The LMM Airport Project was the first PPP completed for an international airport under the Federal Aviation Administration Pilot Program and was also internationally recognized as a successful PPP project, winning Project Finance International's deal of the year award in 2013.

The Ferries Project

The MTA Project was structured as a 23-year operation and maintenance agreement between MTA, HMS Ferries – Puerto Rico, LLC and HMS Ferries, Inc. to operate and maintain the MTA's ferry system, including the operation and maintenance of vessels and related facilities for the municipal ferry service provided in the key routes of Cataño-San Juan and Ceiba-Vieques-Culebra. The MTA Project was meant to ensure operational safety and quality of service provided to customers, modernize public services and build a stronger and more resilient infrastructure, introduce operational efficiencies, increase resources available for vessel maintenance and service improvement, and reduce in the public sector subsidy of the MTA's operations. The MTA Project O&M Agreement was signed on October 27, 2020. The MTA Project was also nominated for the *Project of the Year – Transportation.*

Path Forward for the Electric System

In light of this successful track-record and the existing legal framework for PPPs in Puerto Rico, the Government decided to undertake a more radical transformation of Puerto Rico's electric system involving private sector participation. In doing so, the Government has sought solutions for the electric system that:

- are cost-effective and forward-looking;
- are resilient and built in accordance with codes, specifications, and standards consistent with mainland U.S. electric utilities;
- harness innovative thinking and best practices from around the world; and

- contribute to the greater economic development, revitalization, and growth of Puerto Rico (in alignment with broader Government efforts to achieve fiscal and economic stability).

PREPA's transformation process began with the approval of the Transformation Act and the P3 Authority's issuance of a Request for Qualifications for the T&D Project on October 31, 2018. The P3 Authority undertook a robust, competitive and transparent RFP Process to select a proponent, finalize a PPP contract and obtain all of the required regulatory approvals for the T&D Project. On June 22, 2020, the P3 Authority announced that PREPA had entered into the T&D O&M Agreement with the T&D Operator. Under the T&D O&M Agreement, the T&D Operator is responsible for operating, maintaining, and modernizing the T&D system.

The LGA Project that is the subject of this Report represents the next critical phase in PREPA's transformation process.

3.1.4 Towards a Sustainable Transformation

From the outset, there were a number of factors that challenged the viability of both the T&D Project and the LGA Project, and the ability to attract private sector participation, including, among others:

- poor state of PREPA's energy infrastructure as a result of underinvestment;
- lack of access to capital markets due to complex financial restructuring process that PREPA is undertaking as a debtor under Title III; and
- corporate reorganization that PREPA needs to undergo in order to separate responsibility for the generation and T&D assets with a view towards creating a more efficient electric system for Puerto Rico.

Given this unique set of challenges facing PREPA and the general economic and fiscal difficulties that Puerto Rico is experiencing, procuring private sector expertise to transform the electric system could not occur in a vacuum. Instead, the Government pursued a multi-pronged strategy – involving a new legal framework, plans to modernize the energy sector, federal disaster assistance funding, and relief for PREPA's financial challenges – in order to create the right environment for positive and long-lasting change of the energy sector.

Bolstering the Legal Framework

The first element of a more thorough energy transformation was the adoption of legislation that would provide, among other things, for private sector participation in the transformation of the energy sector. The Government enacted the Transformation Act in June 2018 with the stated goal of transforming Puerto Rico's energy system into a modern, sustainable, reliable, efficient, cost effective, and resilient one pursuant to PPP or sale agreements with respect to the functions, services or facilities of PREPA (each such transaction, a "**PREPA Transaction**"). This new law, which provided the framework for the transformation of the energy sector, and the Regulation adopted thereunder, provide guidelines and procedures for, among other things:

- identifying the PREPA functions, services, or facilities for which PPPs will be established;
- identifying which PREPA assets related to energy generation will be sold or transferred through sale contracts or delegated to private operators through long-term operation and maintenance agreements;
- soliciting, obtaining, and evaluating proposals for PREPA Transactions;

- selecting the entities or individuals that will enter into transformation contracts with PREPA; and
- negotiating and awarding PPP contracts for PREPA Transactions.

The Transformation Act also set in motion the development of a new regulatory framework for the electric sector. A working group was created under the Transformation Act to develop a new energy public policy and regulatory framework, in consultation with the Southern States Energy Board and the U.S. Department of Energy, among others. Legislation to establish this new framework for Puerto Rico's energy sector, the Puerto Rico Energy Policy Act, Act No. 17-2019 (the "**Energy Policy Act**"), was signed into law on April 11, 2019. The Energy Policy Act formulates Puerto Rico's energy policy through 2050 and aims to set the parameters for a resilient, reliable, and robust energy system. In particular, the Energy Policy Act requires planning for greater resilience through the establishment of micro-grids, distributed and renewable generation, and underground distribution lines.

In addition, as part of the Government's public policy to achieve diversification of electricity sources and energy technology infrastructure by reducing the dependence on fossil fuel-based energy sources, the Energy Policy Act (i) requires that at least 20% of PREPA's energy come from renewable sources by 2022, increasing to 40% by 2025 and 60% by 2040, and reaching 100% by 2050, and (ii) prohibits the production of energy through the combustion of coal and its derivatives as a source of generation beginning in 2028. The Energy Policy Act also confirms the role of the PREB as the independent entity in charge of (A) regulating Puerto Rico's energy system with powers and duties to ensure fair, affordable, and reasonable costs through oversight and review of rates, and (B) supervising and enforcing Puerto Rico's energy policy.

Finally, the modernization of the regulatory framework has also taken a long-term view of the energy future of Puerto Rico. Pursuant to Act 57 requirements, PREPA prepared an integrated resource plan (the "**2019 IRP**") reflecting a detailed planning process considering all reasonable resources to satisfy the demand for electrical services over a 20-year planning horizon. PREPA's 2019 IRP, initially submitted on February 12, 2019, was developed by PREPA, with support from Siemens Power Technology, Inc., using a rigorous analytical process. It provided analysis and recommendations for PREPA's energy supply resources for the 20-year period from 2019 to 2038. The analyses set out in the 2019 IRP considered a large number of scenarios and incorporated input from PREPA and relevant stakeholders. Following a determination by the PREB that the original submission was not fully in compliance with certain PREB regulations and prior orders, PREPA submitted a revised IRP on June 7, 2019.

On August 24, 2020, after a lengthy and thorough review process, PREB issued a Final Resolution and Order (the "**IRP Final Resolution and Order**") approving in part and rejecting in part the revised 2019 IRP. In the IRP Final Resolution and Order, PREB ordered the adoption and implementation of a modified action plan (the "**MAP**"), providing a roadmap to realize PREPA's modernization goals. The MAP is based on the IRP Scenario 3, Case 2, rejecting the IRP's preferred resource plan (the Energy System Modernization Scenario or "ESM" scenario) following a determination that it did not demonstrate economic benefit relative to competing plans. Notwithstanding this, PREB found that the following five core elements of the Energy System Modernization Scenario should be retained as part of the MAP:

- timely retirement or conversion of older steam plant infrastructure into synchronous condensers;
- energy efficiency deployment to the maximum amount obtainable;
- maximum procurement of solar PV;

- procurement of battery energy storage to meet integration requirements for renewable energy generation; and
- hardening of the T&D system.

The MAP also depends on a combination of T&D system hardening and distributed resource deployment to ensure a resilient power system.

Modernizing the Energy Sector

Given Puerto Rico's geographic location and susceptibility to extreme weather events, there has been a progressive focus on transitioning Puerto Rico's electric system towards cleaner renewable energy sources that by their nature support resiliency and guard against the devastating effects of another hurricane. Consistent with the Energy Policy Act and other applicable law, the IRP and the Electric Grid Modernization Plan for Puerto Rico (the "**GMP**") contemplate transforming the energy system through the incorporation of more renewables, micro-grids, and distributed energy resources, which will ultimately drive economic opportunities and customer well-being.

The GMP was developed by the Central Office for Recovery and Reconstruction ("**COR3**") and the P3 Authority, in conjunction with PREPA, to provide a roadmap for the implementation of projects to transform the energy system through a detailed action plan tailored to Puerto Rico. The GMP adds granularity to the Government's vision to transform the electric system and sets the foundation for turning this vision into action with a view towards achieving a modernized, standardized, resilient, and distributed electric system in Puerto Rico, in accordance with the public policy set forth by the Transformation Act and the Energy Policy Act.

The programs and initiatives set forth in the GMP are guided by the following five core pillars for permanent reconstruction set forth in the Transformation Act and the Energy Policy Act: *customer-centricity*, *resiliency*, *reliability*, *affordability, and sustainability*, each of which is described in more detail below.

- *Customer-Centricity* –The GMP seeks to ensure that the existing generation assets required to serve the peak load of the PREPA customers remain reliably available during the transition period as Puerto Rico moves toward natural gas and renewable resources, and to provide PREPA customers with transparent metrics for quality of service.
- *Resiliency* – The GMP is centered on the concept of achieving an electric system that is able to adequately withstand future extreme weather and man-made events. As stated in the GMP, this requires continuous improvement of PREPA's emergency preparedness capabilities, including measures to support effective preparation for, management of, and timely recovery from major weather events.
- *Reliability* – The GMP seeks to transform the electric system such that it provides best-in-class and reliable electric service, which is essential for all residents' well-being and economic development. Best-in-class power service requires meeting the growing demands of electricity users. The GMP contemplates increasing the reliability of the generation assets by engaging a third-party operator to take responsibility for operating and maintaining the existing units until they are retired.
- *Affordability* – The GMP seeks to (i) transform the electric system to provide electric service at a cost that is reasonable to all residents and businesses by maximizing operational efficiency and financial stability in running the utility and (ii) minimize the cost of supply, and reduce the dependence on

imported fuels (and the associated volatility), in order to support affordable rates while remaining in line with the core pillars of resiliency and reliability.

- *Sustainability* – The GMP is centered on the concept of achieving a safe electric system that is a leader in environmental stewardship. This requires not only a trained and engaged workforce, but also a transition from an electric system centered on fossil fuels to one in which renewable resources play a central role.

Securing Federal Funding

Another key component of the energy transformation involves the Government's efforts to secure federal disaster assistance funding to help rebuild Puerto Rico in the aftermath of Irma and Maria. These efforts have been essential not only to the recovery of Puerto Rico, but also to the ability to attract private sector investment. Market participants interested in contributing to PREPA's transformation have consistently stressed the importance of securing the federal government's support for the transformation efforts, particularly federal recovery funding.

In order to effectively procure and deploy Puerto Rico's federal funding needs, the Government has established a robust, centralized organizational framework that promotes transparency, governance, and accountability. The COR3 serves as the nerve center of this effort. COR3 is based on similar agencies that have been successfully deployed in post-disaster situations by other U.S. jurisdictions, including New York, New Jersey, and Louisiana. COR3 has been responsible for, among other things, (i) overseeing public and private sector efforts related to financial management of recovery funds, (ii) sub-recipient monitoring, (iii) providing training and technical assistance, (iv) performing internal auditing, and (v) conducting the reimbursement review process. Through these efforts, the Government was able to secure emergency supplemental appropriations of over $36 billion for the recovery and reconstruction of Puerto Rico. Of this amount, it is estimated that a large portion will be appropriated for the energy system, based on eligible work, though a relatively small portion will be appropriated for generation projects.

In February 2020, FEMA published the Public Assistance Alternative Procedures (Section 428) Guide for Permanent Work (FEMA-4339-DR-PR) (February 2020) (the "**428 Guide**"). The 428 Guide is applicable to large permanent work projects in Puerto Rico for critical service facilities and provides that cost estimates for funding eligible projects will be developed by FEMA. Certain cost estimates may be subject to validation by a third-party independent expert panel (the "**Expert Panel**"). The United States Army Corps of Engineers (USACE) Cost Engineering Center of Expertise acts as the Expert Panel under the 428 Guide. Expert Panel review is available under certain circumstances, including, among others, at an applicant's request for projects with a cost estimate greater than $5 million. Allowable costs for estimates include architectural, engineering, environmental review and design fees, construction, other restoration and reconstruction costs, hazard mitigation, and direct administrative costs.

To support its work, COR3 hired various third-party experts with extensive global experience in disaster recovery and reconstruction efforts, including experts with experience in (i) project formulation and grant management, (ii) technology solutions, software development, and report and data management, (iii) strategy, compliance, and financial management, and (iv) energy-related matters.

3.1.5 Addressing Fiscal Challenges[16]

The final critical component of the energy transformation involves the Government's strategy for tackling the fiscal crisis that Puerto Rico and its public corporations have been facing. Although PREPA has been struggling since 2014, recognizing the delicate and declining fiscal condition of Puerto Rico, the U.S. Congress enacted PROMESA in 2016. PROMESA provides a series of mechanisms to achieve fiscal and budgetary balance and restore access to the capital markets to spur the revitalization of infrastructure in Puerto Rico. PROMESA also established the FOMB, which is tasked with working with the Government and the people of Puerto Rico to create the necessary foundation for economic growth.

On May 3, 2017, the FOMB filed a petition for relief under Title III of PROMESA for the Commonwealth of Puerto Rico in the United States District Court for the District of Puerto Rico (the "**Title III Court**"). On January 18, 2022, the Title III Court entered orders confirming the Commonwealth Plan of Adjustment. On March 15, 2022, the conditions precedent to effectiveness of the Commonwealth Plan of Adjustment were satisfied. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of today. The Commonwealth Plan of Adjustment reduced Puerto Rico's total funded debt obligations from approximately $34.3 billion of prepetition debt to approximately $7.4 billion, representing a total debt reduction of 78%. All of the legacy Puerto Rico general obligation bonds, ERS bonds, and PBA bonds were discharged, and all of the related Puerto Rico, ERS, and PBA obligations and guarantees were discharged. In addition, all Puerto Rico laws that required the transfer of funds from the Commonwealth to other entities have been deemed preempted, and Puerto Rico has no obligation to transfer additional amounts pursuant to those laws. Importantly, effectuating the Commonwealth Plan of Adjustment provides a path for Puerto Rico to access the credit markets and develop balanced annual budgets.

In July 2017, the FOMB further filed a petition for relief under Title III on behalf of PREPA in order to begin the process of addressing PREPA's significant debt obligations and operational challenges. The filing resulted in an automatic stay of collection efforts against PREPA for prepetition debts. Restructuring PREPA's legacy obligations is a key component of Puerto Rico's energy transformation and its successful conclusion will pave the way for a resilient, reliable, and affordable energy system. The Title III process has also allowed the Government, including the P3 Authority, to work closely with the FOMB and its Consultants on transformation efforts. The process to restructure PREPA's debts is still ongoing. The Title III Court has recently issued orders staying a motion of PREPA's bondholders to dismiss PREPA's Title III Case or to lift the automatic stay to appoint a receiver. Instead, the Court set a schedule for litigation over whether PREPA's bondholders' claims are secured by PREPA's revenues or secured solely by amounts in PREPA bond trustee-held accounts. Moreover, the Title III Court has ordered the FOMB to file by December 1, 2022: (i) a proposed plan of adjustment for PREPA and accompanying disclosure statement and (ii) a proposed confirmation schedule contemplating a June 2023 confirmation hearing. In addition, the Court has ordered PREPA and its creditors to continue mediation in parallel with the litigation and plan schedule with the goal of achieving a global, consensual resolution to PREPA's Title III case.

[16] **NTD**: Subject to update by consultant.

3.2 Project Objectives

The Government's overarching mission is to transform Puerto Rico's energy system into a modern, sustainable, reliable, efficient, cost-effective, and resilient one. Consistent with the foregoing, the LGA Project is intended to achieve the following objectives for the Legacy Generation Assets:

- introduce private sector operational expertise;
- facilitate managerial continuity of long-term planning;
- improve certainty and self-development for employees;
- implement improvements in the safety, reliability, power quality and efficiency of the Legacy Generation Asset operations;
- facilitate Puerto Rico's transition to PREPA's Vision for the Future of Power in Puerto Rico described in the IRP;
- implement operational excellence of electricity generation facilities consistent with prudent industry practices, including improved safety and compliance with environmental and other applicable regulatory requirements; and
- increase cost efficiency while achieving the operational objectives noted above in coordination with the T&D Operator.

The Government determined that these objectives would be best achieved through a PPP with a world class private operator that would be able to bring to bear its experience and expertise and best practices from the U.S. mainland and other jurisdictions. The private operator would need to have the appropriate experience managing power generation operations, as well the technical, operational, and financial wherewithal to successfully operate the Legacy Generation Assets. More specifically, potential private partners would have to demonstrate: (i) capability and experience operating, maintaining, managing and undertaking selected maintenance capital projects as needed for thermal generation facilities with capacity in excess of 100 MW, which operate on natural gas and/or fuel oil; (ii) financial stability and resources; (iii) strong technical expertise, with a track record of high-quality safe and reliable operations; and (iv) experience and demonstrated ability to manage a largely Spanish-speaking workforce.

Consistent with the principles set forth in Section 204(b)(2) of PROMESA, the LGA Project is intended to "promote market competition" by harnessing private sector creativity and resources to help fully deliver on the economic, infrastructure, and societal goals identified by the Government. Furthermore, the LGA Project is consistent and compliant with the Certified PREPA Fiscal Plan. The Certified PREPA Fiscal Plan describes the LGA Project as one of the major transformation initiatives to be implemented in order to boost generation efficiency and productivity, as well as environmental compliance, resulting in increased affordability of electricity and improved reliability of services, and ensuring adherence to environmental and sustainability standards. **As stated in the Certified PREPA Fiscal Plan, Puerto Rico's economic recovery "depends on a comprehensive and overdue transformation of its energy sector" and the Certified PREPA Fiscal Plan "provide[s] the roadmap to complete the island's energy system transformation."**

As further described in this Report, the procurement process was undertaken with various goals in mind. First, the Government was keenly focused on implementing a robust, competitive, and transparent procurement process to identify the private partner best positioned to accomplish the LGA Project's objectives. Second, from its inception, the procurement process was carried out in coordination with the FOMB and its advisors, given the importance of aligning the process with the efforts to address PREPA's financial challenges and aligning the LGA Project with the Certified Fiscal Plans of both PREPA and the Government. Both fiscal plans require the transformation of Puerto Rico's energy sector and acknowledge the importance of promoting reliable, affordable, and cost efficient energy service. The energy transformation is also expected to spur economic growth and help sustain an adequate tax base. Third, throughout the procurement process, the P3 Authority was in communication with the PREB to keep it abreast of developments and facilitate its review of the O&M Agreement to determine its compliance with the energy public policy and the regulatory framework. Fourth, given the importance of compliance with environmental law in the operation of the Legacy Generation Assets, the procurement process involved frequent discussions regarding environmental matters, including the Consent Decree, and relevant applicable laws, with the Proponents, as well as communications with the EPA and the DOJ.

4. Procurement Process

4.1 Partnership Committee

Act 29 and the Regulation require that the P3 Authority establish a Partnership Committee for each PPP project. Accordingly, the P3 Authority established the Partnership Committee for the LGA Project on July 13, 2020. Pursuant to Section 5(c) of the Transformation Act, the P3 Authority must designate a Partnership Committee (as required by Act 29) to evaluate and select qualified Proponents and to establish and negotiate the terms of the O&M Agreement. Section 3.2 of the Regulation requires that the Partnership Committee be composed of:

- the executive director of the AAFAF or his/her delegate;
- a PREPA officer directly involved with the LGA Project or his/her delegate;
- one member of the board of directors of PREPA, his/her delegate, or an official thereof selected by the P3 Authority Board based on him/her having specialized knowledge pertinent to the project under consideration by the relevant partnership committee; and
- two officials from any government entity chosen by the P3 Authority Board for their knowledge and experience in the type of project under consideration by the relevant partnership committee.

As of the date of the Recommended Award, and pursuant to the requirements summarized in the paragraph above, the Partnership Committee was comprised of the following individuals:

- Omar Marrero, Esq., *Executive Director & Chairman of AAFAF; Secretary of State of the Government of Puerto Rico*;
- Josué A. Colón Ortiz, PE, *Executive Director of PREPA*;
- Fernando Gil-Enseñat, *Chairman of Governing Board of PREPA*;
- Edison Avilés Deliz, PE, Esq., *Chairman of the PREB*; and
- Gerardo Lorán-Butrón, Esq., *Special Advisor & Chief Officer for Public Corporations of AAFAF and member of the Governing Board of PREPA*.

Omar Marrero, Edison Avilés Deliz, and Gerardo Lorán-Butrón have been members of the Partnership Committee since it was first established by the P3 Authority.

As a result of his appointment as Chairman of the Governing Board of PREPA, Fernando Gil-Enseñat became a member of the Partnership Committee on October 13, 2021, replacing Ralph Kreil Rivera, who resigned from the Governing Board of PREPA.

As a result of his election as PREPA's executive director on September 29, 2021, Josué Colón became a member of the Partnership Committee, replacing Efrán Paredes Maisonet who previously served as the Executive Director of PREPA.

David K. Owens, a member of the Governing Board of PREPA, attended and participated in meetings of the Partnership Committee given his experience and knowledge in electric generation, including serving previously as the Vice President of the Edison Electric Institute, but did not vote on any resolutions.

Pursuant to Section 8 of Act 29, the Partnership Committee is responsible for the overall management of the process for the award of the LGA Project and determining the Recommended Award, including:

- engaging, or requesting that AAFAF engage, advisors, experts, or consultants on behalf of PREPA;
- approving documents prepared and distributed in connection with the RFQ Process and the RFP Process;
- evaluating and qualifying the SOQs submitted in response to the RFQ by the 15 Respondents that participated in the RFQ Process;
- inviting the qualified Respondents to participate in the RFP Process;
- engaging in, or supervising, the negotiation of the terms and conditions of the O&M Agreement with the Proponents;
- evaluating the Binding Proposals submitted by the two Proponents and selecting the one that meets the requirements of the RFP and better serves the goals of the LGA Project;
- preparing this Report and submitting the O&M Agreement for the Required Approvals; and
- overseeing proper compliance with the procedures established for the negotiation of the O&M Agreement, the determination of the Recommended Award, and the execution of the final O&M Agreement, including those requirements set forth in Act 29, the Transformation Act, and the Regulation.

4.2 Market Sounding

In December 2019, as the P3A Authority was evaluating the proposals submitted in response to the T&D RFP, the Government continued its effort to transform and revitalize Puerto Rico's energy system by conducting a market sounding process for the transformation of PREPA-owned generation assets. Advisors to the Government, including the P3 Authority, AAFAF and PREPA, together with the FOMB, issued a letter soliciting private sector feedback on participation in potential generation-focused transactions, with the stated objectives of delivering low-cost electricity to ratepayers of Puerto Rico, increasing energy resiliency and reliability, deploying new technologies, investment and financial strength, and exercising industry best-practices and operational excellence. The market sounding also requested feedback on potential transaction structures for the participation of the private sector in the Legacy Generation Assets. The potential transaction structures included acquisition of all or a portion of PREPA's generation fleet, the provision of O&M services to all or a portion of PREPA's generation fleet, and investing in new generation facilities and/or other capital investments in PREPA's generation fleet.

The market sounding indicated initial substantial interest in the LGA Project, and the Government received 14 responses. Respondents included (i) third party providers of O&M services for power plants, (ii) energy companies with experience in power-related infrastructure, and (iii) non-conforming responses that expressed interest only in developing new energy and/or infrastructure projects. Respondents provided generally consistent feedback on a number of key items. Most of the respondents:

- supported a single operator rather than multiple operator model for the operation of the generation assets, due to the efficiencies and synergies of leveraging resources across the fleet;
- did not opine on a preferred structure, but some suggested sale of the generation assets with private generation owners would be the best approach;
- for those respondents interested in private ownership of the generation assets, most conditioned that interest in the ability to have development rights and deploy capital to upgrade or replace all or a subset of the acquired generation assets;
- stressed the importance of sufficient time for diligence (at least six months) and the urgency of engaging a private partner as soon as possible to prevent further degradation of the generation assets; and
- those respondents interested in private ownership and development also expressed concern regarding the creditworthiness of the Government counterparty, indicating the need for either a strong repayment guarantee or a payment structure where payments to the private partner would be senior to debt payments.

In addition, the respondents proposed various structures for fuel delivery and expressed varying willingness to assume environmental liabilities, in each case dependent on whether the transaction structure was the provision of O&M services or the acquisition of the generation assets.

4.3 Qualification Process

On August 10, 2020, the P3 Authority issued the RFQ pursuant to Section 5 of the Transformation Act and Section 3 of Act 29. Pursuant to Section 1.4 of the RFQ, the objective of the RFQ was to enable the Partnership Committee to identify the Respondents qualified to participate in the RFP Process based on their SOQs, which were due on September 15, 2020 (the "**SOQ Submission Deadline**").

Section 3 of the RFQ provided that the RFQ Process sought SOQs from companies or consortia that demonstrated, among other things:

- concurrent operation and maintenance of either (i) two or more oil and/or gas-fired generating facilities larger than 100 MW, or (ii) a fleet of at least 1,000 MW combined of oil and/or gas-fired generating facilities;
- repair and/or replacement of oil and/or gas-fired generating equipment;
- experience with execution or oversight of plant decommissioning, including the procurement of qualified subcontractors to decommission power generation facilities;
- demonstrated ability to safely operate similar technology generation facilities and managing outages and maintenance programs in order to achieve the operating objectives of the T&D Operator;

- management of fuel supply for similar or similarly situated generating facilities, including delivery and storage and fuel quality testing;
- locations where the Respondent or subcontractors have performed similar work as described above;
- certification of no significant or sustained environmental regulation violations or OSHA fines/violations; and
- demonstrable history of compliance with energy related policies, practices, and regulations from a state, commission, or other regulatory body.

As set forth in Section 2.3 of the RFQ, the RFQ contemplated PREPA entering into one or more long-term public-private partnership contracts with one or more private partners, the precise structure of which was still to be determined but pursuant to which (i) PREPA would (x) retain ownership of and title to all assets of the Legacy Generation Assets and (y) delegate oversight rights and responsibilities to the P3 Authority in its capacity as the Administrator of such contract (the "**Administrator**"), and (ii) the applicable private partner would assume all rights and responsibilities related to the operation, maintenance, and management of some or all of the Legacy Generation Assets, including:

- day-to-day operation services, including start-up, load variations, active follow-up of operating parameters and alarms, shutdown of the plants or units thereof;
- identifying, justifying and managing any required maintenance capital expenditures;
- hiring, training, and supervising personnel;
- providing routine inspections and operating tests of the Legacy Generation Assets;
- provisioning, storing and maintaining the inventory of any necessary spare and consumable parts for the Legacy Generation Assets;
- establishing and maintaining a computerized maintenance management system for the Legacy Generation Assets;
- performing scheduled and emergency maintenance, repair and replacement of equipment, including any balance of plant equipment;
- managing outages and restoring power;
- coordinating emergency planning and storm restoration and recovery;
- procuring and managing water or power supply, if applicable;
- procuring, as well as managing, the delivery and quality testing of fuel, including natural gas, diesel (number 2 fuel oil) and number 6 fuel oil (including logistics, fuel testing and storage tank management), if applicable, as an agent for PREPA;
- liaising with PREPA, the T&D Operator or any of their assignees or successors regarding dispatch and related T&D System matters and providing required information;

- interfacing with regulators including PREB and environmental compliance agencies as required;
- obtaining and maintaining licenses, permits and consents, as necessary;
- preparing for and assisting in, or subcontracting for and overseeing, the decommissioning of the relevant plants as outlined in the IRP and in coordination with PREPA, the T&D Operator and PREB;
- participating in emergency planning and drills led by the T&D Operator, as needed; and
- assisting with the transition of the plants to third parties to the extent certain of the plants are removed from the PPP contract.

In addition to performing the services typically performed by an operator of multiple generation assets, the RFQ contemplated that the applicable private partner would perform the decommissioning and retirement of the Legacy Generation Assets in accordance with the IRP. Certain of the Legacy Generation Assets may be needed for interim operating periods, as determined by the needs of the T&D System and the timing of new, modern and renewable replacement generation sources, which will be developed through PPPs and in accordance with the parameters set forth in the IRP. However, the LGA Project did not provide for new generation sources to be developed, owned, operated or maintained by the Operator. Further, in accordance with the IRP, no capital expenditures by PREPA or a private partner that would extend the useful life of a Legacy Generation Asset was anticipated. The rights and responsibilities for any Legacy Generation Assets that have not been decommissioned and retired by the expiration or early termination of the Contract Term would be transferred back to PREPA or to a successor operator. The RFQ provided that the compensation structure under the PPP contract(s) would be described in the RFP.[17]

Pursuant to Section 1.9 of the RFQ, Respondents were able to submit any requests for clarifications ("**RFCs**") they had with respect to the contents of the RFQ (each such RFC, an "**RFQ-RFC**") to the P3 Authority prior to August 31, 2020. On September 8, 2020, the P3 Authority issued responses to the RFQ-RFCs submitted by Respondents pursuant to the process established in Section 5.4 of the Regulation. The RFQ and the P3 Authority's responses to such RFQ-RFCs are available on the P3 Authority's website (www.p3.pr.gov).

On or before the SOQ Submission Deadline, the P3 Authority received 15 SOQs from the following Respondents:

- Abengoa-NTPC Consortium;
- Beowulf Energy LLC;
- Consolidated Asset Management Services, LLC;
- EcoEléctrica;
- EGE Haina;
- Enatura (SPEV Consortium);

[17] For more information on the RFQ Process please see the RFQ attached as Exhibit C hereto (*Request for Qualifications*).

- EthosEnergy;
- Excel Contractors, Inc.;
- Genera, formerly named Encanto Power;
- Mitsubishi Power Americas, Inc.;
- NAES;
- NRG Energy Services;
- ProEnergy;
- PW Power Systems LLC; and
- Siemens.

Pursuant to Section 8(b) of Act 29 and Section 3.4 of the Regulation, the Partnership Committee evaluated each SOQ based on the requirements set forth in the RFQ. Specifically, the Partnership Committee considered the extent to which Respondents satisfied the evaluation criteria established in Section 3 of the RFQ based on scorecards established by the Consultants.

On October 13, 2020, the Partnership Committee met to analyze the information contained in the SOQs and score the SOQs. On October 22, 2020, based on the information included in the SOQs, the following entities were selected to participate in the RFP Process:[18][19]

- EcoEléctrica – EcoEléctrica is a Bermuda limited partnership formed on August 10, 1994 and is duly organized to do business in Puerto Rico to develop, design, finance, construct, own and operate a combined cycle natural gas-fired cogeneration facility, a liquified natural gas import terminal and storage facility, a desalination plant and other auxiliary assets. EcoEléctrica operates a 548 MW combined cycle and liquified natural gas terminal facility in Puerto Rico. Global Power Generation, S.A. of Grupo Naturgy and Engie Invest International S.A., the subsidiaries of EcoEléctrica's owners, Naturgy Energy Group S.A. and Engie S.A. were Team Members in the SOQ. Naturgy Energy Group S.A. is a multinational energy group that holds a large position in the gas sector and also has a presence in the electricity industry, being the largest integrated gas and electricity company in Spain. Global Power Generation, S.A., a subsidiary of Naturgy Energy Group S.A., was incorporated in 2014 to channel international generation activity, encompassing over 4 GW in operation with various technologies in seven different countries. Engie S.A. is a global energy player with operations in close to 70 countries on five continents. Engie S.A. is a corporation incorporated in the Duchy of

[18] For more information on the Respondents and the RFQ Process please see the report titled "Qualifications Analysis and Shortlist Report" attached as Exhibit D hereto (*Qualification Analysis and Shortlist Report).*

[19] The following description of the qualified Respondents was derived from their respective SOQs. Experience data and statistics are accurate as of the SOQ Submission Deadline.

Luxembourg. Engie S.A. has 115.3 GW of installed generating capacity. Engie S.A. has experience in managing and handling fuel supply of various types including natural gas, coal and diesel.

- EGE Haina – EGE Haina was founded under the Public Enterprise Reform Law on October 28th, 1999 in the Dominican Republic. It is a Public-Private Partnership between the Dominican Government and the private sector, 50% owned by the Haina Investment Company, the controlling partner, 49.99% owned by the Dominican government and 0.01% owned by private individuals. EGE Haina is the largest electricity generator in the Dominican Republic with operations of over 1,000 MW. The mix of fuels for the plants it operates consists of coal, gas and some liquid fuels. Besides its own generation, EGE Haina has experience performing O&M services on third-party power plants totaling approximately 350 MW.

- EthosEnergy – EthosEnergy is a private limited company organized in Scotland and a joint venture between two leading energy service companies, Siemens AG and Wood PLC (formerly Wood Group). EthosEnergy's capitalization is a combination of shareholder equity and debt, with Wood as 51% shareholder and Siemens AG as 49% shareholder. EthosEnergy is an independent service provider of rotating equipment services and solutions to the power, oil and gas, and industrial markets in over 100 countries. EthosEnergy has experience operating over 90 facilities totaling over 38 GW of power generation capacity. EthosEnergy has OEM-equivalent capabilities to support gas and steam turbines, compressors, and generators within power and cogeneration facilities, and is a manufacturer of transformers.

- Genera – Genera is a Puerto Rico limited liability company and a wholly-owned subsidiary of NFE (NASDAQ: NFE), formerly named Encanto Power during the RFQ Process. PIC Group was included as a Team Member in the SOQ. NFE is a global energy infrastructure company with nearly 1,000 MW of power generation capacity currently operational, under construction or for which it provides fuel management services. NFE is also an affiliate of NFEnergía LLC, which has significant, direct experience with fuel management and power generation in Puerto Rico, including the NFE FSPA with PREPA. NFE has developed, constructed, and commissioned numerous energy infrastructure assets on islands in the US and the Caribbean, and is developing energy infrastructure assets that it will own and operate in stranded locations in Mexico and Nicaragua. NFE has particular expertise in fuel management, operating and maintaining power plants in island environments. PIC Group, a corporation organized in Georgia, is a service provider for the global power generation industry and a wholly owned subsidiary of Marubeni Group (OTCMKTS: MARUY). PIC Group has 20 years of O&M experience across various global power facilities for approximately 15 GW of total capacity across 68 plant sites across multiple technologies including over 90 combustion turbine generators, 102 reciprocating engines, 46 steam turbine-generators and nine hydroelectric units.

- NAES – NAES was established in 1980 by four Pacific Northwest utilities (Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light, and The Washington Water Power Company). NAES is owned by ITOCHU International Inc. (III) and I-Power Investment Inc., subsidiaries of ITOCHU Corporation ("**ITOCHU**") (OTCMKTS: ITOCY), an international trading conglomerate and Fortune Global 250 company with worldwide sales of $100 billion in 2020. NAES has significant global experience providing O&M services to 380 plants, totaling over 97 GW of power generation capacity, in 13 different countries including: Argentina, Belgium, Brazil, Canada, Colombia, Guatemala, Honduras, Jamaica, Mexico, Panama, Singapore, United Kingdom, and the U.S.A. NAES has a broad range of experience operating large complex facilities on an island and in remote locations, including the procurement, delivery, and unloading of the fuels (via tanker trucks) for the 60 MW Hamakua Energy Partners facility located on the island of Hawaii in Honokaa.

- NRG Energy Services – NRG Energy Services was established in 2011 and is a wholly-owned subsidiary of NRG Energy, Inc. (NYSE: NRG), which owns and operates power generation facilities. NRG Energy, Inc. and NRG Energy Services together have experience operating and maintaining a diverse set of plants totaling approximately 60 GW of power generation capacity, of which 35 GW encompasses various configurations of oil and gas-fired capacity. NRG Energy Services operates 8 GW of power plant generating capacity of which 4.5 GW is gas and oil-fired. NRG Energy Services also provides technical services from a large pool of engineers and technical specialists. NRG Energy Services also has a large machine shop located in Houston, Texas and provides inspection, machining, repair and fabrication services on major equipment like CT rotors, steam turbines and major pumps for the power and other industries.
- ProEnergy – ProEnergy is a privately held third-party solutions provider for the power generation and oil and gas industries. ProEnergy has experience with the construction, management, operations, maintenance and repair services for energy generation facilities and equipment around the world. ProEnergy's experience spans 6.5 GW of installed power generation capacity through engineering, procurement and construction contracts, with more than 50 facilities serviced through commissioning and startup, and through providing O&M services to more than 65 facilities. ProEnergy's experience includes several facilities in South America, Asia and Africa and covers several different fuel types such as natural gas and diesel.
- Siemens – Siemens is a corporation organized under the laws of Delaware, and is one of the largest integrated power plant O&M providers worldwide. Siemens provides O&M services to 55 sites, and has O&M contracts covering over 38 GW of power generation capacity, with more than 30 years of experience as an O&M provider in more than 90 counties. Siemens has a global network of factories, repair centers and regional offices. Siemens currently has 36 power stations under O&M contracts in 17 countries. Their experience includes modifications, upgrades and decommissioning and spans multiple fuel types including natural gas and oil.

4.4 Request for Proposals

4.4.1 RFP and RFP Addenda

On November 10, 2020, the P3 Authority issued the RFP to Proponents pursuant to Section 5 of the Transformation Act and Section 3 of Act 29. The RFP Process sought Binding Proposals from entities that had been pre-qualified in the RFQ Process. The objective of the RFP Process was to enable the Partnership Committee to determine the Proponent best qualified to enter into the O&M Agreement, based on the Binding Proposals.

The P3 Authority issued four addenda to the RFP to (i) update the timeline of the RFP Process and other terms set forth in the RFP, (ii) update the processes and procedures to be used to implement the RFP Process, including the evaluation criteria and weighting to be applied to the Binding Proposals and the Binding Proposal submission instructions, (iii) replace the original RFP, as amended and supplemented, with and Amended and Restated RFP, and (iv) distribute certain transaction documents provided to the Proponents prior to December 22, 2021, the date on which Binding Proposals were ultimately due (the "**Proposal Submission Deadline**"), including various drafts of the O&M Agreement. The addenda were issued on March 9, July 24, November 4 and November 23, 2021.

As indicated below, certain transaction documents were distributed by addenda to the RFP, and the P3 Authority also distributed documents to the Proponents using the Messaging Tab in PowerAdvocate©[20] (each such communication, a "**PowerAdvocate© Message**").

During the period from March 2021 through November 2021, the Proponents received the following three drafts of the O&M Agreement:

- an initial draft of the O&M Agreement (the "**First Draft O&M Agreement**"), distributed on March 9, 2021, as part the first addendum to the RFP;
- a second draft of the O&M Agreement (the "**Second Draft O&M Agreement**"), distributed on July 24, 2021, as part of the second addendum to the RFP; and
- a final revised draft of the O&M Agreement (the "**Final Form of O&M Agreement**"), distributed on November 24, 2021, as part of the final addendum to the RFP.

Pursuant to the process set forth in the RFP, certain of the Proponents (i) provided written comments to and mark-ups of the first and third drafts of the O&M Agreement, and (ii) met with the P3 Authority, the P3 Consultants, and the FOMB Representatives via teleconference in advance of providing written comments on the First Draft O&M Agreement, and on April 27, 2021, April 28, 2021 and May 7, 2021 to discuss their comments to the First Draft O&M Agreement.

ProEnergy, EthosEnergy, Siemens, EcoEléctrica and NRG Energy Services elected not to proceed in the RFP Process in April 2021, October 2021, October 2021, November 2021, and November 2021, respectively.[21] EGE Haina did not formally withdraw from the RFP Process, but did not submit a Binding

[20] PowerAdvocate© is a digital platform specifically designed for the energy industry to make competitive procurement easy and efficient. With standardized data collection and reporting, go-to-market templates, customizable datasheets and access to a database of suppliers, PowerAdvocate© enabled the P3 Authority to (i) accelerate strategic sourcing activity through reduced cycle time, (ii) unearth hidden margin and gain negotiation leverage through granular bid data analysis, (iii) easily collaborate with business stakeholders across engineering, finance, operations, leadership, and procurement, and (iv) centrally track, measure, and report on savings over time.

[21] Of the transaction documents distributed to Proponents, ProEnergy only received the First Draft O&M Agreement issued as part of the first addendum to the RFP. EthosEnergy, Siemens, EcoEléctrica and NRG Energy Services received the First Draft O&M Agreement issued as part of the first addendum to the RFP and the Second Draft O&M Agreement issued as part of the second addendum to the RFP. Neither ProEnergy nor EthosEnergy provided comments to any of the transaction documents or participated in any meetings to discuss the transaction documents. Siemens provided only high-level comments on the First Draft O&M Agreement and participated in an April 27, 2021 meeting to discuss those comments. EcoEléctrica and NRG Energy Services provided comments on the First Draft O&M Agreement, participated in separate April 28, 2021 meetings to discuss those comments, and attended separate in-person meetings in Puerto Rico on October 19, 2021 and October 20, 2021, respectively.

Proposal.[22] NAES withdrew from the RFP Process in April 2021, and rejoined the RFP process in November 2021.[23]

4.4.2 Due Diligence

Throughout the RFP Process, the Proponents were provided the opportunity to conduct extensive due diligence on the Legacy Generation Assets.

Data Room

Subject to having signed confidentiality agreements, in November 2020, the Proponents were given access to a digital data room with information and key documents related to the LGA Project (the "**Data Room**"). Specifically, 6,574 documents related to PREPA totaling more than 117 gigabytes of data were uploaded to the Data Room, including the following, among others:

- real property documents, including documents related to PREPA's commercial, plants, hydro, irrigation, substation, and supply real estate (359 documents totaling 6,805 megabytes ("**MBs**") of data);
- environmental permits, approvals, and statements, including PREPA's emissions data and fuel quality and recycling reports (357 documents totaling 2,162 MBs of data);
- environmental reports and regulatory matters, including the Phase I Environmental Site Assessments (4835 documents totaling 81,616 MBs of data);
- commercial contracts and other agreements, including PREPA's general third-party, maintenance, fuel, and logos and trademarks agreements (96 documents totaling 216 MBs of data);
- human resources documents and records, including documents with PREPA's staffing, benefits, worker health and safety, and employee training information (60 documents totaling 401 MBs of data);
- facility data and operations records, including descriptions of PREPA's assets, fuel consumption and inventory data, and inspection and safety records (319 documents totaling 1,338 MBs of data);

[22] Of the transaction documents distributed to Proponents, EGE Haina received the First Draft O&M Agreement issued as part of the first addendum to the RFP and the Second Draft O&M Agreement issued as part of the second addendum to the RFP. EGE Haina did not provide comments to either draft of the O&M Agreement, instead electing to send a letter to the P3 Authority expressing interest in proposing a strategy for the renewal of specific Legacy Generation Assets. EGE Haina did not participate in any meetings to discuss the transaction documents.

[23] Of the transaction documents distributed to Proponents, NAES received the First Draft O&M Agreement issued as part of the first addendum to the RFP and the Final Draft O&M Agreement issued as part of the fourth addendum to the RFP. NAES elected not to proceed in the RFP Process after submitting comments on the First Draft O&M Agreement. Accordingly, NAES did not participate in meetings to discuss the transaction documents until it rejoined the RFP Process.

- independent engineer and technical reports, including PREPA's historical IRPs and demarcation studies (301 documents totaling 5,364 MBs of data);
- finance and accounting records, including PREPA's audited financial statements, depreciation studies, fiscal plans and budget forecasts (14 documents totaling 46 MBs of data);
- transaction process materials (213 documents totaling 16,610 MBs of data);
- insurance and tax documents and records (17 documents totaling 174 MBs of data);
- information technology documents and records (two documents totaling 41 KBs of data); and
- litigation summary (one document totaling 687 KBs of data).

In addition, certain memoranda prepared by the Consultants summarizing key elements of the LGA Project were uploaded to the Data Room, including:

- a confidential information memorandum;
- a financial model for the LGA Project;
- a white paper on the electric sector regulatory framework;
- a white paper on environmental considerations;
- a white paper on labor considerations; and
- a white paper on the Title III process.

Management Presentations and Site Visits

In order to provide Proponents with the opportunity to diligence the Legacy Generation Assets while restrictions imposed in response to the novel coronavirus ("**COVID-19**") were effective, narrated videos providing a site visit at each Legacy Generation Asset were prepared and uploaded to the Data Room in February 2021 in lieu of physical site visits. Similarly, in lieu of in-person presentations, key officers, directors, and managers of PREPA, together with certain of their advisors and representatives of the P3 Authority, and AAFAF, recorded virtual presentations regarding the LGA Project (the "**Management Presentation**") that were uploaded to the Data Room in April 2021.

Once the COVID-19 restrictions were eased, physical site visits to the PREPA facilities were scheduled with the Proponents in Puerto Rico on the following dates:

- NRG Energy Services – September 11–13, 2021;
- Genera – September 18–20, 2021;
- EGE Haina – September 25, 2021; and
- NAES – November 19–21, 2021.

Table 1 includes the agenda for each of the Management Presentations, including the topics covered and the key officers, directors, and managers of PREPA, the P3 Authority and AAFAF who presented.[24]

Table 1: Agenda for Management Presentations

Topic	Presenters
Opening Remarks	Fermín Fontanés *Executive Director of the P3 Authority*
Opportunity Overview and Title III Update	Fermín Fontanés *Executive Director of the P3 Authority* Omar Marrero *Executive Director and Chairman of the AAFAF*
PREPA Overview and Energy Sector Transformation	Efrán Paredes, PE *Executive Director, PREPA*
Integrated Resource Plan	Alfonso Baretty *Director of Planning and Environmental Protection, PREPA*
Legacy Assets Overview – Baseload Facilities	Fernando Padilla *Deputy Executive Director of Operations, PREPA* William Rios Mera *Director of Generation Directorate (acting), PREPA*
Legacy Assets Overview – Peaking Units	William Rios Mera *Director of Generation Directorate (acting), PREPA*
Fuel Management	Delis Zambrana; *Senior Program Manager, PREPA* Edwin Barbosa *Fuel Office Administrator, PREPA* Dennis Zabala *Principal Advisor, Sargent & Lundy*
Financial Projections	Fernando Padilla *Deputy Executive Director of Operations, PREPA*
Environmental Considerations	Luisette Rios

[24] For more information on the Management Presentations please see PREPA's Management Presentation attached as Exhibit E hereto (*PREPA Management Presentation*).

	Head of Environmental Protection and Quality Assurance, PREPA Alfonso Baretty *Director of Planning and Environmental Protection, PREPA*
Safety	Shehaly Rosado *Head of Occupational Safety, PREPA*
Human Resources	Nydza Irizarry Algarin *Director of Human Resources and Labor Affairs, PREPA*

Virtual tours of the following PREPA facilities were uploaded to the Data Room:

- Cambalache
- Costa Sur
- Daguao
- Jobos
- Mayagüez
- San Juan
- Vega Baja
- Yabucoa
- Palo Seco
- Aguirre

The Proponents were later given the opportunity to visit the same PREPA facilities in-person.

RFP Requests for Clarification

Proponents were able to submit any RFCs they had with respect to the contents of the RFP, the information available in the Data Room, the Legacy Generation Assets, and other matters related to the LGA Project (each such RFC, an "**RFP-RFC**") to the P3 Authority prior to the Proposal Submission Deadline. The RFP required that all RFP-RFCs be submitted in writing through a PowerAdvocate© Message. Verbal RFP-RFCs were not accepted.

The P3 Authority generally answered RFP-RFCs in writing through a PowerAdvocate© Message. RFP-RFCs were made available to all Proponents together with the answers thereto, unless the Proponent requested that an RFP-RFC be given confidential treatment and the P3 Authority agreed that such confidential treatment was appropriate.

Various Conferences with Proponents

Each of Genera and NAES participated in various conferences with the P3 Authority, the P3 Consultants, and the FOMB Representatives between March 2021 and April 2022.

Genera participated in various conferences regarding the following topics on the following dates:

- conference regarding the procurement process and the First Draft O&M Agreement on April 5, 2021;
- conference discussing comments on the First Draft O&M Agreement on May 7, 2021;
- in-person meeting in Puerto Rico to discuss the Second Draft O&M Agreement on October 20, 2021;
- conference regarding the financial model on November 1, 2021;
- conference discussing the Second Draft O&M Agreement on November 17, 2021;
- conference regarding clarification of Genera's Binding Proposal on January 10, 2022;
- conference regarding the procurement process on February 2, 2022;
- conference regarding clarification of Genera's Binding Proposal on February 15, 2022; and
- in-person meeting in Puerto Rico to discuss Genera's Binding Proposal and comments on the Final Form of O&M Agreement on April 19, 2022.

NAES participated in various conferences regarding the following topics on the following dates:

- conference regarding the procurement process and draft O&M Agreement on March 26, 2021;
- conference discussing First Draft O&M Agreement on April 8, 2021;
- conference regarding the procurement process and then-current draft O&M Agreement on November 5, 2021;
- conference discussing the Second Draft O&M Agreement on November 16, 2021;
- conference regarding environmental compliance related matters, including the Consent Decree, on December 3, 2021;
- conference regarding capital expenditures and federal funding on December 12, 2021;
- conference regarding clarification of NAES' Binding Proposal on January 10, 2022;
- conference discussing status of the PREPA-Genco-Hydroco Operating Agreement [25] and the demarcation of PREPA's assets, on January 31, 2022;
- conference regarding clarification of NAES' Binding Proposal, particularly regarding the financial proposal, on February 15, 2022; and

- in-person meeting in Puerto Rico to discuss NAES' Binding Proposal and comments on the Final Form of O&M Agreement on April 19, 2022.

4.4.3 Transaction Structure

In furtherance of its responsibilities under Act 29 and the Transformation Act and, in particular, the requirements of the Energy Policy Act, the Partnership Committee evaluated potential transaction structures for the LGA Project and considered whether the Legacy Generation Assets should be operated by one operator or multiple operators.

Determination of One vs. Multiple Operators

In the December 2019 market sounding, respondents generally favored a single-operator model and noted operational efficiencies of scale and synergies available by leveraging resources across the Legacy Generation Assets. However, certain respondents only expressed interest in operating select groups of assets. Respondents to the RFQ were similarly divided: of the qualified Respondents who progressed to the RFP stage, five expressed interest in operating all Legacy Generation Assets, while three were only interested in certain select assets.

The Partnership Committee believed that engaging one operator for all of the Legacy Generation Assets was preferable for a number of reasons. First, requiring proponents to bid on operating all of the Legacy Generation Assets as opposed to allowing them to elect to operate only certain assets was less likely to result in stranded assets. Given the poor condition of the plants, asking Proponents to bid on separate bundles of the Legacy Generation Assets created the risk that less attractive bundles would not receive bids. Any Legacy Generation Assets that did not receive bids would have remained under PREPA's continued operation and maintenance in contravention of the Transformation Act and the Energy Policy Act.

Second, multiple operators would exacerbate challenges with environmental compliance. Any operator of the Legacy Generation Assets is required to maintain compliance with federal and local environmental law and regulations, including the Consent Decree. If multiple operators assumed operation of different Legacy Generation Assets subject to the Consent Decree, then an amendment to the Consent Decree would have needed to be negotiated with the DOJ to identify the specific obligations attached to each asset.

Finally, pursuant to the O&M Agreement, under a multiple-operator model the Administrator and PREB would have been required to oversee, and T&D Operator to coordinate with, multiple entities with respect to generation availability, performance, management of fuel supply contracts and delivery, communications, emergency responses, and other generation matters. This would have not only complicated the interactions between the T&D operator and the generation operators, but also reduced any synergies that currently exist under PREPA. Further, having multiple operators would likely result in additional costs, not only due to additional fees, but because of the lack of economies of scale.

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[25] The "**PREPA-Genco-Hydroco Operating Agreement**" is the operating agreement that provides for certain rights and responsibilities, including fuel and non-fuel budgeting and account funding, the demarcation of the Legacy Generation Assets, dispatch and shut down procedures and protocols, planned maintenance communications, switching and clearance procedures, access to plant substations and other related equipment, and agreed upon requirements and procedures related to annual performance tests.

Dividing the Legacy Generation Assets into Bundles for Bidding

Despite the arguments in favor of a single-operator model, the Partnership Committee resolved to confirm whether a single-operator or multiple-operator model would provide the most cost effective and favorable arrangement for the people of Puerto Rico by asking the Proponents to provide Binding Proposals for different bundles of Legacy Generation Assets.

Before beginning its review of potential bundle options, on August 27, 2021, the P3 Authority filed a consultation at PREB asking for confirmation of the P3 Authority's interpretation that the operation and maintenance of the Legacy Generation Assets may be transferred to a single operator upon completion of the RFP Process and awarding the LGA Project. PREB informed the P3 Authority that such analysis would be conducted while performing its responsibility under the Transformation Act to determine compliance with the energy public policy and whether moving forward with the procurement process was the correct course of action.

The Partnership Committee then considered various options for such bundles, including: (i) a three-package approach, under which the Legacy Generation Assets would be grouped by Proponent preferences and geographically, (ii) a two-package approach, dividing the Legacy Generation Assets into either those located in the north and south, or the east and west, of Puerto Rico, and (iii) a one-package approach containing all of the Legacy Generation Assets.

The bundles were created following certain guiding principles, including one operator per site (*e.g.*, one operator managing all units at the San Juan generation plant rather than one operator serving San Juan Unit 5 and a second operator serving San Juan Unit 6), which would maximize safety, environmental compliance and operational efficiency, equitable bundle sizes, installed capacity, geographic synergies and Proponent preferences. For example, to ensure equitable bundle sizes meant ensuring that each bundle was attractive enough to garner sufficient interest in operating such bundle of assets on a standalone basis, should a Proponent only be awarded one bundle. Additionally, because the term, fixed fee and decommissioning schedule for the O&M Agreement would be determined in part by the remaining useful life and installed capacity of the applicable assets, equitable bundle sizes would help to provide for comparable agreements for multiple operators.

Following discussion as to benefits and disadvantages of each of the proposed bundles, the Partnership Committee concluded that a three-bundle approach with three operators would be too complicated and costly, and instructed that the RFP be amended to include the request that the Proponents submit proposals for two bundles of assets in addition to a Binding Proposal for all assets.

The third addendum to the RFP encouraged Proponents to submit proposals covering bundles for (i) all of the Legacy Generation Assets, (ii) those on the western half of Puerto Rico (Mayaguez, Costa Sur and Cambalache) and (iii) those on the eastern half of Puerto Rico (Palo Seco, San Juan, Aguirre, Vega Baja, Daguao, Yabucoa and Jobos). Genera submitted a Binding Proposal that covered only the bundle consisting of all of the Legacy Generation Assets, while the Other Proponent's Binding Proposal covered each of the requested bundles.

4.4.4 Incentives and Penalties Structure

As discussed in Section 3.1.2 hereof (*Recent Challenges*), much of the Legacy Generation Assets' reliability and availability issues can be attributed to the budgetary constraints that have prevented sufficient investment and corrective maintenance. Additionally, the Legacy Generation Assets have underperformed with regard to safety and environmental compliance. In consideration of these challenges, the Partnership Committee crafted compensation mechanisms aimed to incentivize the Operator to operate and maintain the Legacy Generation Assets at an optimal level (taking into account limited resources and the remaining useful lives of the assets) and to generate cost efficiencies. Thus, the service fee was constructed to consist of (i) a fixed fee component and (ii) an incentive/penalty component that will vary depending on the Operator's performance across a number of standards (the "**Service Fee**"). Section 5.2.3 (*Legal and Contractual Considerations*) and the summary of the O&M Agreement attached as Exhibit F here to (*Summary of O&M Agreement*) describe the Incentives and Penalties.

4.4.5 O&M Agreement Discussions

The RFP contemplated that multiple drafts of the O&M Agreement would be distributed to the Proponents, with each new draft reflecting the comments from the Proponents that the Partnership Committee had accepted. Specifically, the process set forth in the RFP required that each Proponent (i) provide written comments to and mark-ups of the First Draft of the O&M Agreement and (ii) meet with the P3 Authority, the P3 Consultants, and the FOMB Representatives via videoconference to walk through and discuss the Proponent's comments to such draft of the O&M Agreement. Proponents were asked to submit their mark-ups together with a separate document summarizing their principal comments in order of priority to allow for an efficient review process.

On March 9, 2021, the First Draft O&M Agreement was distributed to the Proponents. The First Draft O&M Agreement was modeled closely on its counterpart for the T&D System, the T&D O&M Agreement, which reflected the input and approval of multiple stakeholders, both market and governmental. In addition to implementing necessary changes to reflect the nature of the subject assets and goals of the respective Projects, namely, reliable operation until decommissioning of the Legacy Generation Assets as opposed to restoring and improving the T&D System, the First Draft O&M Agreement was prepared taking into account the engagement with the T&D Operator to that point. On March 19, 2021, a memorandum was distributed to Proponents summarizing the key terms in the First Draft O&M Agreement and, where relevant, the P3 Authority's rationale for certain provisions, particularly any significant differences between the First Draft O&M Agreement and the T&D O&M Agreement.

Proponents submitted comments to the First Draft O&M Agreement on April 14, 2021. Siemens provided high level comments and met with the P3 Authority, the P3 Consultants, and the FOMB Representatives on April 27, 2021 via videoconference to discuss those comments. EcoEléctrica and NRG Energy Services each provided mark-ups and separate summaries of their comments on the First Draft O&M Agreement and met separately via videoconference with the P3 Authority, the P3 Consultants, and the FOMB Representatives on April 28, 2021 to discuss those comments. Genera also submitted a mark-up and separate summary of its comments on the First Draft O&M Agreement, and met with the P3 Authority, the P3 Consultants, and the FOMB Representatives via videoconference on May 7, 2021 to discuss those comments. Though NAES submitted comments to the First Draft O&M Agreement, it withdrew from the RFP Process before its scheduled videoconference meeting on May 7, 2021.

On July 24, 2021, the Second Draft O&M Agreement was distributed to the Proponents. This revised draft reflected the comments from Proponents that the Partnership Committee accepted as well as comments from the Partnership Committee and PREB. The P3 Authority did not solicit written comments on the Second Draft O&M Agreement from Proponents. On October 19 and October 20, 2021, the P3 Authority, the P3 Consultants, and the FOMB Representatives met with EcoEléctrica, NRG Energy Services, and Genera, respectively, in Puerto Rico to discuss the Second Draft O&M Agreement.

On November 1, 2021, NAES requested permission to rejoin the RFP process, explaining that following a change in leadership, NAES management had aligned on the desirability of the LGA Project. After NAES rejoined the RFP process, the P3 Authority, the P3 Consultants, and the FOMB Representatives met with NAES via videoconference on November 16, 2021 to discuss the Second Draft O&M Agreement.

On November 24, 2021, the Final Form of O&M Agreement was distributed to the Proponents. The Final Form of O&M Agreement reflected updates regarding the then-current status of the negotiation of the PREPA-Genco-Hydroco Operating Agreement, and further comments from the Proponents and the Consultants.

On December 22, 2021, Genera and NAES submitted their Binding Proposals, which included mark-ups of the Final Form of O&M Agreement.

The FOMB Representatives received all drafts of the O&M Agreement and participated in meetings with the Proponents. The Final Form of O&M Agreement reflects certain comments received from the FOMB's legal advisors with respect to certain employee provisions on July 7, 2021 and July 12, 2021.

In addition, (i) consistent with Section 8(c) of the Transformation Act, which requires PREB to provide the technical, expert, financial, and human resources assistance requested by the P3 Authority to ensure that each PREPA Transaction succeeds and (ii) pursuant to a memorandum of understanding signed on November 15, 2018 by the P3 Authority, AAFAF, and PREB, which acknowledges the shared interest of the P3 Authority, AAFAF, and PREB in consummating the PREPA Transactions and establishes the terms pursuant to which the P3 Authority and AAFAF may share with PREB certain information related to the PREPA Transactions, the P3 Authority provided PREB the opportunity to review and comment on drafts of the O&M Agreement.

Specifically, PREB provided feedback on an earlier draft of the First Draft O&M Agreement on February 18, 2021, and the Second Draft O&M Agreement on October 12, 2021. Accordingly, the Final Form of O&M Agreement reflects various comments received from PREB.

4.4.6 Submission of Binding Proposals

The Proponents were required to submit their Binding Proposals by 11:59 PM AST on December 22, 2021. Both Genera and NAES submitted their respective Binding Proposals in accordance with the RFP by the Proposal Submission Deadline. Both Binding Proposals were substantially complete and consistent with the evaluation criteria included in the RFP. Both Proponents submitted their Binding Proposals subject to certain changes to the Final Form of O&M Agreement. On January 5, 2022, the P3 Authority circulated a list of clarification questions and comments to each of the Proponents regarding their respective Binding Proposals. On January 10, each of the Proponents participated in videoconferences to discuss their responses to those clarification questions. On January 11, the P3 Authority circulated follow-up legal and technical questions to each of the Proponents. Genera submitted responses to the legal questions on January 18, the financial questions on January 19 and the technical questions on January 24. NAES submitted responses to the legal questions on January 18, and to the technical questions on January 19.

On January 27, 2022, the P3 Authority, the P3 Consultants, and the FOMB Representatives met with the Partnership Committee to present and discuss the Binding Proposals submitted by the Proponents. On January 27 and January 28, NAES and Genera, respectively, had the opportunity to present its Binding Proposal directly to the Partnership Committee in Puerto Rico, with AAFAF and the P3 Authority, representatives from PREPA, certain Consultants, and FOMB Representatives. The chief executive officer of NFE and the President of NAES attended the presentations, as well as teams from each of the Proponents. The teams included (i) in the case of Genera,17 individuals, including two individuals from PIC Group that would play a pivotal role in the Mobilization Period and in the performance of the O&M Services, and (ii) in the case of NAES, 24 individuals, including four individuals from Javelin Commodities, NAES' anticipated fuel subcontractor. During the presentations, each of which took place over the course of approximately four hours, the Proponents responded to detailed questions and comments raised by the Partnership Committee regarding specific elements of their Binding Proposals.

Separately, on January 16, 2022, the P3 Authority requested questions regarding the Consent Decree from Proponents to be discussed by the EPA and the P3 Authority during its meeting on January 21. The Proponents submitted questions on January 19, with NAES expressing concern regarding the requirement that the Operator become signatory to the Consent Decree. In addition, on February 1, the P3 Authority requested that the Proponents review and submit initial comments on the draft PREPA-Genco-Hydroco Operating Agreement, which comments were submitted by NAES on February 8 and Genera on February 9.

On February 3, 2022, each Proponent was asked to submit by February 8 responses to follow-up questions sent to the Proponent after their January 27 and 28 meetings with the Partnership Committee, which deadline was extended to February 11. The P3 Authority scheduled a conference with each Proponent to discuss their responses on February 15. On February 11, NAES submitted its responses to the follow-up questions that were discussed during the February 15 conference, but Genera submitted an unsolicited updated proposal. Pursuant to Section 4.9 of the Regulation, modifications to a previously submitted proposal will only be accepted by the Partnership Committee if the modification is received before the due date specified in the RFP. Because it was received after December 22, 2021, the Proposal Submission Deadline, the Partnership Committee determined it would not accept or review the unsolicited proposal. On February 25, the P3 Authority informed Genera that the Partnership Committee had rejected its unsolicited proposal without review, and informed NAES that it had received and rejected an updated proposal from another Proponent.

On March 7, 2022, the P3 Authority, the P3 Consultants, and the FOMB Representatives met with the Partnership Committee to present and discuss the Binding Proposals as supplemented by the Proponents' responses to the clarification and follow-up questions. The Partnership Committee agreed to request from both Proponents updated proposals, which the P3 Authority requested on March 9 for submission by March 21. On March 21, both Proponents submitted updated proposals.

On April 1, 2022, the P3 Authority, the P3 Consultants, and the FOMB Representatives presented to the Partnership Committee the Proponents' Binding Proposals as further supplemented by their updated proposals. On April 19, the P3 Authority, the P3 Consultants, and the FOMB Representatives met with each Proponent in Puerto Rico to discuss their updated proposals and comments on the Final Form of O&M Agreement. On April 20, the P3 Authority requested additional clarification from the Proponents as well as marked versions (with specific language reflected as in-line edits) of the Final Form of O&M Agreement in the form that it would be prepared to execute if it were awarded the O&M Agreement. Each Proponent timely submitted these responses and documents on April 22. The documents submitted by each Proponent on April 22 not only provided responses to additional questions and clarifications sent by the P3 Authority, but also modified certain elements of the Proponent's Binding Proposal in response to concerns raised by the P3 Authority.

On May 4, 2022, the P3 Authority, the P3 Consultants, and the FOMB Representatives met with the Partnership Committee to present and discuss their evaluations and scoring of each of the financial and operational elements of the Binding Proposals as modified. The P3 Authority, the P3 Consultants, and the FOMB Representatives also presented their assessments of the revised mark-ups of the Final Form of O&M

Agreement, which assessments focused on comments that would shift risk to the Owner and the Administrator. In the interest of agreeing upon the Final Form of O&M Agreement as soon as possible, the P3 Authority requested that each Proponent submit proposed final mark-ups of the O&M Agreement, specifically providing contract language for each comment raised. Genera and NAES submitted updated comments on May 20 and May 24, respectively.

Following receipt of the revised drafts of the O&M Agreement, on May 24, 2022, the Partnership Committee began its deliberative process.

4.4.7 Meetings of the Partnership Committee

In accordance with the requirements of Act 29, the Transformation Act, and the Regulation, the Partnership Committee met on numerous occasions over the course of more than 24 months in connection with the LGA Project, in most cases with the participation of the P3 Authority, the P3 Consultants, and the FOMB Representatives.

- On August 5, 2020, the Partnership Committee met to approve the RFQ.
- On October 13, 2020, the Partnership Committee met to (i) evaluate and discuss the SOQs received from the Respondents and (ii) determine the qualified Respondents that would be invited to proceed to the RFP Process.
- On October 29, 2020, the Partnership Committee met to discuss the RFP.
- On February 12, 2021, the Partnership Committee met to discuss the terms and conditions of the O&M Agreement, including the compensation structure for the LGA Project.
- On March 3, 2021, the Partnership Committee met to discuss the revised terms and conditions of the O&M Agreement, reflecting comments received by the Partnership Committee, and approved distribution of the First Draft O&M Agreement to Proponents.
- On June 21, 2021, the Partnership Committee met to receive an update on discussions of the First Draft O&M Agreement with each Proponent.
- On October 13, 2021, the Partnership Committee met to discuss the proposed bundles of the Legacy Generation Assets, on which Proponents would be asked to bid in their Binding Proposals.
- On November 9, 2021, the Partnership Committee met to discuss updates to the O&M Agreement and approve distribution of the Final Form of O&M Agreement to Proponents.
- On January 27, 2022, the Partnership Committee met to discuss the Binding Proposals submitted by the Proponents.
- On January 27 and 28, 2022, the Partnership Committee met with each of the Proponents (with the P3 Authority, certain Consultants, and the FOMB Representatives present) in order for each Proponent to present its Binding Proposal and for the Partnership Committee to clarify elements of the Binding Proposals and ask questions. Immediately following the meetings with the Proponents, the Partnership Committee met to discuss and evaluate the quality and substance of the presentations.

- On March 7, 2022, the Partnership Committee met to discuss (i) the Binding Proposals, as modified by responses to follow-up questions, and (ii) next steps.
- On April 1, 2022, the Partnership Committee met to further discuss (i) the updated Binding Proposals received on March 23, 2022, and (ii) next steps.
- On May 4, 2022, the Partnership Committee met to further discuss (i) the Binding Proposals, as further modified by updated mark-ups of the O&M Agreement, and (ii) next steps.
- On May 24, 2022, the Partnership Committee met to (i) discuss the Binding Proposals, (ii) determine next steps, and (iii) discuss selecting Genera as the Preferred Proponent.
- On June 24, 2022, the Partnership Committee met to (i) review the most recent form of O&M Agreement submitted by Genera, in its capacity as the Preferred Proponent (the "**Genera O&M Agreement**")[26] and (ii) discuss comments by the Partnership Committee to the Genera O&M Agreement.
- On August 25, 2022, the Partnership Committee voted unanimously to approve the Genera O&M Agreement, and recommend to the P3 Authority Board that Genera be selected to execute the O&M Agreement for the LGA Project.
- Additionally, certain decisions were taken by unanimous written referendum, and Partnership Committee members met from time to time with the P3 Authority for periodic briefings as to the status of the process.

[26] On June 9, 2022, the Partnership Committee voted by referendum to select Genera as a Preferred Proponent.

4.4.8 Key Milestones in RFP Process

Table 2 summarizes the key milestones of the RFP Process.

Table 2: RFP Process Key Milestones

Milestones	Date
RFP issued and Data Room access granted	November 10, 2020
Period for due diligence and Q&A process	November 2020 – December 2021
In-Person Site Visits	September and November 2021
Addendum to RFP issued, including First Draft O&M Agreement	March 9, 2021
Receipt of comments from Proponents to First Draft O&M Agreement	April 14, 2021
O&M Agreement discussions with Proponents	April 27-28, and May 7, 2021
Addendum to RFP issued, including Second Draft O&M Agreement	July 24, 2021
O&M Agreement discussions with Proponents	October 19-20, 2021
Addendum to RFP issued, including the Legacy Generation Assets bundles, definitive submission instructions for the Binding Proposals and information regarding the Bid Security	November 4, 2021
Addendum to RFP issued, including Final Form of O&M Agreement	November 24, 2021
Proposal Submission Deadline	December 22, 2021
Conferences with Proponents to address questions/clarifications to Binding Proposals	January 11, 2022
Proponent presentation of Binding Proposals to Partnership Committee	January 27-28, 2022
Genera submitted unsolicited updated proposal	February 11, 2022
Notification that Genera's unsolicited proposal had been rejected without review	February 15, 2022
Conferences with Proponents to address questions/clarifications to Binding Proposals	February 15, 2022
Proponents submitted updated Binding Proposals	March 21, 2022
Meetings with Proponents to address questions/clarifications to Binding Proposals	April 19, 2022
Receipt of updated mark-ups of O&M Agreement and further written modifications and/or clarifications to Binding Proposals	April 22, 2022
Receipt of further updated mark-ups of O&M Agreement	May 20 and 24, 2022
Notification of selection of Preferred Proponent	June 10, 2022

5. Recommended Award

5.1 Process for Recommended Award

5.1.1 Evaluation Criteria

Act 29 and the Transformation Act require that the Partnership Committee take into account certain specific factors in evaluating responses to the RFP. The Partnership Committee reviewed and evaluated the Binding Proposals based on the evaluation criteria set forth below, which was developed by the P3 Authority and the Partnership Committee (with the input of the P3 Consultants and the FOMB Representatives) to meet the objectives of the LGA Project, including those objectives set forth in the Transformation Act and Act 29.

Table 3 sets forth the evaluation criteria applied to the Binding Proposals.

Table 3: Evaluation Criteria for Project

#	Component	Score / Weighing
A.	**QUALIFICATIONS/COMPLIANCE COMPONENTS**	
1.	***Transmittal Letter***	**Not scored**
2.	***Executive Summary and Table of Contents***	**Not scored**
3.	***Confirmation of Acceptance of O&M Agreement***	**Pass/Fail**
4.	***Bid Security; Other Required Forms and Certifications***	**Pass/Fail**
B.	**OPERATIONAL COMPONENTS**	**50% Total**
5.	***Approach to Mobilization*** The score for this component was based on the thoroughness and viability of the Proponent's approach to the Mobilization Services required by the LGA Project, and the experience and credentials of its proposed management team with respect to such services.	**10%**
6.	***Approach to O&M Services*** The score for this component was based on the thoroughness and viability of the Proponent's proposed approach to providing the O&M Services, and the experience and credentials of its proposed management with respect to such services.	**15%**
7.	***Approach to Decommissioning*** The score for this component was based on the thoroughness and viability of the Proponent's proposed approach to performing the decommissioning of the Legacy Generation Assets, and the experience and credentials of its proposed management team with respect to such work.	**5%**

#	Component	Score / Weighing
8.	***Approach to Demobilization*** The score for this component was based on the thoroughness and viability of the Proponent's proposed approach to providing the demobilization services required by the LGA Project at the conclusion of the term of the O&M Agreement, and the experience and credentials of its proposed management team with respect to such work.	**5%**
7.	***Operator Recruitment and Staffing Plan*** The score for this component was based on the training to be provided to employees, optimization of workforce management, and consistency with the objectives of the LGA Project and the policy underlying the Transformation Act, among other things.	**10%**
11.	***Presentation of Binding Proposals to the Partnership Committee*** The score for this component was based on the oral presentation of the Proponent's Binding Proposal to the Partnership Committee. The presentation allowed Proponents to support the contents of their Binding Proposal, explaining and/or clarifying any particular or significant elements related thereto.	**5%**
C.	**FINANCIAL COMPONENTS**	**50% Total**
9.	***Financial Proposal*** The score for this component was based on (i) the net present value of the financial elements of the financial proposals, including, among others, the proposed O&M Fixed Fee and, from the sixth Contract Year on (where "**Contract Year**" means period from July 1 through June 30 for each year commencing on the date on which the Operator assumes operational control of the Legacy Generation Assets, and such date of assuming operational control, the "**Service Commencement Date**"), the Decommissioning Fixed Fee, for each year of the O&M Agreement and the proposed maximum Incentives and Penalties for each year of the O&M Agreement, (ii) the indicated amounts of the relevant operational proposals, including, among others, the proposed weekly amount of certain liquidated damages, (iii) the Proponent's proposed caps on liability (*i.e.*, higher points awarded for higher Operator liability caps and lower Owner liability caps), (iv) the Operator Guarantee and (v) the proposed Target Service Commencement Date.	**50%**

The Operational Proposals comprised 50% of the Proponents' total score. For the Operational Proposals, the RFP required each Proponent to provide detailed plans and proposals with respect to:

- performing the O&M Services;
- transitioning and handing over services and other rights and responsibilities with respect to the Legacy Generation Assets during the period between execution of the O&M Agreement and the Service Commencement Date, consistent with any requirements for the Mobilization Period under the Final Form of O&M Agreement (*i.e.*, the Mobilization Plan);

- performing the Decommissioning Services;
- transitioning and handing over to PREPA or a successor operator services and other rights and responsibilities with respect to any remaining Legacy Generation Assets at the conclusion of the term of the O&M Agreement (the period before the last day of the Contract Term during which such transition occurs, the "**Demobilization Period**"), consistent with any requirements for the Demobilization Period under the Final Form of O&M Agreement (*i.e.*, the Demobilization Plan); and
- staffing and training of employees and subcontracting of services, among other things (*i.e.*, the Operator Recruitment and Staffing Plan).

The Financial Proposals comprised 50% of the Proponents' total score. For the Financial Proposals, the RFP required each Proponent to propose certain financial terms and conditions to be included in the O&M Agreement, including:

- the net present value of the O&M Fixed Fee and the Decommissioning Fixed Fee over the term of the O&M Agreement;
- the proposed amounts of certain operational elements, including the estimated Mobilization Service Fee, the O&M Incentive and O&M Incentive Penalty, the Decommissioning Incentive and Decommissioning Penalty, and the estimated Demobilization Service Fee;
- the dollar value of certain caps on liability included in the O&M Agreement, including the cap on the Operator's liability to the Owner, the cap on the guarantee to be provided by the parent company of the Operator (the "**Parent Guarantee**") and the cap on the liquidated damages payable by the Operator to the Owner in the event that (i) the Service Commencement Date is delayed 90 days beyond the targeted Service Commencement Date proposed by the Proponent as a result of failure of Operator to meet certain conditions precedent and (ii) such failure is not caused by any force majeure event or the Owner's fault;
- the Termination Fees payable to the Owner or the Operator, as applicable; and
- the targeted Service Commencement Date.

The Legal Proposal was graded on a pass/fail basis and required Proponents to submit a letter confirming their acceptance of the Final Form of O&M Agreement, save for the terms and conditions contemplated by the Financial Proposal to be filled into the agreement, immaterial amendments to incorporate party names, details, and execution mechanics, and subject to further discussion on a limited number of material comments.

The presentation component was scored based on each Proponent's presentation of its Binding Proposal to the Partnership Committee on January 27 and 28, 2022, for NAES and Genera, respectively, including the Proponent's responses to specific questions and comments raised by the Partnership Committee during the presentations.

The RFP indicated that the Partnership Committee would make a determination as to the most favorable Binding Proposal for the LGA Project based on pricing considerations as well as other non-price factors, including the Proponent's responsiveness to PREPA's long-term goals for the Legacy Generation Assets, as evidenced in its Operational Proposal and Legal Proposal.

5.1.2 Determination of Preferred Proponent

On May 4, 2022, the Partnership Committee met with the P3 Authority, the P3 Consultants and the FOMB Representatives via videoconferences to review and discuss the P3 Consultants' and FOMB Representatives' assessment of the Proponents' updated Binding Proposals, including revised mark-ups of the O&M Agreement. Genera and NAES submitted further updated mark-ups of the O&M Agreement on May 20 and 24, 2022, respectively. On May 24, 2022, the P3 Authority and P3 Consultants presented to the Partnership Committee, via videoconference, their assessment of the Proponents' revised comments to the O&M Agreement.

On June 9, 2022, the Partnership Committee voted by referendum, pursuant to Act 29, the Transformation Act, and the Regulation (including Section 5.1 thereof), to designate Genera as a Preferred Proponent to engage in exclusive discussions and negotiations with the P3 Authority in connection with the LGA Project pursuant to Section 5.1 of the Regulation. Each Partnership Committee member submitted their score of the Binding Proposals, and such scores were averaged to determine a final score for each Binding Proposal. The Partnership Committee granted Genera's Binding Proposal a higher average score. On June 10, 2022, Genera was notified in writing of its selection, and NAES was notified that another Proponent had been selected, as the Preferred Proponent.

Table 4 below breaks down the final aggregate score assigned to each Proponent for each criterion.

Table 4: Break Down of Proponent Scores

#	Component	GENERA	NAES
A.	**QUALIFICATIONS/COMPLIANCE COMPONENTS**		
1.	Transmittal Letter and Executive Summary and Table of Contents	Submitted as required.	Submitted as required.
2.	Confirmation of Acceptance of O&M Agreement, Bid Security, and Other Required Forms and Certifications	Proponent submitted comments to the Final Form of O&M Agreement.	Proponent submitted comments to the Final Form of O&M Agreement.
B.	**OPERATIONAL COMPONENTS**		
3.	Approach to Mobilization Plan, O&M Services, Decommissioning Services, Demobilization Plan, and the Operator Recruitment and Staffing Plan	**33.7 / 50**	**37.6 / 50**
4.	Presentation of Binding Proposals to the Partnership Committee	**3.3**	**4.2**
C.	**TECHNICAL AND FINANCIAL COMPONENTS**		
5.	Financial Proposal	**43.1 / 50**	**35.7 / 50**
	Total Score	**80.1 / 100**	**77.5 / 100**

With respect to the presentation component, both Proponents provided an overview of and support for the contents of their Binding Proposal and responded to questions and comments raised by the Partnership Committee with respect to particular elements of their Binding Proposal. Both Proponents provided a clear picture of their respective visions for the LGA Project:

- Genera described its affiliate success in Puerto Rico and enthusiasm for continuing to invest in Puerto Rico. In addition, Genera's presentation included significant savings, particularly with regard to fuel costs, and highlighted the importance of energy reliability. Genera noted the importance of retaining plant employees, who possess specific plant experience and knowledge vital to the operation of the Legacy Generation Assets;

- The Other Proponent described its extensive experience across 13 countries, with 179 best practices recognized by industry journals. The Other Proponent's presentation emphasized the critical importance of the transition from PREPA to Operator during the Mobilization Period, particularly to engagement with and retention of plant employees, and included a dedicated department to mobilization services. In addition, the Other Proponent also indicated that significant savings could be accomplished with regard to both fuel costs and the performance of the O&M Services.

5.1.3 Recommendation to Award the O&M Agreement

As detailed in Section 5.1.2 hereof (*Determination of Preferred Proponent*), although Genera scored higher on the financial components and the Other Proponent scored higher on the operational components, the Partnership Committee granted Genera's Binding Proposal a higher average score overall taking all components into account. Despite receiving a slightly lower score, Genera's Operational Proposal demonstrated competence in and a commitment to (i) fuel management and delivery, (ii) hiring all current power plant employees in good standing, and (iv) subcontracting for certain corrective maintenance, decommissioning, and certain Mobilization Services and O&M Services. Genera's core strength is in fuel management services, but Genera explained it intended to enter into a subcontract with PIC Group for a significant amount of its provision of the Mobilization Services and O&M Services. PIC Group is highly experienced in power plant O&M and technical services overall and has been in business since 1992, with early experience including serving as the exclusive start up and commissioning partner for GE Power Systems. PIC Group subsequently became a partner of Pratt & Whitney for installation, start up and commissioning of the FT8 product line. This skill set evolved into full power plant O&M services. PIC Group has worked closely with Genera on several other recent and on-going projects. Accordingly, the Partnership Committee sought to receive confirmation from Genera, as the Preferred Proponent, that it would be capable of continuing to provide uninterrupted services for the people of Puerto Rico in the event that its subcontract with PIC Group were to be terminated. Genera provided written responses to questions regarding its performance of the Mobilization Services and O&M Services on February 18, 2022 and March 21, 2022, including with respect to PIC Group's role in such performance.

On July 12 and 13, 2022, the P3 Authority, the P3 Consultants, and the FOMB Representatives met with Genera to discuss outstanding concerns and seek to finalize a form of O&M Agreement. To address the Partnership Committee's strong interest in protecting Owner Employees, Genera agreed to offer employment to all Owner Employees employed and in good standing as of June 30, 2022.

Additionally, with regard to PIC Group, Genera explained the key terms of the contract, including that the duration of the contract would align with the Contract Term of the Genera O&M Agreement, with Genera having the right to terminate for poor performance, but PIC Group having the right to terminate only for non-payment and similar events. Genera also provided a list of alternative providers of O&M Services with whom it could readily contract should its contract with PIC Group be terminated. Under the O&M Agreement, the Administrator would have the right to approve any Material Subcontractor,[27] thus would have approval rights over any alternative provider of O&M Services. In the event of the early termination of the O&M Agreement, the subcontract would be assignable to the Administrator. Furthermore, Operator would agree to (i) provide any information the Administrator reasonably requested regarding any subcontractor, including PIC Group or any successor, and (ii) ensure that costs incurred will be reasonable, consistent with market terms, and consistent with the applicable budget.

During the discussions, the Genera O&M Agreement (*i.e.*, a form of O&M Agreement acceptable to the Partnership Committee, P3 Authority, and Genera) was further clarified and negotiated. The P3 Authority and Genera exchanged drafts of the Genera O&M Agreement between July 15 and August 12, 2022 and agreed on the final form on August 12, 2022.

On August 25, 2022, the Partnership Committee met to approve the Genera O&M Agreement. After approving the Genera O&M Agreement, the Partnership Committee recommended that the P3 Authority proceed to obtain the Required Approvals.

5.1.4 Key Milestones in Evaluation Process

Table 5 summarizes the key milestones of the evaluation process.

Table 5: Evaluation Process Key Milestones

Milestones	Date
Partnership Committee voted to designate a Preferred Proponent	June 9, 2022
Genera notified of selection as the Preferred Proponent	June 10, 2022
Meetings with Genera to negotiate O&M Agreement	July 12 and 13, 2022
Partnership Committee approval of Genera O&M Agreement	August 25, 2022

5.2 Key Considerations for Recommended Award

As detailed in Section 5.1.1 hereof (*Evaluation Criteria*), the Binding Proposals were evaluated on the basis of three elements:

- the Operational Proposal;
- the Financial Proposal; and
- the Legal Proposal.

The three elements were designed to enable the Partnership Committee to select the Proponent best suited to fulfill the LGA Project objectives. Based on its evaluation of the Binding Proposals pursuant to the evaluation criteria established in the RFP, the Partnership Committee determined that Genera clearly

[27] A "**Material Subcontractor**" under the O&M Agreement is a subcontractor whose cost is expected to exceed $5.0 million per year or $15.0 in the aggregate.

demonstrated its ability and commitment to stabilize and maximize output of the Legacy Generation Assets until they are decommissioned, facilitating the transformation of Puerto Rico's generation system into a modern, sustainable, reliable, efficient, cost-effective, and resilient system for the people of Puerto Rico. Sections 5.2.1 (*Operational Considerations)*, 5.2.2 (*Financial Considerations*), and 5.2.3 (*Legal and Contractual Considerations*) hereof describe the key technical, operational and financial, and legal considerations, respectively, for the Recommended Award and provide the rationale for the Partnership Committee's determination that the LGA Project be awarded to Genera.

5.2.1 Operational Considerations

The Operational Proposals, reflecting 50% of the overall weighted scores, were evaluated on the basis of four main components: (i) proposal for the Mobilization Plan, (ii) approach to performing the O&M Services, (iii) approach to performing the Decommissioning Services, (iv) proposal for the Demobilization Plan, (v) proposal for the Operator Recruitment and Staffing Plan, and (vi) the presentation of the Binding Proposal to the Partnership Committee described in Section 5.1.2 (*Determination of Preferred Proponent*). Genera's Operational Proposal presented a tailored approach to the Legacy Generation Assets that demonstrated a clear understanding of the challenges and opportunities of the LGA Project.

Below is a brief description of the Operational Proposals submitted by each Proponent:

- From a technical perspective, both Proponents are qualified to operate the Legacy Generation Assets. However, the Proponents took different approaches in their Operational Proposals. Genera showcased an understanding of the current situation and issues faced by PREPA and Puerto Rico and provided an approach tailored to addressing the issues, while the Other Proponent emphasized its in-house expertise.

- In addition to providing an overview of anticipated organizational charts for the Mobilization Period team and a subcontractor matrix listing over 30 subcontractors, Genera also identified special teams with responsibilities in key topic areas, including employee transition and the provision of services during the transition of the Legacy Generation Assets from the Operator back to the Government upon the expiration or early termination of the Contract Term.

- Both Proponents have adequately qualified staff (including Spanish speakers), sound approaches to recruiting, and plans to integrate the PREPA workforce into all levels of the organization.

- The Other Proponent provided its complete management team and details regarding the identity and use of subcontractors. Genera outlined its overall organization structure, but deferred naming its management team and the development of other human resource policies until the Mobilization Period.

- Both Proponents generally accepted the Incentives and Penalties set out in the RFP with minor exceptions. Both Proponents proposed additional fuel savings, with the Other Proponent utilizing a fuel consultant and Genera utilizing the extensive experience of NFE and its Affiliates, including on-island.

Overall, Genera's Operational Proposal clearly demonstrated the extensive due diligence that it performed on the electric system and the deep knowledge that it obtained as a result. Because the Other Proponent suspended its participation in the procurement process for approximately six months, it performed its due diligence over a shorter period.

Approach to O&M Services

The RFP required Proponents to include in the Binding Proposal a detailed plan describing their approach to performing the O&M Services in a manner that results in the LGA Project objectives and the performance requirements set forth in the RFP and the O&M Agreement being met or exceeded. With regard to performance of the O&M Services, Genera's Binding Proposal reflected a tailored approach to the PREPA context.

Highlighting the vast scope of work involved with operating and maintaining the PREPA Legacy Generation Assets, Genera described its intention to work with several Subcontractors, many of them based in Puerto Rico, to efficiently provide all the services needed to improve and maintain the reliability and efficiency of the Legacy Generation Assets.

In particular, Genera intends to subcontract PIC Group on a long-term basis to execute a significant portion of the technical and field service scope of the O&M Agreement. PIC Group is a service provider for the global power generation industry and a wholly-owned subsidiary of Marubeni Group. As previously described, PIC Group has significant experience in operating, managing and maintaining power generation facilities, including similar projects on-island and around the globe. In performing these services, PIC Group has developed specialized equipment, tools, systems, processes and personnel to lead these critical activities. PIC Group's services include operations and maintenance, expert staffing services, commissioning and decommissioning services, and documentation and training services. PIC Group's expertise in these combined skill sets and their access to required resources provide "total project solutions" for the various power plant services on which their customers rely. PIC Group has a proven track record of consistently implementing high quality O&M programs and best practices at all of the plants it manages, focusing on the fundamentals of safety, reliability, compliance and cost.

PIC Group's 25 years of O&M experience includes 15 GW total capacity and covers 65 plant sites, 89 combustion turbine-generators, 102 reciprocating engines, 46 steam turbine-generators and nine hydroelectric units. This, combined with Genera's deep expertise in fuels and plant management, makes this partnership a preferred approach to operating the LGA power plants.

Mobilization Plan

The RFP required Proponents to include in the Binding Proposals a detailed plan describing their approach to the transition and handover of services prior to the assumption of operational control of the Legacy Generation Assets. Genera's Mobilization Plan was complete and detailed. It (i) contained all the key components, (ii) incorporated detail around the plans, timeline, total hours per task and per person, and resources required to achieve key milestones, and (iii) included initial implementation plans with specific budgets. Genera also provided an outline of its intended leadership structure including some resumes of anticipated individuals for key roles, however, it deferred to specifically name its management team until the Mobilization Period. Genera included a subcontractor matrix listing over 30 potential subcontractors by functional group.

Genera emphasized its goal to complete the Mobilization Services in a timely manner and as soon as practical. To achieve an efficient and orderly mobilization of Genera's capabilities and allow the commencement of the O&M Services, Genera identified the following critical actions as part of its Mobilization Plan:

- engage in stakeholder outreach;

- recruit and hire personnel;
- identify and onboard Subcontractors;
- plan and implement information technology systems and tools;
- review applicable permits and compliance obligations;
- evaluate and maintain inventory;
- coordinate with T&D Operator;
- develop plans/procedures for various aspects of operation (including a Procurement Manual, Legacy Generation Emergency Response Plan, O&M Procedures, and Operator Training Programs, among others);
- develop an approach with a Spanish-speaking workforce;
- identify and complete items listed on the Handover Checklist;
- plan for and achieve key milestones; and
- develop a Communication Plan that works to create a well-orchestrated and consistent message to Operator's employees regarding expectations.

Upon commencement of the Mobilization Period, Genera's transition teams will begin working towards the goal of completing the critical activities identified in the Mobilization Plan. Team leaders will be drawn from the Operator's pool of experienced managers. A number of these professionals will also be designated to serve as senior leadership for the Operator after the Service Commencement Date and will relocate to Puerto Rico on a permanent basis, to the extent that they are not already residents. The overall Mobilization Plan has been divided into four primary workstreams, as follows: (i) General Mobilization Management, (ii) Operational Takeover, (iii) Functional Takeover, and (iv) Staffing Approach.

Genera included in its Mobilization Plan a Handover Checklist to be completed by each transition team. Genera plans to manage the transition and completion of the Handover Checklist by continually maintaining a checklist based on a structured format, which will be revised as applicable for the unique characteristics of each Legacy Generation Asset. Genera's updates will include reporting checklist items that have been completed, as well as identifying any checklist items that might have emergent issues or problems that need to be escalated for resolution. In addition, any emergent items identified will be proposed as additions to the Handover Checklist to be reviewed with the Administrator.

Operator Recruitment, Staffing Plan and Priority Hiring of PREPA Employees

The RFP asked Proponents to provide a detailed description of their approach to staffing and training employees and subcontracting services. Genera provided a staffing plan that included (i) appropriate use and identification of subcontractors, (ii) a focus on offering roles to all current PREPA Employees employed at a generation plant, and (iii) giving preference to other PREPA generation employees.

As described in Section 5.2.3 hereof (*Legal and Contractual Considerations*), Genera agreed to offer employment to all such fulltime plant PREPA employees in good standing. PREPA Employees who are not employed at a generation plant will be given priority in hiring over other equally qualified applicants who are not PREPA Employees for the same job category.

In addition, certain elements of Genera's organizational structure demonstrated Genera's commitment to delivering on the detailed action plans described in its approach to performing the O&M Services, setting it apart from the Other Proponent. For example, Genera's recruitment and staffing schedule highlighted the use of job fairs to provide an opportunity to all current PREPA employees to participate in and take advantage of easy access to job openings. Interview tools, job descriptions, and assessments would be developed by Genera to support a fair and organized process. The interview team will be integrated by bilingual human resources members and functional technical experts with power plant experience. Genera provided its initial plan for a weekly schedule for hiring and onboarding. In addition, upon PREPA or the Administrator's reasonable request, Genera will provide to PREPA and the Administrator information regarding the total employment offers made and accepted, including the breakdown between hired former PREPA Employees and other employees.

Finally, Genera will leverage its subcontractors, BMA Group Global and PIC Group, for additional support and coverage.

Approach to Operational Standards of Performance and Incentives and Penalties

The RFP asked Proponents to provide a detailed description of their approach to the development of safety, technical and operational, and financial performance metrics. The RFP stated that in order to incentivize Operator to meet certain targets in performing the O&M Services, Operator's performance would be evaluated in five (5) categories: (i) Operation Cost Efficiency, (ii) Equivalent Availability Factor (EAF), (iii) Safety Compliance, (iv) Environmental Compliance, and (v) Reporting Obligations.

Genera further explained its approach and understanding that measuring, reporting and analyzing performance metrics is a critical piece to achieving sound operational discipline and excellence. In addition to availability and reliability metrics for the baseload plants, Genera planned to calculate and track peaking starting reliability percentages and equivalent forced outage rates for all units. Genera described monthly reporting processes, with formal review meetings established with each plant so that any issues can be quickly identified and action plans for improvement can be created. A corrective action tracking tool will be utilized to assist with the disciplined activities that are required to capture the improvements needed.

In addition to operational savings achieved through improving and standardizing performance, Genera provided estimates of savings on fuel for all plants and outlined gas infrastructure that could be provided by as part of long-term agreements, which could also generate savings. Specifically, Genera identified the following methods of achieving fuel savings:

- optimizing existing fuel contracts;
- pursuing better financing terms and reducing fuel premiums. Fuel contracts will be renegotiated and extended, or replaced as per government guidelines;
- conducting required maintenance on the Legacy Generation Assets (e.g., San Juan Units 5 and 6, Palo Seco Units 3 and 4, and Costa Sur Units 5 and 6); and
- reducing maintenance intensive liquid fuel storage assets to reduce capital expenditures needed to rebuild storage tanks and decrease fugitive emissions.

5.2.2 Financial Considerations

The RFP required each Proponent to provide certain operational and financial terms and conditions to be included in the O&M Agreement as part of their Financial Proposals, as follows:

- Target Service Commencement Date;
- cost of the Mobilization Service Fee;
- proposed O&M Fixed Fee for each year of the O&M Agreement and the proposed maximum O&M Incentive and O&M Penalty for each year of the O&M Agreement;
- proposed Decommissioning Fixed Fee for each year of the O&M Agreement and the proposed maximum Decommissioning Incentive and Decommissioning Penalty for each year of the O&M Agreement
- cost of the Demobilization Service Fee;
- Termination Fees payable to the Owner or the Operator, as applicable; and
- certain Operator liability caps.

The Financial Proposals comprised 50% of the overall weighted scores.

The Partnership Committee determined that Genera's Binding Proposal (reflecting the Service Fee as adjusted) provided the better Financial Proposal, given that the figures proposed by Genera were in the aggregate significantly more favorable to the Government in certain categories.

Table 6 illustrates the values for the Proponents' Financial Proposals. Figures highlighted in green are the ones that are more advantageous to the Government.

Table 6: Financial Proposals

#	Component	Concept	GENERA	NAES
1.	Mobilization Service Fee*	Operator's estimate of cost for providing services during the Mobilization Period.	**$15.0 million**	**$14.0 million**
2.	Net Present Value Service Fee	The net present value of the O&M Fixed Fee and Decommissioning Fixed Fee (which, in Genera's Financial and Technical Proposal, was incorporated into the O&M Fixed Fee) over the 10-year term of the O&M Agreement.	**$119.9 million**	**$185.1 million**
	NPV of Maximum Incentives and Penalties**	The net present value of the maximum Incentives and Penalties over the 10-year term of the O&M Agreement	**$34.1 million**	**$9.7 million**

#	Component	Concept	GENERA	NAES
3.	Operator Termination Fee***	Fee payable to the Operator in the event the O&M Agreement is terminated prior to the end of the term of the agreement in the event of certain limited circumstances not due to Operator's fault.	**$37.0 million**	**18.1 million**
4.	Owner Termination Fee***	Fee payable to the Owner in the event the O&M Agreement is terminated prior to the end of the term of the agreement in the event of certain limited defaults by Operator.	**$37.0 million**	**$3.0 million**
5.	Operator Liability to Owner	The maximum liability of the Operator to PREPA under the O&M Agreement.	**$20.0 million**	**$48.0 million**
6.	Parent Guarantee	The amount of the guarantee to be provided by the parent company of the Operator.	**$45.0 million**	**$48.0 million**
7.	Delay Liquidated Damages Cap	The maximum penalty amount payable to PREPA for failure to handover Legacy Generation Assets by the Target Service Commencement Date due to the Operator's fault.	**$15.0 million**	**$0.5 million**
8.	Gross Negligence Cap	The maximum amount of Operator's liability to PREPA for losses due to Operator's gross negligence.	**$20.0 million**	**$48.0 million**
9.	Maximum Reporting Obligation Charge	The maximum Reporting Obligation Charge over the 10-year term of the O&M Agreement	**$1.0 million**	**$50,000**
10.	Demobilization Service Fee*	Operator's estimate of cost for providing services during the Demobilization Period.	**10%**	**20%**

** The proposed Mobilization Service Fee is a hard cap of the costs of the Mobilization Services, including the hourly fully allocated cost rate for each category of Operator employee or Affiliate personnel, the percentage of the product of hourly rates and hours worked during the Mobilization Period, subcontractor categories and expected costs, and the amount of reserve in the Mobilization Service Fee. The evaluated component of the Demobilization Service Fee was a percentage of the product of the hourly fully allocated cost rate for each category of Operator employee or Affiliate personnel and the hours worked during the Demobilization Period and represented the Operator's profit margin.*
*** The evaluated Incentives and Penalties did not include any Incentives or Penalties associated with operating cost efficiencies or fuel-related savings because they were equally shared between the Operator and Owner (50%/50%).*
**** The Operator Termination Fee and the Owner Termination Fee were averaged over the 10-year term of the O&M Agreement.*

5.2.3 Legal and Contractual Considerations

The RFP required Proponents to accept the Final Form of O&M Agreement, save for the terms and conditions to be proposed by each Proponent in the Financial Proposal component of its Binding Proposal, immaterial amendments to incorporate party names and the like, and subject to further discussion on a limited number of material comments. In light of the extensive review and comment process with respect to the O&M Agreement, as described in Section 4.4.5 hereof (*O&M Agreement Discussions*), the expectation was that Proponents would have very limited and specific comments to the Final Form of O&M Agreement, if any. In light of this, the Legal Proposal was not scored.

Nonetheless, as part of their Binding Proposals, each of the Proponents provided comments to the O&M Agreement in the form of mark-ups with specific language, with Genera also providing a memorandum highlighting more critical concerns. Although neither Proponent accepted the Final Form of O&M Agreement as drafted, Genera initially had greater comments to the contract. After further negotiations and discussions, the Proponents submitted updated mark-ups of the O&M Agreement on April 22, 2022. In its updated mark-up, Genera accepted more of the Final Form of O&M Agreement's language, reflecting greater movement than the Other Proponent. Genera and the Other Proponent submitted revised mark-ups on May 20 and May 24, 2022, respectively. In this round, Genera's mark-up contained significantly fewer comments than the Other Proponent's mark-up. Genera generally accepted the O&M Agreement as drafted with a more limited number of changes. The Other Proponent's contract mark-up retained a number of items that shifted risk to the Government, including (i) delaying the applicability of the Operator Event of Default for Failure to Meet the Minimum Performance Threshold until two years after the Service Commencement Date, (ii) an approach to interviewing and making offers to Owner Employees less favorable to Owner Employees, (iii) asserting that it was not legally required to become a signatory to the Consent Decree, and (iv) an expanded Owner Event of Default for failure to fund accounts.

The O&M Agreement contained certain core elements:

- minimum performance thresholds for the Operator's performance of the O&M Services;
- Mobilization Period activities aimed at a smooth transition of operations;
- signing onto the Consent Decree and agreeing to comply with environmental law applicable to the Legacy Generation Assets; and
- events of default, additional termination rights and payment of fees.

Set forth below is a summary description of the provisions of each of these elements of the O&M Agreement as well as the main comments of each of Genera and the Other Proponent to such provisions.

Minimum Performance Threshold

As discussed under Section 4.4.4 (*Incentives for Optimal Performance with Limited Resources*), the O&M Agreement requires the Operator to perform the O&M Services in such a manner as to meet minimum standards of performance across certain Incentives and Penalties categories (each, a "**Minimum Performance Threshold**"). Incentives and Penalties would be added to or deducted from the Service Fee based on Operator's performance across a range of categories, including operation cost-efficiency (ability to meet budget), equivalent availability factor (reliable availability of power), health and safety compliance, environmental compliance, reporting obligations (only as a Penalty), fuel savings and decommissioning. After the Service Commencement Date, Operator's failure to meet the minimum performance threshold for any of the categories of equivalent availability factor, health and safety compliance, environmental compliance, and decommissioning, for two consecutive Contract Years would trigger an Event of Default for Failure to Meet the Minimum Performance Threshold.

In their Binding Proposals, each Proponent proposed a ramping-up period before the Operator would be subject to the Event of Default for Failure to Meet the Minimum Performance Threshold. Following multiple discussions with the Proponents as to their comments to the O&M Agreement, Genera agreed to adhere to the Final Form of O&M Agreement's original approach, removing any ramp up period to the Operator's obligations. The Other Proponent, however, continued to push to make the Event of Default for Failure to Meet the Minimum Performance Threshold applicable only after two years following the Service

Commencement Date, reflecting less willingness to be responsible for performance of the O&M Services from day one. Given the 10-year duration of the O&M Agreement and the Government's intention that the Legacy Generation Assets be decommissioned over that term, exempting the Operator from the requirement to meet the Minimum Performance Thresholds for two years would significantly limit the Operator's liability to the Owner over the Contract Term and shift to the Owner the operational and financial risk of continued poor performance during the Operator's management of the Legacy Generation Assets.

The Mobilization Period – Interviewing and Hiring Employees

The O&M Agreement specifies certain conditions precedent to Service Commencement Date, including the interview by Operator of all regular generation employees of Owner and its Affiliates who were, as of 30 Business Days following the Effective Date, employed and that remained then currently employed by Owner and its Affiliates ("**Owner Employees**"), and the giving of offers to qualified Owner Employees in highly-skilled plant positions critical to the reliable operation and maintenance of the respective Legacy Generation Asset. In addition, the Legacy Generation Emergency Response Plan must be submitted to PREB, and the Procurement Manual to COR3, for its respective approval prior to the Service Commencement Date.

In their Binding Proposals, each Proponent generally accepted that the Operator would be responsible for the preparation of certain items prior to the Service Commencement Date and emphasized their commitment to hiring Owner Employees. The Other Proponent, however, did not agree to certain key concepts in those provisions, including by (i) clarifying that Operator is not required to hire all or substantially all of the Owner Employees and that Owner Employees must apply to job categories that Operator wished to fill, (ii) removing the deadline for Operator to interview Owner Employees, and (iii) reducing the period of time to keep offers to employees open. Following a series of meetings with and requests for clarification from the P3 Authority, the P3 Consultants, and the FOMB Representatives, though the Other Proponent agreed to withdraw certain comments, it did not accept as much of the Final Form of O&M Agreement's original approach as Genera had accepted. Specifically, Genera overall accepted Operator's interviewing and offering obligations, including to interview all currently employed, regular Owner Employees. **Additionally, during the negotiations that followed Genera's selection as the Preferred Proponent, Genera also agreed to offer employment to all full-time plant Owner Employees who were employed and in good standing as of June 30, 2022.**

Although the Other Proponent appeared willing to negotiate with respect to these items following discussion and multiple drafts of the O&M Agreement, the Other Proponent's request for Operator discretion in the interviewing process was concerning to the Partnership Committee, which emphasized throughout the RFP Process the importance of every Owner Employee of being interviewed by Operator, without being compelled to formally apply. By agreeing to interview all regular Owner Employees who were employed as June 30, 2022 and currently remain employed, and to offer employment to all full-time plant Owner Employees in good standing as of June 30, 2022, Genera went further in its commitment to the people employed at PREPA's Legacy Generation Assets.

Events of Default, Additional Termination Rights and Funding of Accounts

The O&M Agreement provides that certain breaches by the parties of their obligations under the O&M Agreement constitute events of default that result in a right to terminate the O&M Agreement. In addition, the O&M Agreement includes additional termination events arising under certain limited circumstances, such as an extended force majeure event that materially interferes with or increases the cost of the O&M Services. With a view towards reducing the risk of (i) early termination following the extensive RFP Process or (ii) renegotiation of the O&M Agreement while the Operator is performing the O&M Services (in which renegotiation the Operator would have significant leverage), the Government sought to ensure that the O&M Agreement did not include extensive termination rights.

Genera generally accepted all of the events of default and additional termination rights proposed by the Government, as well as the approach to payment of the Operator's fees and expenditures. The Other Proponent sought to expand the Operator's termination rights and other remedies. Whereas the O&M Agreement provides for default by Owner if an account falls below 50% of the requisite funding after the expiration of a cure period, the Other Proponent sought a termination right if an account falls below 100% of the requisite funding for more than two consecutive months or three months in a rolling 12-month period. Similarly, Genera accepted the Final Form of O&M Agreement's funding requirements for the Reserve Account, whereby if in the month following a withdrawal Owner is unable to fully replenish the Reserve Account to the requisite funding level, such failure to fund will not constitute an event of default if the Reserve Account is fully replenished as soon as Owner has sufficient funds. The Other Proponent maintained throughout negotiations that, if the Reserve Account is not fully replenished within 15 days of notification by Operator, such failure to fund must constitute an event of default, thus giving Operator an additional termination right. These significantly increased the risk of termination under circumstances where the Operator was still being paid and there was very limited risk of not continuing to be paid.

Authorization to Execute the O&M Agreement

From a contractual perspective, there were other material differences between the Binding Proposals as relates to the terms, conditions, and legal and contractual risk that each Proponent was willing to bear. Most importantly, although communications with the Other Proponent throughout April and May 2022 indicated that the Other Proponent would be willing to drop certain points that had the effect of allocating greater legal and contractual risk to the Government, there remained one significant uncertainty regarding proceeding with the Other Proponent. The Other Proponent had been unable to secure shareholder approval to execute the O&M Agreement as of the May 24, 2022 Partnership Committee meeting.

Overall, as of the May 24, 2022 evaluation, the Other Proponent's Legal Proposal, as compared to Genera's Legal Proposal, included a few more material changes and issues that could not quickly be resolved that had the cumulative effect of shifting additional risk and cost to the Government. In light of this, the Partnership Committee determined that accepting the Other Proponent's Legal Proposal would result in a less favorable and less certain arrangement for Puerto Rico.

In light of the above, Genera's higher financial scores and the fact that Genera had effectively accepted the Final Form of O&M Agreement proposed by the Government except for the limited number of changes, the Partnership Committee decided to produce a final form of O&M Agreement for Genera and to engage in exclusive negotiations with Genera as the Preferred Proponent.

Following the Partnership Committee's selection of Genera as the Preferred Proponent pursuant to Section 5.1 of the Regulation, the P3 Authority, the P3 Consultants, and the FOMB Representatives met with the Preferred Proponent to discuss the Preferred Proponent's final comments to the O&M Agreement, which were limited and primarily in the nature of clean up and clarification changes, all of which were acceptable.

6. Conclusion

Due to PREPA's struggle to provide affordable and reliable electric service coupled with the fiscal mismanagement that caused an unprecedented restructuring, all of which was exacerbated by natural disasters (*e.g.*, Irma and Maria and the earthquakes), the Government developed and began implementing a comprehensive and visionary plan intended to transform Puerto Rico's energy sector and PREPA, the sole electric utility for the island of Puerto Rico. PREPA serves approximately 1.5 million customers (currently through the T&D Operator) and employs in its generation directorate approximately 1,000 people in Puerto Rico. PREPA's purpose is to provide the people of Puerto Rico with reliable electric power, assist the sustainable development of Puerto Rico, and contribute to the general welfare as a service provider and employer on the island. In the years leading up to Irma and Maria, PREPA had become increasingly vulnerable to natural disasters for several reasons, including, among others, (i) political interference, (ii) lack of managerial continuity and long-term planning, (iii) poor and deferred maintenance of the Legacy Generation Assets, in part due to (iv) a fiscal and economic crisis that led to unmanageable debt obligations and inadequate levels of infrastructure investment. With regard to the generation system, the Legacy Generation Assets have historically experienced above industry average equivalent forced outage rates, primarily as a result of poor equipment conditions and operational practices.

In order to effect the transformation of PREPA and based on the demonstrated credibility of the model, the Government elected to initiate a PPP process. The objective of this PPP process carried out by the P3 Authority, PREPA, and the Partnership Committee was to realize the Government's long-term goals of (i) upgrading Puerto Rico's electric system to be more resilient against future natural disasters and (ii) revitalizing Puerto Rico's economy, in each case for the benefit of the people of Puerto Rico.

To achieve these goals, the Government had to first seek to (i) modernize the legislative framework for Puerto Rico's electric sector, (ii) secure federal disaster assistance funding to help rebuild Puerto Rico in the aftermath of Irma and Maria without resorting to the capital markets, (iii) address PREPA's unprecedented fiscal and economic crisis through the Title III process of PROMESA, and (iv) engage a private operator of the T&D System. It then had to design and implement an iterative, transparent, and competitive process to identify and select a private partner to operate and decommission PREPA's Legacy Generation Assets and obtain buy-in from multiple stakeholders.

Through the enactment of the Transformation Act in June 2018, the Government laid down the legal framework for its stated goal of transforming Puerto Rico's energy system into a modern, sustainable, reliable, efficient, cost effective, and resilient one. The very same month, the Government launched the T&D Project with a market sounding that indicated substantial interest in the LGA Project. On October 31, 2018, the P3 Authority commenced the process to identify a private partner for the T&D Project. On June 22, 2020, after a robust, competitive and transparent RFP Process, the P3 Authority announced that PREPA had entered into the 15-year T&D O&M Agreement with LUMA Energy, LLC and LUMA Energy Servco, LLC, as the T&D Operator.

One and a half months later, on August 10, 2020, the P3 Authority commenced the qualification process to identify a private partner for the operation, maintenance, and eventual decommissioning of the Legacy Generation Assets. Fourteen months later, on December 22, 2021, the Partnership Committee received two

Binding Proposals from two Proponents qualified to operate the Legacy Generation Assets. Pursuant to RFP, the Binding Proposals received were comprised of three main components:

- an Operational Proposal highlighting the Proponent's plans with respect to certain technical and operational elements of the O&M Services;
- a Financial Proposal presenting the Proponent's proposed terms and conditions for certain financial provisions of the O&M Agreement; and
- a Legal Proposal confirming acceptance of the form of O&M Agreement.

On January 27 and 28, 2022, each Proponent presented its Binding Proposal to the Partnership Committee, the P3 Authority, the P3 Consultants, and the FOMB Representatives. On June 9, 2022, after nearly six months of review and evaluation of the Binding Proposals based on the evaluation criteria designed to meet the Government's objectives with respect to the transformation of the Legacy Generation Assets, the Partnership Committee voted to designate Genera as the Preferred Proponent.

Genera's Binding Proposal not only complied with the requirements of Act 29, the Transformation Act, the Regulation, and the RFP, but also was awarded the higher average score in its Financial Proposal based on the evaluation criteria developed to meet the objectives of the LGA Project and its Legal Proposal was determined to be the more favorable arrangement for Puerto Rico due to it aligning more closely to the Final Form of O&M Agreement.

- Genera's Operational Proposal presented a tailored approach to the O&M Services that indicated a strong understanding of the PREPA context. In particular, Genera (i) included a fully-developed Mobilization Plan with a proposed timeline and an Operator Recruitment and Staffing Plan; (ii) generally accepted the Government's approach to the Incentives and Penalties and indicated a willingness to work collaboratively with PREB; and (iii) demonstrated an uniquely strong commitment to transitioning PREPA employees, and further training and development of the generation workforce, as evidenced by its agreement to interview and provide offers of employment to all fulltime plant employees.
- Following discussions with Genera resulting in a significant reduction in the net present value of Genera's Service Fee over the Contract Term, Genera's Financial Proposal represented the lower net present calculation of the Service Fee over the Contract Term.
- Genera agreed to a form of the O&M Agreement that was the closest to the Final Form of O&M Agreement included in the RFP, which (i) resulted in less risk and cost transfer from the Operator to the Government and (ii) preserved the rights of the Government vis-à-vis the Operator included in the Final Form of O&M Agreement.

Following an extensive review of the Binding Proposals, the Partnership Committee determined that Genera's Binding Proposal was superior in respect of each of its financial and legal components (and received assurance from Genera as to the operational expertise of its team), and represents the better alternative to achieve the Government's stated goal of transforming the generation system for the benefit of the people of Puerto Rico. In particular, based on Genera's Binding Proposal, the Partnership Committee determined that Genera was well-suited to bring to fruition the Government's goal of transforming the generation system into one that is customer-centric, resilient, reliable, affordable, and sustainable by operating the Legacy Generation Assets efficiency, reliably, and safely until decommissioning such assets, paving the path for the integration of renewable generation sources.

In conclusion, the PPP process for the LGA Project was carried out over the course of more than 24 months and involved (i) robust participation by a number of highly qualified private sector participants, (ii) extensive due diligence of the Legacy Generation Assets, (iii) multiple opportunities for comment on and discussion of the proposed transaction structure and the O&M Agreement, both with private sector participants and with various government entities and other stakeholders, including the FOMB and PREB, (iv) an extensive and in-depth assessment and analysis of the Binding Proposals by the Consultants, (v) the opportunity for Proponents to present and discuss their Proposals in person to the Partnership Committee, the P3 Authority, various Consultants, and the FOMB Representatives, (vi) thorough review of the Binding Proposals and the Consultant's assessment thereof by the P3 Authority, the Partnership Committee, and the FOMB, and (vii) the scoring of the Binding Proposals by the Partnership Committee based on clearly-articulated evaluation criteria to achieve the Government's objectives for the LGA Project. As such, the Partnership Committee unanimously recommends to the P3 Authority Board that Genera be awarded the O&M Agreement.

Approved and received by the Partnership Committee Members:

Original signed copy

Omar Marrero

Executive Director and Chairman

Financial Advisory Authority and Fiscal Agency of Puerto Rico

Original signed copy

Josué A. Colón Ortiz

Executive Director

Puerto Rico Electric Power Authority

Original Signed Copy

Fernando Gil-Enseñat

Chairman of Governing Board

Puerto Rico Electric Power Authority

Original Signed Copy

Edison Avilés

Chairman

Government officer chosen by the Board of the Directors of the P3 Authority for their knowledge and experience

Puerto Rico Energy Bureau

Original signed copy

Gerardo Lorán-Butrón

Executive Director Special Advisor & Chief Officer

Government officer chosen by the Board of the Directors of the P3 Authority for their knowledge and experience

Financial Advisory Authority and Fiscal Agency of Puerto Rico

Exhibit A: Defined Terms

Defined Terms

For purposes of this Report, the following defined terms will have the meanings used in the sections indicated below.

Term	Section
2019 IRP	3.1.4
428 Guide	3.1.4
AAFAF	2
Act 29	2
Act 29 Regulation	3.1.3
Administrator	4.3
Aerostar	3.1.3
Baker Donelson	2
Binding Proposal	1
Certified PREPA Fiscal Plan	3.2
Citigroup	2
Cleary	2
Commonwealth Plan of Adjustment	1
Consent Decree	3.1.2
Consultants	2
Contract Term	1
Contract Year	5.1.1
COR3	3.1.4
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COVID-19	4.4.2
CPM	2
DART Rate	3.1.2
Data Room	4.4.2
Decommissioning Fixed Fee	1
Decommissioning Incentive	1
Decommissioning Penalty	1
Decommissioning Services	1
Demobilization Period	5.1.1
Demobilization Plan	1
Demobilization Service Fee	1
DOJ	3.1.2
EcoEléctrica	1
EGE Haina	1
Encanto Power	1

Term	Section
NERC	3.1.2
NFE	1
NFE FSPA	1
Nixon	2
NRG Energy Services	1
O&M Agreement	1
O&M Fixed Fee	1
O&M Incentive	1
O&M Penalty	1
O&M Services	1
Operational Proposal	1
Operator	1
Operator Recruitment and Staffing Plan	1
OSHA	3.1.2
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Owner Employee	5.2.3
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Parent Guarantee	5.1.1
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PREB	2
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PRHTA	3.1.3
NFE FSPA	1

Term	Section
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Final Form of O&M Agreement	4.4.1
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FOMB Consent	2
FOMB Representatives	2
FTI	2
GADS	3.1.2
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Genera O&M Agreement	4.4.7
GMP	3.1.4
Government	1
Incentives and Penalties	1
Irma	1
IRP	3.1.4
IRP Final Resolution and Order	3.1.4
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LMM Airport Project	3.1.3
LMM Airport Agreement	3.1.3
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Material Subcontractor	5.1.3
MATS	3.1.1
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Metropistas	3.1.3
Minimum Performance Threshold	5.2.3
Mobilization Period	1
Mobilization Plan	1
Mobilization Service Fee	1
MTA	3.1.3
NAES	1

Term	Section
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PROMESA	1
Proponent	1
PRPA	3.1.3
Proposal Submission Deadline	4.4.1
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RFP Process	1
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RFQ Process	1
RFQ-RFC	4.3
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Service Commencement Date	5.1.1
Service Fee	4.4.4
Severity Rate	3.1.2
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SOQ Submission Deadline	4.3
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T&D Operator	1
T&D Project	1
T&D System	1
Financial Proposal	1
Termination Fee	1
Title III	1
Title III Approvals	5.2.3
Title III Court	3.1.5
Toll Roads Agreement	3.1.3
Toll Roads Project	3.1.3
Transformation Act	1

Exhibit B: Benefits of a Third-Party Generation Operator of the Puerto Rico Legacy Generation Assets

SEPTEMBER 22, 2022

BENEFITS OF A THIRD-PARTY GENERATION OPERATOR OF THE PUERTO RICO LEGACY GENERATION ASSETS

EXPERTS WITH **IMPACT**™

Table of Contents

I. Executive Summary

The purpose of this document is to provide an overview of the benefits of selecting a Third-Party Generation Operator for the Puerto Rico Legacy Generation Assets ("LGA" or "Generation") through a competitive solicitation process. Given the myriad of issues facing the electric system in Puerto Rico, a qualified Third-Party generation operator will ensure operation of the LGA to better enable the transition from large fossil-fired generating plants to an increasingly renewable, distributed and resilient set of resources connected to a modern and reliable electric grid.

Over the past decades, Puerto Rico Electric Power Authority ("PREPA") LGA have faced a number of safety, reliability, operational, environmental compliance and financial challenges. A dependence on very expensive, inefficient, and aged oil-fired generation and significant damage created by earthquakes and other events has exacerbated PREPA's LGA poor performance. PREPA has also been criticized for ineffective management and underinvestment in critical generation assets. It has become clear that a complete transformation of the Puerto Rico electric system, along with a shift from the existing PREPA management organization, is essential to enable safe and reliable operation of the LGA for the benefit of Puerto Rico.

In order to drive this transformation, the Government of Puerto Rico enacted The Transformation Act, Act 120-2018 ("Act 120") to establish the legal framework for the transformation of the Puerto Rico electric system including incentivizing private participation through the formation of public-private partnerships ("PPPs") to be implemented by the Puerto Rico Public-Private Partnership Authority (the "Authority"). Act 120 stipulates that PREPA can sell or transfer its generation assets or transfer/delegate any of its operations, functions or services through a PPP (a "PREPA Transaction"). In conjunction, Act 120 empowers the Authority to (i) implement and execute PREPA Transactions, (ii) determine which PREPA functions, services and/or facilities would be best suited for PPPs and (iii) determine which specific PREPA generation assets to sell or transfer in separating the generation business from the T&D System business, detailed below.[1]

One of the first initiatives the Authority undertook after Act 120 was enacted, was the operational separation of the T&D System from the existing Legacy Generation Assets and to begin the search

[1] See Section 1.1 to 1.4 of Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Partnership Contracts and Sale Contracts for the Transformation of the Electric System Under Act No. 120-2018, as Amended. (March 8, 2019).

for a qualified Third-Party operator for the T&D System.[2] The goal of separating the T&D System operations from the Generation operations is to (i) ensure the most qualified operator for both the T&D System and the Generation, and (ii) create a competitive dynamic within each function to attract qualified, industry-leading respondents.

The T&D Operator selection was completed in 2020, resulting in LUMA Energy, LLC ("LUMA") being selected as the T&D System Operator and, after an approximate one year transition, operations were formally handed over from PREPA on June 1, 2021. Since that time, LUMA has been implementing a well-defined, multi-year System Remediation Plan ("SRP") to address the decades of poor operation and maintenance practices, which is being funded by COR3/FEMA as part of a larger 10-year rebuild program.

The process for the selection of the LGA Operator has been executed in a similar rigorous manner to the T&D process. The selected Proponent will operate and maintain the LGA in accordance with the agreed to Operations and Maintenance Agreement ("OMA" or "LGA OMA"). During the LGA Request for Proposals ("RFP") and evaluation process, the Authority prequalified eight Respondents at the Request for Qualifications ("RFQ") stage to determine which Proponent would be the most qualified and best suited. The comprehensive process conducted involved the same stakeholders as the T&D process and resulted in Genera PR LLC ("Genera"), a New Fortress Energy ("NFE")-owned company, being selected as the preferred Proponent.

The Authority-led competitive solicitation process to select the LGA Operator has made progress toward accomplishing the objectives of Act 120-2018 by selecting qualified bidders with the operational and financial capability to enable the LGA to operate for the next 5-10 years in a safe and reliable manner while taking into consideration their planned retirement and demolition in future years per the Integrated Resource Plan ("IRP") as more renewable energy resources are built. As this document details, in addition to the operational benefits there are substantial financial and economic benefits that will flow directly to the electric ratepayers of Puerto Rico through operational and fuel savings as well as incentives for the Generation Operator to drive enhanced performance in LGA availability, safety and environmental compliance. Although the operator of the LGA doesn't interface directly with customers, their operational reliability cannot

[2] Due to the tax-exempt status of PREPA's debt, it was determined that PREPA must hold title to the T&D System assets to benefit from access to lower financing costs.

be understated in terms of ensuring that LUMA has enough power resources to provide customers with reliable power as demonstrated by numerous high profile events over the past several years where insufficient generation led to outages.

There are significant operational and financial benefits associated with the introduction of a Third-Party Operator of the Puerto Rico Legacy Generation Assets. These benefits will be explained in further detail in this report, but in summary these include programs and approaches that will address existing issues and challenges with the LGA:

- The LGA have been exposed to decades of under-investment and poor operational performance, which, to this day, has resulted in a lack of adequate power generation resources.

- The existing aged fleet of base, peak and emergency fossil-fueled power plants must be operational and reliable for approximately 10 more years while Puerto Rico transitions its future power generation resources to renewables per the approved IRP, after which the decommissioning and demobilizing period of the LGA will commence.

- As all fuel is imported and most plants operate on oil, operating the LGA more efficiently and buying fuel more effectively presents a less costly and more environmentally friendly operating mode for the LGA.

Across North America there are well established and highly capable Third-Party operators of power plants who provide the necessary operations and maintenance ("O&M") functions.

Due to PREPA's poor performance operating the LGA, and implementing the public policy mandated by Act 120, the P3 Authority decided that conducting a rigorous process to hire a highly qualified Third-Party operator of the power plants was the best path forward in order to ensure a seamless transition from the fossil-based plant operations to the future renewable power generation plants for Puerto Rico.

As a result of the above process, on May 14, 2022, the P3A Partnership Committee selected Genera as the Preferred Proponent.

The remainder of this document is structured as follows, outlining:

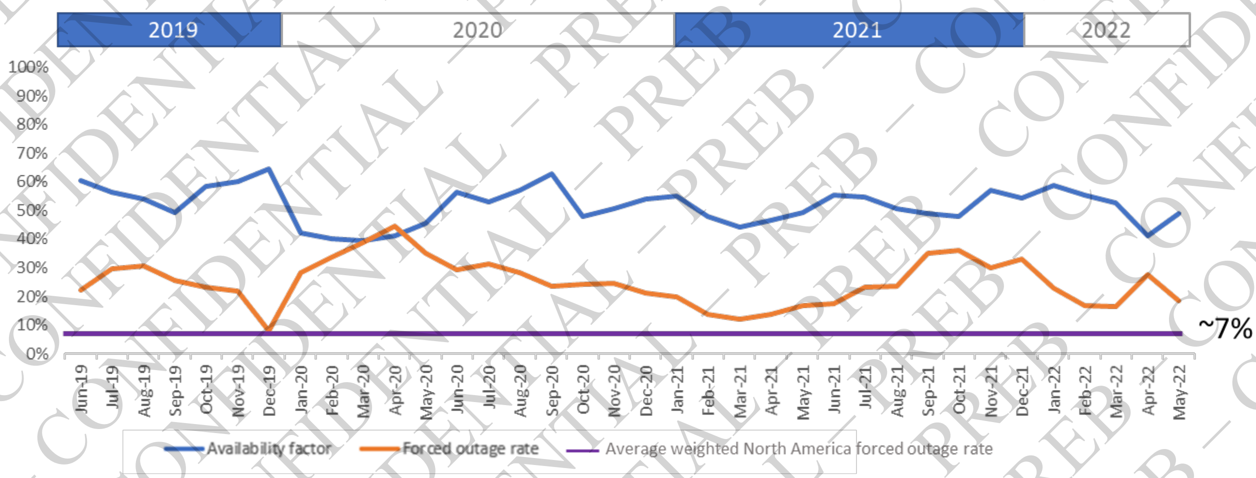
- In **Section II**, the current situation, including, generation plant performance, safety, environmental and reliability considerations;
- In **Section III**, the rationale for hiring a Third-Party Operator, as well as the associated benefits;
- In **Section IV**, the details of the competitive solicitation process to select a Third-Party Generation Operator; and
- In **Section V**, the financial and economic benefits of the Genera Generation OMA.

II. Current Situation

a. Generation Plant Performance

For decades, Puerto Rico has suffered the burden of unreliable and costly electric power, a result of an aging infrastructure with insufficient investment, poor operating performance, high and volatile fuel prices and devastating weather events. PREPA's largest expense is fuel. Puerto Rico imports all of its fuel, and most of the power pl ants were designed to operate on liquid fuels, including distillate, diesel and heavy fuel oils which are more costly than natural gas. PREPA generation has underperformed relative to industry standards in several relevant categories including plant availability and plant forced outage rates (Figure 1, below) and safety. Some of these forced outages resulted in inadequate generation supply and significant loss of adequate power supply to meet electric customer demand.

Figure 1. PREPA Generation Plant Performance 2019 through 2022[3]



Situated in a coastal environment, the LGA equipment faces exposure to sea salt which causes problems of corrosion and erosion to the power plant equipment. In addition, the LGA have suffered significant damage due to earthquakes including several in 2020. Beyond the impact of the earthquakes, electric ratepayers have dealt with suboptimal power supply characterized by unacceptably long forced outages at the power plants thus making the delivery of power to LUMA's

[3] Source for PREPA operating data: LUMA draft report, "Resource Adequacy Analysis," July 1, 2022. Average North America data from NERC, General Availability Review (Weighted EFOR) Dashboard, https://www.nerc.com/pa/RAPA/Pages/GeneralAvailabilityReview.aspx.

customers extremely difficult. Further, the PREPA LGA was viewed as suffering from poor management and insufficient capital investment.

The Generation Operator Solicitation Process (described in Section IV) has incorporated a number of incentive mechanisms that tracks various performance metrics and awards financial compensation based on predefined target metrics based on industry practice.

b. Safety

Public and employee safety is a critical component to a successful electric utility operation. Eliminating hazards requires proper training and strict adherence to the rules and regulations set forth by the Occupational Safety and Health Administration ("OSHA"). OSHA requires the reporting of several metrics to evaluate and track the safety of an organization, including, Incident Rate[4] which measures the number of safety-related incidents that are reported to OSHA scaled to workforce size and Number of Fatalities measures job-related fatalities reported to the OSHA.

Since 2003, PREPA's safety performance was more than five times worse than industry average. Incident rates for T&D and Generation on an annual basis ranged from 11.0 to 19.0 and averaged approximately 15.0; this compares to a U.S. average for public power of approximately 2.22.[5]

Figure 2, below, shows that PREPA has had a high number of fatalities historically with 17 occurring since 2003. While it has shown improvement with no fatalities occurring in the recent years, the industry standard is zero-tolerance with respect to fatalities. Figure 3 shows PREPA's 2022 average year-to-date OSHA performance indicating a recordable rate of 4.6, compared to the industry average of 1.5,[6] and a severity rate of 17.7 and DART rate of 3.4 which are also high; the PREB benchmarks are also shown.

[4] Measured as (# of OSHA Recordable Cases / # of Employee Labor Hours Worked) * 200,000.
[5] American Public Power Association, "Evaluation of Data Submitted to the American Public Power Association's 2020 Safety Awards of Excellence," 2020.
[6] US Bureau of Labor Statistics, Incidence rates of nonfatal occupational injuries and illnesses by industry, fossil fuel electric power generation utilities, NAICS code 221112, https://www.bls.gov/home.htm.

Figure 2. PREPA T&D and Generation – Fatalities since 2003[7]

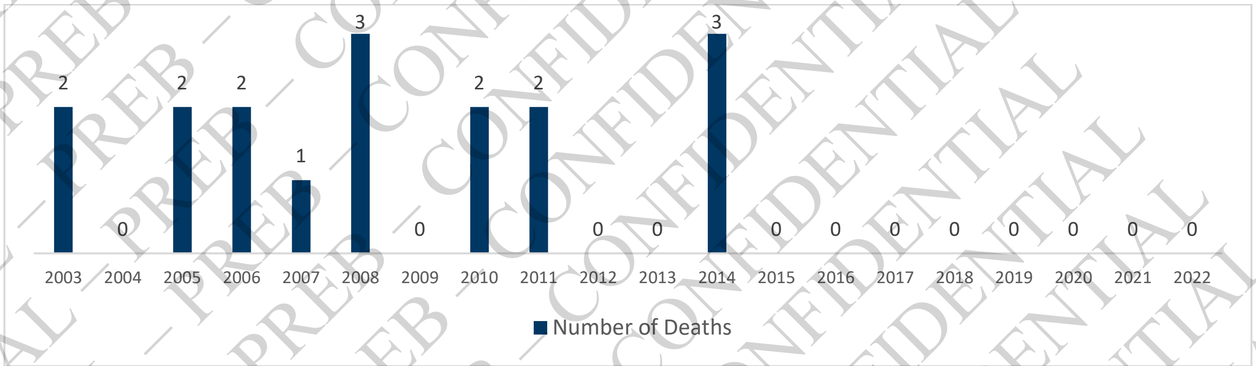


Figure 3. PREPA Generation OSHA Metrics for 2022[8]

OSHA Metric	Sub-Group	FY 2022 Average	PREB Benchmark
OSHA Recordable Rate	Generation	4.6	1.8
OSHA Fatality Rate	Generation	0	0
OSHA Severity Rate	Generation	17.7	To be determined
OSHA DART Rate	Generation	3.4	0.9

Fostering an unsafe work environment has significant reputational and financial impacts. It creates a culture in which current employees may feel uneasy and apprehensive about performing their responsibilities and it hinders the ability to attract new hires who have safer occupational alternatives. Negative financial impacts also result in ongoing litigation relating to wrongful injury or death. Note that the OSHA metrics have only been partially reported for T&D separately from Generation since the LUMA Service Commencement Date.

[7] In 2014, two deaths occurred at SJ5 due to the explosion.
[8] PREB Benchmark per Resolution and Order, June 2021 - May 2022, 12-Month Metrics Summary, August 18, 2022.

c. Environmental

PREPA's aging infrastructure has many challenges, one of the most important of which is achieving environmental compliance in order to attain its goal to improve the air quality for the residents of Puerto Rico by reducing harmful emissions. Failure to comply with environmental regulations will inevitably result in fines which could force unit shutdowns and resultant generation shortfalls and may also present the risk of potential forfeiture of federal funds.

Also, when the available operational generation capacity is lower than the minimum required for reliable operation, the power system is at high risk of losing stability. This risk is even greater in an isolated system such as Puerto Rico's, where an instability event can evolve into a total system-wide outage or blackout. Keeping the generating units and their auxiliary equipment operational, in the best possible condition, and in compliance with environmental regulations, is critical.

PREPA's Legacy Generation fleet is subject to the applicable permit limits under the federal mercury and air toxic standards ("MATS") and the 1997 US EPA Consent Decree, as updated from time to time. Currently, Aguirre, Palo Seco and San Juan sites have compliance issues with MATS. For Aguirre, particulate matter ("PM") performance tests show emissions for Unit 2 slightly above the MATS limit. Palo Seco and San Juan have PM emissions above the MATS limit, and "limited-use" units have exceeded heat-input thresholds. The locations of the Aguirre, Palo Seco and San Juan power stations have also been named SO_2 nonattainment areas as they are not meeting the required sulfur dioxide air quality standards. In addition to the Consent Decree compliance requirement, PREPA has committed to implement SO_2 emissions reduction measures in the nonattainment areas as part of Puerto Rico's SO_2 State Implementation Plan ("SIP").

d. Reliability

Providing reliable, consistent, resilient power is critical to the safe operations of an electric utility. There are several metrics that utilities use to gauge reliability. PREPA has historically exceeded planned outage schedule durations by approximately 20%. If one were to include three outages that had recent delays of 6-9 months, it would have resulted in an average schedule variance of 66% longer than scheduled for the entire generation fleet.

The FOR is another important indicator of plant performance and reliability. Table 1, below, shows both the annual and overall average forced outage rate by unit from 2013 to 2022 YTD. As Table 1 shows, most the units have double-digit average annual forced outage rates, and three units have greater than 50% (San Juan 10, Palo Seco 2, Palo Seco 4). Again, these results are between 2x and

5x industry average based on data from the North American Electric Reliability Corporation ("NERC").[9] Meanwhile, the two AES-PR coal-fueled units, which hare not run by PREPA, have a forced outage rate of just 3%, one of the lowest on the island.[10]

Table 1 - Annual Forced Outage Rate, 2013 – 2022 YTD

Unit	2013	2014	2015	2016	2017	2018	2019	2020	2021	Tot Avg	Units	2022 YTD
San Juan CT 5	15	2	2	16	98	7	10	4	7	17.9%	San Juan Steam	43%
San Juan STG 5	13	2	3	6	8	8	44	8	4	10.7%		
San Juan CT 6	1	51	30	5	5	2	7	6	2	12.1%		
San Juan STG 6	5	17	28	7	6	3	8	60	21	17.2%		
San Juan 7	7	7	5	11	7	12	49	52	45	21.7%		
San Juan 8	3	5	3	13	12	28	0	73	100	26.3%		
San Juan 9	3	6	2	9	19	48	8	9	7	12.3%		
San Juan 10	8	49	97	100	100	100	100	100	100	83.8%		
Palo Seco 1	8	15	7	3	4	14	18	47	100	24.0%	Palo Seco Steam	3%
Palo Seco 2	2	1	6	13	100	100	100	100	100	58.0%		
Palo Seco 3	15	0	6	10	61	15	10	6	28	16.8%	Palo Seco Gas	67%
Palo Seco 4	3	2	93	100	100	100	68	9	7	53.6%		
Costa Sur 5	0	2	1	0	0	5	10	59	11	9.8%	Costa Sur Steam	9%
Costa Sur 6	4	0	2	12	12	1	2	98	47	19.8%		
Aguirre 1	2	6	27	7	7	6.46	1.21	5.39	7.22	7.7%	Aguirre Steam	9%
Aguirre 2	3	2	11	100	15	3.25	77.11	27.1	8.7	27.5%		
Aguirre CC 1	20	9	6	14	47	53.84	16.93	34.96	44.92	27.4%	Aguirre CC	28%
Aguirre CC 2	3	10	37	63	39	50.48	5.49	2.6	59.61	30.0%		

Notes:
1. *CT – Combustion Turbine, STG – Steam Turbine Generator, CC – Combined Cycle*
2. *The two AES-PR coal-fueled units have a forced outage rate of just 3%, one of the lowest on the island.*
3. *Data for 2022 YTD was provided by steam, gas, CC units in aggregate, by site, and not on a unit basis.*

In addition, based on the Generation Resource Adequacy Analysis conducted by LUMA, and filed with the PREB on August 30, 2022, the following were LUMA's key findings:

- Puerto Rico has inadequate supply resources to deliver reasonable system reliability to meet expected demand, thereby raising the risk of load shedding outages beyond industry standards.
- The loss of load expectation ("LOLE") for Puerto Rico for 2023 was calculated to be 8.81 days per year, which is 88 times higher than the utility industry benchmark of 1 day in 10

[9] NERC GADS Dashboard, https://www.nerc.com/pa/RAPA/gads/Pages/GADS-Generation-Resource-Mix-Dashboard.aspx.
[10] Comments of AES Puerto Rico submitted to the House Natural Resources Committee, June 30, 2021.

years or 0.10 days per year. This means that on average it is expected that there will be 8.81 days per year when demand will not be met by generation supply in 2023.

- The risk of load shedding outages is partially the result of inadequate reliable generation capacity due to PREPA's unreliable, old and improperly maintained generation plants which account for 77% of Puerto Rico's thermal generation.

In order to minimize the risk of generation outages, the following needs to be achieved:

- Attainment of 65% generation plant availability. Today PREPA generation plant availability is 52%.
- Today, PREPA's generation planned outage durations almost always are on average 20% longer than the original planned duration (compared to an industry average of less than 5%). This can be improved by significantly better outage planning and execution.
- LUMA is proposing rolling out demand response, energy efficiency and voluntary conservation programs.
- Promotion of distributed energy resources for additional system resources.

III. Reasons for Hiring a Third-Party O&M Provider

A Third-Party O&M provider can provide the necessary services and expertise to run the LGA plants and subsequently be responsible for decommissioning and demolition as appropriate. Third-Party power generation plant operators have been utilized in industry since the late 1980s. Third-Party power plant services companies can manage operations and maintenance to reduce plant down time and optimize generating efficiency as a result of bringing lessons learned from across several portfolios that they are operating.

O&M providers offer comprehensive project operations and maintenance services, flexible contract options, and industry experience covering virtually all technologies, types, and sizes of power plants to guarantee the highest reliability and availability, increased production and efficiency and lower operating costs. The LGA O&M services will include safety programs, compliance programs, maintenance programs, operation programs, plant management, operations technical support, training, procedure writing, operations readiness and asset performance improvements.

O&M providers offer services and approaches that align with customer objectives, including:

- Maintain Plant Performance - output, efficiency, availability and reliability
- Minimize Forced Outages *and* manage planned/unplanned outages
- Focused on preventive and predictive maintenance to ensure issues are prevented and costs are minimized
- Maintain compliance with all regulations, contract requirements and legal obligations
- Operate with good commercial management in operating all facilities in compliance with agreed budgets and operational metrics (KPIs)
- Interface effectively with the System Operator and other stakeholders.

There are numerous Third-Party O&M service providers currently managing power plants with proven technical, operational and commercial experience worldwide. Leading Third-Party O&M providers partner with facility owners to improve plant performance, reduce overall operating costs, and simplify management by delivering the right combination of trained and capable plant staff.

Genera intends to subcontract the PIC Group, Inc. ("PIC") on a long-term basis, to execute a majority of the technical and field service scope of the LGA OMA. PIC is a service provider for the global power generation industry and a wholly owned subsidiary of Marubeni Group and has significant experience in operating, managing and maintaining power generation facilities, including similar projects on-island and around the globe and has developed specialized equipment, tools, systems, processes and personnel to lead these critical activities. PIC's services include operations and maintenance, expert staffing services, commissioning, decommissioning services, and documentation and training services. PIC's expertise in these combined skill sets and their access to required resources provide "total project solutions" for the various power plant services that their customers rely on. PIC has a proven track record of consistently implementing high quality O&M programs and best practices at all of the plants it manages, focusing on the fundamentals of safety, reliability, compliance and cost.

PIC's 25 years of O&M experience includes 15,000 MW total capacity and covers 65 plant sites, 89 combustion turbine-generators, 102 reciprocating engines, 46 steam turbine-generators and 9 hydroelectric units. This, combined with Genera's deep expertise in fuels and plant management, makes this partnership a preferred combination to operate the LGA power plants.

a. Benefits of Hiring a Third-Party

Hiring a Third-Party Generation operator creates significant benefits, allowing for operational and fuel savings, more consistent and reliable operations (a reduction in forced and unplanned power plant outages) and increased safety and environmental compliance.

As discussed above, the LGA includes an aging set of power generation plants that has long suffered from underinvestment and poor operational, safety and environmental performance. Operating the LGA with good industry practice will require operators with expertise in operating similarly situated Generation Assets.

IV. Generation Operator Solicitation Process

a. The Process

On August 10, 2020, the Authority issued the LGA RFQ in accordance with the Act 120 mandate, seeking respondents with demonstrated experience in operating and maintaining a large electric utility, financial strength and access to capital, strong technical expertise and a track record of high-quality and safe power plant operations.

Following the issuance of the RFQ, the Authority issued an RFP on November 10, 2020 inviting bidders to submit proposals for the operation and management of the LGA, including the administration of federal disaster recovery funding. Specifically, the RFP sought a qualified private partner to manage, operate, maintain, rehabilitate, repair, refurbish, replace, improve, expand and finance the LGA pursuant to the contemplated OMA contract. The transaction and compensation structure is similar to a traditional operator-manager arrangement, with a compensation structure including fixed and incentive components comparable to similar management contracts in the U.S. mainland. As PREPA remains the Owner of the LGA, this structure supports the desire to maintain the tax-exempt status of PREPA's debt as a source of funding.

b. Justification

The RFQ process was a broad solicitation extending to many qualified operators in a competitive process that served to ensure an adequate number of qualified respondents. The process culminated in the selection of a qualified capable operator with the requisite experience to maintain and improve the generation to a level of operations consistent with good industry standards. The contractual structure in place has been designed to ensure the Operator:

- Manages the LGA consistent with prudent utility standards;
- Achieves benchmark performance based on an appropriate set of operational, financial, budgetary controls, and safety metrics more in line with industry standards;
- Receives an appropriate level of oversight from the Administrator and the PREB; and,
- Is compensated based on achievement of incentives in operation and fuel savings, LGA availability, and good safety and environmental performance.

c. RFP Process

Milestones, key steps and a timeline of the RFP Process, and events leading to the process, include:

Topic	Date	Details
Project Background	January 22, 2018	The former Governor announced his intent to transform and modernize the electric system through private ownership or operation of PREPA's assets.
Market Sounding	December 2, 2019	The Government and Public-Private Partnerships Authority ("P3A") issued a letter soliciting private sector feedback on the transformation of PREPA's electric generation operations, including the provision of O&M services to all or a portion of PREPA's generation fleet.
RFQ Issued	August 10, 2020 September 15, 2020	P3A issued the Request for Qualifications pursuant to Section 5 of Act 120 and Section 3 of Act 29. P3A received 15 responses to the RFQ (the Statement of Qualifications, ("SOQs").
Qualification of Proponents	October 19, 2020	Eight (8) experienced and reputable private sector respondents were selected to participate in the Request for Proposals process.
RFP Issued	November 10, 2020	P3A issued the Request for Proposals
Proposal Submittals	December 22, 2021	Two Proponents, Genera PR LLC and NAES Corporation, submitted Binding Proposals.
Video Discussions	January 11, 2022	P3A and its advisors conducted video conferences with representatives of Proponents to discuss their proposals.
Initial Evaluation of Proposals	January, 2022	P3A's advisors evaluated the Binding Proposals according to the rubric established in the RFP, identifying critical issues and costs in the financial and technical proposals, operational proposals, and legal proposals.
Presentations in Puerto Rico	January 27, 2022 January 27-28, 2022	P3A and its advisors presented the initial evaluations of the Proponents' Binding Proposals to the Partnership Committee meeting. Proponents presented their Binding Proposals with the PC in Puerto Rico.
Follow-Up Questions	February 3, 2022 February 15, 2022	P3A and P3A's advisors distributed follow-up questions regarding the technical, financial and operational aspects of the Binding Proposals. P3A and the Advisory Team held calls with representatives of Proponents to discuss their responses to the follow-up questions and further clarify elements of their bids.
Initial Scoring of Proposals	March 7, 2022	P3A and its advisors presented to the Partnership Committee further evaluations and comments to the technical and financial, and operational, components of the Binding Proposals. The Partnership Committee agreed to request updated proposals from Proponents.
Updated Proposals	March 9, 2022 March 21, 2022	P3A invited both Proponents to submit updated proposals. Both Proponents submitted their updated proposals; NAES made few changes to its proposal, Genera proposed a heavily revised financial proposal.
Scoring of Updated Proposals	April 1, 2022	P3A and its advisors presented to the Partnership Committee revised evaluations and comments to the updated proposals.
Discussions in Puerto Rico	April 19, 2022 April 20, 2022	P3A and its advisors held meetings with the Proponents in Puerto Rico to discuss the updated proposals. P3A requested additional information from Proponents.
Further Updated Proposals and O&M Agreements	April 22, 2022	Bidders submitted revised mark-ups of the O&M Agreement and additional information, addressing certain items and proposed compromises from prior discussions.

Exhibit 2

Topic	Date	Details
Further Comments to Updated Proposals	May 4, 2022	P3A's advisors presented to the Partnership Committee further comments to updated proposals.
O&M Agreements	May 14, 2022 May 20, 2022 May 24, 2022	P3A distributed separate revised drafts of the O&M Agreement to Genera and NAES. Genera submitted updated comments on the O&M Agreement. NAES submitted updated comments on the O&M Agreement.
Selection of Preferred Proponent	May 24, 2022 May 2022 June 10, 2022	At the Partnership Committee meeting, P3A's advisors presented the revised comments of each Proponent to the O&M Agreement, with Genera's legal proposal demonstrating significant improvement and a superior contractual arrangement for Puerto Rico. The Partnership Committee reviewed and scored the updated proposals, awarding a final score of Genera 80.1/100 and NAES a final score of 77.5/100, and agreed to select Genera as the Preferred Proponent. Notices were distributed specifying the selection of the preferred proponent.

V. Financial and Economic Benefits of the Genera Contract

The Genera Generation OMA provides substantial financial and economic benefits for the electric ratepayers of Puerto Rico. These benefits are in addition to the technical, operational, safety and reliability benefits mentioned in the prior sections of this report. The Genera OMA is structured with both fixed and incentive compensation, which will be described in the next sections. As further described below, the cost of the fixed and incentive compensation is expected to be offset by operation and maintenance and fuel savings that Genera expects to achieve during the life of the contract. These projected savings were provided by Genera in their presentations to the Partnership Committee as well as in responses to follow-up questions from the Committee, P3A and their advisors. The incentive compensation mechanisms for the O&M budget, fuel and decommissioning savings are structured as 50%/50% sharing formulas between Genera and the electric ratepayers of Puerto Rico. In addition, the Genera OMA caps the maximum amount of incentive compensation achievable by Genera in a contract year with the excess above the cap accruing 100% to the benefit of Puerto Rico electric ratepayers.

a. Summary of Genera LGA OMA Financial Contract Provisions

Under the Genera LGA OMA an annual fixed fee of $22.5 million plus inflation is payable each contract year. The inflation rate is capped under the contract at 3%. After contract year five the fixed fee is reduced to reflect any plants that are in their post operational decommissioning phase as determined by the PREB. The minimum fixed fee post year five until the contract ends is $5 million. There is no specific fixed fee paid for a plant once it enters its decommissioning phase. Therefore, as Legacy Generation Assets are retired and decommissioned per the IRP and PREB directives, the fixed fee will decline over the ten-year contract life.

The annual incentive compensation under the Genera LGA OMA is based on six categories, along with a seventh category which is penalty-based only. These categories include:

- O&M budget savings
- Fuel savings
- Decommissioning budget savings
- Availability performance of plants
- Safety performance
- Environmental performance.

The seventh category is penalty-based only and is paid if Genera exceeds its contractual time periods for reporting obligations. The O&M budget, fuel and decommissioning budget savings include a 50%/50% sharing formula between Genera and Puerto Rico electric ratepayers. Genera is obligated to achieve the annual O&M budget approved by PREB, but to the extent that they do not there is no reimbursement.

The power plant availability performance incentive ranges from $5 to $15 million for the combined baseload units and also for the combined peaking units and depends on performance above pre-determined targets. The penalties are $5 million each for baseload and peaking for below-target performance. The safety and environmental incentives and penalties are structured as very heavily penalty oriented. The maximum incentives for safety are $30,000 versus potential penalties of $3 million and $100,000 of incentives versus $1 million of potential penalties for environmental. The reporting obligation maximum penalty is $1 million.

For decommissioning incentives/penalties, if Genera completes the decommissioning of a plant on time and under budget pursuant to the PREB approved plan, then they can earn an incentive equal to 50% of the savings relative to the PREB determined target budget cost. To the extent Genera completes decommissioning after the target date they pay $1 million per week of delay subject to a combined maximum of $15 million for all plants.

Under the Genera OMA, the maximum annual incentive compensation (incentives minus penalties) that can be earned in a contract year is $100 million. The incentive compensation, similar to the fixed fee, will decline as plants are decommissioned.

b. Economics of the Genera LGA OMA

i. Projected Savings:

In its presentations and responses to the Partnership Committee, P3A and their advisors, Genera has estimated significant O&M and fuel savings. Genera estimates achievable O&M savings of $19 million per year. These savings come mainly from labor and maintenance. Genera will utilize state of the art industry staffing and operational practices that will generate ongoing savings compared to historical norms. The key components of these practices include training and developing operations and maintenance employees to be proficient at multiple skills. This allows for maintenance work to be completed more efficiently.

On the fuel side, Genera has estimated fuel savings, without plant conversions or equipment replacement, of approximately $85 million per year which would come from optimizing the existing fuel contracts ($56 million), achieving better risk and credit terms on the existing oil contracts ($20 million) and making operational changes at the Legacy Generation Assets to increase fuel efficiency ($9 million). These operational changes encompass fixing broken equipment and addressing other operational issues that will result in increased MWhs generated at improved efficiencies.

In addition, if Genera proposes and the IRP allows, and PREB approves, it believes there are additional fuel savings achievable through fuel conversions of units. The projected annual savings net of conversion costs could be greater than $100 million. These conversions would involve commissioning of gas fuel operation for units that are dual fuel capable or conversions of units that are able to be converted.

Section II of this report highlights areas where PREPA's operation of the power plants has fallen far short of industry standards. In terms of forced and planned outages PREPA's forced outage rate over the 2019-2012 period has been well above the weighted average North American forced outage rate of 7% (Figure 1). Table 1 in that same Section shows double digit forced outage rates for the LGA and for several plants over 50%. These are 2x-5x industry average. In addition, PREPA has historically exceeded its planned outage durations by 20% and including several recent lengthy outages would increase this to 66%. The average industry rate is less than 5%.

An experienced third-party operator such as Genera will better operate and maintain the LGA given their vast experience and their substantial financial incentives to do so. The effects of this improved operation and maintenance performance will translate into less forced outages and shorter planned outages for the LGA. This improved performance of the LGA will translate into additional operations and maintenance savings besides those stated by Genera and discussed in the prior paragraphs.

Safety is another area where PREPA has far exceeded industry benchmarks as shown in Section II. Improving safety performance and creating a positive safety culture allows current employees to perform their responsibilities better given the reduced uneasiness and apprehension. In addition, there will be reductions in injuries of skilled LGA employees and the risk and associated costs of potential litigation which negatively impact plant operations. Genera's proven safety programs will improve performance and workforce culture and result in better operation of the LGA, which means less employee and plant downtime resulting in further operation savings.

ii. Economics:

The combined estimated savings from O&M and fuel range from $100 million to $200 million annually (including conversion savings if approved by PREB). Under the contractual terms described above, these savings would be shared 50%/50% between Genera and the electric ratepayers of Puerto Rico. That would result in $50 million to $100 million per year to Puerto Rico electric system customers. Puerto Rico is guaranteed a benefit and Genera's incentive compensation pays for itself. Given the low fixed fee, high incentive fee component and the 50%/50% sharing of the Genera LGA OMA, Genera is more than motivated to perform and operate the plants well and as fuel-efficiently as possible. Through these improvements, Genera can achieve higher annual compensation, which is paid for out of their share of the savings while the other 50% savings share goes directly to Puerto Rico, which will more than offset the Genera fixed fee of $22.5 million.

Appendix A: List of Acronyms

Authority	The Puerto Rico Public Private Partnership Authority
BLS	Bureau of Labor Statistics
Btu	British thermal unit
CCGT	Combined Cycle Gas Turbine
DART	Days Away from Work, Restricted or Transferred
EAF	Equivalent Availability Factor
GenCo	Successor to PREPA that acquires or obtains ownership of the Legacy Generation Assets
Generation Operator	GenCo Third-Party Operator
GridCo	Successor to PREPA that acquires or obtains ownership of the T&D System
GT	Gas Turbine
IPP	Independent Power Producer
IRP	Puerto Rico Integrated Resource Plan 2018-2019
kWh	Kilowatt hour
Legacy Generation	Existing PREPA generating assets
MW	Megawatt
NG	Natural Gas
O&M	Operations and Maintenance
PPP	Public-Private Partnership
PPOA	Power Purchase and Operating Agreements
PREB	Puerto Rico Energy Bureau
PREPA	Puerto Rico Electric Power Authority
P3A	The Puerto Rico Public Private Partnership Authority
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Qualifications
T&D Operator	Third-Party Operator of the T&D System
T&D System	Transmission and Distribution System

Exhibit 2
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Appendix B: Materials Referenced

1. Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement, Draft format.
2. LUMA draft report, "Resource Adequacy Analysis," July 1, 2022.
3. PREB, Resolution and Order, Case No.: NEPR-MI-2019-0007, Subject: June 2021 - May 2022, 12-Month Metrics Summary, August 18, 2022.
4. LUMA, Quarterly Performance Metrics Report, FY22 Q3 Report Submission to P3A, May 16, 2022.
5. American Public Power Association, "Evaluation of Data Submitted to the American Public Power Association's 2020 Safety Awards of Excellence," 2020.
6. Genera Bid Proposal, December 22, 2021.
7. PREB, Petition, Case No.: NEPR-MI-2021-0002, "Petition for Leave to Conduct Works on PREPA's Steam Units to Achieve Environmental Regulatory Compliance", dated Feb 11, 2022.
8. US Bureau of Labor Statistics, Incidence rates of nonfatal occupational injuries and illnesses by industry, https://www.bls.gov/home.htm.
9. NERC GADS Dashboard, https://www.nerc.com/pa/RAPA/gads/Pages/GADS-Generation-Resource-Mix-Dashboard.aspx.

GOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY

Exhibit C: Request for Qualifications

GOVERNMENT OF PUERTO RICO
Puerto Rico Public-Private Partnerships Authority

REQUEST FOR QUALIFICATIONS

Puerto Rico Electric Power Authority
Thermal Generation Facilities
RFQ 2020-1

Issued by the Puerto Rico Public-Private Partnerships Authority

Date Issued: August 10, 2020

Responses Due Date: September 15, 2020 at 5:00 PM AST

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Contents

This RFQ (as defined herein) is prepared for informational purposes only and does not purport to be all-inclusive or to contain all the information that a Respondent (as defined herein) may desire in investigating the potential transaction. No express or implied warranty is given by the Puerto Rico Public-Private Partnerships Authority or any other agency or instrumentality of the Government of Puerto Rico as to the accuracy or completeness of the information contained herein or otherwise made available in connection with the Project (as defined herein).

Exhibit 2

1. Overview of RFQ and PPP Process

1.1 Introduction

The Puerto Rico Public-Private Partnerships Authority (the "**Authority**"), in collaboration with the Puerto Rico Electric Power Authority ("**PREPA**"), hereby issues this Request for Qualifications ("**RFQ**") to request Statements of Qualifications ("**SOQs**") from companies and consortia interested in managing, operating, maintaining, asset managing and decommissioning, as applicable, one (1) or more of the base-load generation plants and gas turbine peaking plants located throughout the island of Puerto Rico (the "**Legacy Generation Assets**"). The Legacy Generation Assets have a total system-wide PREPA-owned dependable generation capacity of approximately 3,600 MW. A full listing of the Legacy Generation Assets included in this solicitation is provided in Figure 1 of Section 2.2.2. Additional technical information on the Legacy Generation Assets can be found in Appendix C. The aforementioned services would be provided pursuant to one (1) or more public-private partnership ("**PPP**") contracts, in the form of one or more operation and maintenance agreements, relating to the Legacy Generation Assets and with terms tied to the remaining useful lives of the applicable Legacy Generation Assets (the "**Project**"). The Project will not involve the sale of any of the Legacy Generation Assets.

The Authority and PREPA wish to enter into a PPP with one (1) or more Person(s) (as defined in the Act 120 Regulation (as defined herein)), including but not limited to private sector companies or consortia, electric cooperatives or energy cooperatives (each, a "**Private Partner**") for the management, operation, maintenance and decommissioning, as applicable, of some or all of the Legacy Generation Assets in order to achieve the following objectives:

- introduce private sector operational expertise;
- increase the safety, reliability, resiliency, power quality and efficiency of Puerto Rico's Legacy Generation Asset operations;
- facilitate Puerto Rico's transition to PREPA's Vision for the Future of Power in Puerto Rico described in the 2019 IRP (as defined herein);
- implement operational excellence of electricity generation facilities consistent with prudent industry practices, including improved safety and compliance with environmental and other applicable regulatory requirements; and
- increase cost efficiency while achieving the aforementioned operational objectives in coordination with the T&D Operator (as defined herein).

Any natural or legal person, joint venture, partnership or other entity, or consortium thereof, that submits an SOQ in response to this RFQ (each, a "**Respondent**") is encouraged to review the following documents, which are available for download on the Authority's website at http://www.p3.pr.gov, for further background on the Project and the legal framework within which it will be executed:

- PREPA Organic Act, Act No. 83 of May 2, 1941, as amended;
- Public-Private Partnership Authority Act, Act No. 29-2009, as amended (the "**PPP Act**");
- Puerto Rico Energy Transformation and RELIEF Act, Act No. 57-2014, as amended ("**Act 57**"), including integration of the Integrated Resource Plan, docket number CEPR-AP-2018-0001 (the "**2019 IRP**");
- PREPA Revitalization Act, Act No. 4-2016, as amended;

- Puerto Rico Oversight, Management, and Economic Stability Act, Pub. L. 114-187, as amended ("**PROMESA**");
- Puerto Rico Electric System Transformation Act, Act No. 120-2018, as amended ("**Act 120**");
- Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Partnership Contracts and Sale Contracts for the Transformation of the Electric System under Act No. 120-2018, as amended (the "**Act 120 Regulation**"); and
- Puerto Rico Energy Public Policy Act, Act No. 17-2019, as amended ("**Energy Public Policy Act**").

In addition, the PREPA Fiscal Plan, certified on June 29, 2020 by the Financial Oversight and Management Board for Puerto Rico ("**FOMB**") and the 2020 Fiscal Plan for Puerto Rico, certified by the FOMB on May 27, 2020 (the "**Government Fiscal Plan**") are available at https://oversightboard.pr.gov/fiscal-plans-2/.[1]

1.2 Background of Puerto Rico's PPP Program

The PPP Act provides that the public policy of the Government of Puerto Rico (the "**Government**") is to favor and promote the establishment of PPPs for the development of certain Priority Projects (as defined in the PPP Act) to, among other things:

- further the development and maintenance of infrastructure facilities;
- share with the private sector the risks involved in the development, operation and/or maintenance of such projects;
- improve the services rendered by and the functions of the Government; and
- encourage job creation and promote Puerto Rico's socioeconomic development and competitiveness.

The PPP Act provides that the public policy with respect to PPPs is to maintain such controls as are necessary to protect the public interest yet balance this need for controls with the profit-making purpose of any private operation. The contractual relationship must thus be mutually beneficial, while ensuring the efficient, effective and affordable provision of public goods and services to all citizens.

The Authority was created pursuant to the PPP Act as a public corporation of the Government affiliated with the Puerto Rico Fiscal Agency and Financial Advisory Authority (known by its Spanish acronym "**AAFAF**"). The Authority is designated as the sole government entity authorized and responsible for implementing the Government's public policy on PPPs and for determining the functions, services or facilities for which PPPs are to be established.

For each proposed PPP project, the Authority must establish a committee (the "**Partnership Committee**"), as provided in the PPP Act, responsible for, among other things: (i) qualifying, evaluating and selecting the proposed PPP; (ii) establishing the terms and conditions of the agreement(s) to be (A) awarded to each Private Partner as a result of the process described in this RFQ (the "**RFQ Process**") and the competitive procurement process that follows the RFQ Process (the "**RFP Process**") and (B) executed by each Private Partner and PREPA to establish a PPP (the "**PPP Contract**"); and (iii) reporting on the procedures followed and the reasons for selecting a particular proposal (the "**Partnership Committee Report**").

Respondents should note that the Partnership Committee has been vested with the authority to negotiate the terms of each PPP Contract for the proposed PPP project. PREPA has been vested with the authority to execute each PPP Contract negotiated by the Partnership Committee with each Private

[1] Please note that the Government Fiscal Plan does not reflect the impact of COVID-19. A revised fiscal plan will be made available once certified by the FOMB.

Partner, subject to the approvals of (i) the Puerto Rico Energy Bureau (created by Act 57 to regulate, monitor, and enforce the energy public policy of the Government) ("PREB"), (ii) the board of directors of each of the Authority and PREPA, (iii) the FOMB and (iv) the Governor or her delegate, each such approval as described in more detail below.

Approval by PREB

To obtain PREB's approval, PREB must find that the relevant PPP Contract complies with the energy public policy, the regulatory framework and applicable law, and issue a certificate certifying such compliance (the "**Energy Compliance Certificate**"). If PREB does not either issue the Energy Compliance Certificate or a negative decision with respect thereto within thirty (30) days, it will be deemed to have approved the PPP Contract. Once the Energy Compliance Certificate has been issued or deemed issued, any amendment to the PPP Contract will require the issuance of a new Energy Compliance Certificate.

Approval by Board of Directors of the Authority and Board of Directors of PREPA

After both the completion of the negotiation of the PPP Contract and the issuance of the Energy Compliance Certificate, the Board of Directors of the Authority and the Board of Directors of PREPA will approve or reject the Partnership Committee Report and the PPP Contract by means of a resolution.

Approval by FOMB

Once the PPP Contract has been approved by PREB, the Board of Directors of the Authority and the Board of Directors of PREPA, the Partnership Committee Report and the PPP Contract will be submitted to the FOMB. The PPP Contract will require the consent of the FOMB pursuant to the FOMB's contract review policy established under Section 204(b)(2) of PROMESA, which requires FOMB approval of all local Puerto Rico contracts entered into by the Government or any covered instrumentality with an expected value of $10 million or more in the aggregate.

Approval by Governor

Following the FOMB's consent, the Partnership Committee Report and the PPP Contract must be delivered to and approved by the Governor or her delegate. The Governor or her delegate must approve or deny the PPP Contract in writing within thirty (30) days of receiving the Partnership Committee Report and the PPP Contract. If the Governor or her delegate does not approve the PPP Contract within thirty (30) days, the PPP Contract will be treated as if it had been denied by the Governor.

The mere fact that a required approval is obtained does not confer the right by any Respondent to claim indemnity, refund or any payment whatsoever on account of expectations arisen in any stage of the process, or for expenses incurred during the RFQ Process or the RFP Process.

1.3 Background on Transformation of the Electric System

On January 22, 2018, the Government announced its intent to transform and modernize the electric system through private ownership, management or operation of PREPA's assets. PREPA had suffered years of underinvestment and substandard management, resulting in significant operational and financial challenges that were exacerbated by Hurricane Irma and Hurricane Maria in September 2017 and by the earthquakes in December 2019, January 2020 and May 2020.

On June 20, 2018, Act 120 was signed into law, with the stated goal of transforming Puerto Rico's energy system into a modern, sustainable, reliable, efficient, cost-effective and resilient system. Act 120 provides the legal framework through which the Authority will determine the PREPA services and facilities that will be subject to PPPs and the PREPA generation assets that may be sold, transferred, or be made subject to a PPP as "PREPA Transactions" (as defined in Act 120).

This RFQ is a part of the Government's mission to transform Puerto Rico's electric system pursuant to Act 120. PREPA's transformation process began with the Authority's issuance of a Request for Qualifications for the management and operation of Puerto Rico's electric power transmission and distribution ("**T&D**") system pursuant to a long-term contract (the "**T&D Transformation**"). The Authority undertook a robust, competitive and transparent RFP Process to select a proponent, finalize a PPP Contract and obtain all of the required regulatory approvals for the T&D Transformation. On June 22, 2020, the Authority announced that PREPA had entered into a 15-year PPP Contract with LUMA Energy, LLC (the "**T&D Operator**"), a Puerto Rico company formed by Canadian Utilities Limited, ATCO Ltd.'s energy company, and Quanta Services, Inc. Under such PPP Contract, the T&D Operator will operate, maintain, and modernize the T&D system. Additional information on the T&D Transformation, including relevant documentation and the Partnership Committee Report summarizing the T&D RFP Process can be found on the Authority's website: http://www.p3.pr.gov/prepa-transformation.html.

Following the successful completion of the T&D RFP Process, the next phase of PREPA's transformation process contemplates tapping private operational expertise for the operation, maintenance and eventual decommissioning, of PREPA's Legacy Generation Assets. In addition to this process to solicit one (1) or more operator(s) for the Legacy Generation Assets, three (3) concurrent PPP solicitations are also currently underway: (i) Hydroelectric Power Plants Revitalization (RFQ 2019-2),[2] (ii) Flexible Distributed Generation Units (RFQ 2019-3)[3] and (iii) Generation Capacity in Palo Seco (RFQ 2019-4).[4] The Flexible Distributed Generation Units are intended to replace the existing peaking units. While the existing peaking units are part of this RFQ process, they may be removed from the PPP Contract for this Project and transitioned operationally to RFQ 2019-3. Such removal and transfer, if any, will be determined upon completion of the 2019 IRP proceedings and will be further addressed in the RFP. Further, when the new 300MW Palo Seco base-load generation plant (RFQ 2019-4) comes on-line, it will replace the existing steam turbine units located at the Palo Seco site. The recently installed peaking units at the Palo Seco complex (as described in Section 2.2.2 below) are also included in this RFQ and may transition operationally to RFQ 2019-4 at a later time.

1.4 Function of this RFQ

The Authority is issuing this RFQ pursuant to Section 5 of Act 120 and Section 4 of the PPP Act. This RFQ may be amended at any time through the publication of addenda that will be posted on the Authority's website: http://www.p3/pr.gov. Interested parties will be responsible for periodically checking the Authority's website for announcements and publication of relevant information concerning this process, including any addenda.

Prospective Respondents should carefully review Act 120, the PPP Act and the Act 120 Regulation (each of which is available for download on the Authority's website: http://www.p3.pr.gov) and should ensure that, in addition to the terms and conditions of this RFQ, they comply with all applicable provisions set forth therein.

The intent of this RFQ is to provide each interested prospective Respondent with sufficient information to enable it to prepare and submit an SOQ for consideration and evaluation by the Authority and its advisors. This RFQ contains instructions to Respondents, a Form of Respondent Certification and a Form of Document Acknowledgment & Contact Information, which forms must be completed in their entirety and submitted to the Authority for the Respondent to be considered for qualification. The completed Form of Respondent Certification and Form of Document Acknowledgment & Contact Information, together with all required attachments, will constitute the Respondent's SOQ. The Form of Respondent Certification is attached in **Appendix A**. The Form of Document Acknowledgment & Contact Information is attached in **Appendix B**.

This RFQ is being issued to identify those Respondents that meet the minimum requirements necessary to carry out the Project in compliance with Act 120 and the PPP Act, in particular those Respondents that demonstrate:

[2] http://www.p3.pr.gov/assets/rfq-2019-2-p3a-generation-hydro.pdf.
[3] http://www.p3.pr.gov/assets/rfq-2019-3-p3a-flexible-distributed-generation-units.pdf.
[4] http://www.p3.pr.gov/assets/rfq-2019-4.pdf.

- capability and experience operating, maintaining, managing and undertaking selected maintenance capital projects as needed for thermal generation facilities with capacity in excess of 100 MW, which operate on natural gas and/or fuel oil;
- financial stability and resources;
- asset management expertise primarily related to fuel procurement and management;
- strong technical expertise, with a track record of high-quality safe and reliable operations;
- experience and demonstrated ability to manage a largely Spanish-speaking workforce;
- experience operating within, and complying with, local community standards and expectations as a "good neighbor";
- experience complying with regulatory and permitting approvals; and
- experience with decommissioning, or subcontracting and overseeing the decommissioning of, thermal generation plants.

The objective of this RFQ is to enable the Partnership Committee to identify Respondents that, based on their SOQ submitted pursuant to this RFQ, are deemed qualified by the Partnership Committee to participate in the RFP Process ("**Qualified Respondents**").

In evaluating Respondents, the Partnership Committee may disqualify a Respondent for any of the reasons stated in Sections 7.1 (Disqualifying Events) and 7.2 (Other Grounds for Disqualification) of the Act 120 Regulation, or if the Respondent:

- is ineligible to submit a proposal on one (1) or more grounds specified in Act 120, the PPP Act or the Act 120 Regulation;
- fails to satisfy the standards established by the Partnership Committee with respect to the Respondent's required financial condition, or technical or professional ability and experience (as set forth in Section 4 of this RFQ); or
- fails to comply with the requirements of Sections 9(a) (Applicable Requirements and Conditions for those who wish to be considered as Proponents) and/or 9(d) (Consortia) of the PPP Act, as applicable.

Pursuant to Section 4.3 (Qualification of Proponents (RFQ)) of the Act 120 Regulation, the Partnership Committee reserves the right in its absolute discretion to limit the number of Respondents it considers to be qualified in order to arrive at a shortlist of Qualified Respondents that allows for an orderly procurement.

The Authority reserves the right to terminate the procurement process in whole or in part at any time, for any reason or for no reason, prior to the execution by PREPA of a PPP Contract, without incurring any cost, obligations or liabilities whatsoever. Respondents will not be entitled to an indemnity (including but not limited to reimbursement for costs and expenses) from the Authority or PREPA if the Authority decides, in its sole and absolute discretion, to terminate the procurement process related to the Project.

1.5 Definitions

For the purposes of this RFQ, the following defined terms will have the meanings used in the sections indicated below.

Term	Section
2019 IRP	1.1
AAFAF	1.2
Act 57	1.1
Act 120	1.1
Act 120 Regulation	1.1
Authority	1.1
Claim	4.12
Conflict of Interest	4.7
Control	1.7
Covered Party	3.1.2
Energy Compliance Certificate	1.2
Energy Public Policy Act	1.1
Ethics Guidelines	1.8
Evaluation Criteria	3
FEMA	2.1.3
FOMB	1.1
Government	1.2
Government Fiscal Plan	1.1
Key Individuals	3.2.1
Legacy Generation Assets	1.1
MATS	2.2.2
Partnership Committee Report	1.2
Partnership Committee	1.2
PPP	1.1
PPP Act	1.1
PPP Contract	1.2

Term	Section
PREB	1.2
PREPA	1.1
President	2.1.3
Private Partner	1.1
Project	1.1
PROMESA	1.1
Qualified Respondents	1.4
Related	1.7
Respondent	1.1
Respondent Representative	4.2
Restricted Parties	1.8
RFCs	1.6
RFC Deadline	1.9
RFP	1.6
RFP Process	1.2
RFQ	1.1
RFQ Process	1.2
San Juan Unit 5, San Juan Unit 6	2.2.2
SOQs	1.1
Submission Deadline	1.6
T&D	1.3
T&D Operator	1.3
T&D Transformation	1.3
Title III Court	2.1.2
Team Member	1.7

1.6 Process and Schedule

Persons receiving this RFQ that intend to submit an SOQ should so indicate by providing their contact information to the Authority via e-mail at *P3GenProject@p3.pr.gov****.***

The procurement process for the Project is expected to take place in the following stages:

Stage 1 — RFQ Process (Qualification Stage)

The RFQ Process is intended to identify the Qualified Respondents that are eligible to participate in the process and receive the Request for Proposals ("**RFP**") issued by the Authority to obtain proposals for the Project.

During this stage Respondents submit their SOQ pursuant to this RFQ.

The RFQ Process is standalone and independent and will be completed once the Qualified Respondents are identified by the Authority and all Respondents have received final notification from the

Authority as to the results of the RFQ Process. The Authority may choose to make the list of Qualified Respondents public.

Stage 2 — RFP Process (Binding Bid Stage)

The RFP Process is the competitive procurement process that follows the RFQ Process. The RFP Process is intended for Qualified Respondents only and is expected to result in the selection of one (1) or more Private Partner(s).

Qualified Respondents that elect to participate in the RFP Process and sign a confidentiality and process agreement (a form of which will be provided to each Qualified Respondent) will have the opportunity to conduct a thorough due diligence of the Legacy Generation Assets, including:

- receipt of the RFP;
- access to an electronic data room;
- receipt of the Confidential Information Memorandum and financial model;
- site visits, management presentations and meetings with PREPA subject matter experts;
- diligence Q&A process with PREPA subject matter experts; and
- receipt of a draft of the PPP Contract.

A more detailed description of the RFP Process, together with a more detailed timetable, will be provided in the RFP.

Stage 3 — Implementation of the PPP Contract

Once the Private Partner(s) and PREPA have executed the PPP Contract(s), the Project will proceed in accordance with the terms and conditions of the PPP Contract(s).

Below is a summary schedule of the major activities associated with the RFQ Process. The dates and activities are subject to change and may be revised through the issuance of subsequent addenda to this RFQ.

August 10, 2020	-	Date of issuance and first publication of public notice of RFQ by the Authority.
August 31, 2020	-	Deadline for submission of Requests for Clarification ("**RFCs**") with respect to this RFQ by prospective Respondents.
September 8, 2020	-	Deadline for the Authority to release responses to RFCs.
September 15, 2020	-	Deadline for submission of SOQs (no later than 5:00 pm AST).
September 22, 2020	-	Deadline for the Authority to issue RFCs, if any, to Respondents regarding the submitted SOQs.
September 29, 2020	-	Deadline for Respondents to respond to the RFCs issued by the Authority.
October 14, 2020	-	Estimated date for notification of Qualified Respondents.

All SOQs must be submitted by no later than September 15, 2020 at 5:00 pm AST (the "Submission Deadline") in the manner set forth in Section 4 of this RFQ.

The determination of whether an SOQ is submitted before the Submission Deadline will be based on the date and time stamp that each Respondent must ensure it receives from the Authority. It is the sole responsibility of each Respondent to ensure that both electronic and physical copies of its SOQ are submitted no later than the Submission Deadline.

By submitting an SOQ, the Respondent specifically authorizes the Authority, PREPA, the Partnership Committee and their respective officers, employees, advisors, counsel, accountants and other consultants and representatives to make any inquiry or investigation to verify the statements, documents and information submitted in connection with such SOQ, and to seek clarification from the Respondent's directors, officers, employees, advisors, counsel, accountants and other consultants and representatives related thereto.

1.7 Consortia and Team Members

To the extent that any Respondent has formed or proposes to form a consortium to participate in the RFP for this Project, such Respondent must include in its SOQ the identity, role, capabilities and proposed percentage ownership of each Team Member in the consortium. "**Team Member**" shall include, without limitation, each of the following with respect to a Respondent:

- consortium member, whether or not that member has an ownership interest; and
- individual person, partnership, company or legal entity that is formally or informally reviewing the Project, as well as any such entity expected to execute, or provide a performance guarantee in respect of, the PPP Contract. This will include, without limitation, the ultimate owner(s) (the natural person(s), if any, who, directly or indirectly owns 25 percent (25%) or more of the equity interests of the Respondent, and if no natural person fits that description, the legal entity who directly or indirectly owns 25 percent (25%) or more of the equity interests of the Respondent) or holding company of any such investor or, in the case of a managed fund or pension plan, the manager of the fund or pension plan.

The Respondent should indicate whether it intends to form a special purpose vehicle or other legal entity for the Project. Each Team Member and its role must be identified in a Respondent's SOQ and cannot be changed without the prior written consent of the Partnership Committee.

Except as specifically provided to the contrary in this RFQ, no Team Member may join or participate, directly or indirectly, as a Team Member with more than one (1) Respondent for this Project. Each person or legal entity that participates as a Team Member is responsible for ensuring that no other person or legal entity that is Related (as defined herein) to it joins or participates, directly or indirectly, as a Team Member in any other Respondent. Unless otherwise provided herein, any violation of this provision by a Respondent will disqualify such Respondent and each of its Team Members.

A person or company is "**Related**" to another person or legal entity if:

- one may exercise Control (as defined herein) over the other; or
- each is under the direct or indirect Control of the same ultimate person or legal entity.

For purposes of this RFQ, a person or legal entity exercises "**Control**" of another if (i) it is the owner of any legal, beneficial or equitable interest in 25% or more of the voting securities in a corporation, partnership, joint venture, other person or entity or (ii) if it has the capacity to (A) control the composition of the majority of the board of directors of any such person or entity, (B) control the decisions made by or on behalf of any such person or entity or (C) otherwise direct or cause the direction of the management, actions or policies of any such person or entity (whether formally or informally); the terms "**Controlling**" and "**Controlled**" have corresponding meanings.

Each of the Team Members will individually ensure compliance with all licensing and other requirements under applicable laws with respect to the services to be provided by such Team Member.

Subject to the requirements and entitlements of the Authority set forth below, submission of an SOQ will not limit a Respondent's ability to add, substitute or remove Team Members during the procurement process.

The Authority intends to issue the RFP only to Qualified Respondents. If for any reason, after the Submission Deadline and prior to the issuance of the RFP, a Respondent wishes or is required to: (i) change any Team Members listed in the Respondent's SOQ (either by adding new members, removing listed members or substituting new members for listed members), (ii) materially change the ownership or Control of a Respondent or a Team Member or (iii) change the legal relationship between the Respondent and/or its Team Members, such as the creation of a new joint venture, partnership or legal entity that will take the place of the Respondent, then, in each case, the Respondent must submit a written application to the Partnership Committee seeking its consent to the proposed change, which consent may be withheld, delayed or conditioned in the sole and absolute discretion of the Partnership Committee. The Partnership Committee may request and require additional information from the Respondent to facilitate its decision of whether to consent to the proposed change.

Without limiting the foregoing, the Partnership Committee may refuse to consent to a change to a Respondent or its Team Members and/or may disqualify the Respondent from further participation in the procurement process if, in the Partnership Committee's sole and absolute discretion, (i) the change would result in (A) a less desirable Respondent or less desirable Team Members than that originally proposed in the Respondent's SOQ or (B) the Respondent or its Team Members being materially different from the Respondent that submitted the SOQ, (ii) evaluating the application for a change would delay the qualification process or (iii) the Partnership Committee deems the change detrimental to the process, the Project, PREPA or the Authority.

1.8 Restricted Parties

The following entities will be deemed "**Restricted Parties**" and neither they nor their respective directors, officers, partners, employees and persons or legal entities Related to them are eligible to participate as Team Members or to otherwise assist any Respondent or Team Member, directly or indirectly, or participate in any way as a director, officer, employee, advisor, counsel, accountant or other consultant or otherwise in connection with any Respondent. Each Respondent will ensure that each Team Member does not use, consult, include or seek advice from any Restricted Party. The following Restricted Parties have been identified:

- Ankura Consulting Group, LLC
- ATCO Ltd.
- Baker, Donelson, Bearman, Caldwell & Berkowitz, PC
- Citigroup Global Markets Inc.
- Cleary Gottlieb Steen & Hamilton LLP
- CPM P.R. LLC
- Díaz & Vázquez PSC
- Ernst & Young LLP
- Filsinger Energy Partners
- FTI Consulting, Inc.
- Greenberg Traurig LLP
- Hogan Lovells US LLP

- ICF International, Inc.
- Innovative Emergency Management, Inc.
- King & Spalding LLP
- LUMA Energy, LLC
- McKinsey & Company, Inc.
- Navigant Consulting, Inc.
- Nixon Peabody LLP
- O'Melveny & Myers LLP
- O'Neill & Borges LLC
- Pietrantoni Mendez & Alvarez LLC
- Proskauer Rose LLP
- Quanta Services, Inc.
- Sargent & Lundy

At all times during the procurement process, Respondents must comply, and must ensure that all persons engaged to provide any type of assistance in connection with the Project are in compliance, with the Authority's Guidelines for the Evaluation of Conflicts of Interest and Unfair Advantages in the Procurement of Public-Private Partnership Contracts (the "**Ethics Guidelines**"), which are available for download on the Authority's website: http://www.p3.pr.gov.

Respondents should be aware that the list of Restricted Parties is not exhaustive and that a person that is not included as a Restricted Party may still be prohibited from participating in the Project pursuant to the provisions of the Ethics Guidelines.

Finally, except as to any Restricted Party, the fact that a person provides or has provided services to the Authority, PREPA or AAFAF in matters not related to the Project may not automatically prohibit such person from participating in the Project. To the extent any question exists as to whether such a person is a Restricted Party, the Respondent should consult with the Authority.

1.9 Clarifications and Communications Protocol

If a Respondent has any questions or wishes to clarify the contents of this RFQ, they may submit an RFC to the Authority for explanation or interpretation of any matter ***no later than 5:00 p.m. AST on August 31, 2020 (the "RFC Deadline")***. If the Authority provides any clarification as a result of an RFC, it will provide such clarification by means of a written explanation published on the Authority's website ***no later than September 8, 2020***.

Respondents should note the following regarding any RFC:

- any questions, communications, or RFCs from a Respondent must be made in writing to the email address of the Authority no later than the RFC Deadline;
- the Authority will not respond to Respondents' questions or RFCs that are not submitted in accordance with this Section 1.9; verbal questions will not be accepted;
- the Authority does not guarantee that all questions received will be answered; and

- any Respondent that has questions as to the meaning of any part of this RFQ or the Project, or who believes that the RFQ contains any error, inconsistency or omission, must submit its concern, in writing, to the Authority in accordance with this Section 1.9.

The Authority's procurement representatives designated as points of contacts for this RFQ may be reached at the following email address: **P3GenProject@p3.pr.gov**.

Respondents will be responsible for monitoring the Authority's website for additional information, updates, amendments and addenda concerning the RFQ that may be uploaded on an ongoing basis, without notice to the Respondents.

The Authority may, in its sole and absolute discretion, publish all submitted questions or RFCs, along with the Authority's answers thereto, without expressly identifying the originator. Questions should NOT contain proprietary information, as they may be made publicly available together with the answers to such questions. Any response provided by the Authority other than by way of an addendum issued in accordance with this RFQ will not be binding on the Authority or PREPA, nor will it change, modify, amend or waive the requirements of this RFQ in any way. Respondents may not rely on any response or information provided otherwise.

Respondents may also make inquiries regarding matters they consider to be commercially sensitive or confidential. Respondents must designate such inquiries as "commercially confidential". If the Authority determines, in its sole and absolute discretion, that an inquiry designated as commercially confidential is of general application or would provide a significant clarification to this RFQ or any process or other matter outlined hereunder, the Authority may issue a clarification to all Respondents via addenda posted to the Authority's website to address such matter. If the Authority agrees with the Respondent's designation of an inquiry as commercially confidential, the Authority will provide a response only to the Respondent that submitted the commercially confidential inquiry.

Additional information regarding RFCs and other communications is set forth in Section 4 of this RFQ.

1.10 No Collusion or Lobbying

The Authority and PREPA are committed to a fair, open and transparent selection process.

No Collusion

Respondents and Team Members will not discuss or communicate, directly or indirectly, with any other Respondent(s) or any director, officer, employee, consultant, advisor, counsel, accountant, other consultant or representative or Team Member of any other Respondent regarding the preparation, content or representation of their SOQs. SOQs will be submitted without any connection (*i.e.*, arising through an equity interest (other than an equity interest that does not represent a Controlling interest in an entity, as determined by the Authority from time to time) in or of a Respondent or Team Member), knowledge, comparison of information or arrangement, with any other prospective Respondent or any director, officer, employee, advisor, counsel, accountant or other consultant or representative or Team Member of any other prospective Respondent.

By submitting an SOQ, a Respondent, on its own behalf and as authorized agent of each firm, corporation or individual Team Member of the Respondent, represents and confirms to the Authority, with the knowledge and intention that the Authority may rely on such representation and confirmation, that its SOQ has been prepared without collusion with other Respondents, fraud or unfair advantages. The Authority reserves the right to disqualify any Respondent that does not comply with this provision.

No Lobbying

Respondents, their Team Members and their respective directors, officers, employees, advisors, counsel, accountants and other consultants and representatives will not, except as expressly contemplated by this RFQ or as expressly directed or permitted by the Authority, attempt to communicate directly or indirectly with any representative of the Authority, PREPA, the Partnership Committee, AAFAF, PREB, the Government, the FOMB or the federal government (other than via an RFC or other official communication following the communications protocol indicated in Section 1 of this RFQ) in relation to the Project or the RFQ Process, at any stage of this RFQ Process, including during the evaluation process. Respondents are advised that indirect communication may include communication with news media. Respondents are further advised that prohibited communications includes (without limitation) commenting on or criticizing aspects of the RFQ, the RFP, the competitive selection process or the Project, whether or not in a manner which may give the Respondent or its Team Members a competitive or other advantage over other Respondents and their Team Members. **The Authority reserves the right to automatically disqualify a Respondent that does not comply with this provision.**

Respondents, their Team Members and their respective directors, officers, employees, advisors, counsel, accountants and other consultants and representatives must certify that they have complied with the requirements of Section 4.13 of the Act 120 Regulation by completing the Form of Respondent Certification included as Appendix A to this RFQ.

2. Project Description

2.1 Puerto Rico

2.1.1 Overview

Puerto Rico is a self-governing territory of the United States and is located approximately 1,030 miles southeast of Miami, Florida, in the Caribbean. Puerto Rico has an area of approximately 3,500 square miles and a population estimated at 3.19 million by the United States Census Bureau as of July 1, 2019.

Historically, Puerto Rico has had one of the largest and most dynamic economies in the Caribbean region. As a territory of the U.S. since 1898, Puerto Rico offers a stable legal and regulatory framework where major U.S. and foreign multi-national corporations have operated. Puerto Rico has a well-educated and bilingual workforce, and has been a global center for manufacturing, including in the pharmaceutical, biotechnology, medical devices, agriculture, aerospace and electronics industries, which was complemented by strong consumer, retail and service sectors.

Generally, U.S. federal laws apply in Puerto Rico, and Puerto Rico is subject to the jurisdiction of the U.S. regulatory authorities, including the U.S. Environmental Protection Agency (EPA) Region 2. Because it is a U.S. territory, the U.S. Federal Deposit Insurance Corporation (FDIC) insures banks operating in Puerto Rico, which are subject to the same federal controls applied to banks operating in the U.S. mainland. The U.S. Securities and Exchange Commission (SEC) regulates all publicly traded securities and commodities.

Key Puerto Rico Facts	
Population	3.19 million (July 1, 2019 est.)
Land Area	8,959 sq. km (approx. 3,500 sq. mi)
Currency	U.S. Dollar
Languages	English, Spanish
GDP Per Capita	$31,022 (2018)

* Data according to U.S. Census 2019 and the Economic Development Bank for Puerto Rico.

2.1.2 Financial Condition and Title III Process

The Government and most of its public corporations are in the midst of a profound fiscal crisis.

The Government's balance sheet deterioration, coupled with continued structural budget imbalances between revenues and expenditures, and a lack of continuity and execution capacity in fiscal and economic plans led to the loss of capital markets access in 2015. This limited the Government's ability to make necessary infrastructure investments and to meet scheduled debt service payments.

Recognizing the delicate fiscal condition of Puerto Rico, the U.S. Congress enacted PROMESA, which was signed into law on June 30, 2016. PROMESA provides a series of mechanisms to achieve fiscal and budgetary balance and restore access to the capital markets to spur revitalization of infrastructure in Puerto Rico. PROMESA also established the FOMB, which is tasked with working with the people of Puerto Rico and the Government to create the necessary foundation for economic growth. The Government Fiscal Plan estimates the Government's consolidated outstanding debt and pension liabilities to be over $120 billion, with more than $70 billion in financial debt and more than $50 billion in pension liabilities.

In July 2017, a voluntary petition for bankruptcy relief was filed on behalf of PREPA, commencing a case under Title III of PROMESA in the U.S. District Court for the District of Puerto Rico (the "**Title III Court**"). Upon the commencement of PREPA's Title III case, an automatic stay on litigation related to the financial indebtedness and other obligations of PREPA immediately went into effect.

The PPP Contract(s) will need to comply with certain federal and local requirements and regulations, including PROMESA, which will be set forth in more detail in the RFP. The PPP Contract(s) will also require the consent of the FOMB pursuant to the FOMB's Contract Review Policy effective as of November 6, 2017 (as modified July 3, 2018), as well as the approval of others as described in Section 1.2 of this RFQ. The FOMB and its advisors are working closely with the Authority and PREPA throughout this process and are expected to be active participants in the process at all stages.

Similar to Chapter 9 of the U.S. Bankruptcy Code, PROMESA does not include an express provision requiring post-petition contracts to be approved by the Title III Court. However, confirmation of a plan of adjustment in PREPA's Title III case may be required to release liens against PREPA's assets and help ensure that the Project is free and clear of all legacy liabilities.

2.1.3 Hurricanes, Earthquakes and Recovery Efforts

In September 2017, Hurricanes Irma and Maria delivered devastating blows to Puerto Rico, resulting in the largest and most complex disaster response and recovery effort in recent U.S. history. Irma skirted the northern coast of Puerto Rico on September 6 and 7, 2017, as a Category 5 storm, causing significant flooding, regional power and water outages and other damage to Puerto Rico's infrastructure. On September 20, 2017, less than two (2) weeks after Irma and before Irma's response operations had concluded, Maria made a direct strike over Puerto Rico as a Category 4 storm, causing widespread and unprecedented devastation and destruction. Maria resulted in loss of life and massive infrastructure and property damage, and severely affected Puerto Rico's population, economy, critical infrastructure, social service network, healthcare system and the Government.

On September 5 and 17, 2017, the Government requested separate federal declarations of emergency and disaster for Puerto Rico in light of the effects of Hurricanes Irma and Maria. These requests were subsequently approved by the President of the United States (the "**President**"), paving the way for federal disaster assistance funding. On October 26, 2017, the President signed the Additional Supplemental Appropriations for Disaster Relief Requirements Act 2017, which provides $36.5 billion in fiscal year 2018 emergency supplemental appropriations to the Federal Emergency Management Agency ("**FEMA**"), the Department of Agriculture and the Department of the Interior, a portion of which has been appropriated for Puerto Rico's energy system in connection with Irma and Maria disaster recovery efforts.

Since December 28, 2019, a number of earthquakes of varying magnitudes have struck Puerto Rico, including a magnitude 6.4 earthquake on January 7, 2020, and most recently, a magnitude 5.4 earthquake on May 2, 2020. The earthquakes have led to the loss of human life and injuries and have caused substantial damage to private property and Puerto Rico's infrastructure. In particular, the January 7, 2020 earthquakes resulted in significant damage to the Costa Sur power plant, which was located close to the epicenter of those earthquakes and is an instrumental part of the electric power generation infrastructure in Puerto Rico. Since January 2020, the Costa Sur power plant has been temporarily out of service and undergoing repairs that are expected to be completed for both units before the end of 2020 (Unit 5 is expected to be back online in August 2020, and Unit 6 is expected in October 2020).

As Puerto Rico looks to the future, it sees the recovery effort as an opportunity not just to rebuild what was damaged, but also to transform Puerto Rico's energy system by implementing solutions that:

- are cost-effective and forward-looking;
- are resilient;
- harness innovative thinking and best practices from around the world; and
- contribute to greater economic development, revitalization and growth of Puerto Rico (in alignment with broader Government efforts to achieve fiscal and economic stability).

Puerto Rico will move forward in its economic and disaster recovery by investing in infrastructure, people and the environment. Federal funds from FEMA and other government entities will help in achieving this vision. In order to fully deliver on all of the economic, infrastructure and societal goals identified by the Government, private sector creativity and resources will need to be harnessed.

2.2 Electric Power System

2.2.1 PREPA Overview

PREPA is a public corporation and instrumentality of the Government, created pursuant to Act No. 83 of May 2, 1941, as amended. Its purpose is to provide electric power in a reliable manner, contribute to the general welfare and the sustainable development of Puerto Rico and maximize the benefits while minimizing the social, environmental and economic impacts of electric energy generation and distribution. PREPA's current objectives include reducing energy costs, promoting smart and renewable energy consumption and protecting the environment.

Strategies to achieve these objectives include:

- reducing operating expenses;
- increasing efficiency;
- improving power quality;
- diversifying energy sources;
- establishing smart grid technologies for energy control and consumption monitoring; and
- maximizing the use of advanced technology.

PREPA has faced significant challenges in recent years including:

- a lack of managerial continuity, notably six (6) people filling the role of executive director in three (3) years;
- significant balance sheet liabilities, including bond debt and pension obligations, which has led, among other things, to an inability to access credit markets for long term capital investment;
- a dated electrical generation and T&D system that is in a challenged condition due, in part, to substandard practices and chronic infrastructure underinvestment;
- the geographic mismatch between supply and demand — much of the generation is located on the south side of the island while a majority of the demand is on the north side of the island, exacerbating the fragility and instability of the whole system; and
- an aging generation fleet that is expensive, inefficient, inflexible, and heavily reliant on historically costly fossil fuels.

2.2.2 Current Status of the Legacy Generation Assets

PREPA's Legacy Generation Assets consist of base-load generation plants and peaking plants. In addition, at the large generation complexes there are black start combustion turbines that also serve as peaking plants on occasion. The Legacy Generation Assets are dependent on natural gas, diesel (number 2 fuel oil) and number 6 fuel oil. Although these plants have a total installed capacity of approximately 4,785 MW, the dependable capacity is approximately 3,600 MW as a result of certain units being indefinitely out of service or in need of significant repair for various reasons. Because of (i) the age and the inefficient heat rates of the Legacy Generation Assets and (ii) Environmental Protection Agency Mercury and Air Toxics Standards ("**MATS**") requirements, and in accordance with the 2019 IRP, PREPA intends to retire and decommission most of the legacy units. Some of the Legacy Generation Assets may be needed for interim operating periods, as determined by the needs of the electric grid and the timing of the new, modern replacement generation resources, which are expected to be privately owned and which will be clarified upon completion of the 2019 IRP proceedings and further addressed in the RFP.

While the Legacy Generation Assets suffered only minimal damage from Hurricanes Irma and Maria, the Costa Sur base-load generation plant and two (2) of the four (4) Mayaguez peaking units sustained significant damage as a result of the January 7, 2020 earthquake. Costa Sur Unit 5 is expected to be online in August 2020 and Unit The San Juan base-load generation plant has recently completed a conversion of combustion turbine units 5 & 6 (Mitsubishi Heavy Industry) ("**San Juan Unit 5**" and "**San Juan Unit 6**") from oil to dual fuel capability. As a result, both units are now capable and commissioned to burn natural gas or diesel (number 2 fuel oil). This conversion was implemented in conjunction with the New Fortress LNG import facility and gas infrastructure to San Juan Unit 5 and San Juan Unit 6.

At the Palo Seco complex, three (3) new Pratt & Whitney FT8 MOBILPAC units were installed and commissioned in 2019 although operations are still limited due to the need to install water injection systems for NOX control. The units are intended for peaking use and may be relocated in the future. For the purposes of this RFQ, these units will be operated by the successful proponent.

The remaining Legacy Generation Assets have historically been vulnerable to transformer failures, voltage and frequency fluctuations and transmission line outages. They thus experience above industry average equivalent forced outage rates, primarily as a result of poor equipment conditions due to the age of the units. Historically, PREPA has operated the system with a spinning reserve equal to at least 450 MW, the capacity of the largest operational generation unit, regardless of contemporaneous output due to the high forced outage rates as well as the island nature of the system. The T&D Operator, as system operator, will be responsible for scheduling and economic dispatch of all generating units in order to provide safe and reliable power to PREPA's customers.

The table below presents technical information on the Legacy Generation Assets as of July 2020. Additional technical information on the Legacy Generation Assets can be found in Appendix C.

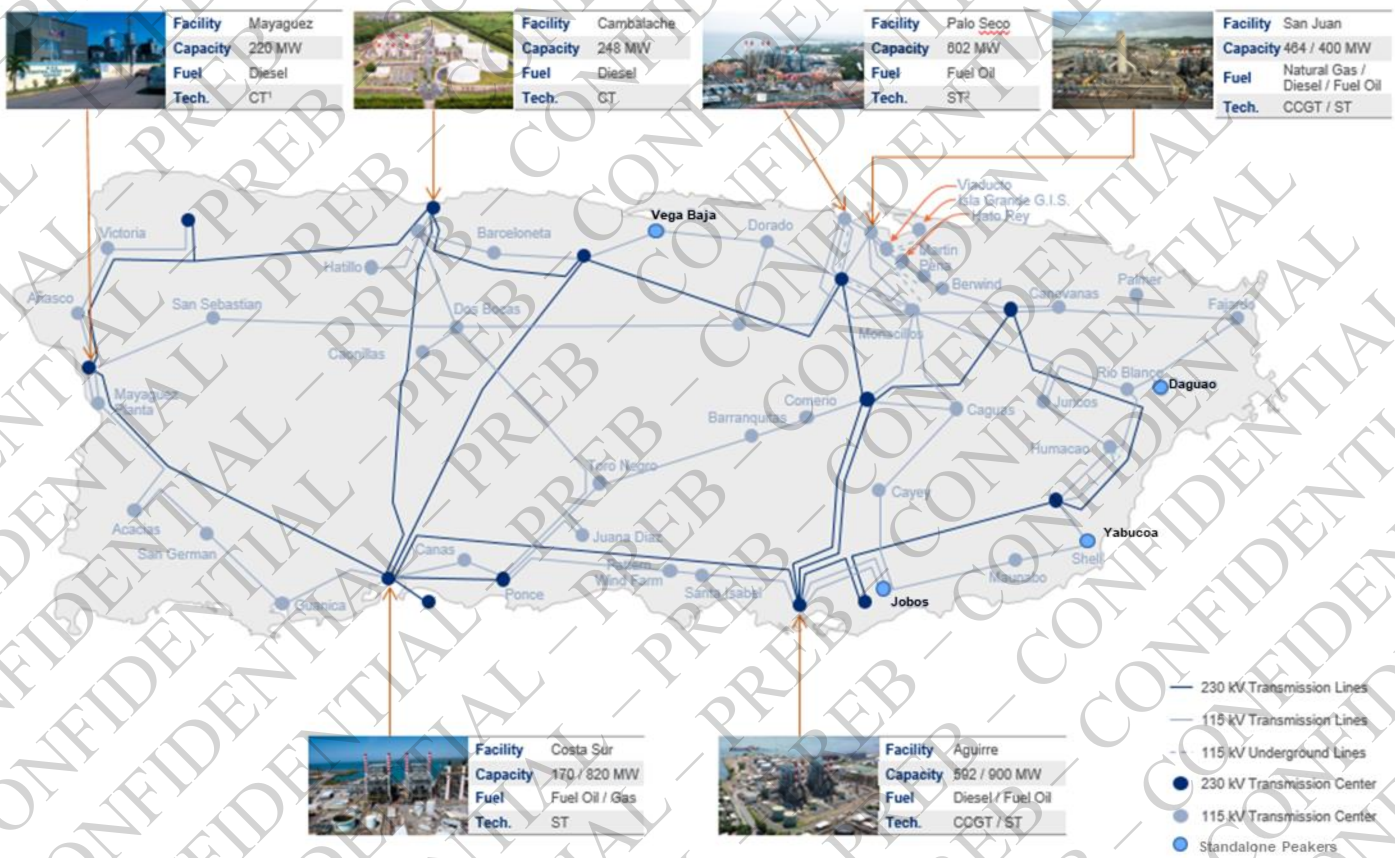
Figure 1. Legacy Generation Assets Summary

Site	Plant	Units	Nameplate Capacity (MW)	Dependable Capacity (MW)	Duty	Current Status	Operational Notes
Aguirre Steam Unit 1	Steam Turbine	1	450	450	Base-load	In service	
Aguirre Steam Unit 2	Steam Turbine	1	450	450	Base-load	In service	
Aguirre GT Units	Gas Turbines*	2	42	21	Peaker	Limited service	Unit 2 fully operational. Unit 1 out of service since Q1 2019.
Aguirre Combined Cycle Unit 1	Steam Turbine	1	96	96	Base-load	In service	
	Gas Turbines	4	200	200	Base-load	In service	
Aguirre Combined Cycle Unit 2	Steam turbine	1	96	0	Base-load	Out of service	Out of service since Q2 2017, undergoing maintenance.
	Gas Turbines	4	200	200	Peaker	In service	
Cambalache	Units 1-3	3	249	166	Peaker	Limited service	Units 2 and 3 fully operational. Unit 1 out of service since Q3 2011.
Costa Sur	Units 3-4	2	170	0	Base-load	Out of service	Unit 3 and 4 out of service since Q3 2016, decommissioning pending.
	Units 5-6	2	820	410	Base-load	Unit 6 out of service	Unit 6 expected operational October 2020.
	Gas Turbines*	2	42	0	Peaker	Out of service	Unit 1 out of service since Q3 2017, currently undergoing repairs. Unit 2 maintenance outage since Q4 2015.
Mayaguez	Units 1-4	4	216	216	Peaker	In service	2020 earthquake repairs on units 2 and 4 complete.
Palo Seco	Units 1-2	4	170	85	Base-load	Limited service	Unit 2 out of service since 2016 due to water pump failure.

Site	Plant	Units	Nameplate Capacity (MW)	Dependable Capacity (MW)	Duty	Current Status	Operational Notes
	Units 3-4	4	432	432	Base-load	In service	
	Gas Turbines	3	63	42	Peaker	Limited service	Units 1 and 3 fully operational. Unit 2 currently out of service, expected to return to service Q2 2020.
	MobilePac Units	3	81	66	Peaker	In service	Units limited due to a lack of water injection.
San Juan Combined Cycle 5&6	Gas Turbine Units 5-6	2	320	320	Base-load	In service	Units fully operational. Dual fuel commissioning complete.
	Steam Turbines 5-6	2	120	120	Base-load	In service	Units fully operational. Dual fuel commissioning complete.
San Juan Steam	Steam Units 7-10	4	400	200	Peaker	Limited service	Unit 8 out of service due to boiler rupture repair with an expected return in August 2020; Unit 10 long term out of service since 2016.
Daguao	Gas Turbines	2	42	42	Peaker	In service	Both units operational.
Yabucoa	Gas Turbines	2	42	21	Peaker	Limited service	Unit 1 operational. Unit 2 out of service since 2016.
Jobos	Gas Turbines	2	42	42	Peaker	In service	Both units operational.
Vega Baja	Gas Turbines	2	42	21	Peaker	Limited service	Unit 2 operational. Unit 1 out of service since Q3 2019.

Source: PREPA **Indicates gas turbines with black start capabilities.*

Figure 2. Map of Legacy Generation Assets



Source: PREPA

Note: Does not show hydro facilities, peakers, or third party-owned assets (EcoElectrica, AES, and renewables).
1. Combustion turbine ("CT").
2. Steam turbine ("ST").

2.2.3 Transformation of the Generation System

Puerto Rico needs an upgraded electric system to increase reliability and resiliency, reduce costs, facilitate distributed generation and allow for economic recovery of the island. Pursuant to Act 120, PREPA is authorized to carry out PPP transactions with respect to any function, service or facility of PREPA, including the Legacy Generation Assets. In turn, Act 120 designates the Authority as the only government entity authorized to determine and to be responsible for the functions, services or facilities for which PPPs will be established, subject to the priorities, objectives and principles established in the energy public policy and regulatory framework developed by the Government pursuant to Act 120.

Act 120 set in motion the development of a new regulatory framework for the electric sector. A working group was created under Act 120 to develop a new energy public policy and regulatory framework, in consultation with the Southern States Energy Board and the U.S. Department of Energy, among others. The Puerto Rico Energy Public Policy Act, Act No. 17-2019, legislation to establish this new framework for Puerto Rico's energy sector, was signed into law on April 11, 2019. The requirements of Section 1.7 of Act 17-2019 sets forth the following:

> *Electrical System planning, regulation, and operation as well as electric power generation, transmission, and distribution are the strategic functions in which the State has a legitimate interest. Therefore, the*

> *Government of Puerto Rico, by itself or through the Authority or another public corporation affiliated to the Authority, shall maintain ownership of the transmission and distribution assets and may maintain ownership of the legacy power generation assets. The Authority shall delegate or transfer the operating, administrative, and/or maintenance functions for the electric power generation, transmission and distribution, commercialization, and operation of the Electrical System through contracts awarded and executed pursuant to the provisions of this Act, Act No. 120-2018, and Act No. 29-2009. The Electrical System planning and regulatory function shall be entrusted to the Government of Puerto Rico by means of the Energy Bureau and the Energy Public Policy Program, within the scope of their jurisdictions, and consistent with the Integrated Resource Plan*.

Prior to the impact of Hurricanes Irma and Maria and of the 2019-2020 earthquakes, Puerto Rico already had an inherently deficient energy infrastructure. The planning, design, and operation of an isolated island-based electric system imposes significant challenges with respect to system stability and reliability. In particular, while some of PREPA's Legacy Generation Assets have been upgraded to burn natural gas, much of the aging fleet relies on diesel (number 2 fuel oil) and number 6 fuel oil, which are expensive and inefficient, and the related fuel costs are the primary reason for Puerto Rico's high electricity rates. PREPA and the Authority are putting in place various initiatives to address the issues of Puerto Rico's electric system. These modernization efforts will focus on near- and long-term solutions to, among other objectives, reduce Puerto Rico's reliance on fuel oil, increase availability of renewable energy and natural gas, increase system resilience and efficiency, invest in facility repairs, improve dispatch through implementation of modern technology, and retire, replace or repair and upgrade inefficient generation assets.

2.2.4 The Integrated Resource Plan

Under Act 57, PREPA is required to prepare an integrated resource plan that consists of a detailed planning process considering all reasonable resources to satisfy the demand for electrical services over a 20-year planning horizon. PREPA's 2019 IRP provides a roadmap to realize PREPA's modernization goals. In addition, the 2019 IRP considers the resiliency, reliability, and stability of the power system, and must be fully compliant with current and future environmental regulations.

The 2019 IRP, initially submitted on February 12, 2019, was developed by PREPA, with support from Siemens Power Technology, Inc., using a rigorous analytical process. It provides analysis and recommendations for PREPA's energy supply resources for the twenty (20)-year period from 2019 to 2038. The analyses set out in the 2019 IRP considered a large number of scenarios and incorporated input from PREPA and relevant stakeholders.

On March 14, 2019, PREB found that the 2019 IRP was not fully in compliance with Regulation 9021, Regulation on Integrated Resource Plan for the Puerto Rico Electric Power Authority, or prior PREB orders and ordered PREPA to re-file a revised 2019 IRP. The revised 2019 IRP was submitted on June 7, 2019 and is currently undergoing the review process required by Regulation 9021, with Phase 2 commenced by PREB on July 3, 2019. The Replies to Final Briefs were submitted by PREPA and other relevant parties on April 20, 2020. A final resolution and order from PREB is anticipated in the coming months. Updates are posted on the PREPA website at: https://aeepr.com/es-pr/QuienesSomos/Paginas/ley57/Plan-Integrado-de-Recursos.aspx. The 2019 IRP docket may be followed on PREB's website at: https://energia.pr.gov/en/dockets/?docket=CEPR-ap-2018-0001.

2.3 Project Structure

The Project contemplates PREPA entering into one (1) or more PPP Contracts in the form of operation and maintenance agreements with one (1) or more Private Partner(s), covering some or all of the Legacy Generation Assets, with terms tied to the remaining useful lives of the Legacy Generation Assets. Under one (1) or more PPP Contract(s) between PREPA and the Private Partner(s), PREPA will retain ownership of, and title to, the respective Legacy Generation Assets and the applicable Private Partner will manage, operate and eventually decommission, as applicable, those Legacy Generation Assets. The compensation structure under the PPP Contract(s) will be described in the RFP.

As currently envisioned, one (1) or more Private Partner(s) will assume all rights and responsibilities related to the management, operation, maintenance and decommissioning, as applicable, of the Legacy Generation Assets. These rights and responsibilities are expected to include, among other things:

- day-to-day operation services, including start-up, load variations, active follow-up of operating parameters and alarms, shut-down of the plants or units thereof;
- identifying, justifying and managing any required maintenance capital expenditures;
- hiring, training, and supervising personnel;
- providing routine inspections and operating tests of the Legacy Generation Assets;
- provisioning, storing and maintaining the inventory of any necessary spare and consumable parts for the Legacy Generation Assets;
- establishing and maintaining a computerized maintenance management system for the Legacy Generation Assets;
- performing scheduled and emergency maintenance, repair and replacement of equipment, including any balance of plant equipment;
- managing outages and restoring power;
- coordinating emergency planning and storm restoration and recovery;
- procuring and managing water or power supply, if applicable;
- procuring, managing the delivery and quality testing of fuel, including natural gas, diesel (number 2 fuel oil) and number 6 fuel oil (including logistics, fuel testing and storage tank management), if applicable, as an agent for PREPA;
- liaising with PREPA, the T&D Operator or any of their assignees or successors regarding dispatch and related T&D system matters and providing required information;
- interfacing with regulators including PREB and with environmental compliance agencies such as EPA, OSHA and NERC CIP compliance, as may be required;
- obtaining and maintaining licenses, permits and consents, as necessary;
- preparing for and assisting in, or subcontracting for and overseeing, the decommissioning of the relevant plants as outlined in the 2019 IRP and in coordination with PREPA/the T&D Operator and PREB;
- participating in emergency planning and drills led by the T&D Operator, as needed; and
- assisting with the transition of the plants to third parties to the extent certain of the plants are removed from the PPP Contract.

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3. Respondent Qualification Requirements and Evaluation Criteria

In order to provide an objective and transparent evaluation method, the Partnership Committee will evaluate SOQs by applying the criteria outlined in the table below ("**Evaluation Criteria**"). Application of the Evaluation Criteria will assist the Partnership Committee in identifying the Qualified Respondents.

	Evaluation Criteria
Part 1	**Compliance with Requirements of the PPP Act and Act 120 (*Pass/Fail*)**
	Each SOQ submitted pursuant to this RFQ will be reviewed to determine whether it satisfies the requirements under the PPP Act, the Act 120 Regulation and Act 120 in the following areas:
1.1	Respondents that are corporations, partnerships or any other legal entity, whether based in the U.S., including Puerto Rico, or elsewhere in the world, must be properly registered, or capable of being properly registered, to do business in Puerto Rico at the time of the execution of the PPP Contract, and shall comply with all applicable Puerto Rico and U.S. laws and/or requirements.
1.2	Each Respondent and each Team Member must certify that: (a) neither it nor any of its directors, officers, controlling shareholders or subsidiaries, nor its parent company, nor in the case of a partnership, any of its partners, nor any person or entity that may be considered an alter ego or the passive economic agent of the Respondent or Team Member, as applicable, (each, a "**Covered Party**"), has been convicted, entered a guilty plea, been indicted or had probable cause found for their arrest in any criminal proceeding in Puerto Rico, the rest of the U.S. or any foreign jurisdiction for: (i) any of the crimes referenced in Articles 4.2, 4.3 or 5.7 of Act No. 1-2012, as amended, known as the Organic Act of the Office of Government Ethics of Puerto Rico; (ii) any of the crimes typified in Articles 250 through 266 of Act No. 146-2012, as amended, known as the Puerto Rico Penal Code; or (iii) any of the crimes listed in Act No. 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 No. 8-2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government, or under the U.S. Foreign Corrupt Practices Act; nor is any Covered Party under investigation in any legislative, judicial or administrative proceedings, in Puerto Rico, the rest of the U.S. or any other jurisdiction; (b) it is in compliance and shall continue to comply at all times with all federal, state, local and foreign laws applicable to the Respondent or Team Member(s) that prohibit corruption or regulate crimes against public functions or public funds, including the U.S. Foreign Corrupt Practices Act;

Evaluation Criteria

1.2 (*cont'd*)

(c) it completed the SOQ without prior understanding, agreement, connection, discussion or collusion in relation to this RFQ with any other person, firm or corporation submitting or participating in the submission of a separate SOQ or any officer, employee or agent of the Authority, PREPA, the Partnership Committee, AAFAF, PREB, the Government, the FOMB or any public agency of Puerto Rico; and

(d) except as provided in Section 1.9 of this RFQ, as required by Section 4.13 (No Lobbying; No Collusion; No Prohibited Acts) of the Act 120 Regulation, it shall not attempt to communicate in relation to this RFQ, directly or indirectly, with any representative of the Authority, PREPA, the Partnership Committee, AAFAF, PREB, the Government, the FOMB or any public agency of Puerto Rico, including any Restricted Parties or any director, officer, employee, agent, advisor, staff member, counsel, consultant or representative of any of the foregoing, as applicable, for any purpose whatsoever, including for purposes of:

(i) commenting on or attempting to influence views on the merits of the Respondent's and Team Members' SOQ, or in relation to their SOQ;

(ii) influencing, or attempting to influence, the outcome of the RFQ Process or of the competitive selection process, including the review and evaluation of SOQs or the selection of the Qualified Respondents;

(iii) promoting the Respondent and Team Members or their interests in the Project, including in preference to that of other Respondents or Team Members;

(iv) commenting on or criticizing aspects of this RFQ, the competitive selection process or the Project, including in a manner which may give the Respondent or its Team Members a competitive or other advantage over other Respondents or their respective Team Members; or

(v) criticizing the SOQs of other Respondents.

Requirements 1.1 and 1.2 shall be satisfied by completing the Form of Respondent Certification included as Appendix A to this RFQ.

1.3

Each Respondent and each Team Member must:

(a) acknowledge that the Respondent and Team Members were able to access the Authority's website and download documents pertaining to this RFQ and the Project;

(b) provide the contact information for the Respondent and each Team Member;

(c) acknowledge and accept responsibility for periodically checking the Authority's website for any and all official communications regarding the Project; and

(d) accept the transmission of additional notifications via electronic communications.

Requirement 1.3 shall be satisfied by completing the Form of Document Acknowledgement & Contact Information included as Appendix B to this RFQ.

	Evaluation Criteria
Part 2	**Background & Team Information (15 pages maximum) (*25%*)**
	Respondent and Team Member(s) are encouraged to provide enough supporting information and details to enable the evaluators to perform a thorough evaluation of their strengths, roles and responsibilities.
2.1	A description of the Respondent and all Team Members that identifies: • anticipated roles, functions and overview of business operations; • jurisdiction, form of entity organization, ownership structure and capitalization; • anticipated legal relationships (*e.g.*, joint ventures, partnerships) and percentage ownership interest; • up to five (5) individuals who will play an important role in the Project on behalf of Respondent and Team Member(s) (the "**Key Individuals**"), and their roles and previous experience (experience of the individuals should include experience in all phases of power plant project development including operating, maintaining, repairing, managing capital expenditures and decommissioning combined cycle, gas turbines and steam turbine generation plants); • instances of working with Spanish-speaking workforces; • instances, if relevant, in which Respondent and Team Member(s) have previously worked together; and • evidence and tenor of operations and management experience in electric power generation (including experience with operating agreements). Anticipated roles and legal relationships should include, among other relevant descriptions, whether the Respondent is the entity expected to submit the response to the RFP and execute the PPP Contract as the Private Partner. The description should include the entity expected to guarantee the Private Partner's performance under the PPP Contract in the case where Respondent is not the Private Partner.
2.2	A list of technical, financial, legal, accounting or other advisors that Respondent or any Team Member has engaged or intends to engage in connection with the Project.
2.3	Resumes (indicating overall experience and any specific experience relevant to the nature and scope of the Project) for the Key Individuals, including Spanish-speaking skills. It is expected that the anticipated management team will be comprised of individuals with at least ten (10) years of relevant electric generation managerial experience for all executive-level positions. *(One page per resume maximum and resumes will not count towards the overall page count for Part 2)*

	Evaluation Criteria
Part 3	**Financial Capabilities (10 pages maximum) (*10%*)**
	The evaluation of financial capabilities will examine each SOQ in accordance with the criteria set out below:
3.1	**Financial Capacity of Team:** Respondent must demonstrate adequate financial wherewithal to fulfill the terms of the PPP Contract. Each Respondent or at least one (1) Team Member must provide: • evidence of the financial capability to obtain operational security in the form of an unconditional and irrevocable direct pay letter(s) of credit; • evidence of creditworthiness, such as credit ratings, if any, for each Team Member, or historical metrics supporting credit quality comparable to those used by credit analysts; and • copies of financial statements (audited preferred), Form 10-Ks, 20-Fs or similar types of annual reports for the past two (2) years, together with any other relevant financial information. *(Financials & supporting information not included in page count)*

	Evaluation Criteria
Part 4	**Technical & Operational Capabilities (50 pages maximum) (*50%*)**
	The evaluation of technical capabilities will examine each SOQ in accordance with the criteria set out below:
4.1	Respondent must demonstrate its technical and operational capabilities to fulfill the terms of the PPP Contract. Respondent and Team Members will be expected to have current or past power generation operations, management and maintenance experience in the O&M context. As such, Respondent or at least one (1) Team Member must demonstrate with detailed evidence that its current or previous power generation experience fulfills the following criteria on a sustained basis: • concurrently operating and maintaining either (i) two (2) or more oil and/or gas-fired generating facilities larger than 100 MW, or (ii) a fleet of at least 1,000 MW combined of oil and/or gas-fired generating facilities; • repairing and/or replacing oil and/or gas-fired generating facilities; • experience with execution or oversight of plant decommissioning, including the procurement of qualified subcontractors to decommission power generation facilities; • demonstrated ability to safely operate similar technology generation facilities and managing outages and maintenance programs in order to achieve the operating objectives of the T&D Operator; • managing fuel supply for similar or similarly situated generating facilities, including delivery and storage and fuel quality testing; • names of the locations where the Respondent or subcontractors have performed similar work as described above; • certification of no significant or sustained environmental regulation violations or OSHA fines/violations; and • a demonstrable history of compliance with energy related policies, practices, and regulations from a state, commission, or other regulatory body. In addition, preference will be given to Respondents with demonstrated experience operating and maintaining oil and/or gas-fired generating facilities on an island or other stranded location and under challenging natural circumstances, including management and scheduling of delivery of fuel to such locations. Respondent and Team Member(s) should aim to provide sufficient evidence to demonstrate an intimate understanding of the power and electric generation industry especially as it applies to operating and dispatching generation plants. Operations, maintenance, safety and environmental responsibility should each be a key focus.

	Evaluation Criteria
Part 5	**Safety Performance (no page limit) (*15%*)**
5.1	Respondent and Team Member(s) must demonstrate (a) their ability to address and resolve safety issues and (b) their knowledge of safety strategies and methodologies. Respondent and Team Member(s) must submit copies of the Occupational Safety and Health Administration (OSHA) 300 forms for the past three (3) years, only as related to electric generation operations. If not applicable, Respondent and Team Member(s) must present a document explaining the reasons for not submitting the form. *These may be included in an appendix.*

4. SOQ Requirements & Procedure

4.1 SOQ Requirements

Overview of Requirements

Both an electronic copy and a physical copy of the original SOQ must be delivered no later than the Submission Deadline. Prospective Respondents that anticipate responding to this RFQ should so indicate as soon as possible by sending to the e-mail address listed below the necessary contact information. The SOQ must comply with the outline provided under "Required Information for SOQ" below and all other conditions identified in this RFQ. Additional information not specifically related to the Project or this RFQ should not be included in the SOQ. All questions or requests for information regarding this RFQ should be directed to the Partnership Committee via e-mail, as provided in Section 1.9 of this RFQ.

Please do not contact, directly or indirectly, any officials or related parties of the Authority, PREPA, the Partnership Committee, AAFAF, PREB, the Government or the FOMB. Such contact may serve as grounds for disqualification.

Address intent to respond to this RFQ to:

Puerto Rico Electric Power Authority Thermal Generation Facilities Partnership Committee

Request for Qualifications

Puerto Rico Electric Power Authority Thermal Generation Facilities Project

E-mail: P3GenProject@p3.pr.gov

No Liability for Costs

The Authority, PREPA, other agencies and instrumentalities of the Government and their respective advisors are not responsible for costs or damages incurred by Respondents, Team Members, subcontractors or other interested parties in connection with the solicitation or procurement process, including but not limited to costs associated with preparing responses, qualifications and proposals, and of participating in any conferences, oral presentations or negotiations, whether in connection with this RFQ Process, the RFP Process or otherwise. A Qualified Respondent will not be entitled to indemnity (including, but not limited to, reimbursement for costs and expenses) from the Authority, PREPA or any other agency or instrumentality of the Government if the Authority or PREPA decide, in their discretion, to terminate the procurement process for this Project.

Modification and Termination Rights

The Authority and PREPA reserve the right to modify or terminate the RFQ Process and the RFP Process for this Project at any stage if the Authority or PREPA determines such action to be in the public interest. The receipt of responses or proposals or other documents at any stage of either this RFQ or the RFP Process will in no way obligate the Authority or PREPA to enter into any contract of any kind with any party.

4.2 Required Information for SOQ

Compliance with this RFQ

The SOQ must be prepared in English and follow the format outlined below. Respondents may opt to submit responses in Word, PDF or PowerPoint templates. The Partnership Committee will review all SOQs and score them based on the evaluation criteria set forth below. Responses must comply with the following format:

- Cover Page (to include identification of all Team Members)
- Cover Letter (two (2) pages maximum)
- Table of Contents
- Executive Summary (two (2) pages maximum)
- The specific requirements as set out in Section 3 of this RFQ:
  - Part 1: Compliance with the Requirements of the PPP Act and Act 120 (No page limit) *(Pass/Fail)*
    - An executed Respondent Certification from the Respondent **and each Team Member**. This Certification must strictly follow the form attached to this RFQ as Appendix A.
    - An executed Document Acknowledgement and Contact Information letter from the Respondent (executed by the contact person ("**Respondent Representative**") for all future communication between the Authority and the Respondent). This letter must strictly follow the form attached to this RFQ as Appendix B.

    Proposals that do not meet the first two (2) "pass/fail" criteria will not be further evaluated.
  - **Part 2: Background & Team Information (15 pages maximum) *(25%)***

    Respondents should address all areas referred to in the Evaluation Criteria set out in Section 3 of this RFQ, under the heading "Background & Team Information".
  - **Part 3: Financial Capabilities (10 pages maximum) *(10%)***

    Respondents should address all areas referred to in the Evaluation Criteria set out in Section 3 of this RFQ, under the heading "Financial Capabilities".
  - **Part 4: Technical & Operational Capabilities (50 pages maximum) *(50%)***

    Respondents should address all areas referred to in the Evaluation Criteria set out in Section 3 of this RFQ, with respect to "Technical Capabilities".
  - **Part 5: Safety Performance (No page limit) *(15%)***

    Respondents should submit copies of the documents required by Section 3 of this RFQ with respect to safety performance. If not applicable, a Respondent should present a document explaining the reasons for not submitting such documents. Respondents must demonstrate (a) their ability to address and resolve safety issues, and (b) their knowledge of safety strategies and methodologies.

Requests for Clarification or Additional Information

As further described in Section 4.9 of this RFQ, after performing initial evaluations, the Authority may request additional information or clarification of the content of the submitted SOQs, including, but not limited to requests for references (name, telephone number, email address) familiar with the works performed by the Respondent detail in Part 4 of the SOQ. Responses to these Authority-issued RFCs will supplement the submitted SOQs. **Respondents should be aware that failure to submit a response to an Authority-issued RFC may negatively impact evaluation of the respective SOQ.**

4.3 Reporting of Material Adverse Change

Prior to the issuance of the RFP documents, the Authority and PREPA may, in their discretion, request that a Respondent confirm that there have been no material changes to the information submitted with respect to the Respondent and/or any Team Member in the relevant SOQ. If there have been any material changes to the submitted information, the Respondent must provide details of such changes in accordance with any requirements the Authority or PREPA may impose at that time. The Partnership Committee will evaluate the information submitted by the Respondent in accordance with the evaluation criteria set out in Section 3 of this RFQ, and may revise the results of the Respondent's evaluation.

4.4 SOQ Submission Instructions

The Respondent must submit one (1) originally executed SOQ, with signatures in blue ink and marked as "Original", and four (4) copies along with one (1) copy in portable document format (PDF) on a CD or USB flash drive. The one (1) electronic copy in PDF format must also be sent to the Authority by e-mail to P3GenProject@p3.pr.gov. **Both an electronic copy and a physical copy of the original SOQ must be delivered no later than the Submission Deadline.** Respondents should not submit promotional materials as part of their SOQs and are strongly encouraged not to submit information that is not required by this RFQ. Respondents are strongly encouraged to be succinct in their SOQs. Respondents must limit their SOQs, or each component of their SOQs, to the maximum number of pages indicated in Section 4.2 of this RFQ. **The Partnership Committee will not review pages submitted in excess of the maximum number of pages indicated for such item. Respondents should be aware that failure to follow these Submission Instructions may negatively impact evaluation of the respective SOQ**

The SOQ must be labeled as follows:

Puerto Rico Public-Private Partnerships Authority

Puerto Rico Electric Power Generation Authority Thermal Generation Facilities PPP SOQ Submitted by (*Respondent's name and Address*)

The SOQ must be addressed to:

Puerto Rico Electric Power Authority Thermal Generation Facilities PPP

Puerto Rico Public-Private Partnerships Authority

Attn: Fermin Fontanés, Esq. — Executive Director

Puerto Rico Fiscal Agency and Financial Advisory Authority Building

(former GDB Building), 3rd Floor Roberto Sánchez Vilella Government Center, De Diego Avenue

San Juan, PR 00940-2001

4.5 Confidentiality of SOQ

All SOQs will become the property of the Authority and may become public in accordance with applicable law, except for documents or information submitted by Respondents that are trade secrets, proprietary information or privileged or confidential information of the Respondents. Respondents are advised to review the confidentiality and publication provisions contained in Sections 9(i) and 9(j) of the PPP Act and Section 11.2 of the Act 120 Regulation. In order to ensure that documents identified by Respondents as "confidential" or "proprietary" will not be subject to disclosure under the PPP Act, Respondents must label such documents as "confidential" or "proprietary," provide a written explanation of why such labeled documents are "confidential" or "proprietary," including why the disclosure of the information would be commercially harmful, specifically refer to any legal protection currently enjoyed by such information and why the disclosure of such information would not be necessary for the protection of the public interest, and request that the documents so labeled be treated as confidential by the Partnership Committee according to the process described in the following paragraph.

Notwithstanding the foregoing, all Respondents should submit a redacted copy of their SOQ that excludes all confidential or proprietary information not to be public as outlined in this section. In addition, un-redacted copies of the SOQ should identify such information. Any information not identified as confidential or proprietary information in the un-redacted SOQ will not be deemed confidential. If a Respondent neither submits a redacted copy nor labels the information as confidential or proprietary, the Authority will assume that the original copy of the SOQ can be made public.

If a Respondent has special concerns about confidential or proprietary information that it desires to make available to the Partnership Committee prior to submission of its SOQ, such Respondent may wish to:

- make a written request to the Partnership Committee for a meeting to specify and justify proposed confidential or proprietary documents;
- make an oral presentation to the Partnership Committee staff and legal counsel; and
- receive written notification from the Partnership Committee accepting or rejecting confidentiality requests.

Failure to take such precautions prior to submitting an SOQ may subject confidential or proprietary information to disclosure under Sections 9(i) and 9(j) of the PPP Act and/or Section 11.2 of the Act 120 Regulation.

The Partnership Committee will evaluate all confidentiality requests according to the criteria indicated in the PPP Act and the Act 120 Regulation. The Partnership Committee will determine whether or not the requested materials are exempt from disclosure. Upon such determination, the Authority will endeavor to maintain the confidentiality of any information that a Respondent indicates to be proprietary or a trade secret, or that must otherwise be protected from publication according to law, except as required by law or by a court order. In the event that the Partnership Committee elects to disclose the requested materials, it will provide the Respondent notice of its intent to disclose, in which case the Respondent may request the immediate return of such materials prior to disclosure by the Partnership Committee and they will thereafter form no part of the Respondent's submission. In no event will the Government, the Authority, the Partnership Committee or PREPA be liable to a Respondent for the disclosure required by law or a court order of all or a portion of an SOQ filed with the Authority.

Upon execution of a PPP Contract, the Partnership Committee is required to make public its report regarding the procurement process. This report will contain information related to the qualification, procurement, selection and negotiation process, and the information contained in the SOQ, except information that qualifies as trade secrets, confidential, proprietary or privileged information of the Respondent or its Team Members clearly identified as such by the Respondent, or information that must otherwise be protected from publication according to law, as may have been determined by the Partnership Committee, unless otherwise required by law or by a court order. **Pursuant to Section 5.1 (Evaluation Process) of the Act 120 Regulation, Respondents should**

be aware that before execution of the respective PPP Contract, all evaluations, discussions, negotiations, SOQs and Proposals must and shall be kept confidential.

4.6 Use of Confidential Information

Each Respondent must declare, and agree to be under an obligation to declare, that it does not have knowledge of or the ability to avail itself of confidential information of the Government, PREPA or the Authority relevant to the Project, except to the extent it has been expressly authorized by the Government, PREPA or the Authority. ***This requirement shall be satisfied by completing the Form of Respondent Certification included as Appendix A to this RFQ.***

Any such confidential information:

- will remain the sole property of the Government, the Authority or PREPA, as applicable, and the Respondent and its Team Members will treat it as confidential;
- may not be used by the Respondent or its Team Members for any other purpose other than preparation of its SOQ, RFP submission or the performance of any subsequent agreement relating to the Project with the Government, the Authority or PREPA, as applicable;
- may not be disclosed by the Respondent or any Team Member to any person who is not involved in the Respondent's preparation of its SOQ, RFP submission or the performance of any subsequent agreement relating to the Project with the Government, the Authority or PREPA, as applicable, without prior written authorization from the party in respect of whom the confidential information relates;
- if requested by the Government, the Authority or PREPA, will be returned or destroyed, as appropriate, no later than ten (10) calendar days after such request; and
- may not be used in any way that is detrimental to the Government, the Authority or PREPA.

Each Respondent and its Team Members will be responsible for any breach of the provisions of this Section 4.6 by any person to whom any of them discloses the confidential information. Each Respondent and its Team Members acknowledge and agree that a breach of the provisions of this Section 4.6 would cause the Authority, PREPA, the Government and/or their related entities to suffer loss which could not be adequately compensated by damages, and that the Authority, PREPA, the Government and/or any related entity may, in addition to any other remedy or relief, enforce any of the provisions of this Section 4.6 upon submission of the Respondent's SOQ to a court of competent jurisdiction for injunctive relief without proof of actual damage to the Authority, PREPA, the Government or any related entity.

The provisions in this Section 4.6 will survive any cancellation of this RFQ or the RFP and the conclusion of the RFQ Process and the RFP Process.

4.7 Conflicts of Interest and Ineligible Persons

Each Respondent Representative submitting an SOQ on behalf of such Respondent and the Team Members of such Respondent must declare and continue to be under an obligation to declare all Conflicts of Interest or any situation that may be reasonably perceived as a Conflict of Interest that exists now or may exist in the future. A "**Conflict of Interest**" includes any situation or circumstance where in relation to the Project, the Respondent submitting an SOQ or any Team Member of such Respondent has other commitments, relationships or financial interests that:

(a) could or could be seen to exercise an improper influence over the objective, unbiased and impartial exercise of the Authority's or PREPA's independent judgment; or

(b) could or could be seen to compromise, impair or be incompatible with the effective performance of its obligations under the PPP Contract.

In connection with its SOQ, each Respondent and each Team Member will:

(a) avoid any Conflict of Interest in relation to the Project;

(b) disclose to the Authority and to PREPA without delay any actual or potential Conflict of Interest that arises during the RFQ Process or at any point in the procurement process; and

(c) comply with any requirements prescribed by the Authority and PREPA to resolve any Conflict of Interest.

Each Respondent is responsible for ensuring that all persons engaged to provide any type of assistance in connection with the Project are in compliance with the provisions of the Ethics Guidelines and, to the extent any question exists as to compliance with the Ethics Guidelines, the Respondent should consult with the Authority.

In addition to all contractual or other rights or rights available at law or in equity or legislation, the Authority and PREPA may immediately exclude a Respondent or any of its Team Members from further consideration or remove the Respondent or any Team Member from the RFQ Process if:

(a) the Respondent knew, or reasonably should have known, and fails to disclose an actual or potential Conflict of Interest;

(b) the Respondent submitting an SOQ or a Team Member of such Respondent fails to comply with any requirements prescribed by the Authority or PREPA to resolve a Conflict of Interest; or

(c) the Respondent's Conflict of Interest issue cannot be resolved.

Pursuant to Section 7.1 of the Act 120 Regulation, any person, by virtue of its participation in this RFQ Process, authorizes the Authority to apply to the relevant competent governmental authority to obtain further information regarding a prospective Respondent and in particular, details of convictions of the offenses listed in Section 9(c)(ii) of the PPP Act if the Partnership Committee considers it necessary for its selection or evaluation process.

4.8 RFQ Miscellaneous Instructions

Addenda to RFQ

The Authority reserves the right to amend this RFQ at any time. All amendments to this RFQ will be described in written addenda. Copies of each addendum will be available at the Authority's website. Respondents are encouraged to review the Authority's website regularly. All addenda will become part of this RFQ. In the event of any conflict in the wording or any issue of interpretation, addenda, when issued, will take priority over the original wording in this RFQ and any wording in prior addenda. **Each Respondent will, in its SOQ, acknowledge receipt of each addendum.** Each Respondent is solely responsible to ensure that it and its Team Members have received all communications issued by the Authority and PREPA. A failure to obtain any such communication is at the sole and absolute risk of the Respondent and its Team Members, and the Authority and PREPA accept no responsibility for the failure of any Respondent or Team Member to receive or obtain all RFQ information (including addenda). Each response to this RFQ is deemed to be made on the basis of the complete RFQ, as amended by any addenda, issued prior to the Submission Deadline.

Withdrawal of SOQs

A Respondent may withdraw an SOQ by delivering to the Authority a written request for withdrawal prior to the Submission Deadline at the address for delivery of SOQs set forth in Section 4.4 of this RFQ. Any such withdrawal does not prejudice the right of a Respondent to submit another SOQ prior to the Submission Deadline.

4.9 The Authority's Requests for Clarification After SOQ Submissions

As noted in Sections 4.11(k) and 4.11(p) of this RFQ, the Authority reserves the right to require direct confirmation of information furnished by a Respondent, additional information from a Respondent concerning its response or additional evidence of qualifications to perform the work described in this RFQ. After completing initial evaluations of the submitted SOQs, the Authority may issue RFCs to the Respondents that request such confirmation, additional information or evidence.

Should the Authority issue RFCs in response to the submitted SOQs, RFCs will be issued to each Respondent. Responses to these Authority-issued RFCs will supplement the submitted SOQs. **Respondents should be aware that failure to submit a response to an Authority-issued RFC may negatively impact evaluation of the respective SOQ and may be perceived as evidence of noncompliance with the requirements of this RFQ.**

4.10 Disclaimer

The information provided in this RFQ, or any other written or oral information provided by the Authority, PREPA, the Partnership Committee, the Government or their respective officers, employees, advisors, counsel or consultants in connection with the Project or the selection process is provided for the convenience of the Respondents only. Respondents and their Team Members will make their own conclusions as to such information. Oral explanations or instructions from officials, employees, advisors, counsel or consultants of the Authority, PREPA, the Partnership Committee or any Puerto Rico public agency will not be considered binding on the Authority, PREPA, the Partnership Committee or the Government. The Authority, PREPA, the Partnership Committee, the Government and their respective officers, employees, advisors, counsel and consultants make no representation or warranty as to any information provided in connection with this RFQ Process or the RFP Process. The accuracy and completeness of such information is not warranted by any of them and none of them will have any liability in connection with such information or the selection process, all of which liability is expressly waived by each Respondent and each Team Member of such Respondent. This RFQ is not an offer to enter into any contract of any kind whatsoever.

4.11 Reservation of Rights

In furtherance of the Authority's mission, the Partnership Committee reserves the right to reject any and all SOQs, to waive technical defects, irregularities or any informality in SOQs, and to accept or reject any SOQs in its sole and absolute discretion. The Partnership Committee also reserves the right to postpone the date on which SOQs are required to be submitted, or to take any other action it may deem in the best interests of the Authority and PREPA.

In addition, the Authority and PREPA reserve all rights (which rights will be exercisable by the Authority and PREPA in their sole and absolute discretion) available to them under applicable laws and regulations, including, without limitation, with or without cause and with or without notice, the right to:

(a) modify the procurement process to address applicable law and/or the best interests of the Authority, PREPA and the Government;

(b) develop the Project in any manner that they deem necessary and change the limits, scope and details of the Project;

(c) if the Authority and PREPA are unable to negotiate a PPP Contract to their satisfaction with a Private Partner, terminate the process or pursue other alternatives relating to the Project, or exercise such other rights as they deem appropriate;

(d) cancel the procurement process, as applicable, in whole or in part, at any time prior to the execution by PREPA of the PPP Contract, without incurring any cost, obligation or liability whatsoever;

(e) issue a new request for qualification after withdrawal of this RFQ;

(f) reject or disqualify any and all SOQs and responses received at any time for any reason without any obligation, compensation or reimbursement to any existing or prospective Respondent or Team Member;

(g) modify all dates, deadlines, process, schedule and other requirements set out, described or projected in this RFQ;

(h) terminate evaluations of responses received at any time;

(i) exclude any Respondent from submitting any response, or exclude from evaluation such Respondent's response, to this RFQ based on the failure to comply with any requirements;

(j) issue addenda, supplements and modifications to this RFQ;

(k) require direct confirmation of information furnished by a Respondent, additional information from a Respondent concerning its response or additional evidence of qualifications to perform the work described in this RFQ;

(l) consider, in the evaluation of any SOQ, any prior experience or performance by a Respondent, Team Member or Key Individual with related scope generation projects, whether included in the SOQ or otherwise known to the Authority or PREPA;

(m) seek or obtain data from any source that has the potential to improve the understanding and evaluation of the responses to this RFQ;

(n) add or delete Respondent responsibilities from the information contained in this RFQ or any subsequent process instruments;

(o) negotiate with any party without being bound by any provision in its response;

(p) waive any deficiency, defect, irregularity, non-conformity or non-compliance in any response to this RFQ or permit clarifications or supplements to any response to this RFQ, and accept such response even if such deficiency, defect, irregularity, non-conformity or non-compliance would otherwise render the response null and void or inadmissible;

(q) add or eliminate facility expansion to or from the Project;

(r) incorporate this RFQ or any Respondent's response to this RFQ or portion thereto as part of the RFP Process or any formal agreement with a Private Partner; and

(s) exercise any other right reserved or afforded to the Authority and PREPA under the PPP Act, the Act 120 Regulation, this RFQ or applicable law.

This RFQ does not commit either the Authority or PREPA to enter into a contract or proceed with the Project as described herein. The Authority, PREPA and the Government assume no obligations, responsibilities or liabilities, fiscal or otherwise, to reimburse all or part of the costs incurred or alleged to have been incurred by parties considering a response to and/or responding to this RFQ, or in considering or making any submission. All of such costs will be borne solely by each Respondent.

4.12 Limitation of Damages

Each Respondent, by submitting an SOQ, agrees that in no event will the Authority, PREPA, the Partnership Committee, the Government or any of their respective directors, officers, employees, advisors, counsel or representatives be liable, under any circumstances, for any claim, demand, liability, damage, loss, suit, action or cause of action, whether arising in contract, tort or otherwise, and all costs and expenses relating thereto (each, a "**Claim**"), or to reimburse or compensate the Respondent, any Team Member or their respective directors, officers, employees, advisors, counsel, accountants and other consultants and representatives, in any manner whatsoever, including, without limitation, any costs of preparation of the SOQ or the response to the RFP, loss of anticipated profits, loss of opportunity or for any other matter. Without in any way limiting the above, each Respondent and Team Member of such Respondent specifically agrees that it will have absolutely no Claim against the Authority, PREPA, the Partnership Committee or the Government or any of their respective directors, officers, employees, advisors, counsel or representatives if any such party for any reason whatsoever:

- does not select a list of Qualified Respondents;
- suspends, cancels or in any way modifies the Project or the solicitation process (including modification of the scope of the Project or modification of this RFQ or both);
- accepts any compliant or non-compliant response or selects a list of one (1) or more Qualified Respondent(s);
- under the terms of this RFQ permits or does not permit a Restricted Party to advise, assist or participate as part of a Respondent or its Team Members; or,
- breaches or fundamentally breaches a contract or legal duty of the Authority, PREPA, the Partnership Committee or the Government, whether express or implied, and each Respondent and each Team Member waives any and all Claims whatsoever, including Claims for loss of profits or loss of opportunity, if the Respondent is not selected as a Qualified Respondent for any other reason whatsoever.

4.13 Judicial Review

Judicial review of the selection and award process for qualifications must be pursued in accordance with Section 20 (Judicial Review Procedures) of the PPP Act. Only those Respondents who comply with the applicable requirements set forth in Section 20 of the PPP Act may request judicial review of a final determination that a Respondent is not qualified. Mechanisms for requesting reconsideration before the Authority or PREPA will not be available.

Section 20 establishes the period within which to seek judicial review, for the Puerto Rico Court of Appeals to address the writ of review, and to seek a writ of certiorari before the Puerto Rico Supreme Court. Section 20 also prescribes the notification requirements and the consequences of seeking such judicial remedies, including that if either the Puerto Rico Court of Appeals or the Puerto Rico Supreme Court grants a writ of review or writ of certiorari, as applicable, the procedures for the qualification of Respondents, or for the evaluation or selection of proposals or negotiation of the PPP Contract by the Partnership Committee will not be stayed.

The qualification determinations of the Partnership Committee and the approval of a PPP Contract by the Governor or the official onto whom she delegates, as provided under Section 9(g)(ii)-(v) of the PPP Act will only be overturned upon a finding of manifest error, fraud or arbitrariness. The non-prevailing party will defray the expenses incurred by the other parties involved in judicial review proceedings under Section 20 of the PPP Act. The Respondent that seeks judicial review may not, under any circumstance, as part of its remedies, claim the right to be redressed for indirect, special or foreseeable damages, including lost profits.

The above is only a succinct summary of Section 20 of the PPP Act and Respondents should review and understand such judicial review provisions.

APPENDIX A: FORM OF RESPONDENT AND TEAM MEMBERS CERTIFICATION

[Letterhead of each Respondent or Team Member, as applicable]

Mr. Fermin Fontanés, Esq. — Executive Director
Puerto Rico Public-Private Partnerships Authority
Roberto Sánchez Vilella Government Center
De Diego Avenue, Parada 22
San Juan, PR 00940-2001 USA

Re: Puerto Rico Electric Power Authority Thermal Generation Facilities PPP - Request for Qualifications

Ladies and Gentlemen:

We have carefully reviewed the Request for Qualifications dated August 10, 2020 ("**RFQ**") issued by the Puerto Rico Public-Private Partnerships Authority and all other documents accompanying or made a part of the RFQ. Capitalized terms used in this certificate have the meanings given to them in the RFQ.

We acknowledge and agree to comply with all terms and conditions of the RFQ, the attached Statement of Qualifications ("**SOQ**") and all enclosures thereto. Without limitation, we specifically acknowledge the disclaimer contained in Section 4.10 of the RFQ and the limitation of damages contained in Section 4.12 of the RFQ.

We certify that the information contained in the attached SOQ is true and correct. We further certify that the individual who has signed and delivered this certification is duly authorized to submit the attached SOQ on behalf of the Respondent or Team Member, as applicable, as its acts and deed and that the Respondent or Team Member, as applicable, is ready, willing and able to participate in the RFP Process and perform if awarded the PPP Contract.

We further certify that we are *[describe the type of entity or entities (corporation, partnership, LLC, etc.)]* organized in *[indicate the jurisdiction of organization]* and the entity contemplated by Respondent and Team Members to be the one that shall execute the PPP Contract shall have no impediment to doing, and shall be authorized to do, business in Puerto Rico and to enter into a contractual relationship with government entities in Puerto Rico, as well as to comply with any other applicable Puerto Rico or U.S. laws and/or requirements.

We further certify that our directors, officers, controlling shareholders or subsidiaries, parent company and, in the case of a partnership, our partners, and any person or entity that may be considered an alter ego or the passive economic agent of the Respondent or Team Member, as applicable (each, a "**Covered Party**"), have not been convicted, have not entered a guilty plea and have not been indicted, and probable cause has not been found for their arrest, in any criminal proceeding in Puerto Rico, the rest of the U.S. or any foreign jurisdiction, for (i) any of the crimes referenced in Articles 4.2, 4.3 or 5.7 of Act No. 1-2012, as amended, known as the Organic Act of the Office of Government Ethics of Puerto Rico, (ii) any of the crimes typified in Articles 250 through 266 of Act No. 146-2012, as amended, known as the Puerto Rico Penal Code or (iii) any of the crimes listed in Act No. 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 No. 8-2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government, or under the U.S. Foreign Corrupt Practices Act; no Covered Party is under investigation in any legislative, judicial or administrative proceedings, in Puerto Rico, the rest of the U.S. or any other jurisdiction. The Respondent and Team Members are in compliance with all federal, state, local and foreign laws applicable to the Respondent or Team Member(s) that prohibit corruption or regulate crimes against public functions or public funds, including the U.S. Foreign Corrupt Practices Act.

We further certify that we shall continue to comply at all times with laws which prohibit corruption or regulate crimes against public functions or funds, as may apply to the Respondent or any Team Member, as applicable, whether federal, state or Government statutes, including the Foreign Corrupt Practices Act.

We further certify that no officer or employee of the Authority, PREPA, the Partnership Committee, AAFAF, PREB, the Government, the FOMB or any public agency of Puerto Rico who participates in the selection process described in, or negotiations in connection with, the RFQ (nor any member of their families) has an economic interest in or is connected with the *[Respondent or Team Member, as applicable]*, and no officer or employees of the Authority, PREPA, the Partnership Committee, AAFAF, PREB, the Government, the FOMB or any public agency of Puerto Rico (nor any member of their families) has directly or indirectly participated with the *[Respondent or Team Member, as applicable]* in the preparation of its SOQ.

We further certify that we are in compliance with the provisions of Act No. 2 of 2018, also known as the Anti-Corruption Act 2018.

We further certify that we have reviewed the provisions of the Authority's Guidelines for the Evaluation of Conflicts of Interest and Unfair Advantages in the Procurement of Public-Private Partnership Contracts, available on the Authority's website: http://www.p3.pr.gov, and that we are in compliance therewith.

We further certify that this SOQ is made without prior understanding, agreement, connection, discussion or collusion with any other person, firm or corporation submitting or participating in the submission of a separate SOQ or any officer, employee or agent of the Authority, PREPA, the Partnership Committee, AAFAF, PREB, the Government, the FOMB or any public agency of Puerto Rico; and that the undersigned executed this Respondent and Team Members Certificate with full knowledge and understanding of the matters herein contained and was duly authorized to do so.

We further certify and declare, and agree to be under an obligation to declare, that we do not have knowledge of or the ability to avail ourselves of confidential information of the Government, PREPA or the Authority relevant to the Project, except to the extent we have been expressly authorized by the Government, PREPA, or the Authority.

We further certify that Respondent and Team Members shall not, other than as permitted in the RFQ, attempt to communicate in relation to the RFQ, directly or indirectly, with any representative of the Authority, PREPA, the Partnership Committee, AAFAF, PREB, the Government, the FOMB or any public agency of Puerto Rico, including any Restricted Parties, or any director, officer, employee, agent, advisor, staff member, counsel, consultant or representative of any of the foregoing, as applicable, for any purpose whatsoever, including for purposes of: (a) commenting on or attempting to influence views on the merits of the Respondent's and Team Members' SOQ, or in relation to their SOQ; (b) influencing, or attempting to influence, the outcome of the RFQ process, or of the competitive selection process, including the review and evaluation of SOQs or the selection of the Qualified Respondents; (c) promoting the Respondent and Team Members or their interests in the Project, including in preference to that of other Respondents or Team Members; (d) commenting on or criticizing aspects of the RFQ, the competitive selection process, or the Project including in a manner which may give the Respondent or its Team Members a competitive or other advantage over other Respondents or their respective Team Members; and (e) criticizing the SOQs of other Respondents.

To the extent the Authority and PREPA determine to submit any of the costs incurred under the PPP Contract for federal reimbursement, the Respondent shall be required to comply with all applicable federal certification and requirements.

Federal regulations restrict PREPA from contracting with parties that are debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs and activities, where the contract is funded in whole or in part with federal funds. The Respondent certifies that:

1. Neither it nor any of its principals (defined at 2 C.F.R. § 180.995), or its affiliates (defined at 2 C.F.R. § 180.905), are excluded (defined at 2 C.F.R. § 180.940) or disqualified (defined at 2 C.F.R. § 180.935) from participation in this transaction by any federal department or agency. SAM Exclusions is the list

maintained by the General Services Administration that contains the name of parties excluded or disqualified, as well as parties declared ineligible under certain statutory or regulatory authority. The Respondent may verify its status and the status of its principals, affiliates and any actual or anticipated Team Members at www.SAM.gov.

2. The Respondent agrees to comply with the requirements of 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C while this proposal is valid and throughout the period of any contract that may arise from this proposal. The Respondent further agrees to include a provision requiring such compliance in its lower tier covered transactions.

3. This certification is a material representation of fact relied upon by the Authority and PREPA. If it is later determined that the Respondent did not comply with 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C, in addition to remedies available to the Authority and PREPA, the federal government may pursue available remedies, including but not limited to suspension and/or debarment.

The Respondent further certifies, to the best of its knowledge and belief, that:

1. No federal appropriated funds have been paid or will be paid, by or on behalf of the Respondent or any Team Member, to any person for influencing or attempting to influence an officer or employee of an agency, a member of the United State Congress, an officer or employee of the United States Congress or an employee of a member of the United States Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement and the extension, continuation, renewal, amendment or modification of any federal contract, grant, loan or cooperative agreement.

2. If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of the United States Congress, an officer or employee of the United States Congress or an employee of a member of the United States Congress in connection with this federal contract, grant, loan or cooperative agreement, the undersigned shall complete and submit Standard Form- LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

3. The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants and contracts under grants, loans and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

4. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31, U.S.C. § 1352 (as amended by the Lobbying Disclosure Act of 1995). Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

The undersigned Respondent and Team Members acknowledge that any violation or misrepresentation with respect to the above will prohibit their participation in any procurement process under the PPP Act and other applicable laws of Puerto Rico and, therefore, will be disqualified from participating hereunder.

The attached SOQ shall be governed by and construed in all respects according to the laws of Puerto Rico and the terms of the RFQ.

Our business address is:

[Insert business address]

Yours faithfully,

[Insert appropriate signature block for signature by a person duly authorized to bind the Respondent or Team Member]

APPENDIX B: FORM OF DOCUMENT ACKNOWLEDGEMENT & CONTACT INFORMATION

[Letterhead of the Respondent]

Mr. Fermin Fontanés, Esq. — Executive Director
Puerto Rico Public-Private Partnerships Authority
Puerto Rico Fiscal Agency and Financial Advisory Authority Building, 3rd Floor
Roberto Sánchez Vilella Government Center
De Diego Avenue, Parada 22
San Juan, PR 00940-2001 USA

Ladies and Gentlemen:

I, *[Name of Respondent Representative]* in my capacity as *[Title]* of *[Name of the Respondent]*, acknowledge on behalf of the Respondent and each Team Member that the Respondent (for itself and each anticipated Team Member) was able to access the Puerto Rico Public-Private Partnerships Authority (the “Authority”) web site and downloaded the following documents regarding the Request for Qualifications (“RFQ”) for the Puerto Rico Electric Power Authority Thermal Generation Facilities PPP (the “Project”), issued by the Authority on August 10, 2020. Our contact information for further notifications is included below. We accept the transmission of such additional notifications via electronic communications, but acknowledge and accept that we shall have the responsibility of periodically checking in the Authority’s website for any and all official communications regarding the RFQ and other stages of the procurement process for the Project.

Document/File Title	Date Received/Downloaded

Respondent Representative Signature

Date

Contact Information: *[Respondent Representative name, title, company, address, electronic mail, telephone number]*

APPENDIX C: ADDITIONAL TECHNICAL INFORMATION ON LEGACY GENERATION ASSETS

Site	COD	Fuel Type	Heat Rate	Turbine-Generator	Boiler
Aguirre Steam Unit 1&2	1971	Fuel Oil	10,600	ABB (now GE)	Combustion Engineering (now GE)
Aguirre Combined Cycle Unit 1&2	1975-76	Diesel	9,300 combined cycle 13,000 simple cycle	GE Frame EA CTs and STs	GE Heat recovery steam generator (HRSG)
Aguirre GT Units 21-22	1972	Diesel	16,800	John Brown/GE Frame 5	N/A
Cambalache Units 1-3	1997-98	Diesel	12,700	ABB-GT11N1	N/A
Costa Sur Units 3-4	1960-62	Fuel Oil	13,500	N/A	N/A
Costa Sur Units 5-6	1969-71	Fuel Oil / Gas	11,000	John Brown/GE	Combustion Engineering (now GE)
Costa Sur GT Units 1.1-1.2	1972	Diesel	14,500	GE Frame 5	N/A
Mayaguez Units 1-4	2009	Diesel	10,300	Pratt & Whitney FT8 Twin Pack	N/A
Palo Seco Units 1-2	1959	Fuel Oil	11,200	N/A	N/A
Palo Seco Units 3-4	1967-68	Fuel Oil	10,600	N/A	N/A
Palo Seco GT Units	1972-73	Diesel	13,700	GE Frame 5	N/A

Site	COD	Fuel Type	Heat Rate	Turbine-Generator	Boiler
San Juan Units 5-6	2008	Diesel / Gas	8,300 Diesel / Gas expected to be lower	ST – Ansaldo, CT – Westinghouse/ Mitsubishi 501F	HRSG
San Juan Units 7-10	1964-65	Fuel Oil	12,000	GE	B&W (Unit 7-8) Combustion Engineering (Unit 9-10)
Daguao	1972	Diesel	16,800	GE Frame 5	N/A
Yabucoa	1971	Diesel	16,300	GE Frame 5	N/A
Jobos	1971	Diesel	14,600	GE Frame 5	N/A
Vega Baja	1971	Diesel	14,200	GE Frame 5	N/A

GOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY

Exhibit D: Qualification Analysis and Shortlist Report

GOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY

QUALIFICATION ANALYSIS AND SHORTLIST REPORT

Puerto Rico Public-Private Partnership for the Electric Power Authority Thermal Generation Facilities

October 17, 2022

Confidential

Exhibit 2

Qualification Analysis and Shortlist Report

Puerto Rico Electric Power Thermal Generation Facilities

October 17, 2022
San Juan, Puerto Rico

TO: Members of the Partnership Committee

FROM: Puerto Rico Public-Private Partnerships Authority

RE: Puerto Rico Electric Power Thermal Generation Facilities Project

On August 10, 2020, the Puerto Rico Public-Private Partnership Authority (the "**Authority**"), acting in collaboration with the Puerto Rico Electric Power Authority ("**PREPA**"), issued a Request for Qualifications (the "**RFQ**") from companies and consortia interested in managing and operating one or more of Puerto Rico's base-load generation plants and gas turbine peaking plants ("**Legacy Generation Assets**") (the "**Project**") through a public-private partnership ("**PPP**").

In response to the RFQ, the Authority received statements of qualifications (the "**SOQs**") from fifteen (15) prospective proponents ("**Respondents**"). This Qualification Process Report (the "**Report**") describes the process followed to evaluate the SOQs and determine if the Respondents are qualified to participate as proponents in the next stage of the Project, which is the Request for Proposal ("**RFP**") stage. Moreover, this Report sets forth the official list of the qualified Respondents selected by the partnership committee appointed to oversee the Project to proceed to the RFP stage.

This Report consist of six (6) sections: (I) Background of the Project; (II) Background of the Qualification Process; (III) Description of the Evaluation Criteria; (IV) Description of each Respondent; (V) Outcome of SOQ Evaluations; and (VI) Conclusion.

Capitalized terms used but not otherwise defined in this Report have the meaning ascribed to them in, as applicable, the Public-Private Partnership Authority Act, Act No. 29-2009, as amended ("**Act 29**"), the Puerto Rico Electric System Transformation Act, Act No. 120-2018, as amended ("**Act 120**"), the Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Participatory Public-Private Partnership Contracts under Act No. 29-2009, as amended (the "**Act 29 Regulation**"), and the Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Partnerships Contracts and Sales Contracts for the Transformation of the Electric System under Act No. 120-2018, as amended (the "**Act 120 Regulation**"), and the RFQ.

I. Background on the Project

The Authority, in collaboration with PREPA, is interested in procuring a long-term public-private partnership contract ("**PPP Contract**") to manage, operate, maintain, rehabilitate, repair and decommission, as needed, Puerto Rico's Legacy Generation Assets. This is a project by which the Government of Puerto Rico (the "**Government**") seeks to transform the electric power system of Puerto Rico into one that is modern, sustainable, reliable, cost-effective and resilient to the ravages of nature. The Project is a key economic development initiative for Puerto Rico.

PREPA is a public corporation and instrumentality of the Government, created pursuant to Act No. 83-1941 of May 2, 1941, as amended. Its purpose is to provide electric power in a reliable manner, contribute to the general welfare and the sustainable development of Puerto Rico and maximize the benefits while minimizing the social, environmental and economic impacts of electric energy generation and distribution. PREPA's current objectives include reducing energy costs, promoting smart energy consumption and protecting the environment.

PREPA's Legacy Generation Assets consist of base-load generation plants and peaking plants. In addition, at the large generation complexes there are black start combustion turbines that also serve as peaking plants on occasion. Although the Legacy Generation Assets have a total installed capacity of approximately 4,785 MW, the dependable capacity is approximately 3,600 MW as a result of certain units being indefinitely out of service or in need of significant repair for various reasons. The Legacy Generation Assets have historically been vulnerable to transformer failures, voltage and frequency fluctuations and transmission line outages. They thus experience above industry average equivalent forced outage rates, primarily as a result of poor equipment conditions due to the age of the units. Further, the Legacy Generation Assets are dependent on natural gas, diesel (number 2 fuel oil) and number 6 fuel oil.

Because of (i) the age and the inefficient heat rates of the Legacy Generation Assets, (ii) Environmental Protection Agency Mercury and Air Toxics Standards ("MATS") requirements and (iii) the increase under Act 17-2019, the Puerto Rico Energy Public Policy Act ("Act 17") of the required renewable portfolio to 20% by 2022, 40% by 2025, 60% by 2040 and 100% by 2050, PREPA intends to retire and decommission most of the Legacy Generation Assets in the near-term. Such retirements must be done in accordance with the Integrated Resource Plan approved by the Puerto Rico Energy Bureau ("PREB") on August 24, 2020 (the "IRP"). In the meantime, some of the Legacy Generation Assets may be needed for interim operating periods, as determined by the needs of the electric grid and the timing of the new, modern replacement renewable generation resources.

Puerto Rico needs upgraded energy generation to increase reliability and resiliency, reduce cost and allow for the economic recovery of Puerto Rico. Pursuant to Act 120, PREPA is authorized to carry out PPP transactions with respect to any function, service or facility of PREPA, including the Legacy Generation Assets. In turn, Act 120 designates the Authority as the only government entity authorized to determine and to be responsible for the functions, services or facilities for which PPPs will be established, subject to the priorities, objectives and principles established in the energy public policy and regulatory framework developed by the Government pursuant to Act 120 and Act 17.

The Project contemplates PREPA entering into one or more PPP Contracts in the form of operation and maintenance ("O&M") agreements with one or more private sector companies, consortia, electric cooperatives or energy cooperatives (each, a "Private Partner"), covering some or all of the Legacy Generation Assets, with terms tied to the remaining useful lives of the Legacy Generation Assets. Under one or more PPP Contracts, the Government will retain ownership of and title to the respective Legacy Generation Assets and the applicable Private Partner will manage, operate and eventually decommission, as applicable, those Legacy Generation Assets.

As currently envisioned, one or more Private Partner(s) will assume all rights and responsibilities related to the operation, maintenance, management and decommissioning, as applicable, of the Legacy Generation Assets. These rights and responsibilities are expected to include, among others, the following:

- day-to-day operation services, including start-up, load variations, active follow-up of operating parameters and alarms, shut-down of the plants or units thereof;
- identifying, justifying and managing any required maintenance capital expenditures;
- hiring, training, and supervising personnel;
- providing routine inspections and operating tests of the Legacy Generation Assets;
- provisioning, storing and maintaining the inventory of any necessary spare and consumable parts for the Legacy Generation Assets;
- establishing and maintaining a computerized maintenance management system for the Legacy Generation Assets;
- performing scheduled and emergency maintenance, repair and replacement of equipment, including any balance of plant equipment;
- managing outages and restoring power;
- coordinating emergency planning and storm restoration and recovery;
- procuring and managing water or power supply, if applicable;
- procuring, managing the delivery and quality testing of fuel, including natural gas, diesel (number 2 fuel oil) and number 6 fuel oil (including logistics, fuel testing and storage tank management), if applicable, as an agent for PREPA;
- liaising with PREPA, the T&D Operator or any of their assignees or successors regarding dispatch and related T&D system matters and providing required information;
- interfacing with regulators including PREB and with environmental compliance agencies as may be required;
- obtaining and maintaining licenses, permits and consents, as necessary;

- preparing for and assisting in, or subcontracting for and overseeing, the decommissioning of the relevant plants as outlined in the IRP and in coordination with PREPA/the T&D Operator and PREB;
- participating in emergency planning and drills led by the T&D Operator, as needed; and
- assisting with the transition of the plants to third parties to the extent certain of the plants are removed from the PPP Contract.

Under the structure currently contemplated for the Project, the Private Partner's compensation will consist of a regulated base management fee, which will be supplemented by performance-based compensation payments linked to established performance standards.[1] The Authority is seeking a Private Partner capable of meeting or exceeding established operational and performance standards while complying with applicable rate and performance regulations.

II. Background on Qualification Process

Pursuant to Act 29 and the Act 120 Regulation, the board of directors of the Authority established a partnership committee for the Project on July 13, 2020[2] (the "**Partnership Committee**") through Resolution 2020-36. The Partnership Committee has the duty and responsibility to evaluate and prequalify those Respondents most suitable to participate in the RFP process as proponents for the Project.

Section 3.2 of the Act 120 Regulation grants the Partnership Committee ample discretion to support its functions by way of contracting advisors for such purposes. Section 3.2 of the Act 120 Regulation provides that the Partnership Committee may "contract, on behalf of the Authority, advisors, experts or consultants with the knowledge necessary to assist

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[1] Subject to outcome of the contract review and comment process and subsequent negotiations with the relevant participants in the RFP process.
[2] As further amended on October 13, 2021, by Resolution 2021-63.

the Partnership Committee and the Authority in the adequate discharge of its functions."

Likewise, Section 3.6 of the Act 120 Regulation authorizes the Authority to "contract with consultants, advisors or agents to (a) assist the Authority and a Partnership Committee in the review of the Proposals, the selection of a winning Proponent, and negotiation of terms and conditions of a Transformation Contract for a PREPA Transaction, and (b) provide any other assistance that is deemed necessary or appropriate in connection with an Award of a Transformation Contract."

Accordingly, the advisors engaged to assist the Authority and the Partnership Committee throughout the Project's development and the issuance of the RFQ include the following, among others:[3]

- Cleary Gottlieb Steen & Hamilton LLP;
- CPM P.R. LLC
- FTI Consulting; and
- Pietrantoni Méndez & Alvarez, LLC.

The Act 29 Regulation and Act 120 Regulation authorize the Partnership Committee to qualify a limited number of Respondents in order to arrive at a shortlist for the Project. In Section 1.4 of the RFQ, the Partnership Committee (i) established that the aim of the RFQ is to enable the Partnership Committee to identify Respondents that, based on their SOQ, are deemed qualified by the Partnership Committee to participate in the RFP process ("**Qualified Respondents**") and (ii) notified prospective respondents of the Authority's right to limit in its absolute discretion the number of Respondents it considers to be qualified in order to arrive at a shortlist of Qualified Respondents that allows for an orderly procurement. Furthermore, the RFQ established specifically that the

[3] The Authority is also working with Citigroup Global Markets Inc., an advisor to the Financial Oversight and Management Board for Puerto Rico (the "**FOMB**"), and Ankura Consulting Group, LLC, an advisor to PREPA.

Partnership Committee reserves the right to disqualify a Respondent for any of the reasons stated in Sections 7.1 and 7.2 of the Act 120 Regulation, or if the Respondent:

- is ineligible to submit a proposal on one or more grounds specified in Act 120, Act 29 or the Act 120 Regulation;
- fails to satisfy the standards established by the Partnership Committee with respect to the Respondent's required financial condition, or technical or professional ability and experience (as set forth in Section 4 of the RFQ); or
- fails to comply with the requirements of Sections 9(a) and/or 9(d) of Act 29, as applicable.

Pursuant to Section 8(b) of Act 29 and Section 3.2 of the Act 120 Regulation, the Partnership Committee evaluated the SOQs and selected those Respondents best qualified to undertake the Project to proceed as Qualified Respondents. Specifically, the Partnership Committee evaluated each SOQ by considering the extent to which Respondents satisfied the evaluation criteria established in Section 3 of the RFQ, as described below (the "Evaluation Criteria"):

- compliance with requirements of Act 120 and Act 29;
- required technical or professional ability or experience; and
- required financial condition.

The Partnership Committee reviewed each of the fifteen (15) SOQs and scored each Respondent according to the strength to which its SOQ satisfied the Evaluation Criteria. Each Respondent was scored five times—once by each member of the Partnership Committee—resulting in fifteen (15) sets of five (5) scores. The five sets of scores in Parts 2 through 5 were averaged for each Respondent to come up with an overall score for each Part. The average overall scores for each Part were then multiplied by the overall weights for that Part, then added together into a single weighted score for each Respondent (the "Weighted

Aggregate Score"). The review and evaluation process was conducted by the Partnership Committee during a meeting held to assess and discuss the SOQs received in connection with the RFQ. On October 22, 2020, the Partnership Committee voted by referendum to select eight qualified Respondents to proceed to the RFP stage.

III. Description of the Evaluation Criteria

In order to provide an objective and transparent evaluation method, Respondents were evaluated pursuant to Section 8(b) of Act 29 and Section 3.2 of the Act 120 Regulation, and by considering the extent to which Respondents satisfied the evaluation criteria and requirements and procedures established in Sections 3 and 4 of the RFQ (the "**Evaluation Criteria**"). Specifically, Respondents were evaluated by reference to the following Evaluation Criteria:

Part 1 - Compliance with Requirements of Act 29 and Act 120 (Pass/Fail)

Each SOQ submitted pursuant to the RFQ was reviewed to determine whether it satisfied the requirements under Act 29, Act 120 and the Act 120 Regulation in the following areas:

1.1 Respondents that are corporations, partnerships or any other legal entity, whether based in the U.S., including Puerto Rico, or elsewhere in the world, were required to be properly registered, or demonstrate that they were capable of being properly registered, to do business in Puerto Rico at the time of the execution of the PPP Contract, and comply with all applicable Puerto Rico and U.S. laws and/or requirements.

1.2 Each Respondent and each Team Member was required to certify that:

(a) neither it nor any of its directors, officers, controlling shareholders or subsidiaries, nor its parent company, nor in the case of a partnership, any of its partners, nor any person or entity that may be considered an alter ego or the passive economic agent of the Respondent or Team Member, as applicable, (each, a "**Covered Party**"), has been convicted, entered a guilty plea, been indicted or had probable cause found for their arrest in any criminal proceeding in Puerto Rico, the rest of the U.S. or any foreign jurisdiction for:

i. any of the crimes referenced in Sections 4.2, 4.3 or 5.7 of Act No. 1-2012, as amended, known as the Organic Act of the Office of Government Ethics of Puerto Rico;

ii. any of the crimes typified in Sections 250 through 266 of Act No. 146-2012, as amended, known as the Puerto Rico Penal Code; or

iii. any of the crimes listed in Act No. 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 Section 6.8 of Act No. 8-2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government, or under the U.S. Foreign Corrupt Practices Act; nor is any Covered Party under investigation in any legislative, judicial or administrative proceedings, in Puerto Rico, the rest of the U.S. or any other jurisdiction;

(b) it is in compliance and shall continue to comply at all times with all federal, state, local and foreign laws applicable to the Respondent or Team Member(s) that prohibit corruption or regulate crimes against public functions or public funds, including the U.S. Foreign Corrupt Practices Act;

(c) it completed the SOQ without prior understanding, agreement, connection, discussion or collusion in relation to the RFQ with any other person, firm or corporation submitting or participating in the submission of a separate SOQ or any officer, employee or agent of the Authority, PREPA, the Partnership Committee, the Puerto Rico Fiscal Agency and Financial Advisory Authority (known by its Spanish acronym "**AAFAF**"), PREB created by Act 57-2014, as amended, to regulate, monitor and enforce the energy public policy of the Government, the Government, the FOMB or any public agency of Puerto Rico; and

(d) except as provided in Section 1.9 of the RFQ, as required by Section 4.13 of the Act 120 Regulation, it shall not attempt to communicate in relation to the RFQ, directly or indirectly, with any representative of the Authority, PREPA, the Partnership Committee, AAFAF, PREB, the Government, the FOMB or any public agency of Puerto Rico, including any Restricted Parties or any director, officer, employee, agent, advisor, staff member, counsel, consultant or representative of any of the foregoing, as applicable, for any purpose whatsoever, including for purposes of:

i. commenting on or attempting to influence views on the merits of the Respondent's and Team Members' SOQ, or in relation to their SOQ;

ii. influencing, or attempting to influence, the outcome of the RFQ process or of the competitive selection process, including the review and evaluation of SOQs or the selection of the Qualified Respondents;

iii. promoting the Respondent and Team Members or their interests in the Project, including in preference to that of other Respondents or Team Members;

iv. commenting on or criticizing aspects of the RFQ, the competitive selection process or the Project, including in a manner which may have given the Respondent or its Team Members a competitive or other advantage over other Respondents or their respective Team Members; or

v. criticizing the SOQs of other Respondents.

1.3 Each Respondent and each Team Member was required to:

(a) acknowledge that the Respondent and each Team Member were able to access the Authority's website and download documents pertaining to the RFQ and the Project;

(b) provide the contact information for the Respondent and each Team Member;

(c) acknowledge and accept responsibility for periodically checking the Authority's website for any and all official communications regarding the Project; and

(d) accept the transmission of additional notifications via electronic communications.

Respondents could satisfy requirements 1.1 and 1.2 by completing the Form of Respondent Certification included as Appendix A to the RFQ.

Respondents could satisfy requirement 1.3 by completing the Form of Respondent Certification included as Appendix B to the RFQ.

Part 2 - Background and Team Information (25% Weighting)

Respondent and Team Member(s) were encouraged to provide enough supporting information and details to enable the evaluators to perform a thorough evaluation of their strengths, roles and responsibilities. This included the following:

2.1 Respondents were required to provide a description of the Respondent and all Team Members that identified:

(a) anticipated roles, functions and overview of business operations;

(b) jurisdiction, form of entity organization, ownership structure and capitalization;

(c) anticipated legal relationships (e.g., joint ventures, partnerships) and percentage ownership interest;

(d) up to five (5) individuals who are expected to play an important role in the Project on behalf of Respondent and Team Member(s) (the "Key Individuals") and their roles and previous experience (experience of the individuals was to include experience in all phases of power plant project development including operating, maintaining, repairing, managing capital expenditures and decommissioning combined cycle, gas turbines and steam turbine generation plants);

(e) instances of working with Spanish-speaking workforces;

(f) instances, if relevant, in which Respondent and Team Member(s) had previously worked together; and

(g) evidence and tenor of operations and management experience in electric power generation (including experience with operating agreements).

Anticipated roles and legal relationships were to include, among other relevant descriptions, whether the Respondent was the entity expected to submit the response to the RFP and execute the PPP Contract as the Private Partner. Such descriptions also were to include the entity expected to guarantee the Private Partner's performance under the PPP Contract in the case where Respondent was not the Private Partner.

2.2 A list of technical, financial, legal, accounting or other advisors that the Respondents or any Team Member(s) had engaged or intended to engage in connection with the Project.

2.3 Respondents were required to provide resumes (indicating overall experience and any specific experience relevant to the nature and scope of the Project) for the Key Individuals, including Spanish-speaking skills. Respondents were expected to identify an anticipated management team comprised of individuals with at least ten (10) years of relevant electric generation managerial experience for all executive-level positions.

Part 3 - Financial Capabilities (10% Weighting)

The evaluation of the financial capabilities of each SOQ was examined in accordance with the criteria set out below:

3.1 Financial Capacity of Team: Respondents were required to demonstrate adequate financial wherewithal to fulfill the terms of the PPP Contract. Each Respondent or at least one (1) Team Member, was to provide:

(a) evidence of the financial capability to obtain operational security in the form of an unconditional and irrevocable direct pay letter(s) of credit;

(b) evidence of creditworthiness, such as credit ratings, if any, for each Team Member, or historical metrics supporting credit quality comparable to those used by credit analysts; and

(c) copies of financial statements (audited preferred), Form 10-Ks, 20-Fs or similar types of annual reports for the past two (2) years, together with any other relevant financial information.

Part 4 - Technical & Operational Capabilities (50% Weighting)

The evaluation of the technical and operational capabilities of each SOQ was examined in accordance with the criterion set out below:

Respondents were required to demonstrate their technical and operational capabilities to fulfill the terms of the PPP Contract. Respondents and Team Members were expected to have current or past power generation operations, management and maintenance experience in the O&M context. As such, Respondent or at least one (1) Team Member were required to demonstrate with detailed evidence that its current or previous power generation experience fulfilled the following criteria on a sustained basis:

- concurrently operating and maintaining either (i) two (2) or more oil and/or gas-fired generating facilities larger than 100 MW, or (ii) a fleet of at least 1,000 MW combined of oil and/or gas-fired generating facilities;
- repairing and/or replacing oil and/or gas-fired generating facilities;
- experience with execution or oversight of plant decommissioning, including the procurement of qualified subcontractors to decommission power generation facilities;

- demonstrated ability to safely operate similar technology generation facilities and managing outages and maintenance programs in order to achieve the operating objectives of the T&D Operator;
- managing fuel supply for similar or similarly situated generating facilities, including delivery and storage and fuel quality testing;
- names of the locations where the Respondent or subcontractors have performed similar work as described above;
- certification of no significant or sustained environmental regulation violations or OSHA fines/violations; and
- a demonstrable history of compliance with energy related policies, practices, and regulations from a state, commission, or other regulatory body.

In addition, preference was given to Respondents with demonstrated experience in operating and maintaining oil and/or gas-fired generating facilities on an island or other stranded location and under challenging natural circumstances, including the management and scheduling of delivery of fuel to such locations. Respondents and Team Member(s) were asked to aim to provide sufficient evidence to demonstrate an intimate understanding of the power and electric generation industry, especially as it applies to operating and dispatching generation plants. The RFQ indicated that operations, maintenance, safety and environmental responsibility were a key focus.

Part 5 - Safety Performance (15% Weighting)

The evaluation of the safety performance capabilities of each SOQ was examined in accordance with the criterion set out below:

5.1 Respondents and Team Member(s) were required to demonstrate (a) their ability to address and resolve safety issues and (b) their knowledge of safety strategies and methodologies. Respondents and Team Member(s) were required to submit copies of the Occupational Safety and Health Administration (OSHA) 300 forms for the past three (3) years, only as related to electric generation operations. If not applicable, Respondents and Team Member(s) were required to present a document explaining the reasons for not submitting the form.

Part 6 - Compliance with SOQ Requirements and Procedures (Pass/Fail)

Each SOQ submitted pursuant to the RFQ was reviewed to determine whether it satisfied the following Requirements and Procedures set forth in the RFQ:

6.1 Respondents were required to prepare their SOQs in English, comply with the specifications set forth in the RFQ and include the following components and sections in their SOQs:

(a) cover page (including identification of all Team Members);

(b) cover letter (two (2) pages maximum);

(c) table of contents;

(d) executive summary (two (2) pages maximum); and

(e) the specific requirements set forth in Section 3 of the RFQ (as outlined above):

i. Part 1: Compliance with the Requirements of Act 29 and Act 120 (no page limit);

ii. Part 2: Background & Team Information (fifteen (15) pages maximum);

iii. Part 3: Financial Capabilities (ten (10) pages maximum) ;

iv. Part 4: Technical & Operational Capabilities (fifty (50) pages maximum); and

v. Part 5: Safety Performance (no page limit).

6.2 Respondents were required to:

(a) Deliver both an electronic copy and four (4) physical copies of its original, completed SOQ to the Authority by 5:00 pm AST on the Submission Deadline; and

(b) submit one (1) originally executed SOQ, with signatures in blue ink and marked as "Original", and four copies along with one copy in portable document format (PDF) on a CD or USB flash drive.

Respondents were given the option to submit responses in Word or PowerPoint templates.

6.3 Each Respondent was required to declare, and agree to be under an obligation to declare, that it does not have knowledge of or the ability to avail itself of confidential information of the Government, PREPA or the Authority relevant to the Project, except to the extent it has been expressly authorized by the Government, PREPA or the Authority.

IV. Description of each Respondent

The Authority received fifteen (15) responses to the RFQ from the following Respondents:

- Abengoa-NTPC Consortium ("**Abengoa-NTPC**")
- Beowulf Energy LLC ("**Beowulf**")
- Consolidated Asset Management Services, LLC ("**CAMS**")
- EcoEléctrica, L.P. ("**EcoEléctrica**");

- Empresa Generadora de Electricidad Haina, S.A. ("**EGE Haina**");
- Enatura (SPEV Consortium) ("**Enatura**");
- Encanto Power LLC ("**Encanto Power**"), a wholly-owned subsidiary of New Fortress Energy Inc. ("**NFE**"), that was subsequently replaced by a new wholly-owned subsidiary of NFE, Genera PR LLC[4];
- EthosEnergy Group Limited ("**EthosEnergy**");
- Excel Contractors, Inc. ("**Excel Contractors**");
- Mitsubishi Power Americas, Inc. ("**Mitsubishi**");
- NAES Corporation ("**NAES**");
- NRG Energy Services Group LLC ("**NRG Energy**");
- ProEnergy Services LLC ("**ProEnergy Services**");
- PW Power Systems LLC ("**PW Power Systems**"); and
- Siemens Energy, Inc. ("**Siemens**").

Each of the Respondents listed above submitted their responses to the RFQ prior to the Submission Deadline, with the exception of CAMS, from whom the Authority received a physical copy of its SOQ date stamped September 14, 2020, but did not receive electronic copies until September 22, 2020.

Below is a brief description of each of the Respondents. These descriptions are provided merely for ease of reference and summarize each Respondent's principal characteristics. The Partnership Committee evaluated all Respondents in accordance with the criteria set forth in the RFQ and strictly based upon the information provided in their SOQs. The

[4] Encanto Power LLC submitted the SOQ, while Genera PR LLC, a different wholly-owned subsidiary of NFE submitted the Binding Proposal.

Respondents are listed in alphabetical order.

1. Abengoa-NTPC

- Abengoa Operation & Maintenance SAU is a wholly owned subsidiary of the Spanish company Abengoa S.A. and has experience in energy production, waste management and water treatment. This includes wastewater treatment and reuse, drinking water treatment and supply, desalination, irrigation, hydroelectric power plants and mechanization and remote control of hydrological systems, electrical infrastructure maintenance, conventional and renewable energy production, and O&M. Their experience in the power sector is mainly in the renewables field.
- NTPC Limited is a Government of India enterprise, primarily engaged in power generation with an installed capacity of almost 63 GW, across 70 power plants that are either gas, coal, hydro or solar, with coal being the primary fuel type.

2. Beowulf

- Beowulf, a Delaware limited liability company, is a private independent power and energy infrastructure company headquartered in New York and with regional offices in Colorado, Maryland, Trinidad & Tobago and Germany.
- Beowulf's operating affiliates, Colorado Energy Management ("CEM"), and Heorot Power Management LLC, specialize in O&M services for all of Beowulf's generating facilities as well as for independent third parties.
- CEM possesses over 25 years of experience in providing O&M, EPC, construction management, asset management and

decommissioning services to the power generating industry across a range of technologies and fuel sources. Together, Beowulf and CEM have over 5 GW of O&M and asset management experience across 20 sites globally, with most of their experience being in coal and natural gas facilities.

3. CAMS

- Established in 2007, CAMS is a privately held company with its corporate headquarters in Houston, Texas. CAMS provides service to customers in North America, Europe, Latin America, Africa, and the Middle East.

- CAMS' primary business consists of O&M and related services to power plant, midstream and oil and gas asset owners. CAMS' O&M and asset management experience includes over 100 power facilities in North America, totaling over 35 GW, with the current fleet under management covering 20 GW (primarily in natural gas and newer technology).

- In addition to O&M services, CAMS also provides asset management services and has experience in managing and optimizing fuel supply, both natural gas and oil.

4. EcoEléctrica

- EcoEléctrica is a Bermuda limited partnership formed on August 10, 1994 and is duly organized to do business in Puerto Rico to develop, design, finance, construct, own and operate a combined cycle natural gas-fired cogeneration facility, a liquefied natural gas ("**LNG**") import terminal and storage facility, a desalination plant and other auxiliaries assets. EcoEléctrica currently operates a 548 MW combined cycle and LNG terminal facility in Puerto Rico.

- Global Power Generation, S.A. of Grupo Naturgy ("**GPG**") and Engie Invest International S.A., the subsidiaries of EcoEléctrica's owners, Naturgy Energy Group S.A. ("**Naturgy**") and Engie S.A. ("**Engie**"), were Team Members in the SOQ.

- Naturgy is a multinational energy group that holds a large position in the gas sector and also has presence in the electricity industry, being the largest integrated gas and electricity company in Spain. GPG, a subsidiary of Naturgy, was incorporated in 2014 to channel international generation activity, now encompassing over 4 GW in operation with various technologies in seven (7) different countries.

- Engie is a global energy player with operations in close to 70 countries on five (5) continents. Engie is a corporation incorporated in the Duchy of Luxembourg. Engie has 115.3 GW of installed generating capacity. Engie has experience in managing and handling fuel supply of various types including natural gas, coal and diesel.

5. EGE Haina

- EGE Haina was founded under the Public Enterprise Reform Law on October 28th, 1999 in the Dominican Republic. It is a Public-Private Partnership between the Dominican Government and the private sector, 50% owned by the Haina Investment Company ("**HIC**"), the controlling partner, 49.99% owned by the Dominican government and 0.01% owned by private individuals.

- EGE Haina is the largest electricity generator in the Dominican Republic with operations of over 1,000 MW. The mix of fuels for the plants it operates consists of coal, gas and some liquid fuels. Besides its own generation, EGE Haina has experience performing O&M services on third-party power plants totaling approximately 350 MW.

6. Enatura

- Enatura consists of Southwest Power Generation Services, LLC ("**SPGS**"), Vanderweil Engineering ("**VE**") and Engineering Services International Inc. ("**esi**").

- SPGS is part of the Southwestern Power Group ("**SWPG**"), an independent developer of utility-scale generation and transmission assets. SWPG is a wholly-owned subsidiary of MMR Group, a privately-owned construction services firm based in Baton Rouge, Louisiana.

- VE specializes in MEP/FP/OE and technology services, engineering and construction/commissioning support for buildings, central heating and chiller plants, power generation, and transmission and distribution projects. R.G. Vanderweil Engineers, LLP, will be acting as the Project Lead Engineer and the Engineer of Record.

- "esi" is a full scope power services provider founded in 2004, including M/E&I project management services for power station developers and operators. esi's experience includes a total of approximately 3 GW between repair, maintenance, commissioning, O&M support and installation.

7. EthosEnergy

- EthosEnergy is a private limited company organized in Scotland and a joint venture between two leading energy service companies, Siemens AG ("**Siemens**") and Wood PLC ("**Wood**") (formerly Wood Group). EthosEnergy's capitalization is a combination of shareholder equity and debt, with Wood as 51% shareholder and Siemens as 49% shareholder.

- EthosEnergy is an independent service provider of rotating equipment services and solutions to the power, oil and gas, and industrial markets in over 100 countries. EthosEnergy has experience operating over 90 facilities totaling over 38 GW of power generation capacity.

- EthosEnergy has OEM-equivalent capabilities to support gas and steam turbines, compressors, and generators within power and cogeneration facilities, and is a manufacturer of transformers.

8. Excel Contractors

- Excel Contractors is a U.S corporation that was established in 1983. It specializes in maintenance and construction services for various industries, especially in disaster relief efforts.

- Excel Contractors anticipated using IHI Power Services Corporation ("IPSC") as its subcontractor. IPSC is a wholly owned subsidiary of IHI Corporation, a major supplier of boilers and heat recovery steam generators to the global utility and independent power producer markets. IPSC provides O&M services to owners of power generation facilities.

- Together, Excel Contractors and IPSC provide O&M services to over 13.5 GW of power generation capacity throughout the US.

9. Encanto Power

- Encanto Power is a Puerto Rico limited liability company and a wholly-owned subsidiary of NFE. Black & Veatch ("B&V") and the PIC Group, Inc. ("PIC") were Team Members in the SOQ. Together, Encanto Power, Black & Veatch and the PIC Group have over 70 GW of experience installing, maintaining, operating, optimizing, monitoring and decommissioning power generation assets.

- NFE is a global energy infrastructure company with nearly 1,000 MW of power generation capacity currently operational, under construction or for which it provides fuel management services. NFE is also an affiliate of NFEnergía LLC, which has significant, direct experience with fuel management and power generation in Puerto Rico.

- NFE has developed, constructed, and commissioned numerous energy infrastructure assets on islands in the US and the

Caribbean, and is developing energy infrastructure assets that it will own and operate in stranded locations in Mexico and Nicaragua. NFE has particular expertise in fuel management, operating and maintaining power plants in island environments.

- PIC, a corporation organized in Georgia, is a service provider for the global power generation industry and a wholly owned subsidiary of Marubeni Group. PIC Group has 20 years of O&M experience across various global power facilities for approximately 15 GW of total capacity across 68 plant sites across multiple technologies including over 90 combustion turbine generators, 102 reciprocating engines, 46 steam turbine-generators and 9 hydroelectric units.

10. Mitsubishi

- Mitsubishi is a wholly owned subsidiary of Mitsubishi Heavy Industries ("MHI"). Along with its subsidiaries, it manufactures, installs and services a wide array of frame and aero gas turbines for power generation.
- In addition to new plant development, Mitsubishi operates, monitors, services and repairs power generation facilities.
- Mitsubishi's subsidiaries, Mechanical Dynamics & Analysis ("MD&A") and PW Power Systems LLC ("PWPS") also have maintenance, service and repair business functions.
- Mitsubishi anticipated establishing a specific plant operations company for each specific facility and contracting directly from a qualified contractor such as North American Energy Services or Wood PLC for day-to-day operations.

11. NAES Corporation

- NAES was established in 1980 by four Pacific Northwest utilities (Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light, and The Washington

Water Power Company). NAES is owned by ITOCHU International Inc. (III) and I-Power Investment Inc., subsidiaries of ITOCHU Corporation ("ITOCHU"), an international trading conglomerate and Fortune Global 250 company with worldwide sales of $100 billion in 2020.

- NAES has significant global experience providing O&M services to 380 plants, totalling over 97 GW of power generation capacity, in 13 different countries including: Argentina, Belgium, Brazil, Canada, Colombia, Guatemala, Honduras, Jamaica, Mexico, Panama, Singapore, United Kingdom, and the U.S.A.

- NAES has a broad range of experience operating large complex facilities on an island and in remote locations. including the procurement, delivery, and unloading of the fuels (via tanker trucks) for the 60 MW Hamakua Energy Partners facility located on the island of Hawaii in Honokaa.

12. NRG Energy

- NRG Energy was established in 2011 and is a wholly-owned subsidiary of NRG Energy, Inc. ("NRG"), which owns and operates power generation facilities. NRG and NRG Energy together have experience operating and maintaining a diverse set of plants totaling approximately 60 GW of power generation capacity, of which 35 GW encompasses various configurations of oil and gas-fired capacity.

- NRG Energy currently operates 8 GW of power plant generating capacity of which 4.5 GW is gas and oil-fired. NRG Energy also provides technical services from a large pool of engineers and technical specialists.

- NRG Energy also has a large machine shop located in Houston, Texas and provides inspection, machining, repair and fabrication services on major equipment like CT rotors, steam turbines and major pumps for the power and other industries.

13. ProEnergy Services

- ProEnergy is a privately held third-party solutions provider for the power generation and oil and gas industries. ProEnergy has experience with the construction, management, operations, maintenance and repair services for energy generation facilities and equipment around the world.
- ProEnergy's experience spans 6.5 GW of installed power generation capacity through engineering, procurement and construction ("**EPC**") contracts, with more than 50 facilities serviced through commissioning and startup, and through providing O&M services to more than 65 facilities.
- ProEnergy's experience includes several facilities in South America, Asia and Africa and covers several different fuel types such as natural gas and diesel.

14. PW Power Systems

- PW Power Systems LLC ("**PWPS**"), a subsidiary of Mitsubishi Power Americas, Inc., submitted its SOQ with Team Members Energy Services LLC ("**ES**"), a subsidiary of Mitsubishi Power Americas, Inc., and, ARG Precision Corp. ("**ARG**"), as Team Power Precision.
- PWPS is a leading provider of equipment and services in the aero-derivative gas turbine industry. PWPS has over 2,000 gas turbine units installed and has designed and constructed over 300 turnkey power generation facilities.
- ES is a leading EPC provider in the power industry. ES has experience in the design, construction, and O&M of gas turbine and combined-cycle power plants, with over 1,200 gas turbine installations worldwide, a quarter of which are provided on a turnkey basis. ES has experience with multiple OEM prime mover applications.

- ARG was founded in 1996 and is a fast response company, with over 23 years of experience providing power services. ARG power generation services and products cover gas/aero derivative turbine and their control, protection and voltage regulation systems.

15. Siemens

- Siemens is a corporation organized under the laws of Delaware, and is one of the largest integrated power plant O&M providers worldwide.
- Siemens provides O&M services to 55 sites, and has O&M contracts covering over 38 GW of power generation capacity, with more than 30 years of experience as an O&M provider in more than 90 counties. Siemens has a global network of factories, repair centers and regional offices.
- Siemens currently has 36 power stations under O&M contracts in 17 countries. Their experience includes modifications, upgrades and decommissioning and spans multiple fuel types including natural gas and oil.

V. Outcome of SOQ Evaluations

In accordance with the authority granted to the Partnership Committee's pursuant to Act 29, Act 120, the Act 29 Regulation and the Act 120 Regulation, the Authority and its advisors assisted the Partnership Committee in evaluating each of the SOQs. The Partnership Committee subsequently met with the Authority and its advisors on October 13, 2020, to discuss the SOQs. In particular, the Authority and its advisors provided the Partnership Committee with an overview of each Respondent and its SOQ and an analysis of their observations and recommended scoring pursuant to the Evaluation Criteria. During said meeting, the Partnership Committee decided to qualify Respondents who obtained a score of 7.0 or higher.

After reviewing the Authority's assessment of the SOQs, the Partnership Committee conducted a comprehensive analysis of the SOQs in light of the objectives and needs of the Project. Based on this analysis, the Partnership Committee calculated each Respondent's Weighted Aggregate Score. Subsequently, through the Referendum dated October 22, 2020, the Partnership Committee determined the shortlisted Respondents who had obtained a score of 7.0 or higher and would thus be invited to participate in the RFP process.

The table below breaks down each Respondent's Weighted Aggregate Score based on compliance with the Evaluation Criteria.

Evaluation Criteria[5]							
	Part 1	*Part 2 (25%)*	*Part 3 (10%)*	*Part 4 (50%)*	*Part 5 (15%)*	*Part 6*	*Weighted Aggregate Score[6]*
Abengoa & NTPC	Pass	5.2	5.8	7.0	7.9	Pass	6.6
Beowulf	Pass	7.3	0.0	7.6	6.7	Pass	6.6
CAMS	Fail	5.0	3.5	5.9	5.6	Pass	5.4
EcoEléctrica	Pass	7.5	8.6	7.1	9.3	Pass	7.7
EGE Haina	Pass	7.6	8.7	8.1	7.8	Pass	7.9
Enatura	Possible Fail	3.6	0.0	2.0	0.0	Fail	1.9
Encanto Power	Pass	6.4	6.8	7.9	8.2	Pass	7.4

[5] Parts 2 through 5 are based on a 0-10 scale with 10 being the highest.
[6] The Weighted Aggregate Score is the sum of each Part's individual score multiplied by its Part Weighting shown in parentheses under each Part column.

EthosEnergy	Pass	8.5	6.4	7.6	8.6	Pass	7.8
Excel Contractors	Pass	4.6	5.8	4.0	6.1	Pass	4.6
Mitsubishi	Pass	6.1	9.2	3.0	4.8	Pass	4.7
NAES Corporation	Pass	9.8	9.6	9.2	9.1	Pass	9.4
NRG Energy	Pass	8.6	8.9	9.7	9.4	Pass	9.3
ProEnergy Services	Pass	8.6	7.3	8.9	8.0	Pass	8.5
PW Power Systems	Pass	5.7	7.9	5.4	4.9	Pass	5.6
Siemens	Pass	8.3	8.9	7.8	8.7	Pass	8.2

Based on the results summarized in the table above and in accordance with the authority granted to it pursuant to Act 29, Act 120 and the Act 120 Regulation, the Partnership Committee decided to shortlist the following eight (8) Respondents to participate in the RFP process:

- EcoEléctrica;
- EGE Haina;
- Encanto Power;
- EthosEnergy;
- NAES;
- NRG;
- ProEnergy; and

- Siemens.

The table below indicates how the Respondents who qualified to proceed to the RFP stage ranked based on the Weighted Aggregate Scores (pursuant to the scoring described above).

Ranking of Qualified Respondents		
Respondent	Weighted Aggregate Score	Rank
NAES Corporation	9.4	1
NRG Energy	9.3	2
ProEnergy	8.5	3
Siemens	8.2	4
EGE Haina	7.9	5
EthosEnergy	7.8	6
EcoEléctrica	7.7	7
Encanto Power	7.4	8

The Partnership Committee believes that the eight (8) shortlisted Respondents demonstrated significantly higher operational and/or financial capabilities to meet all of the Project's objectives than the seven (7) Respondents that were not shortlisted. Each of the shortlisted Respondents received an Weighted Aggregate Score of 7.4 or greater, whereas the non-selected Proponents had a mean Weighted Aggregate Score that was below 5.1.

The Partnership Committee carefully considered the number of Respondents that would be qualified for inclusion in the shortlist, in accordance with its right to shortlist under the Act 120 Regulation and the RFQ. In determining the size of the shortlist, the Partnership Committee considered various factors, including: (i) selecting the best qualified Respondents for the Project; (ii) the need to maximize competitive tension in the procurement process for the Project; and (iii) ensuring an efficient and effective procurement process during the RFP stage. The Partnership Committee believes that the number of shortlisted Respondents achieves a desirable balance for the next phase of the process.

VI. Conclusion

The shortlisted Respondents will provide the RFP process with the necessary competitive bidding environment needed to achieve the objectives of the Authority and the Government for this procurement process and meet the public policy considerations set forth in Act 120 and Act 29.

Approved and received by the Partnership Committee Members:

Original copy signed
Omar Marrero
Executive Director
Puerto Rico Fiscal Agency and
Financial Advisory Authority

Original copy signed
Josué Colón
Executive Director
PREPA

Original copy signed
Edison Avilés
Chairman
Puerto Rico Energy Bureau

Original copy signed
Fernando Gil
Chairman
PREPA Board of Directors

Original copy signed
Gerardo Lorán
Puerto Rico Fiscal Agency and
Financial Advisory Authority

GOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY

Exhibit E: PREPA Management Presentation

GOBIERNO DE
PUERTO
RICO

Puerto Rico Electric Power Authority

Management Presentation

April 2021

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Disclaimer

This Confidential Memorandum has been prepared at the direction of, and from materials and information supplied by, the Puerto Rico Electric Power Authority ("PREPA" or the "Company") in conjunction with the Puerto Rico Public-Private Partnerships Authority ("P3A" or the "Authority") and the Government of Puerto Rico (the "Government") in connection with a potential negotiated public-private partnership transaction (the "Transaction") related to the transformation of Puerto Rico's electric system. The Confidential Memorandum (references to which shall be deemed to include any information which has been or may be supplied in writing or orally in connection herewith or in connection with any further inquiries) is being delivered pursuant to a separate confidentiality agreement (the "Confidentiality Agreement") between the Authority and the recipient, a shortlisted proponent identified by the Public-Private Partnership Committee (the "PPP Committee") established pursuant to the Public-Private Partnership Act, Act No. 29-2009, as amended. The Confidential Memorandum is for the exclusive use of the persons to whom it is addressed and their advisers.

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No representation or warranty, express or implied, is or will be given by the Company, the Authority, the PPP Committee, the Government, the Oversight Board or their respective agents, representatives, directors, officers, employees, advisers, counsel and consultants or any other person as to the accuracy, completeness or fairness of this Confidential Memorandum and no responsibility or liability whatsoever is accepted for the accuracy or sufficiency thereof or for any errors, omissions or misstatements, negligent or otherwise, relating thereto. Only those particular representations and warranties made by the Company in a definitive public-private partnership agreement, when and if one is executed and subject to such limitations and restrictions as may be specified in such agreement, shall have any legal effect.

This Confidential Memorandum includes certain statements, estimates, targets and projections provided by the Company with respect to the past, present and anticipated future performance of the Company. Such statements, estimates, targets and projections reflect significant assumptions and subjective judgments by the Company's management concerning past, present and anticipated results. These assumptions and judgments may or may not prove to be correct and there can be no assurance that any estimates, targets or projections are attainable or will be realized. None of the Company, the Authority, the PPP Committee, the Government, the Oversight Board or any of their respective directors, officers, partners, employees, advisers, counsel or consultants, or any other person, assumes responsibility for verifying any such statements, estimates, targets and projections. None of the Company, the Authority, the PPP Committee, the Government, the Oversight Board or any of their respective directors, officers, partners, employees, advisers, counsel or consultants, or any other person, shall be liable for any direct, indirect or consequential loss or damages suffered by any person as a result of relying on any statement in or omission from this Confidential Memorandum and any such liability is expressly disclaimed. In all cases, interested parties should conduct their own investigation and analysis of the Company, the Transaction and the information contained in this Confidential Memorandum.

Except where otherwise indicated, this Confidential Memorandum speaks as of the date hereof. Neither the delivery of this Confidential Memorandum nor the consummation of the Transaction shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof. In furnishing this Confidential Memorandum, none of the Company, the Authority, the PPP Committee, the Government, the Oversight Board or their advisors undertakes any obligation to update any of the information contained herein or to correct any inaccuracies which may become apparent.

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This Confidential Memorandum does not constitute an offer or invitation for the sale or purchase of the securities, assets or business described herein or any form of commitment or recommendation on the part of the Company, the Authority, the PPP Committee, the Government, the Oversight Board or their advisors.

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Management Presentation Agenda (new)

Topic	Presenter(s)
0. Opening Remarks	***Fermín Fontanés*** Executive Director of Puerto Rico Public-Private Partnerships Authority ("P3A")
1. Opportunity Overview and Title III Update	***Fermín Fontanés; Omar Marrero*** Executive Director of P3A; Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF")
2. PREPA Overview and Energy Sector Transformation	***Efran Paredes*** Executive Director, PREPA
3. Integrated Resource Plan	***Alfonso Baretty*** Director of Planning and Environmental Protection, PREPA
4. Legacy Assets Overview – Baseload Facilities	***Fernando Padilla; William Rios Mera*** Deputy Executive Director of Operations, PREPA; Director of Generation Directorate (acting), PREPA
4. Legacy Assets Overview – Peaking Units	***William Rios Mera*** Director of Generation Directorate (acting), PREPA
5. Fuel Management	***Delis Zambrana; Edwin Barbosa; Dennis Zabala*** Senior Program Manager, PREPA; Fuel Office Administrator, PREPA; Principal Advisor, Sargent & Lundy
6. Financial Projections	***Fernando Padilla*** Deputy Executive Director of Operations, PREPA
7. Environmental Considerations	***Luisette Rios; Alfonso Baretty*** Head of Environmental Protection and Quality Assurance, PREPA; Director of Planning and Environmental Protection, PREPA
8. Safety	***Shehaly Rosado*** Head of Occupational Safety, PREPA
9. Human Resources	***Nydza Irizarry Algarin*** Director of Human Resources and Labor Affairs, PREPA

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1. Opportunity Overview and Title III Update

Fermín Fontanés – Executive Director of P3A
Omar Marrero – Executive Director of AAFAF

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Exhibit 2

Opportunity to Operate & Maintain Legacy Generation

Seeking a private party to manage, operate, maintain and decommission the base-load generation plants and gas turbine peaking plants through a public-private partnership (a "PPP").

Overview of the O&M Agreement ("OMA")

Assets	• PREPA's Legacy Generation Assets have a total nameplate capacity of 3,739 MW[1]; some of these units are currently undergoing repairs. An additional 1,984 MW are considered Out-of-Service Units (per the OMA) and are being primed for decommissioning.
Structure	• Under the OMA, PREPA will retain ownership of and title to the Assets and the Private Partner will manage, operate, maintain and eventually decommission the Legacy Generation Assets.
Counterparty	• PREPA, as owner, and the P3A will be signatories to the OMA. The T&D operator, LUMA Energy, will be responsible for collecting PREPA's retail revenues and paying the Operator's costs to operate and maintain, including the cost of fuel, on a monthly basis, and to eventually decommission the Legacy Generation Assets.
Term	• The initial contract term will be 10 years, subject to renewal. The total term will be tied to the remaining useful lives of the applicable Legacy Generation Assets as defined in the IRP or to a determination that the assets are no longer needed to meet PREPA's required load.
Contract Structure	• The OMA provides for recovery of non-fuel O&M costs or decommissioning costs, subject to a monthly budget cap, and for recovery of actual fuel costs on a monthly basis. • Compensation will also include (i) a fixed management fee and (ii) performance incentives/penalties, each of which will vary depending on whether plants are operational.
Fuel/Non-Fuel Costs	• A fuel account will be prefunded on day 1 of service commencement with two months of projected fuel expenses and on the 1st of each month thereafter. In addition, a non-fuel O&M account will be prefunded on the same day with two months of budgeted non-fuel O&M costs and then replenished each month thereafter.

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1. As of April 14, 2021.

Legacy Generation Request for Proposals Process Outline

RFP Process Overview

- Parties that have been advanced to the RFP stage of the procurement process ("Qualified Respondents") are invited to submit proposals to manage, operate, maintain, asset manage and decommission the Legacy Generation Assets
- At the conclusion of the RFP process, the Authority and PREPA expect to enter into the O&M Agreement with the selected Proponent (as defined below)
- The RFP process allows Qualified Respondents who intend to submit RFP proposals (the "Proponents") the opportunity to thoroughly diligence PREPA's Legacy Generation Assets through the following:

Key RFP Process Milestones

Note: Timeline and key RFP milestones are for illustrative purposes only and are subject to modification

November 10, 2020:
Launch RFP & Data Room Access

March 10, 2021:
Distribute Initial Draft O&M Agreement to Proponents

April 14, 2021:
Receive Proponent Comments to Draft O&M Agreement

Mid/late June 2021:
Distribute Revised Daft O&M Agreement

July/August 2021:
Site visits
Live Q&A

Q3 2021:
Proponent Presentation of Binding Proposal to P3 Presentation Committee

Q3/Q4 2021:
Notification of Selected Proponent

Discuss comments to draft O&M Agreement with Proponents

Negotiate with Proponents to finalize form of PPP contract

Virtual Management Presentations

Q4 2020 – Q2 2021: Due diligence and Q&A

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Key Legislation and Policy Basis for the Transformation Process

Federal and local stakeholders have passed key legislation that forms the basis for the transformation process.

Stakeholders	Key Legislation	Overview
Enacted by the Government of Puerto Rico	**Public-Private Partnership Act** *(Act No. 29-2009)*	• The Public-Private Partnership Act of 2009 (as amended, "Act 29"), established the Puerto Rico Public-Private Partnerships Authority to promote collaboration between the public and private sector on capital projects that are critical to the people of Puerto Rico • Act 29 established a clear legal framework for the process of creating a public-private partnership and the ultimate selection of a private partner
	Puerto Rico Electric System Transformation Act *(Act No. 120-2018)*	• Act No. 120-2018 (as amended, "Act 120") authorized the required legal framework for the transformation of PREPA via a series of Public-Private Partnerships – Public-Private Partnerships are to be made in accordance with the framework set forth in the Public-Private Partnership Act of 2009 • Act 120 allows for the sale of assets related to generation and the transfer or delegation of any of PREPA's operations, functions or services
	Energy Public Policy Act *(Act No. 17-2019)*	• Act No. 17-2019 ("Act 17") established a new energy public policy and a regulatory framework for Puerto Rico's energy sector • Act 17 requires planning for greater resilience through the establishment of micro-grids, distributed and renewable generation and underground distribution lines
Enacted by the U.S. Congress	**PROMESA** (Including Title III)	• Recognizing the delicate fiscal condition of Puerto Rico, the U.S. Congress enacted the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA") on June 30, 2016 • PROMESA provides a series of mechanisms to achieve fiscal and budgetary balance and restore access to the capital markets • PROMESA established the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), which is tasked with working with the Government to create the necessary foundation for economic growth

Exhibit 2

Source: Puerto Rico Oversight, Management and Economic Stability Act (Public Law 114-187); Puerto Rico Act No. 29-2009, as amended; Puerto Rico Act No. 120-2018, as amended; Puerto Rico Act No. 17-2009, as amended.

Generation Transaction Structure

The organizational structures depicted below reflect the intended outcome of a reorganization of PREPA's operations as currently envisioned.

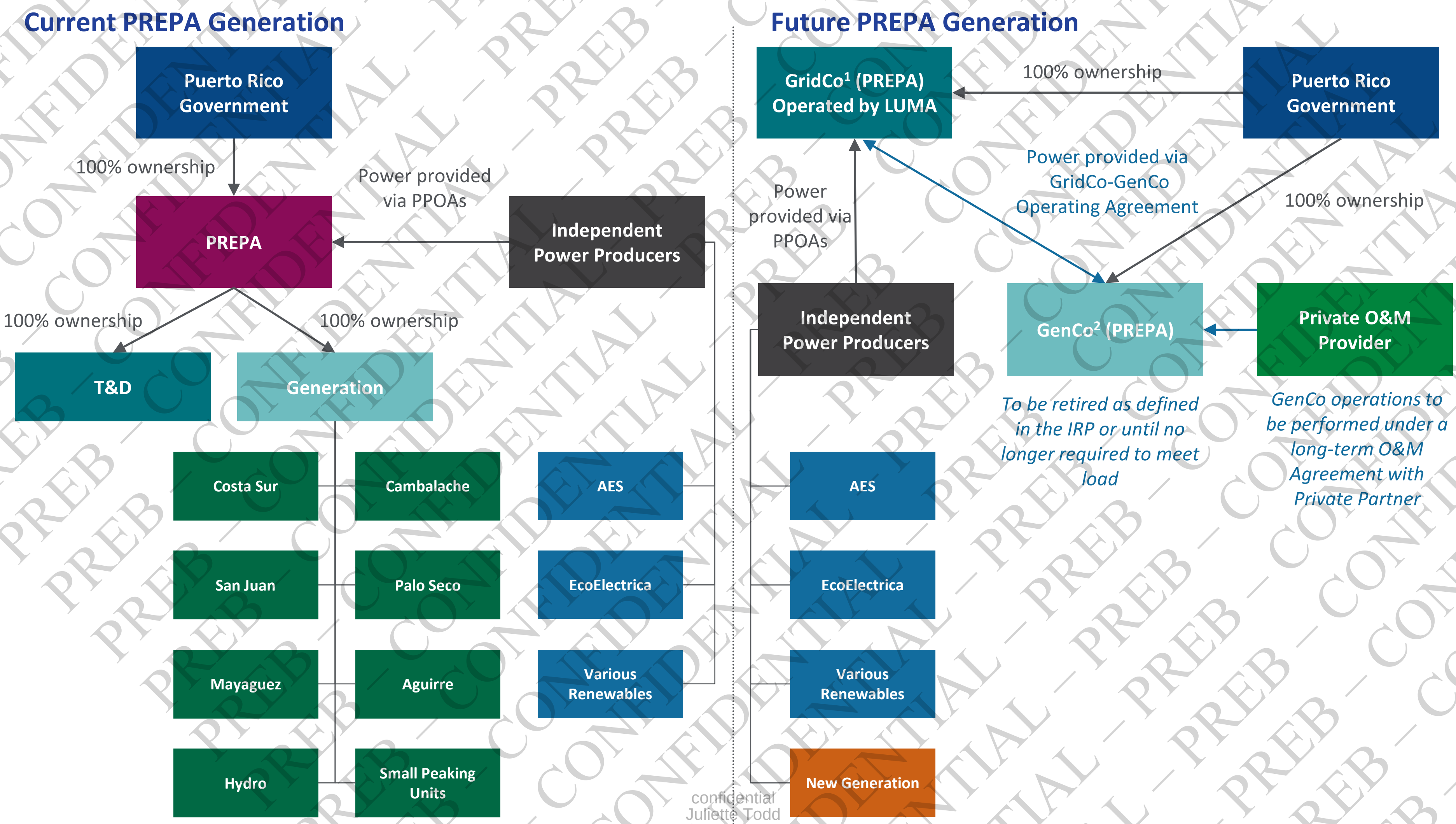

Exhibit 2

Note: GridCo would prefund and provide funds on an ongoing basis to pay GenCo's fuel and non-fuel expenses, including the costs of the Legacy Generation Assets' Operator.
1. GridCo refers to PREPA, in its capacity as owner of the T&D assets.
2. GenCo refers to the wholly-owned subsidiary of PREPA who would obtain ownership of the Legacy Generation Assets after a potential reorganization of PREPA.

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Title III Process Overview

The Title III Process enabled by PROMESA provides PREPA a framework to restructure its debt.

Title III Process Overview

- **PROMESA** provides a method for the **restructuring of debt issued** by Puerto Rico and its instrumentalities: a court-supervised process under Title III is akin to proceedings under Chapter 9 of the Bankruptcy Code
- Commencement of a Title III case requires the **Oversight Board to certify that the entity has satisfied certain criteria**, including that the entity made a good faith effort to reach a consensual restructuring prior to seeking relief under Title III
- Title III also **places the entity's restructuring efforts under the supervision of a federal court** (the "Title III Court")
- The restructuring of obligations is accomplished through a **"Plan of Adjustment"** or other applicable settlement vehicles
- A plan must satisfy a number of criteria for the Title III Court to "confirm" the plan
- Title III allows for **impairment of non-accepting creditors or classes of creditors** either through "cram down" of rejecting classes or imposing treatment on non-accepting members of accepting classes pursuant to requirements that are largely the same as the Bankruptcy Code

Steps Required in a Title III Process

1. The Oversight Board Certifies Restructuring of Territory or Instrumentality Compliant With PROMESA Sections 302 and 206
2. Oversight Board Files Title III Petition in Title III Court; Filing Imposes Automatic Stay of Actions Against Instrumentality
3. Oversight Board to Formulate and Propose Plan of Adjustment
4. Title III Court Approves of Disclosure Statement; Creditor Solicitation and Vote on Plan
5. Title III Court Confirms Plan of Adjustment; Effective Date, Discharge and Injunction

Characteristics of Title III Process

- Under PROMESA, the Oversight Board is the representative of the debtor in the Title III case
- Title III provides a forum which may implement consensual treatment or impose non-consensual treatment over creditor dissent through voting on cram-down
- Title III does not limit or impair the power of a covered territory to control, by legislation or otherwise, the territory or any territorial instrumentality thereof in the exercise of the political or governmental powers of the territory or territorial instrumentality, subject to the Oversight Board's powers under Titles I and II of PROMESA
- Provides for assumption or rejection of contracts and leases
- Restructuring and discharge will affect all impaired obligations as opposed to just financial obligations

The Plan of Adjustment

- The restructuring of obligations under Title III is accomplished through a "Plan of Adjustment"
- Only the Oversight Board, as Title III representative of the debtor, can file the Plan of Adjustment for PREPA
- The Title III Court can confirm the Plan of Adjustment if it satisfies key requirements including, but not limited to:
  - **Feasibility**: if the plan is approved, another near-term restructuring is unlikely
  - **Fiscal Plan**: plan is consistent with the certified Fiscal Plan
  - **Creditor Support**: the plan has the requisite creditor support or satisfies "cram down" requirements
- Confirmation of a Plan of Adjustment can discharge legacy obligations and provide for the transfer of assets free and clear of liens and claims

Exhibit 2

2. PREPA Overview and Energy Sector Transformation

Efran Paredes - Interim Executive Director, PREPA

Exhibit 2

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Overview of PREPA Service Territory

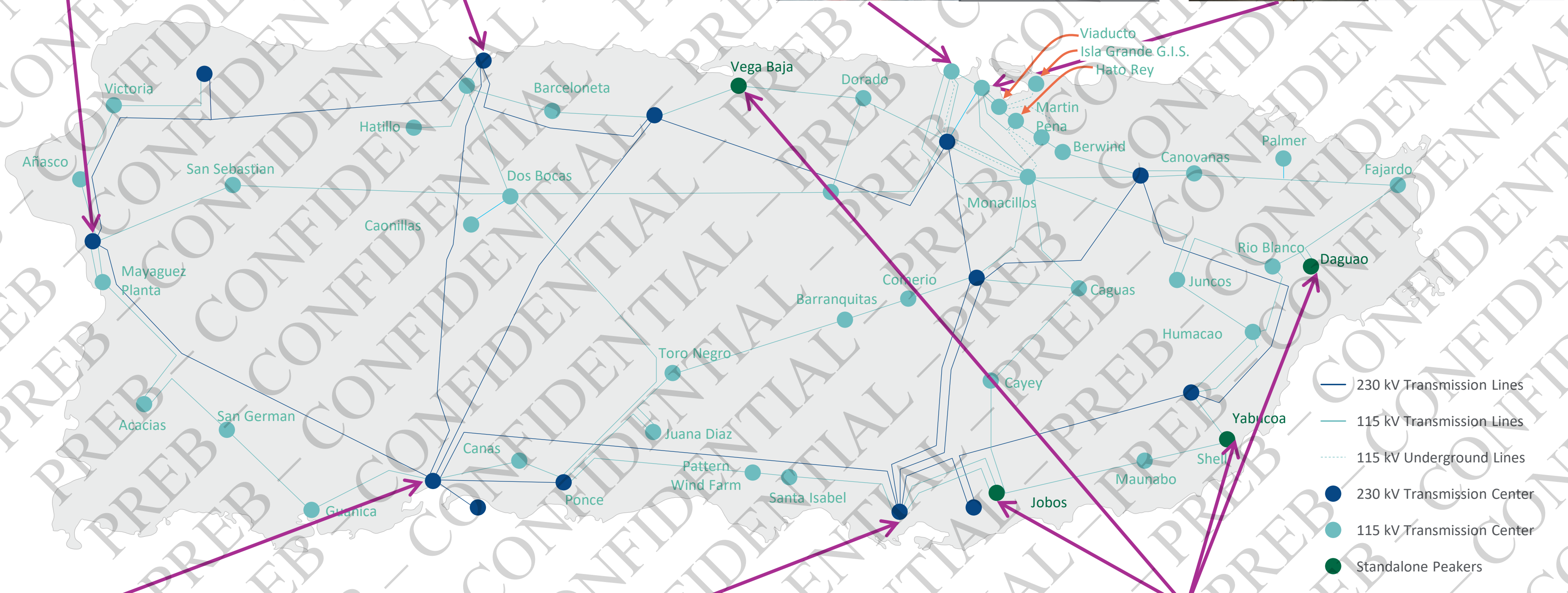
The majority of Puerto Rico's generation capacity is located in the southern region of the main island, with 230 kV and 115 kV transmission lines connecting the facilities to major load pockets in the northern region of the main island. The capacities below represent current installed capacities for units that are either currently in-service or will be returned to service.[1]

Facility	Mayaguez
Capacity	220 MW
Fuel	Diesel[2]
Tech.	CT[3]

Facility	Cambalache
Capacity	154 MW
Fuel	Diesel
Tech.	CT

Facility	Palo Seco
Capacity	522 MW
Fuel	Diesel / Fuel Oil[4]
Tech.	ST[5] / GT[6]

Facility	San Juan
Capacity	580 MW
Fuel	Diesel / Fuel Oil / Gas
Tech.	CCGT[7] / ST



Facility	Costa Sur
Capacity	841 MW
Fuel	Diesel / Fuel Oil / Gas
Tech.	ST / GT

Facility	Aguirre
Capacity	1,313 MW
Fuel	Diesel / Fuel Oil
Tech.	CCGT / ST / GT

Facility	Standalone Peakers
Capacity	97 MW
Fuel	Diesel
Tech.	GT

Note: Generation facilities listed do not include hydro facilities or third-party owned assets (i.e., EcoElectrica, AES and renewab[illegible] small emergency units also exist on Vieques and Culebra islands; capacity represented is nameplate rating for in-service units.

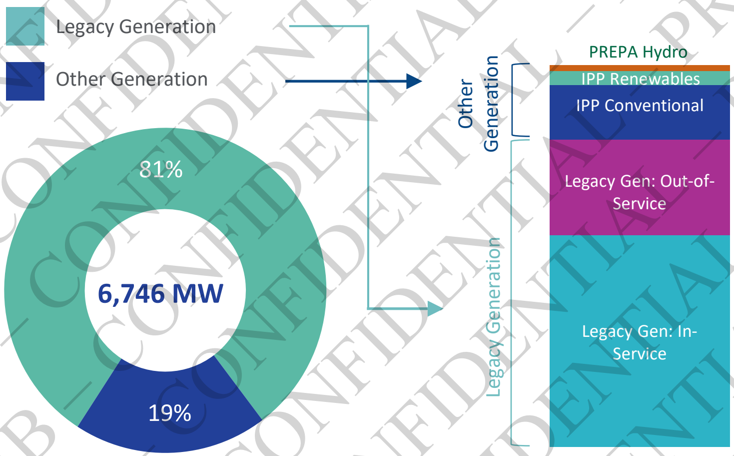
1. Based on data from April 14, 2021.
2. Diesel is also referred to as light distillate No. 2 fuel oil throughout.
3. Combustion Turbine ("CT").
4. Fuel oil is referred to as residual No. 6 fuel oil or bunker fuel throughout.
5. Steam Turbine ("ST").
6. Gas Turbine ("GT").
7. Combined Cycle Gas Turbine ("CCGT").

Legacy Generation Continues to be PR's Main Power Source

Legacy Generation Assets continue to be an integral and important part of Puerto Rico's power supply. Maintaining generation and reliability will support Puerto Rico as the island transitions power supply to meet its stated objectives.

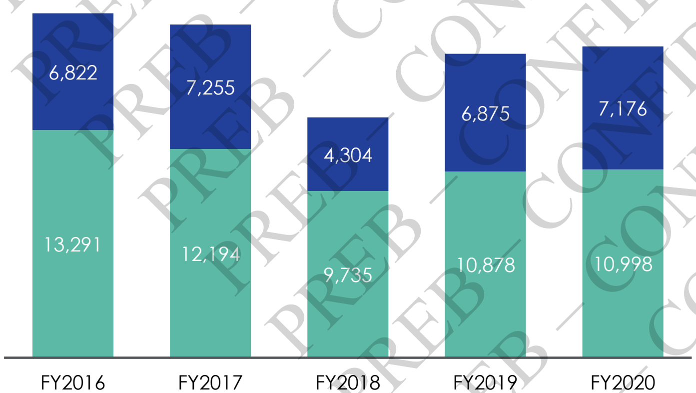
Composition of Generation Today[1]

(MW)



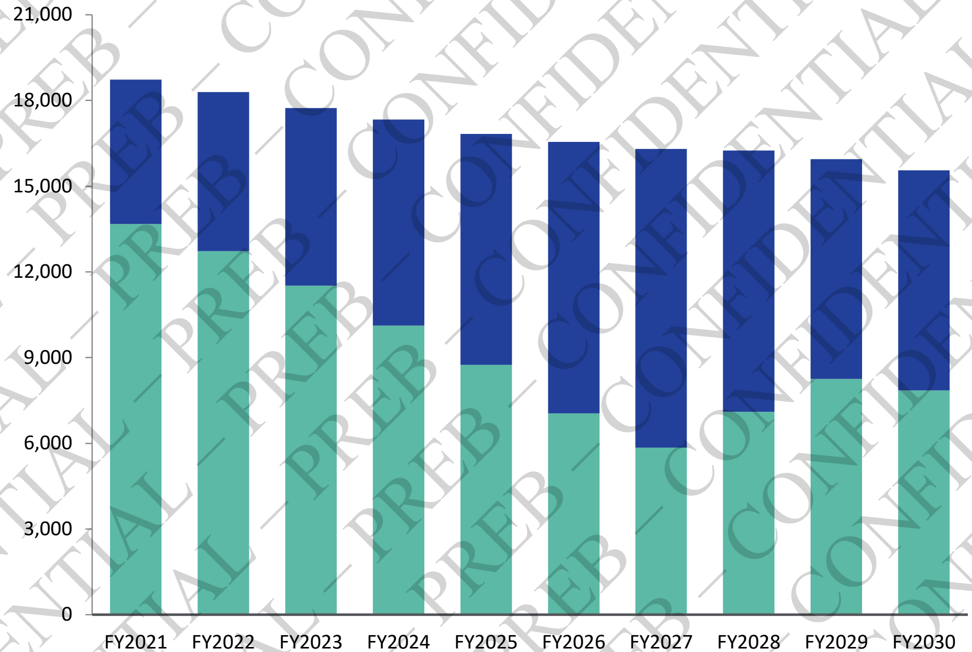
Historical Net Generation

(GWh)



Puerto Rico's Generation Composition

(GWh)



Legacy Generation Assets will continue to be a meaningful portion of Puerto Rico's power supply

Exhibit 2

Source: 2021 Fiscal Plan for the Puerto Rico Electric Power Authority, June 29, 2020.

1. Other Generation installed capacity includes renewables and IPP-owned facilities. Legacy Generation Assets installed capacity include both In-Service Units and Out-of-Service Units, which are being primed for decommissioning, as defined in the O&M Agreement.

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Legacy Generation Decommissioning Schedule and Scope

Decommissioning will be an important activity and responsibility of the Operator. The eventual decommissioning schedule will be developed in coordination with PREB, the Administrator and PREPA (below illustrative advisors' view).

Illustrative Decommissioning Schedule

Plant	Installed Capacity	Status	Retirement Schedule (Advisors' View)[1]
Cambalache Unit 1	82.5	Out-of-Service	TBD / Soon
San Juan Steam 10	100	Out-of-Service	TBD / Soon
Palo Seco Unit 1	85	Out-of-Service	TBD / Soon
Palo Seco Unit 2	85	Out-of-Service	TBD / Soon
Costa Sur Units 1-2	170	Out-of-Service	TBD / Soon
Costa Sur Units 3-4	170	Out-of-Service	TBD / Soon
San Juan Steam 1-4	400	Out-of-Service	TBD / Soon
San Juan Steam 9	100	In-Service	TBD
Aguirre Steam Unit 1	450	In-Service	2021
Costa Sur Units 6	410	In-Service	2021
Aguirre CC 1	296	In-Service	2022
Aguirre CC 2	296	Out-of-Service[2]	2022
San Juan Steam 8	100	In-Service	2022
Costa Sur Units 5	410	In-Service	2023
Palo Seco Unit 3	216	In-Service	2023
Aguirre Steam Unit 2	450	In-Service	2024
Palo Seco Unit 4	216	In-Service	2024
San Juan Steam 7	100	In-Service	2024
GT Peakers	390	Various	2025
San Juan CC 5-6	440	In-Service	2028
Cambalache Unit 2	82.5	In-Service	Post-2028
Cambalache Unit 3	82.5	In-Service	Post-2028
Mayaguez Units 1-4	220	In-Service	Post-2028
Palo Seco MobilePacs	81	In-Service	Post-2028

Out-of-Service units are those that are not expected to return to service and are to be decommissioned.

Process for Decommission Implementation

- Any decision to retire and decommission the generation plants will be subject to the direction and approval of PREB
- Upon a determination that a Legacy Generation Asset should be decommissioned, the Operator will create a Decommissioning Plan that will include a Decommissioning Budget and a decommissioning timeline
  - **Decommissioning Plan** will be based on decommissioning standards set by PREB, and will be subject to the approval of PREB and the Administrator (in consultation with the Operator)
  - **Decommissioning Budget** will consist of the Decommissioning Service Fee (fixed fee and maximum possible incentive payment) and the estimated Pass-Through Expenditures related to decommissioning
  - The O&M Budget will be adjusted down to reflect that the Legacy Generation Asset will no longer be in operation

Decommissioning Objectives

- ✓ Safe, Efficient & Expedient Decommissioning
- ✓ Conducted in close coordination with PREB, the Administrator and PREPA
- ✓ Minimized Environmental Impacts

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Source: S3S2 Base with Exhibit 2 from PREPA response to Energy Bureau-PREPA ROI 10-5, Table 4, "Retirements All Scenarios", January 22, 2020. Adjusted for non-decommissions as of March 31, 2021.

1. Final retirement / decommissioning schedule must build in time and restrictions associated with permitting new or modified units under the New Source Review permitting program.
2. Aguirre CC2 Steam Unit is considered Out-of-Service but the gas turbines associated with CC2 are still able to operate in simple cycle mode.

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Energy Sector Transformation – Current and Future State

Current state

PREB

Energy Sector

Private Generation
- AES
- EcoElectrica
- Renewables

PREPA

Vertically-Integrated Public Utility

Future state

PREB

Energy Sector

Private Generation
- AES
- EcoElectrica
- Renewables
- New Generation

Legacy Generation: GenCo Operated by Private Party

GridCo Operated by LUMA Energy

Roles

Puerto Rico Energy Bureau ("PREB" or "Energy Bureau")
- Approve rates, IRP and capital planning
- Power purchase agreement review and oversight of companies in the energy sector
- Energy policy implementation

The Authority
- Oversee the development, evaluation, negotiation, selection and future monitoring of private operator contracts

GenCo[1]
- Manage, operate, maintain, repair and decommission the Legacy Generation Assets
- Fuel management, procurement and logistics
- Identify required maintenance expenditures
- Prepare annual O&M Budgets and manage payment of expenditures
- Provide routine inspections and annual testing
- Manage scheduled and unscheduled outages
- Recipient of shared services under the Shared Services Agreement ("SSA")
- Interface and provide reports to regulators

GridCo[2]
- Manage, operate, maintain and repair the T&D assets and system
- Control center operations, generation scheduling and economic system dispatch
- Power procurement, integration of renewable generation and distributed energy resources
- Prepare annual O&M Budgets and manage payment of expenditures
- End-customer metering, billing, collections service, support and new service interconnection
- Outage management, restoration, coordination of emergency planning and storm recovery
- Delivery of grid capital expenditures and deployment of federal funding across system
- Provision of shared services under the SSA
- Collection of the revenues to pay GenCo O&M operator for costs to run Legacy Generation Assets, including fuel

Exhibit 2

1. GenCo refers to the wholly-owned subsidiary of PREPA who would obtain ownership of the Legacy Generation Assets after a potential reorganization of PREPA.
2. GridCo refers to PREPA, in its capacity as owner of the T&D assets.

GridCo Operator – LUMA Energy

ATCO	QUANTA SERVICES, INC.	IEM
Decades of operational excellence managing several world-class utilities that deliver safe and reliable energy to millions of customers	Industry leading technical experience in building sustainable infrastructure and best-in-class craft skilled workforce training	Expert and transparent management of federal funds
• Diversified global holding corporation with approximately 6,000 employees • Customer service excellence and innovative business solutions across several platforms, including electricity, natural gas, energy storage, industrial water, modular structures, site support services, transportation (ports and logistics) and commercial real estate • Provision of products and services in more than 100 countries around the globe for more than 70 years • Impeccable customer service rating	• Leading infrastructure solutions provider for the electric power, pipeline, industrial and communications sectors in North America • More than 40,000 employees • Fourth largest private fleet of equipment in North America, behind leading companies such as Walmart and PepsiCo • Leader in the areas of safety and training for its craft-skilled workforce – self performing more than 85% of its work to collaborate with customers to provide cost certainty and safe execution • Extensive experience responding to natural disasters across North America	• Subcontracted by LUMA to administer federal funding • More than 35 years of experience helping the public and private sectors enhance preparedness, mitigate risks and effectively respond to and recover from disasters • Excels in the effective management of recovery program funds, which will enable LUMA to act efficiently and effectively in rebuilding and modernizing Puerto Rico's grid • Ability to position LUMA to provide critical emergency management and crisis response support, should a future disaster occur

Exhibit 2

Source: Partnership Committee Report – Puerto Rico Public-Private Partnership for the Electric Power Transmission and Distribution System – May 15, 2020.

3. Integrated Resource Plan

Alfonso Baretty - Director of Planning and Environmental Protection, PREPA

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Exhibit 2

IRP Process: Update

- On August 24, 2020, the PREB issued a Final Resolution and Order (the "Final Order") on the IRP process, concluding a multi-year planning process
- The IRP, developed by PREPA, focuses on the development of the electric power system in Puerto Rico over the next 20 years, with improvements in reliability, efficiency, transparency and carbon emissions
- The IRP involves a detailed assessment of many possible scenarios, which consider the most current information on the electric power system, such as generation and demand resources, current investments in electric technology and existing T&D facilities

March 15, 2018:
PREB initiated a proceeding for the filing of an updated IRP

February 13, 2019:
PREPA filed its Initial 2018 – 2019 IRP

March 14, 2019:
PREB issued a resolution and order on the completeness of PREPA's IRP filing and determined that PREPA's proposed IRP was not in compliance with Regulation 9021 and prior PREB orders

June 7, 2019:
PREPA filed its updated IRP

June 14 – July 3, 2019:
PREPA made filings to comply with PREB's order

July 3, 2019:
PREB determined that the Proposed IRP Filing complied with the requirements of Regulation 9021 and determined that it was necessary to move to Phase 2 of the IRP approval process; discovery process started

August – September 2019:
PREB held technical hearings

February 2020:
PREB held an Evidentiary Hearing and also held five public hearings

March 6, 2020:
Legal briefs submitted

April 20, 2020:
Reply briefs filed

August 24, 2020:
PREB issued Final Resolution and Order

Exhibit 2

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Source: Case No.: CEPR-AP-2018-0001 - Final Resolution and Order on the Puerto Rico Electric Power Authority's Integrated Resource Plan.

IRP Compliance Work Streams

The following IRP compliance work streams will be completed in the upcoming months and may impact the IRP retirement and capacity additions schedule

Renewable Energy RFP (up to 3,500 MW of solar / 1,500MW Battery Energy Storage System ("BESS"))

- Currently 1st tranche - 1,000 MW solar / 500 MW BESS

Hydro study – due June 30th, 2021

- Feasibility study of refurbishing each facility, including expected cost and likely change in electricity production

Retirement of Thermal Resources – due May 16th, 2021

- File status report (every six-months) that provide near-term forecast (two years forward of reporting date) of PREPA's expected capacity resource balance and its ability to meet peak demand and operating reserve requirements

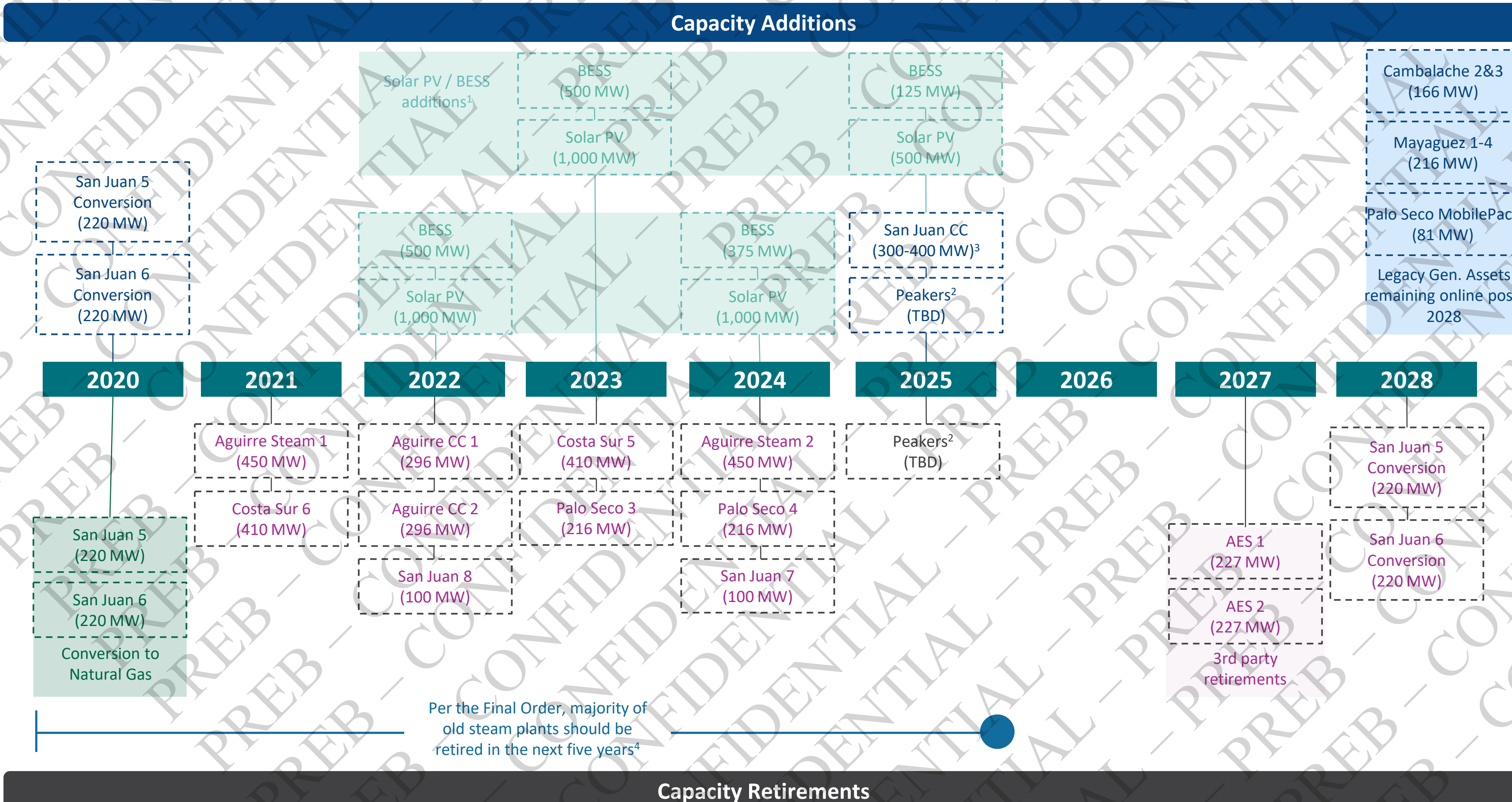
Optimization Procedure (T&D investments)

- PREB will consider T&D needs associated with an optimized MiniGrid concept

Exhibit 2

Potential Generation Transition Road Map

The Final Order established some rules around retirements and additions of assets. Ultimately, the retirement schedule will be dependent on achieving specific reliability milestones such as new peaking capacity, demand response ("DR") resources and peak load reduction through energy efficiency ("EE"). An estimated retirement schedule, based off the S3S2B IRP scenario, is presented below.



Source: Case No.: CEPR-AP-2018-0001 - Final Resolution and Order on the Puerto Rico Electric Power Authority's Integrated Resource Plan.

1. Based on RFP target release date.
2. PREPA to establish a retirement schedule for the worst-performing of the 18 peaker units and file this as part of the bi-annual status reports for retirement of oil-fired steam and CC units.
3. A new dual-fuel CC plant at San Juan is currently undergoing preliminary economic, siting, permitting, and planning analysis as per the Final Order.
4. IRP retirement will also take into consideration environmental compliance, including restrictions required for sulfur dioxide state implementation plan, as well as permitting considerations

4. Legacy Generation Assets Overview

Fernando Padilla - Deputy Executive Director of Operations, PREPA
William Rios Mera - Director of Generation Directorate (acting), PREPA

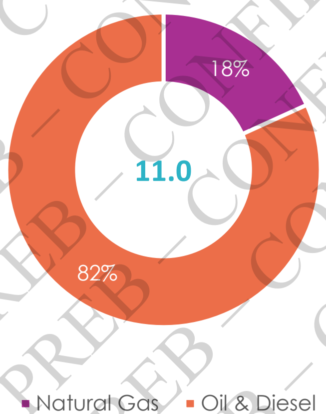
Exhibit 2

Legacy Generation Assets Overview

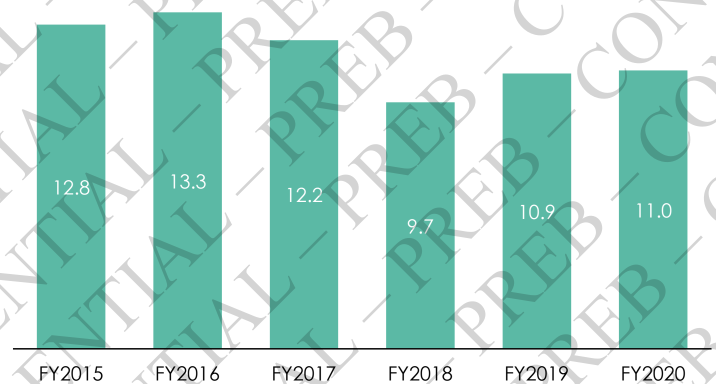
The Legacy Generation Assets comprise base-load generation plants and peaking plants.

- The Legacy Generation Assets, which are located on 10 separate sites across the island (plus two emergency island units), have a total nameplate capacity rating of approximately **3,739 MW**.[1] Additional Out-of-Service Units[2] comprise a total of **1,694 MW** which will not be returned to service and are primed for decommissioning. Among the **3,739 MW** of installed capacity, several units are undergoing short and long-term repairs, but are expected to return to service in the future.
- At large generation complexes there are some black start combustion turbines that also serve as peaking units
- The Legacy Generation Assets are dependent on natural gas, diesel and number 6 fuel oil
- The Legacy Generation Assets have historically been vulnerable to transformer failures, voltage and frequency fluctuations and transmission line outages, experiencing above industry average equivalent forced outage rates, primarily as a result of poor equipment conditions due to the age of the units

FY 2020 Legacy Asset Net Generation Mix
(TWh)



Legacy Asset Net Generation[3]
(TWh)



Note: Reflects fiscal years.

Exhibit 2

1. As of April 14, 2021.
2. See OMA contract for more information on the services required for each of the in-service and out-of-service units.
3. FY 2020 reflects the period from July 2019 through June 2020 and equivalent for previous years.

PREPA Organizational Summary

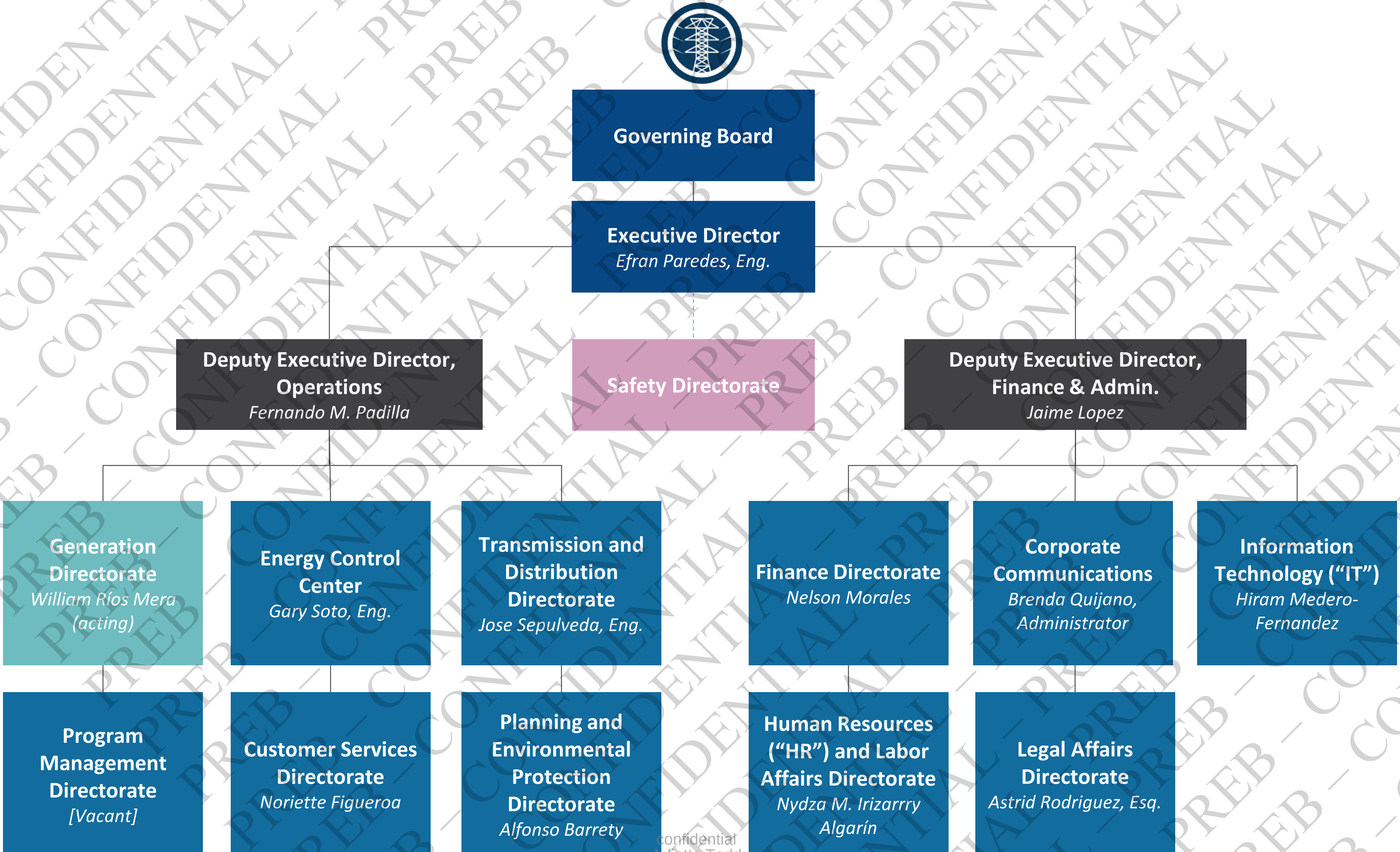


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Exhibit 2

Organization of the Generation Directorate Structure

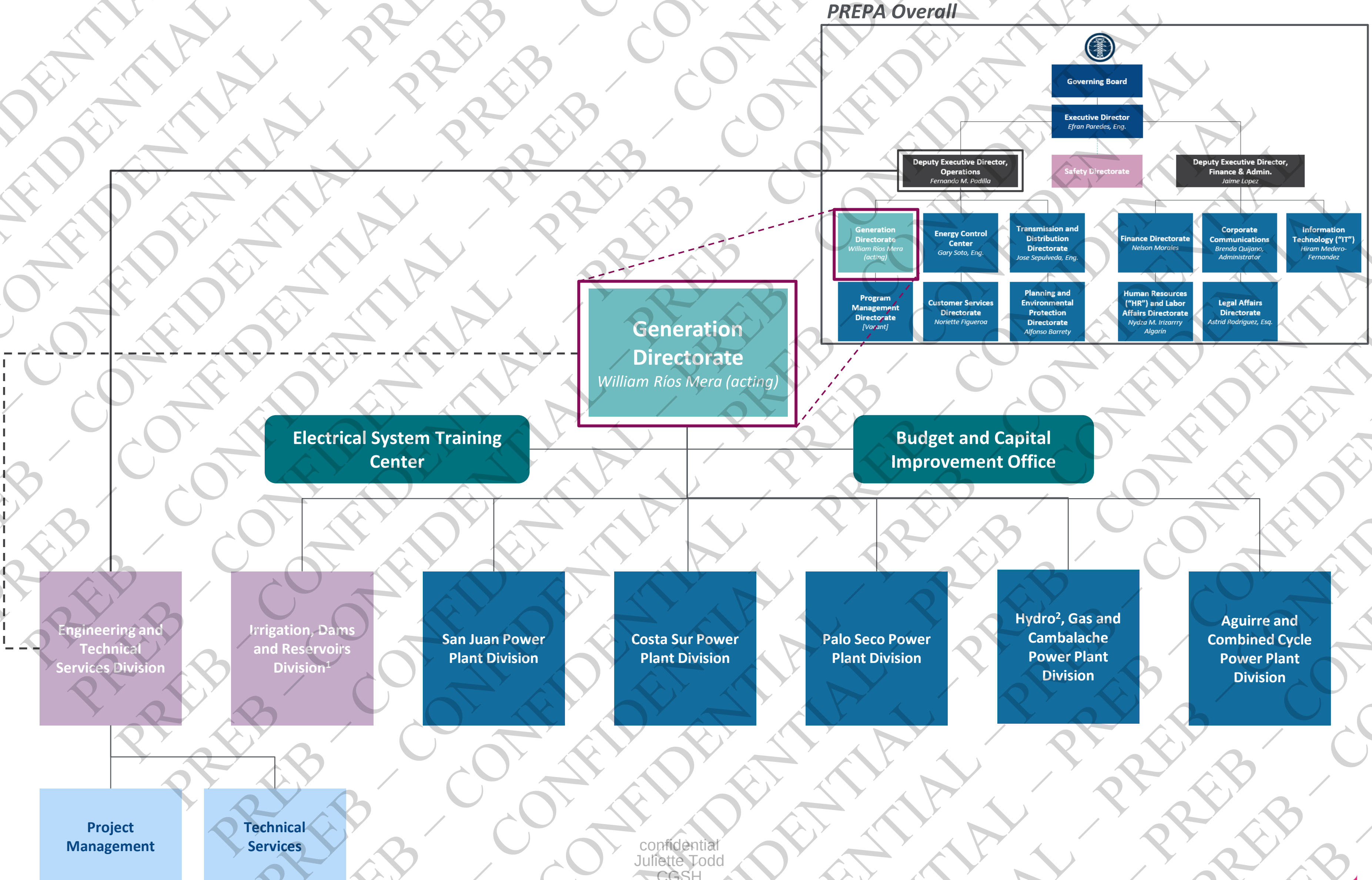

Exhibit 2

1. Irrigation, Dams and Reservoirs Division will not be managed by the Private Party.
2. Hydro plants will not be managed by the Private Party.

Legacy Generation Asset Operational Status

Plant	Installed Capacity (MW)	Short Term Outage + Available Capacity	Out-of-Service Units	Fuel	Initial Operation	FY 2020 Capacity Factor	Operational Classification	Additional Notes on Plant Condition
Aguirre Steam Unit 1	450	450		Heavy Fuel Oil (No. 6)	1971	57%	Base-load	This unit is temporarily operating at 300MW from low condenser vacuum due to Sargasso but will be available for full load in Q2 2021. Unit subject to Mercury and Air Toxics Standards ("MATS").
Aguirre Steam Unit 2	450	450		Heavy Fuel Oil (No. 6)	1972	8%	Base-load	Unit is temporarily operating at 300MW. The limitation is due to boiler air in leakage and feedwater heater 7 out of service. Unit subject to MATS.
Aguirre GT Units	42	21	GT Unit 1	Diesel (No. 2)	1972	3%	Peaker	Unit 2 short-term outage, expected to be online Q2 2021. Unit 1 out of service since Q1 2019, will not return to service.
Aguirre CC 1 – Steam	96			Diesel (No. 2)	1977	28%	Base-load	Unit on outage due to condenser tube leaks, return to service TBD.
Aguirre CC 1 – Gas	200	192		Diesel (No. 2)	1977	36%	Base-load	All units fully operational.
Aguirre CC 2 – Steam	96		Steam Unit	Diesel (No. 2)	1977	0%	Base-load	Out of service since Q2 2017. Likely will not return to service.
Aguirre CC 2 – Gas	200	200		Diesel (No. 2)	1977	18%	Base-load	GT 2-1(50 MW) and GT 2-2 (50 MW) are undergoing scheduled maintenance, expected to return to service.
Cambalache Units 1-3	247.5	154	Unit 1	Diesel (No. 2)	1997	13%	Peaker	Units 2 and 3 are operational. Unit 1 out of service since Q3 2011 and is not expected to return to service.
Costa Sur Units 1-2	170			Heavy Fuel Oil (No. 6)	1962	0%	Base-load	Unit 1 and 2 are long term out of service.
Costa Sur Units 3-4	170			Heavy Fuel Oil (No. 6)	1962	0%	Base-load	Unit 3 and 4 out of service since Q3 2016, decommissioning pending. Both units are limited due to MATS
Costa Sur Units 5	410	410		LNG / Heavy Fuel Oil	1972	29%	Base-load	Unit 5 derated due to hydrogen cooler issue, expected repair by Q2 2021. Unit subject to MATS.
Costa Sur Units 6	410	410		Diesel (No. 2)	1972	0%	Base-load	Returned to service on February 12, 2021; fully operational. Unit subject to MATS.
Costa Sur GT Units	42	21	Unit 2	Diesel (No. 2)	1972	11%	Peaker	Unit 1 out of service since Q3 2017, currently undergoing repairs, expected to return to service Q2 2021. Unit 2 long term outage since Q4 2015.,
Mayaguez Units 1-4	220	220		Diesel (No. 2)	2009	11%	Peaker	Unit 2 - 4 fully operational with 9 MW total degradation due to normal operations. Unit 1 return to service is TBD.
Palo Seco Units 1-2	170		All	Heavy Fuel Oil (No. 6)	1959	18%	Base-load	Both units are reported to be on long term outage, Units are also limited due to MATS.

Note: (1) Plant available capacity and status information are as of April 14, 2021. Additional details on return to service dates and operational status to be provided during diligence Q&A period. (2) Status of units may change due to restrictions or retirements that may be required due to ongoing sulfur dioxide attainment planning process and development of the state implementation plan. Palo Seco, San Juan, and Aguirre are all in non-attainment areas, and these units are all potentially subject to restrictions or retirement as a part of the state implementation plan. These units may also be required to switch to lower sulfur fuels (both boilers and combustion turbines). (3) A unit that has been out of service for a significant period of time should be evaluated to determine if regulatory or permitting restrictions apply if intended to return to service.

Legacy Generation Asset Operational Status

Plant	Installed Capacity (MW)	Short Term Outage + Available Capacity	Out-of-Service Units	Fuel	Initial Operation	FY 2020 Capacity Factor	Operational Classification	Additional Notes on Plant Condition
Palo Seco Units 3-4	432	381		Heavy Fuel Oil (No. 6)	1967	45%	Base-load	Unit 3 undergoing environmental & condenser maintenance, expected to return to service Q2, 2021. Limitations are due to boiler air in leakages that can be corrected during the major outages. Units subject to MATS.
Palo Seco CT Units	126	60	Units 2-2, 3-1 and 3-2	Diesel (No. 2)	1972	23%	Peaker	Units 1-2 and 2-1 fully operational. Unit 1-1 expected to return to service Q2, 2021. Units 2-2, 3-1 and 3-2 will not be returned to service, to be replaced by MobilePacs
Palo Seco MobilePacs	81	81		LNG / Diesel	2019	33%	Peaker	NOx injection controls must be operational, and permit must be obtained before these units can be operated. Operation of these units is subject to retirement of Palo Seco GT units.
San Juan Steam 1-4	400		All	n/a	n/a	n/a	Base-load	
San Juan CC Gas 5-6	320	280		LNG / Diesel	2008	55%	Base-load	Unit 6 derated to 150 MW. Unit 5 derated to 130 MW and on outage, expected return to service Q2, 2021.
San Juan CC Steam 5-6	120	90		LNG / Diesel	2008	41%	Base-load	Units 6 derated to 50 MW. Unit 5 derated to 40 MW and on outage, expected return to service Q2, 2021.
San Juan Steam 7-10	400	210	Unit 10	Heavy Fuel Oil (No. 6)	1964	22%	Base-load	All units out of service or derated. Unit 7 expected to return to 70 MW Q2, 2021, Unit 9 expected to return to 40 MW Q2, 2021. Unit 8 return to 100 MW Q2 2021. Unit 10 long term outage; will not return. Units all subject to MATS, and 7&8 are limited use.
Daguao GTs 1-2	42	34		Diesel (No. 2)	1972	11%	Peaker	Both units operational and derated, 1-1 at 18MW and 1-2 at 16MW.
Yabucoa GTs 1-2	42			Diesel (No. 2)	1971	7%	Peaker	Both units are out of service with return dates as TBD.
Jobos GTs 1-2	42	42		Diesel (No. 2)	1971	9%	Peaker	
Vega Baja GTs 1-2	42	21		Diesel (No. 2)	1971	4%	Peaker	Unit 1-1 operational. Unit 1-2 on outage with return to service date TBD.
Culebra 1-3	6	6		Diesel (No. 2)	2019	n/a	Emergency	
Vieques 1-2	6	6		Diesel (No. 2)	2019	n/a	Emergency	
Total	**5,433**	**3,739**						

Note: (1) Plant available capacity and status information are as of April 14, 2021. Additional details on return to service dates and operational status to be provided during diligence Q&A period. (2) Status of units may change due to restrictions or retirements that may be required due to ongoing sulfur dioxide attainment planning process and development of the state implementation plan. Palo Seco, San Juan, and Aguirre are all in non-attainment areas, and these units are all potentially subject to restrictions or retirement as a part of the state implementation plan. These units may also be required to switch to lower sulfur fuels (both boilers and combustion turbines). (3) A unit that has been out of service for a significant period of time should be evaluated to determine if regulatory or permitting restrictions apply if intended to return to service.

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Asset Descriptions

Baseload Facilities

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Exhibit 2

4a. Aguirre

Exhibit 2

Aguirre Aerial Site View

The CC units each have four vertical single-pressure HRSGs, one per GT. The steam turbine Units 1 & 2 are located outdoors on a common turbine deck with weather shelters for each turbine and generator. Two black start No. 2 fuel oil gas turbines, #21 and #22, are located near the thermal units. The capacity of the GT Peaker Units is lower than the required output to black-start a thermal unit – due to this limitation, one of the GTs black-starts a 50-MW CC GT, which, in turn, black-starts a thermal unit.

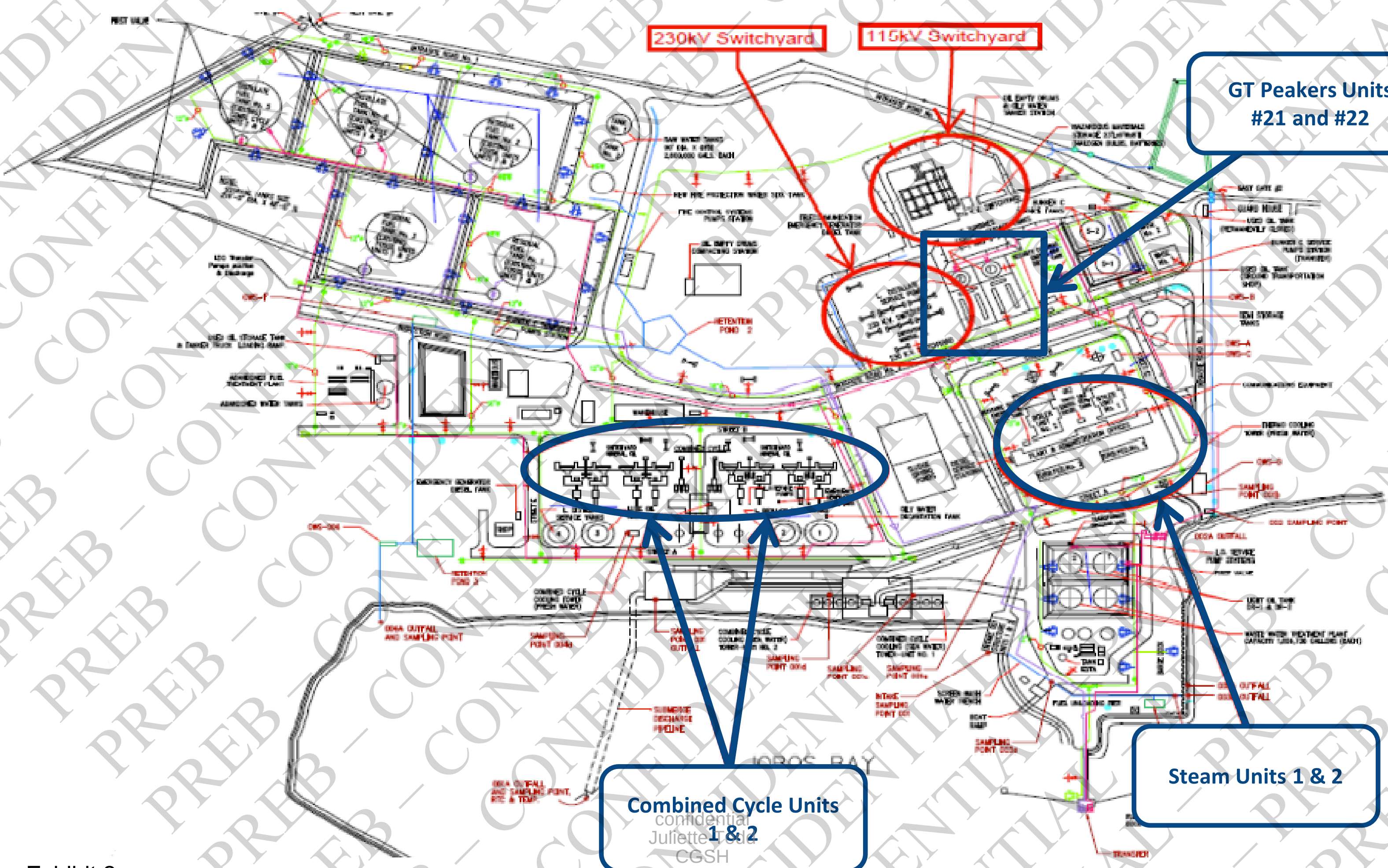

Exhibit 2

Aguirre Steam Electric Station

Facility Overview

Facility Overview	Location	Salinas, Ponce Region
	Water Source	Jobos Bay and five local wells
	Interconnection	Connected through a dedicated transformer to the 230-kV switchyard
	Plant Capacity	Nameplate: 450 MW (Unit 1) / 450 MW (Unit 2) Available + short-term outage: 450 MW (Unit 1) / 450 MW (Unit 2)
	COD	1971
	Technology	Oil-fired Steam Turbine
	Fuel/ Fuel Supplier	No. 6 Fuel Oil/ Freepoint Commodities (delivered to port via tankers and forwarded via pipeline)
	Control System	ABB S90 Turbotrol (Unit 1) / Alstom BlueLine (Unit 2) Separate control room from Aguirre CC
Operational Metrics	Availability[1]	71% (Unit 1) / 51% (Unit 2)
	Capacity Factor[1]	40% (Unit 1) / 24% (Unit 2)
	Minimum Load	200 MW (Unit 1) / 200 MW (Unit 2)
	Heat Rate[2]	Full Load: 9,600 Btu/kWh / 9,700 Btu/kWh Min Load: 9,940 Btu/kWh / 10,158 Btu/kWh
	Ramp Rates	5 MW per minute up / 5 MW per minute down
	Start-Up Times	Hot: 4 hours; Warm: 8 hours; Cold: 16 hours
Major Equipment	Steam Turbine	ABB
	Boiler	Combustion Engineering

Exhibit 2

Source: Independent Engineering Report, Aguirre Power Plant Complex, May 2019.

1. Reflects average value by unit for 2017 – 2019.
2. Heat rates reflect assumption based on historic operating experience.

Facility Photo

Facility Highlights

- Facility is comprised of Aguirre Steam Units 1 and 2, each of which are rated at 450 MW; is anticipated to remain operational in the near term for system reliability / standby purposes
- Facility was not in the direct path of recent hurricanes but did incur some damage; high priority repairs have been completed and lower priority repairs are ongoing; Unit 2-1 to be completed Q2 2021 and Unit 2-2 to be completed by 2021 hurricane season
- Units are subject to Particulate Matter emissions limits and HCl/HF acid gas emissions limits under the MATS, as well as work-practice standards for tune-ups and startup/shutdown
- Units must be taken out of service for environmental outage at least every 18 months due to 1999 Consent Decree with EPA/DOJ
- Units are located in a nonattainment area for the sulfur dioxide National Ambient Air Quality Standard ("NAAQS") and may be subject to restrictions, retirement or reductions in sulfur content, depending on results of sulfur dioxide state implementation plan

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Aguirre Steam: Major Maintenance and Future Plans

Recent and Ongoing Projects	**New Water Source**	PREPA is midway through a project to bring water from the PREPA-owned Patillas Lake to the Aguirre site. This alternate source is expected to reduce water treatment costs and provide a more stable supply compared to the wells currently utilized.
	Upgrading Pump Capacity	PREPA is in the process of upgrading the pump capacity and motor size to 2,200 hp to increase water flow and subsequently improve condenser vacuum.
	Turbine Control Upgrades	ABB's S90 Turbotrol turbine controls were installed in 2014 for the Unit 1 ST generator and in 2015 on the Unit 2 ST generator. The Unit 2 ST generator controls were upgraded in 2017 to the Alstom BlueLine version.
Future Projects	**No Projects Planned**	Unit 2 Generator rewind in May 2021. Unit 1 major inspection in December 2021 as recommended by the manufacturer.

Exhibit 2

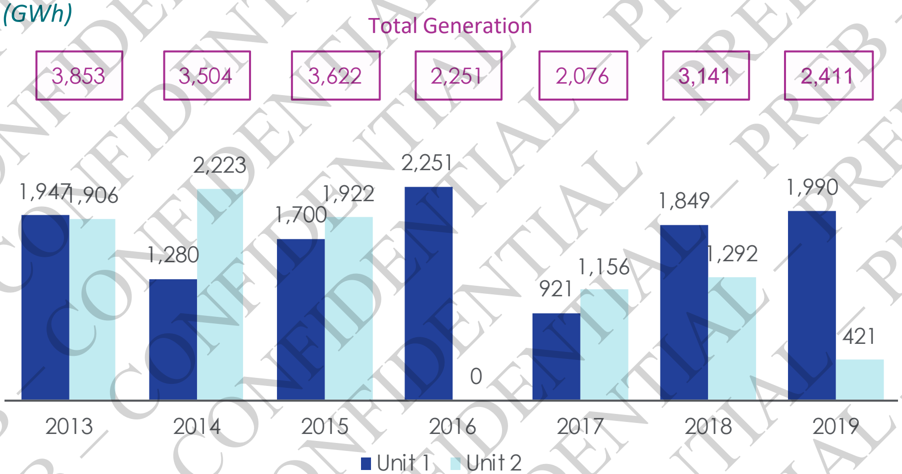
Source: Independent Engineering Report, Aguirre Power Plant Complex, May 2019.

Aguirre Steam: Historical Operating Summary

The Aguirre Steam plant is used for spinning reserve and other ancillary services such as frequency and voltage regulation.

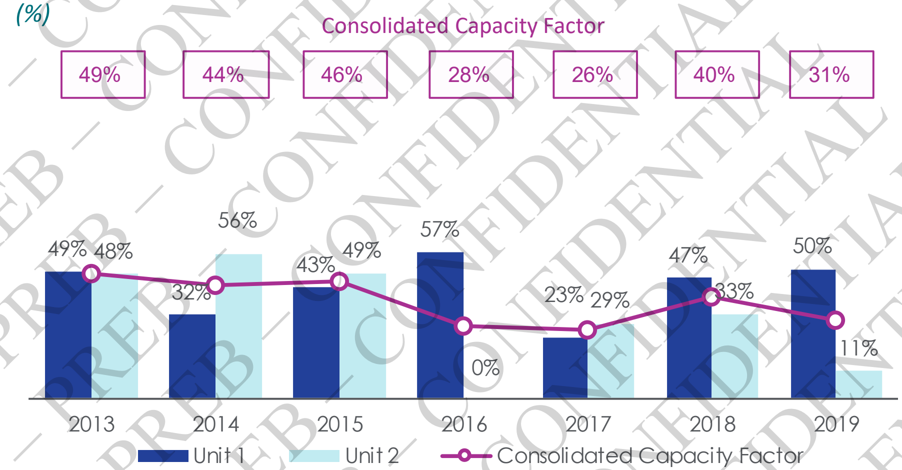
Net Generation

(GWh)



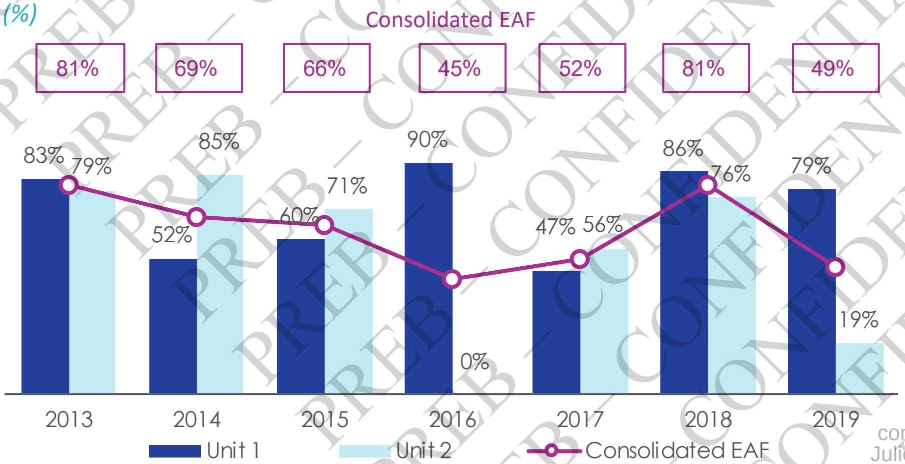
Capacity Factor

(%)



Equivalent Availability Factor

(%)



Equivalent Forced Outage Rate

(%)

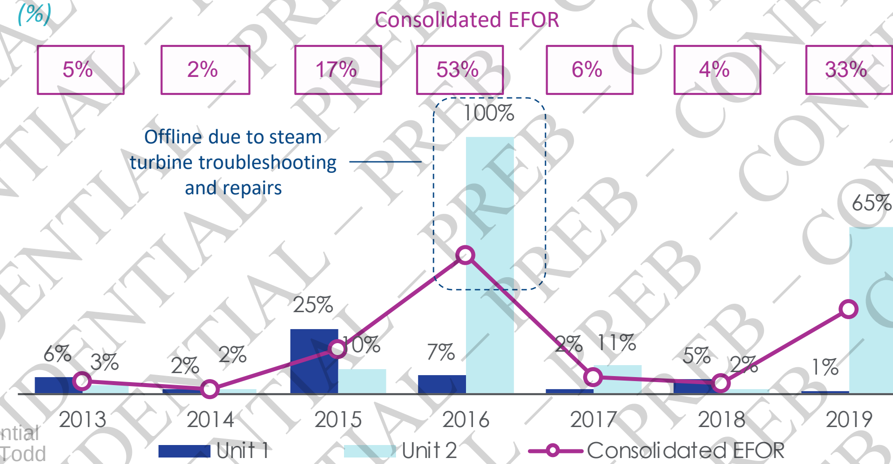


Exhibit 2

Note: Reflects calendar years. Consolidated averages are weighted by capacity. 2017 includes the impact of Hurricanes Irma and Maria.
Source: PREPA monthly operating reports.

Aguirre Combined Cycle

Facility Overview

Facility Overview	Location	Salinas, Ponce Region
	Water Source	Jobos Bay and five local wells
	Interconnection	The combined-cycle main power transformers step up the generator voltage to 230-kV
	Plant Capacity	Nameplate: 296 MW (Unit 1) / 296 MW (Unit 2) Available + short-term outage: 192MW (Unit 1) / 200 MW (Unit 2)
	COD	1975-76 (Unit 1) / 1975-76 (Unit 2)
	Technology	CCGT
	Fuel/ Fuel Supplier	Low-sulfur Fuel Oil No. 2/ Puma Energy (delivered to port via tankers and forwarded via pipeline)
	Control System	GE Mark VI-E; Separate control room from Aguirre Steam
Operational Metrics	Availability[1]	72% (Unit 1) / 37% (Unit 2)
	Capacity Factor[1]	11% (Unit 1) / 6% (Unit 2)
	Minimum Load	5 MW (Unit 1) / 5 MW (Unit 2) (gas turbines)
	Heat Rate[2]	Full Load: 11,140 Btu/kWh Min Load: 11,442 Btu/kWh
	Ramp Rates	5 MW per minute up / 5 MW per minute down
	Start-Up Times	15 minutes for each gas turbine
Major Equipment	Combustion Turbine	Original: General Electric 7B Current: General Electric 7EA (partial upgrade)
	Steam Turbine	General Electric
	HRSG	Originally General Electric, modified by Senior Engineering (1994 and 1995)

Exhibit 2

Source: Independent Engineering Report, Aguirre Power Plant Complex, May 2019.

Facility Photo

Facility Highlights

- Facility is comprised of Aguirre Units 1 and 2, which each operate in a 4x1 (GT x ST) Steam and Gas ("STAG")combined configuration
  - The steam turbine of Unit 2 has been out of service since Q2 2017
  - The gas turbines associated with Unit 2 are still able to operate in simple cycle mode
- Facility utilizes obsolete technology and is only used for grid support / standby generation capacity
- Units are located in a nonattainment area for the sulfur dioxide NAAQS and may be subject to restrictions or retirement or reductions in fuel sulfur content depending on results of sulfur dioxide state implementation plan

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1. Reflects average value by unit for 2017 – 2019.
2. Heat rates reflect assumption based on historic operating experience.

Aguirre CC: Major Maintenance and Future Plans

Recent and Ongoing Projects	**Fuel conversion**	Beginning in 2007, modifications to the CCs began, which would have allowed the GTs to burn either natural gas or No. 2 fuel oil. These modifications were approximately 80% complete when the work was halted and so the GTs remain configured to operate solely on No. 2 fuel oil. Modifications were designed in 2011 for the thermal units to be converted to natural gas. The gas fuel components and boiler conversion parts were delivered but not installed. The project was put on hold, and the parts are in outdoor storage at the Plant. The boilers continue to operate on HFO. Natural gas is not available at the site.
	New Water Source	PREPA is midway through a project to bring water from the PREPA-owned Patillas Lake to the Aguirre site. This alternate source is expected to reduce water treatment costs and provide a more stable supply compared to the existing wells.
	Upgrades to water pump capacity	Seawater from the Jobos Bay is pumped by four 1,000 horsepower vertical circulating water pumps for Units 1 and 2 and a single installed spare for the two units for use in cooling once-through condensers at the thermal plant. Each of the CC blocks has its own seawater cooling tower and two 2,000-hp circulating water pumps for condenser cooling. They are in the process of upgrading the pump capacity and motor size to 2,200 hp to increase water flow and subsequently improve condenser vacuum.
Future Projects	**STAG STG control upgrades**	The HRSG controls are being upgraded by Foxboro. The STAG 1 STG controls recently underwent the upgrade to Mark VI-E along with an exciter upgrade to model EX-2100. However, STAG 2's STG controls and exciter have not yet been upgraded.
	Update GTs to Mark VI-E	CC1 4 GTs and ST 1 were upgraded to Mark VI-E. The remaining CC2 4 GTs and ST will be finished by Q2 2021. By end of Q2 2021, all operational units in the Aguirre CC will have Mark VI-E control system.

Exhibit 2

Source: Independent Engineering Report, Aguirre Power Plant Complex, May 2019.

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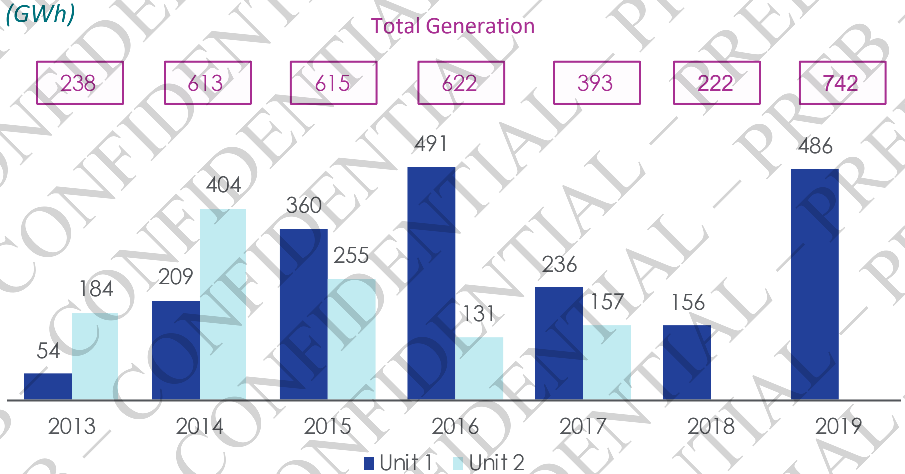
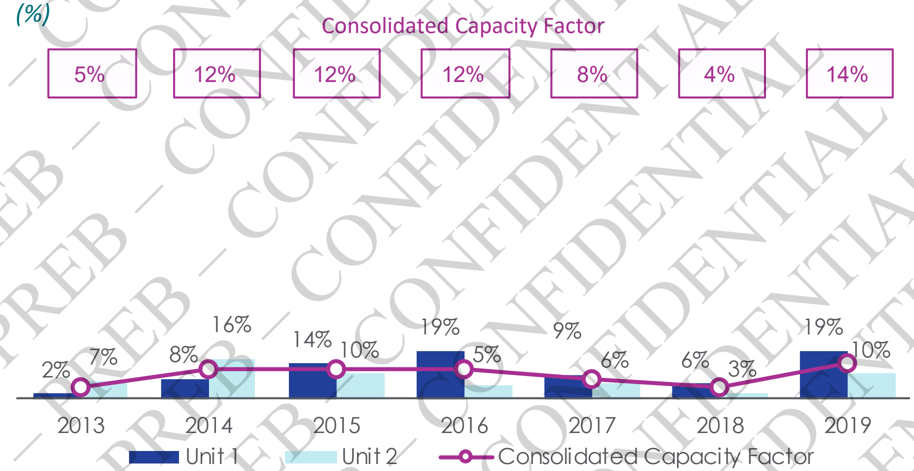
Aguirre Combined Cycle: Historical Operating Summary

Aguirre Combined Cycle is base-load with two STAG units and is often used in a spinning reserve operating mode.

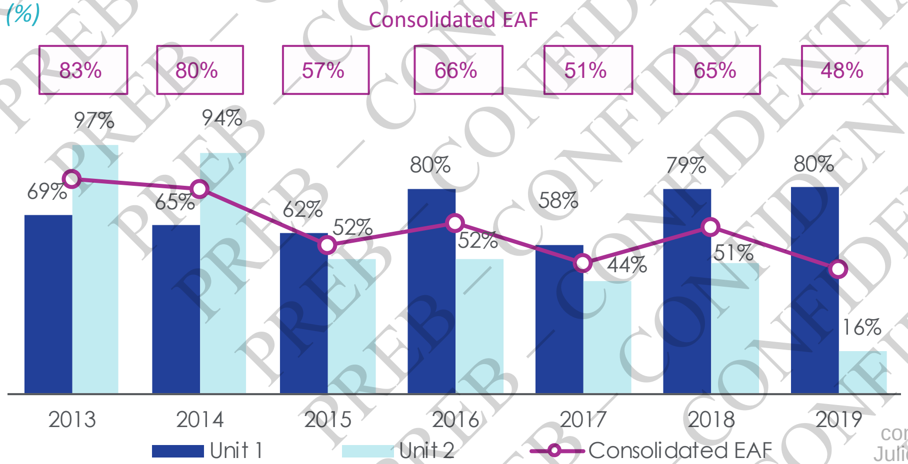
Net Generation
(GWh)



Capacity Factor
(%)



Equivalent Availability Factor ("EAF")
(%)



Equivalent Forced Outage Rate ("EFOR")
(%)

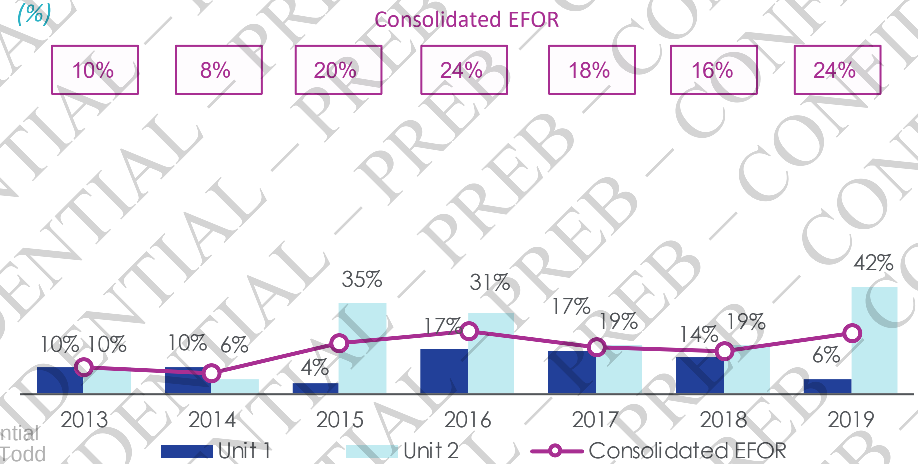


Exhibit 2

Note: Reflects calendar years. Consolidated averages are weighted by capacity. 2017 includes the impact of Hurricanes Irma and Maria.
Source: PREPA monthly operating reports.

Aguirre GT Black Start Peakers

Facility Overview

Facility Overview

Location	Salinas, Ponce Region
Water Source	Jobos Bay and five local wells
Interconnection	Connected to the 115-kV switchyard
Plant Capacity	Nameplate: 21 MW (Unit #21) / 21 MW (Unit #22) Available + short-term outage: 0 MW (Unit #21) / 21 MW (Unit #22)
COD	1972
Technology	Frame 5 (GE design) manufactured by John Brown
Fuel/ Fuel Supplier	No. 2 Fuel Oil from Puma Energy (delivered to port via tankers and forwarded via pipeline)
Control System	Mark II

Facility Photo

Major Maintenance and Future Plans

- **New Water Source:** PREPA is midway through a project to bring water from the PREPA-owned Patillas Lake to the Aguirre site. This alternate source is expected to reduce water treatment costs and be a more stable supply than the wells
- **Replacement of Units:** FEMA has approved a project to replace the two black start units at the Aguirre power plant with new rapid start aeroderivative gas turbines that can provide reliable black start capabilities to the plant and inject power into the grid for voltage stability
- **Unit 2 Starting Motor:** Expected to be available Q2 2021

Facility Highlights

- Unit #22 is currently experiencing a short-term outage due to a starting motor issue; it is normally available for emergency use, such as for a black start; it has been limited to four hours of operation before it trips on high oil temperature in the lubricating oil tank
- Unit #21 has been out of service since Q1 2019
- GTs have black-start capability
- In general, these gas turbines have degraded over time due to age and disuse in a marine environment; there are some areas that should be inspected/repaired to ensure reliability
- Units are located in a nonattainment area for the sulfur dioxide NAAQS and may be subject to restrictions or retirement or reductions in fuel sulfur content depending on results of sulfur dioxide state implementation plan

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Exhibit 2

Source: Independent Engineering Report, Aguirre Power Plant Complex, May 2019.

4b. Cambalache

Exhibit 2

Cambalache Aerial Site View

The Cambalache Power Plant consists of three simple-cycle GTs and generators, each with a main power transformer. Gas Turbines 2 and 3 have been in operational condition while Gas Turbine 1 is not operational and is deemed irreparable.

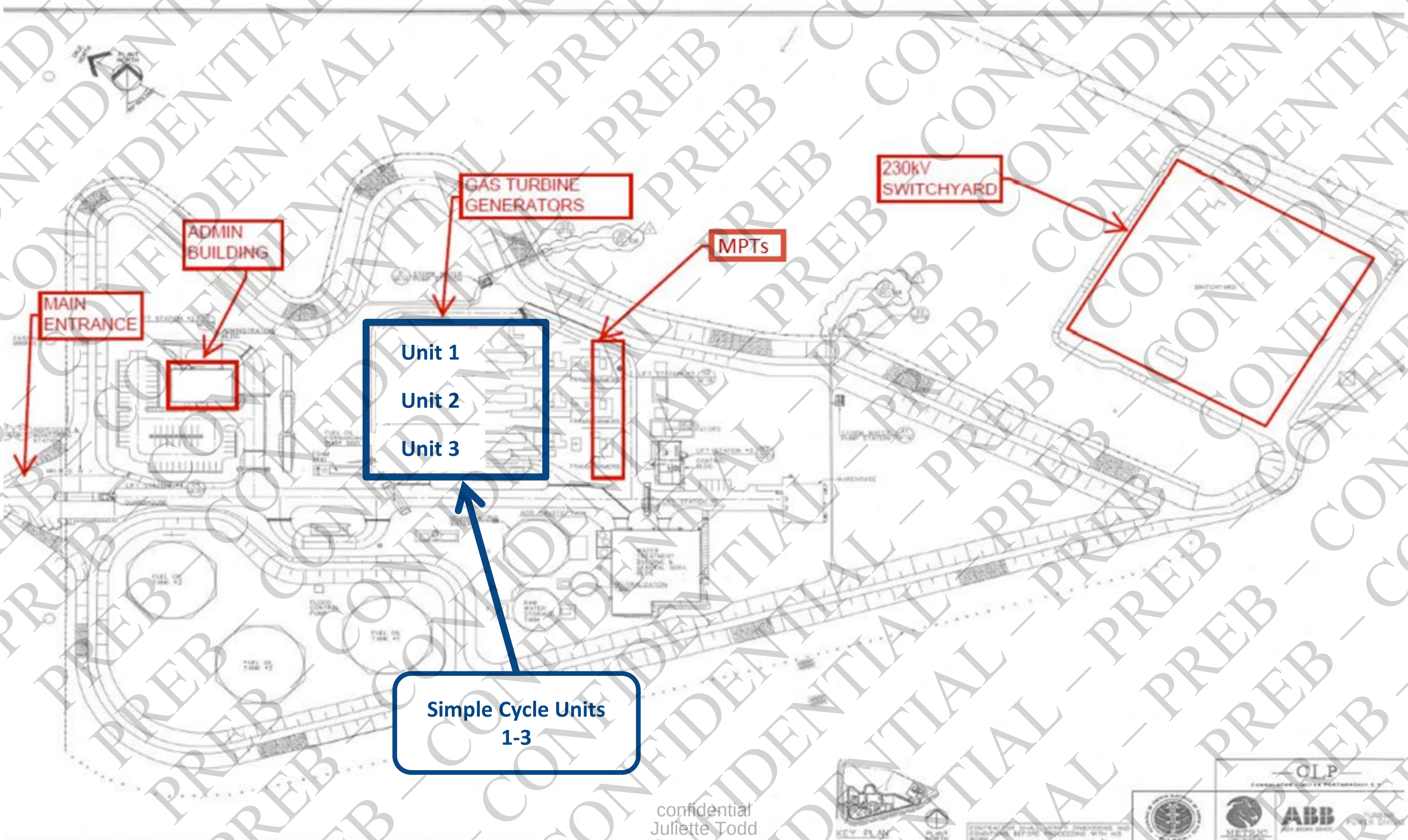

Exhibit 2

Cambalache

Facility Overview

Facility Overview	**Location**	Arecibo, Arecibo Region
	Water Source	Four adjacent wells pump into the raw water tank; Puerto Rico Aqueduct and Sewer Authority ("PRASA")(local municipal supply) provides potable water
	Interconnection	Connected through a dedicated transformer to the 230-kV switchyard
	Plant Capacity	Nameplate: 82.5 MW (Unit 1) / 82.5 MW (Unit 2) / 82.5 MW (Unit 3) Available + short-term outage: 0 MW (Unit 1) / 77 MW (Unit 2) / 77 MW (Unit 3)
	COD	1997 (Units 1 & 2) / 1998 (Unit 3)
	Technology	ABB GT11 N1 simple cycle
	Fuel / Fuel Supplier	Low-sulfur Fuel Oil No. 2 / Puma Energy
	Control System	Alstom BlueLine
Operational Metrics	**Availability[1]**	0% (Unit 1) / 79% (Unit 2) / 88% (Unit 3)
	Capacity Factor[1]	0% (Unit 1) / 9% (Unit 2) / 10% (Unit 3)
	Minimum Load	50 MW (Unit 1); 50 MW (Unit 2); 50 MW (Unit 3) (60% of rated load)
	Heat Rate[2]	Full Load: 11,549 Btu/kWh Min Load: 11,550 Btu/kWh
	Ramp Rates	3 MW per minute up / 3 MW per minute down
	Start-Up Times	17 minutes (hot, warm and cold)
Major Equipment	**Combustion Turbine**	ABB-GT11N1
	HRSG	Innovalties Technology

Exhibit 2

Facility Photo

Facility Highlights

- Facility is comprised of three simple-cycle ABB GTs and generators, each of which is rated at 82.5 MW
  - Unit 1 has been out of service since Q3 2011 and there is currently no plan to return it to service; it is expected to be retired or mothballed in the near-term
  - Units 2 & 3 are anticipated to remain operational for grid support Units are generally limited in operation for peaking service due to high operational costs
  - Units have inspections planned for June 2021 after which more information on major maintenance and future plans will be available

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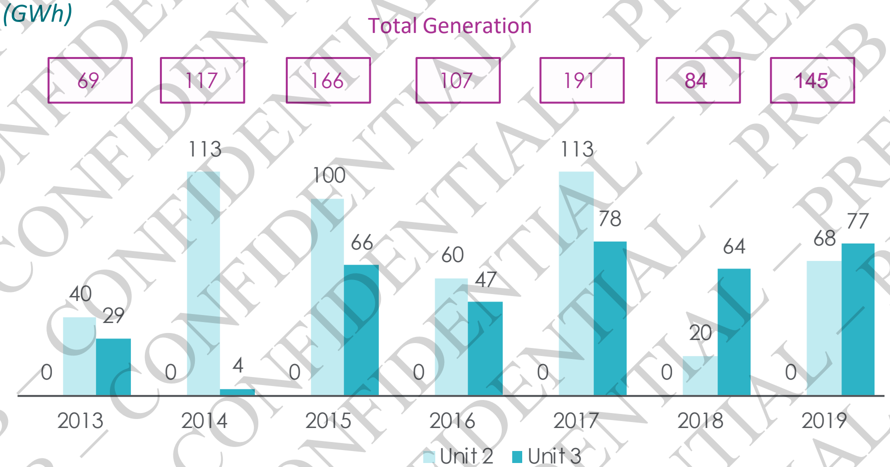
1. Reflects average value by unit for 2017-2019.
2. Reflects heat rates for Units 2 & 3. Heat rates reflect assumption based on historic operating experience.

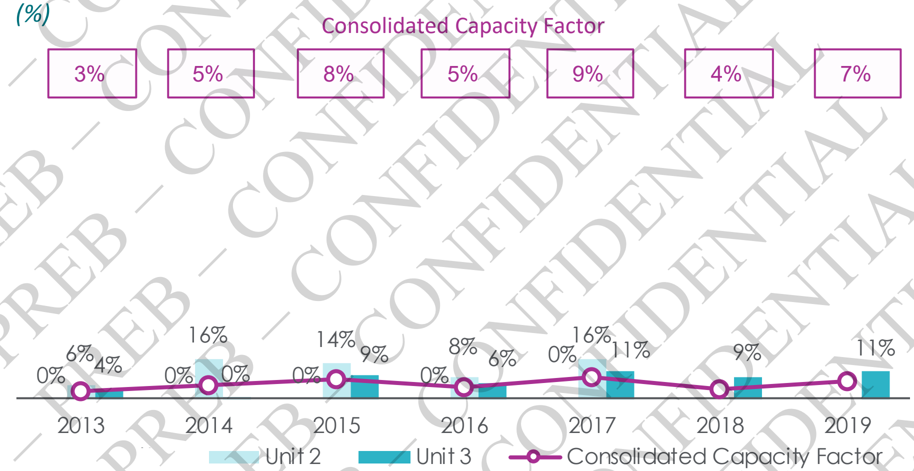
Cambalache: Historical Operating Summary

Cambalache is a peaking facility, with only units 2 and 3 currently operational.

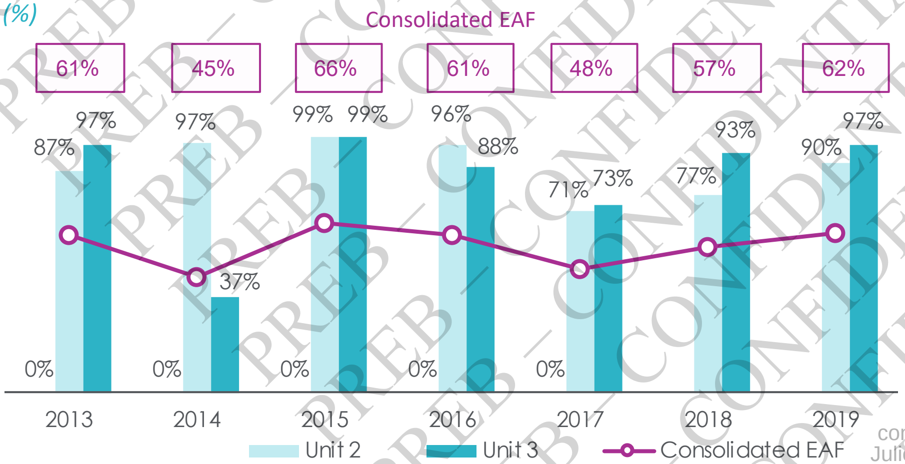
Net Generation
(GWh)



Capacity Factor
(%)



Equivalent Availability Factor
(%)



Equivalent Forced Outage Rate
(%)

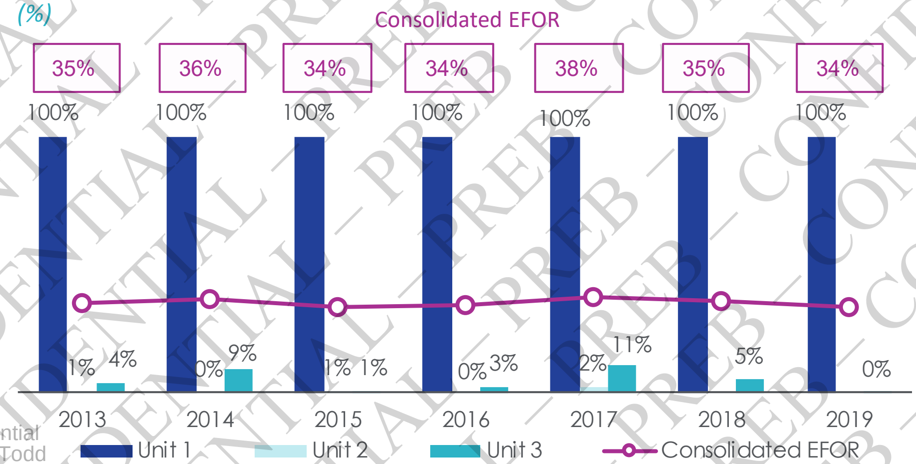


Exhibit 2

Note: Reflects calendar years. Consolidated averages are weighted by capacity. 2017 includes the impact of Hurricanes Irma and Maria.
Source: PREPA monthly operating reports.

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4c. Costa Sur

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Costa Sur Aerial Site View

The Costa Sur Power Plant consists of six steam power generation units with only two operational units (Unit 5 and Unit 6). Two GTs have been used for peaking and black start capability but are currently not in operating condition. Currently, the plant must rely on external power for startup, though FEMA has approved funding to develop new black start units. Gas supply is via a pipeline from the EcoElectrica LNG facility.

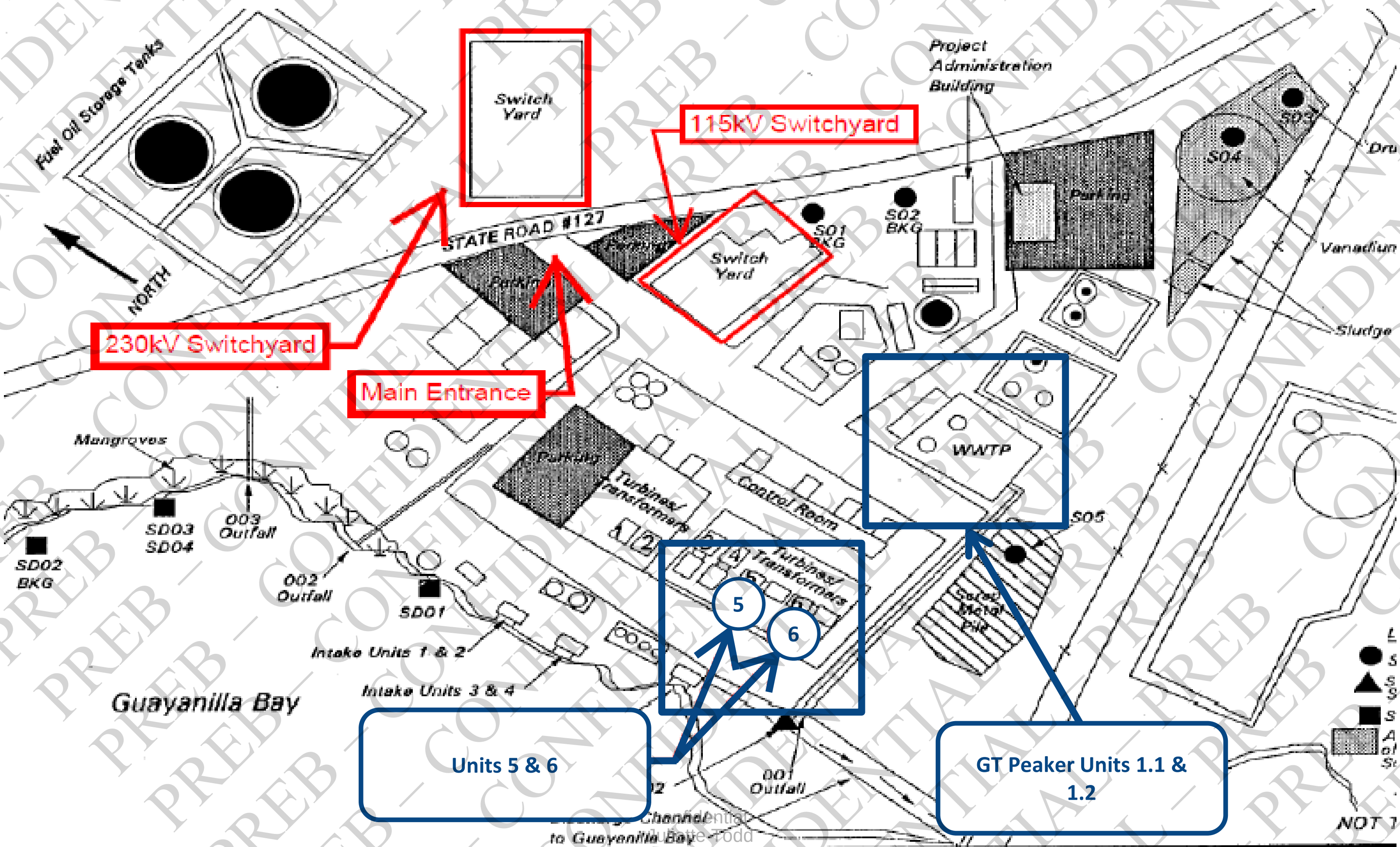

Exhibit 2

Costa Sur Steam Electric Station – Units 5 & 6

Facility Overview

Facility Overview	Location	Guayanilla, Ponce Region
	Water Source	Guayanilla Bay and PREPA deep well numbers 8, 9, 10 and 13
	Interconnection	Power sent to 3 interconnected switchyards with operating voltages of 38 kV, 115 kV, and 230 kV
	Plant Capacity	Nameplate: 410 MW (Unit 5) / 410 MW (Unit 6) Available + short-term outage: 410 MW (Unit 5) / 410 MW (Unit 6)
	COD	1969 (Unit 5) / 1971 (Unit 6)
	Technology	Gas –fired Steam
	Fuel / Fuel Supplier	Natural Gas & No. 6 Fuel Oil (standby/limited hours) / Gas Natural Aprovisionamientos (EcoElectrica) via pipeline
	Control System	GE Mark VI
Operational Metrics	Availability[1]	71% (Unit 5) / 76% (Unit 6)
	Capacity Factor[1]	41% (Unit 5) / 44% (Unit 6)
	Minimum Load	225 MW (Unit 5) / 225 MW (Unit 6)
	Heat Rate[2]	Full Load: 9,747 Btu/kWh / 9,747 Btu/kWh Min Load: 9,935 Btu/kWh / 10,069 Btu/kWh
	Ramp Rates	5 MW per minute up / 5 MW per minute down
	Start-Up Times	Hot: 4 hours; Warm: 8 hours; Cold: 12 hours
Major Equipment	Steam Turbine	General Electric 170X446
	Boiler	Combustion Engineering
	Environmental	Boiler converted to operate on natural gas

Facility Photo

Facility Highlights

- Costa Sur Units 5 and 6 are the larger, natural gas-fired generating units located at the Costa Sur Steam Electric Station
  - With the recent expansion of regasification facilities at EcoElectrica (near Costa Sur), both units can now be fired simultaneously with lower-cost natural gas
- Unit 6 has recently returned to service, after damage incurred during the January 7, 2020 earthquake
- Unit 5 had been operating below capacity due to a hydrogen cooler issue; the coolers are being cleaned and Unit 5 is expected to be back in service by Q2 2021
- Units are subject to Particulate Matter emission limits and HCl/HF acid gas emission limits under the MATS, as well as work-practice standards for tune-ups and startup/shutdown
- Units must be taken out of service for environmental outage at least every 18 months due to 1999 Consent Decree with EPA/DOJ

Exhibit 2

Source: Independent Engineering Report, Costa Sur Steam Plant, May 2019.
1. Reflects average value by unit for 2017 – 2020.
2. Heat rates reflect assumption based on historic operating experience.

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Costa Sur 5 & 6: Major Maintenance and Future Plans

Recent and Ongoing Projects	**Retrofitting Boilers to Burn NG**	Boilers are tangentially fired Combustion Engineering (now GE Power), that were retrofitted in 2011 to burn natural gas but also still have the flexibility to burn a combination of natural gas and oil or oil-only as originally designed
	Control System Upgrades	In 2010, Foxboro completed a control system upgrade on Units 5 and 6; additionally, GE completed an upgrade on the steam turbine controls to a Mark VI system.
	New Demineralizer Installed	In 2015, PREPA designed and installed a new mixed bed demineralizer with three 400 gallons per minute trains. Units 5 and 6 have a combined daily average requirement of 300 gpm. The original 600 gpm mixed bed demineralized water treatment plant is still functional and used as a backup.
Future Projects	**Demineralized Water to Unit 5**	PREPA is currently constructing a line to bring demineralized water from Unit 3 to Unit 5.
	Decommissioning of Units 1 & 2	Units 1 and 2 steam power generation units are retired and were last operated in 2003. These units are considered irreparable.
	Decommissioning of Units 3 & 4	Units 3 and 4 steam power generation units are no longer operated because they are considered unsafe for normal service. The boilers would require substantial investment to return pressure-containing parts to a condition for safe service.

Exhibit 2

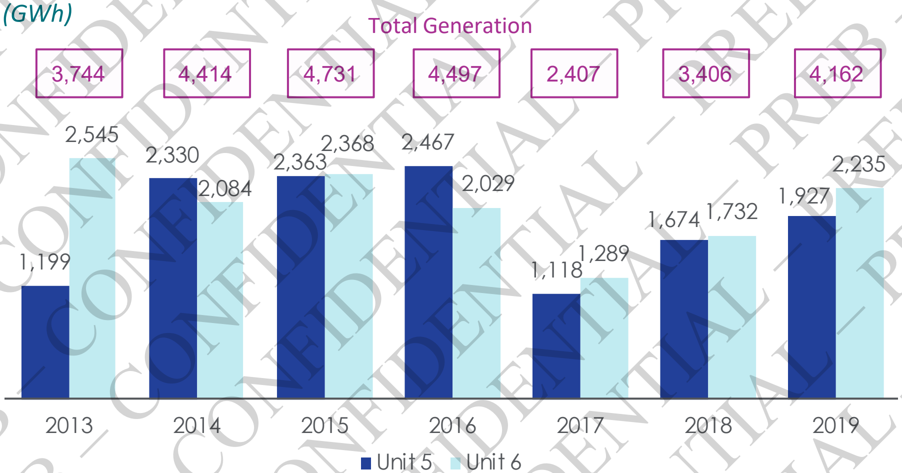
Source: Independent Engineering Report, Costa Sur Steam Plant, May 2019.

Costa Sur Units 5 & 6: Historical Operating Summary

Costa Sur 5 & 6 have operated on natural gas for many years. These are key baseload units in PREPA's dispatch stack. Units 5 & 6 were damaged during the 2020 earthquakes.

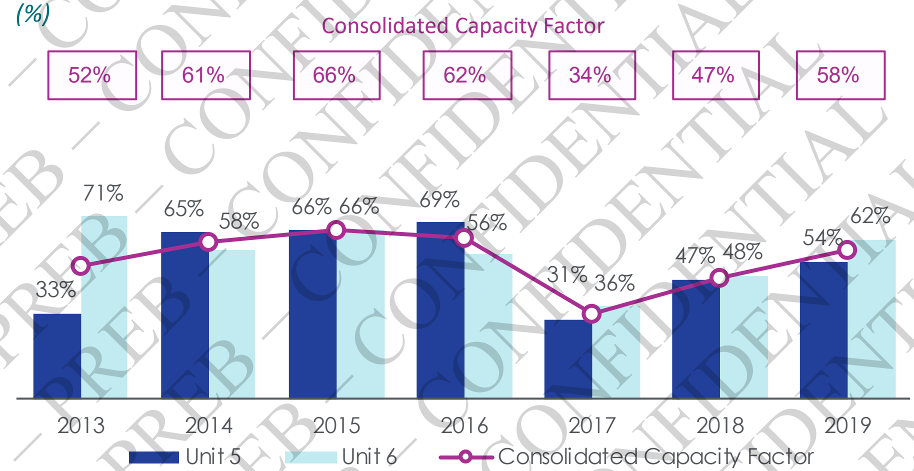
Net Generation

(GWh)



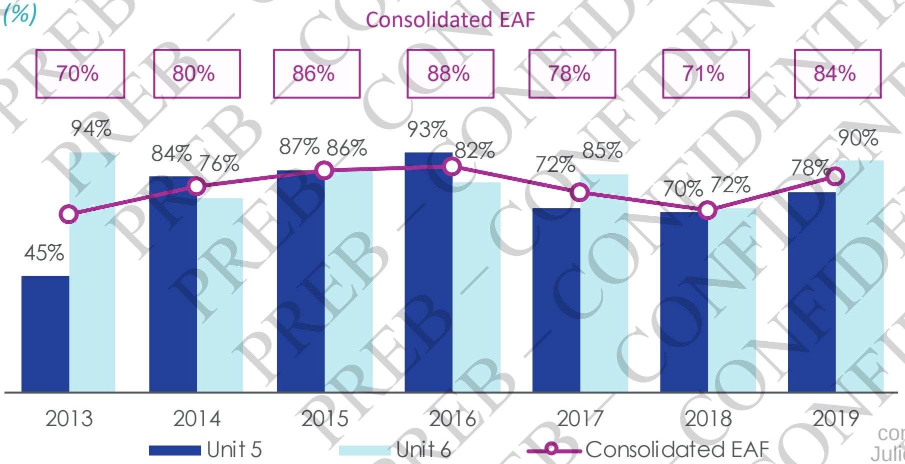
Capacity Factor

(%)



Equivalent Availability Factor

(%)



Equivalent Forced Outage Rate

(%)

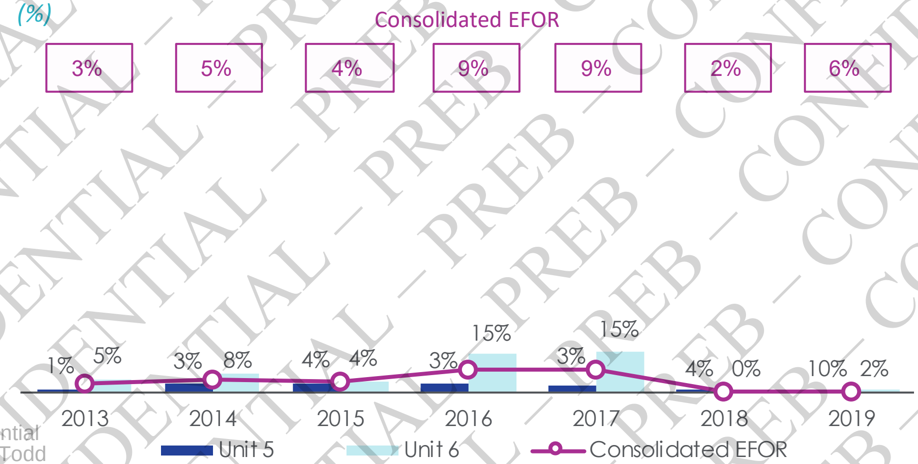


Exhibit 2

Note: Reflects calendar years. Consolidated averages are weighted by capacity. 2017 includes the impact of Hurricanes Irma and Maria.
Source: PREPA monthly operating reports.

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Costa Sur GT Black Start Peakers

Facility Overview

Facility Overview

Location	Guayanilla, Ponce Region
Water Source	Guayanilla Bay and PREPA deep well numbers 8, 9, 10 and 13
Interconnection	Connected to the 115-kV switchyard through the emergency service station transformer of Units 5 and 6
Plant Capacity	Nameplate: 21 MW (Unit 1) / 21 MW (Unit 2) Available + short-term outage: 21 MW (Unit 1) / 0 MW (Unit 2)
COD	1972
Technology	Frame 5 (GE design) manufactured by John Brown
Fuel/ Fuel Supplier	No. 2 fuel oil delivered to site through lines from the Commonwealth Oil Refining Company, Inc. Refinery; No. 2 fuel oil can also be delivered by truck.
Control System	GE Mark I

Major Maintenance and Future Plans

- **Decommissioning:** The IE Report classified these units as irreparable, though decommissioning has not started
- **Replacement of Units:** FEMA has approved a project to replace the two black start units at the Costa Sur plant with new rapid start aeroderivative gas turbines that can provide reliable black start capabilities to the plant and inject power into the grid for voltage stability

Facility Photo

Facility Highlights

- The GTs had been used for peaking demand and as black start units but are currently not in operating condition
  - Unit 1 was damaged by Hurricane Maria in 2017; undergoing repairs and expected to return to service by Q2 2021
  - Unit 2's turbine rotor and compressor section were removed in 2015 and have remained in the San Juan maintenance shop for repairs; likely will not return to service
- Both GTs are considered likely to have start-up issues due to improper lay-up and lack of maintenance while idle

Exhibit 2

Source: Independent Engineering Report, Costa Sur Steam Plant, May 2019.

4d. Mayaguez

Exhibit 2

Mayaguez Aerial Site View

The Mayaguez plant was designed to be a fast-response power generating plant available as needed to provide peak power assistance to the grid. After the hurricanes, the Mayaguez facility was utilized as the black start system for the south coast power plants and continued to generate power through the island's restoration efforts. The site equipment has faced some damage/corrosion due to its location in the aggressive, salt-laden marine environment and due to exposure to coastal winds.

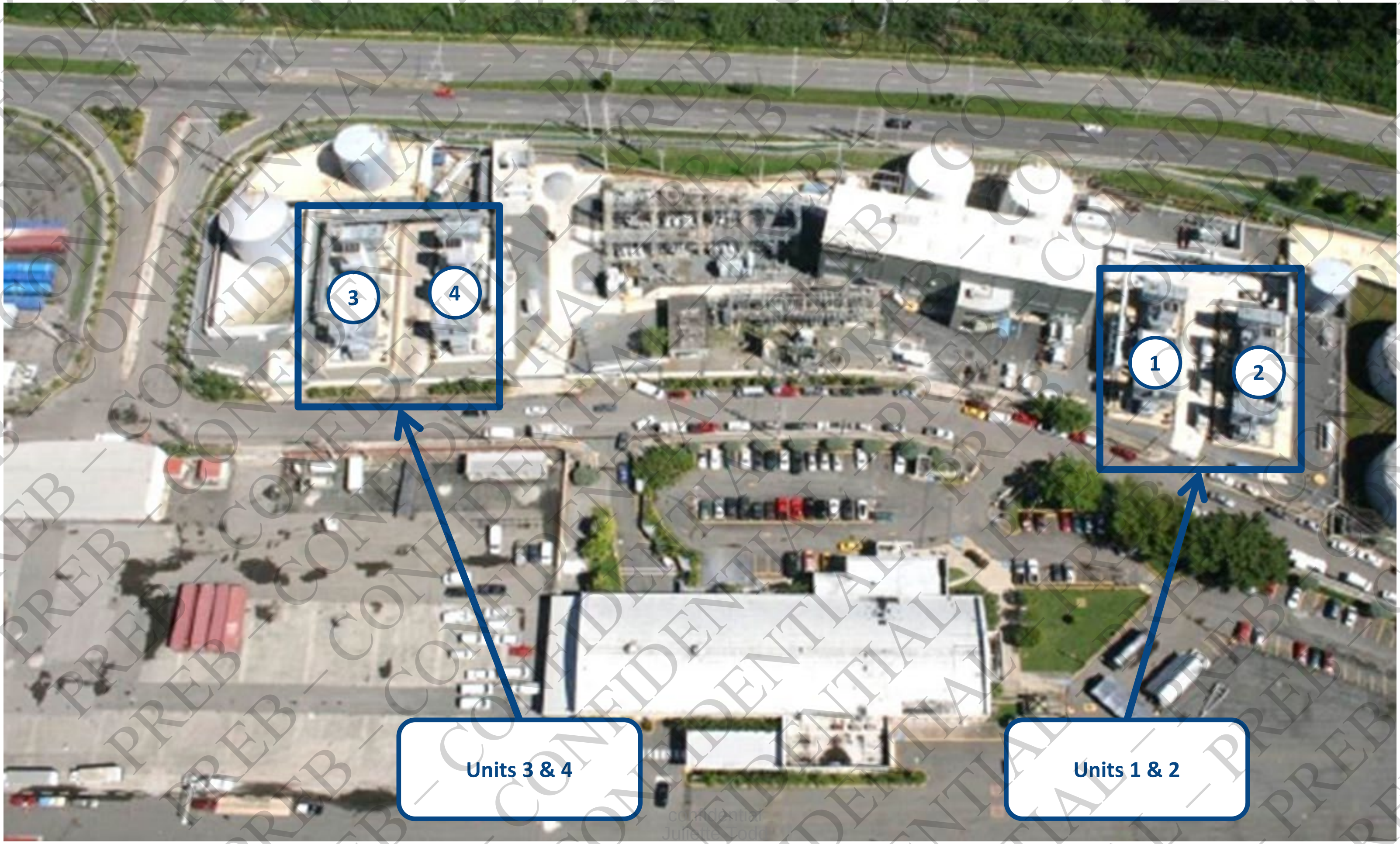

Exhibit 2

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Mayaguez

Facility Overview

Facility Overview	Location	Mayaguez, Mayaguez Region
	Water Source	PRASA (local municipal supply)
	Interconnection	Unit 1 and 2 share a step-up transformer connected to the 115-kV switchyard; Unit 3 is connected through a dedicated transformer to the 115-kV switchyard; Unit 4 is connected through a dedicated transformer to the 38-kV switchyard
	Plant Capacity	Nameplate: 55 MW (Unit 1) / 55 MW (Unit 2) / 55 MW (Unit 3) / 28 MW (Unit 4a) / 27 MW (Unit4b) Available + short-term outage: 55 MW (Unit 1) / 55 MW (Unit 2) / 55 MW (Unit 3) / 28 MW (Unit 4a) / 27 MW (Unit4b)
	COD	2009
	Technology	4 x Pratt & Whitney FT8 aeroderivative twin packs
	Fuel	Low-sulfur Fuel Oil No. 2 / Puma Energy
	Control System	Allen-Bradley
Operational Metrics	Availability[1]	65% (Unit 1) / 25% (Unit 2) / 52% (Unit 3) / 87% (Unit 4)
	Capacity Factor[1]	7% (Unit 1) / 2% (Unit 2) / 5% (Unit 3) / 6% (Unit 4)
	Minimum Load	0.5 MW (Unit 1) / 0.5 MW (Unit 2) / 0.5 MW (Unit 3) / 0.5 MW (Unit 4)
	Heat Rate[2]	Full Load: 9,320 Btu/kWh Min Load: 11,204 Btu/kWh
	Ramp Rates	6 MW per minute up / 6 MW per minute down
	Start-Up Times	10 minutes (hot, warm and cold)
Major Equipment	Combustion Turbine	Pratt & Whitney FT8 Twin packs

Facility Photo

Facility Highlights

- Facility is comprised of four twin-pack units (eight gas turbines total)
- Units are dispatched for peaking services
  – Units have fast start capability (on-line in 10 minutes) based on aero-derivative combustion turbine technology and have built-in synchronous condensing capability; units may be useful for future grid support
- All units are anticipated to remain viable mid to long-term, notably if they are converted to run on natural gas
- Facility equipment did not sustain damage during the 2017 hurricanes; the available units were up and running quickly, able to respond to the emergency dispatch
- Units 2 and 4 were damaged in the 2020 earthquakes, but both have been repaired and returned to service
- Currently, there is no natural gas supply for the facility; however, each gas turbine has been provided with an OEM-designed fuel gas regulator valve skid and the units could be modified in the future if a gas source becomes available

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Exhibit 2

Source: Independent Engineering Report, Central Hidro Gas Mayaguez Plant, May 2019.
1. Reflects average value by unit for 2017 – 2020.
2. Heat rates reflect assumption based on historic operating experience.

Mayaguez: Major Maintenance and Future Plans

Recent and Ongoing Projects	**Replacement of Air Compressor Systems**	Recent replacement of all combustion turbine unit air compressor systems, which originally had no enclosures and were not suitably configured for the operating conditions.
	Air Intake Systems	Many of the gas turbine air intake systems have permitted the ingress of salt fines through the air filters and into the cold side blades of the gas turbine.
	Combustion Turbine Corrosion and Repair	On the hot side of the turbines, some thermal barrier coating losses have been noted at the first stage high-pressure turbine blades across multiple units. Of the eight turbine units, four turbine units became non-operational. Several units have undergone repair, but two turbine units remain non-operational. Until the blade issues are resolved with the original equipment manufacturer, the units have been recommended to not be operated. A repair plan and commercial discussions are already in place to address the issues.
Future Projects	**Potential NG Conversion**	Currently, there is no natural gas supply for the facility, and the turbines are solely fired on No. 2 fuel oil. However, each gas turbine is provided with an OEM-designed fuel gas regulator valve skid. The external gas supply and regulation skids are currently blanked off at their supply point to the turbine; however, the equipment could deliver natural gas to the turbines if gas fuel was made available at the site. Gas manifolds and other gas control equipment inside the turbine enclosure would still need to be installed, along with necessary control system changes. Gas piping to the plant and distribution piping inside the plant are currently not in place would need to be procured and installed.

Exhibit 2

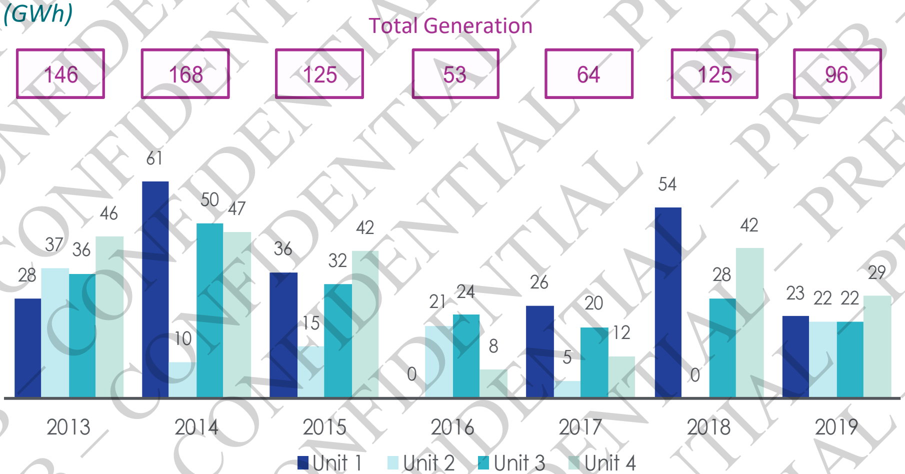
Source: Independent Engineering Report, Central Hidro Gas Mayaguez Plant, May 2019.

Mayaguez: Historical Operating Summary

Mayaguez is primarily used for peaking capacity and transmission support due to its fast-start capability.

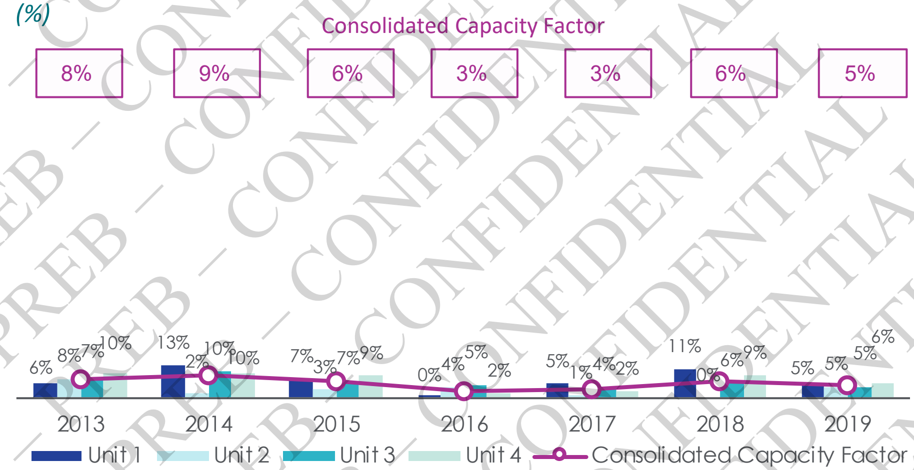
Net Generation

(GWh)



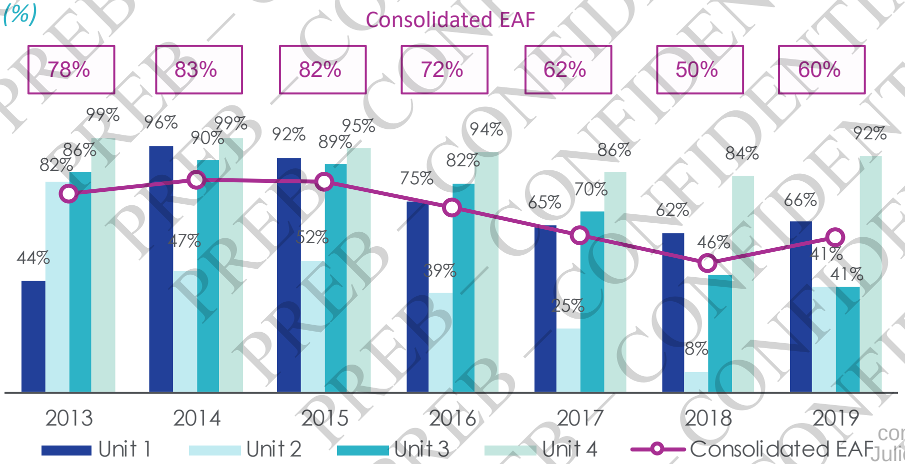
Capacity Factor

(%)



Equivalent Availability Factor

(%)



Equivalent Forced Outage Rate

(%)

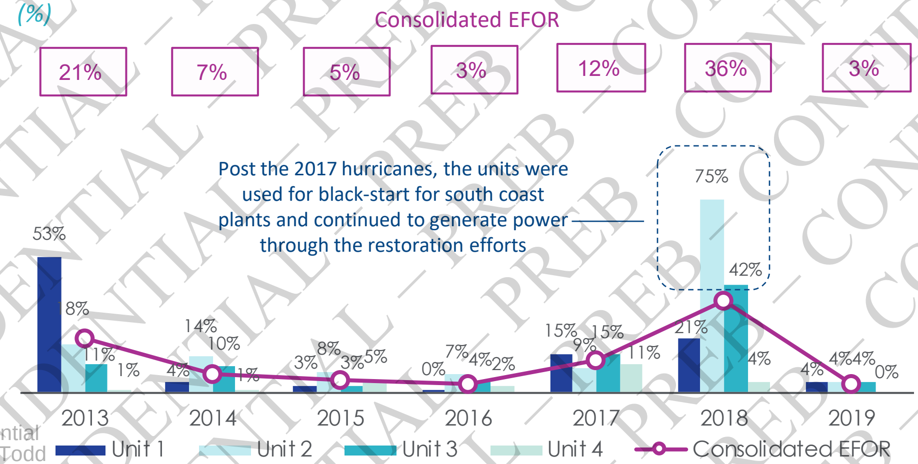


Exhibit 2

Note: Reflects calendar years. Consolidated averages are weighted by capacity. 2017 includes the impact of Hurricanes Irma and Maria.
Source: PREPA monthly operating reports.

4e. Palo Seco

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Palo Seco Aerial Site View

Some of the major equipment at Palo Seco is not operable, and in many cases maintenance and repair would not be cost-effective for continued service largely due to the extended shutdowns and non-use, harsh coastal corrosion impact across the plant and equipment, and safety concerns associated with the end-of-life operation. The gas turbines are used as peaker units and for emergency dispatch and are nearing 50 years old. The units are adjacent to the ocean, and exposure to the marine elements has caused significant exterior corrosion. The units can be used for black start of the plant. These units are also considered to be near the end of their useful life.

Three MobilePac Units, installed in 2019, are nominally rated at 30MW each, but currently are limited due to lack of water for NOx reduction. These units are not able to be legally operated at this time and are pending a notice of violation. Permitting with PRDNER[1] is in progress, and PREPA is involved in discussions with both PRDNER and U.S. EPA to discuss the site permitting.

Exhibit 2

1. PRDNER refers to the Puerto Rico Department of Natural and Environmental Resources.

Palo Seco Steam Electric Station – Units 1 & 2

Facility Overview

Facility Overview	**Location**	Cataño, Bayamon Region
	Water	San Juan Bay and Puerto Rico Aqueduct and Sewer Authority (local municipal supply)
	Interconnection	Interconnected to the 115-kV gas insulated switchyard that was newly installed in 2012
	Plant Capacity	Nameplate: 85 MW (Unit 1) / 85 MW (Unit 2) Available + short-term outage: 0 MW (Unit 1) / 0 MW (Unit 2)
	COD	1959
	Technology	ST
	Fuel/ Supplier	No. 6 Fuel Oil/ Freepoint Commodities
	Control System	N/A
Operational Metrics	**Availability[1]**	47% (Unit 1) / 0% (Unit 2)
	Capacity Factor[1]	16% (Unit 1) / 0% (Unit 2)
	Minimum Load	40 MW (Unit 1) / 40 MW (Unit 2)
	Heat Rate[2]	10,200 Btu/kWh
	Ramp Rates	Not applicable
	Start-Up Times	Hot: 3 hours; Warm: 6 hours; Cold: 8 hours
Major Equipment	**Steam Turbine**	General Electric
	Boiler	Combustion Engineering

Exhibit 2

Source: Independent Engineering Report, Palo Seco Steam Plant, May 2019.
1. Reflects average value by unit for 2017 – 2019.
2. Reflects original design full load heat rate, not current capability of units.

Facility Photo

Facility Highlights

- Palo Seco Units 1 and 2 are the oldest at this complex; both are expected to be retired in the near term
  – Unit 1 has an outage due to exciter and ground fault issues
  – Unit 2 is out of service indefinitely due to a water pump failure and is not expected to return to operation
- Facility was idled in August 2017 due to age and infrastructure concerns but was used to help with generation after the 2017 hurricanes while transmission issues in the south were addressed
- Palo Seco Units 1-2 are limited-use units under MATS, subject to an 8% heat input limit
- Units must be taken out of service for environmental outage at least every 18 months due to 1999 Consent Decree with EPA/DOJ
- Units are located in nonattainment area for the sulfur dioxide NAAQS and may be subject to restrictions or retirement or reductions in fuel sulfur content depending on results of sulfur dioxide state implementation plan

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Palo Seco Units 1 & 2: Major Maintenance and Future Plans

Recent and Ongoing Projects	Historic use	• In August 2017, due to age and infrastructure concerns, the plant was idled; however, after the 2017 hurricanes, the facility was used to help with electrical generation while the transmission issues with the south side of the island were addressed • The site was used by FEMA for additional temporary generation; two FEMA-provided mobile gas turbine packages were connected through the Palo Seco Unit 2 electrical connection and removed in early 2019; the temporary gas turbines were 2 x 35.9-MW General Electric TM2500 units
	Various Unit 1 Repairs	• Some Unit 1 components have been replaced with components from Unit 2. • Unit 1 had output issues due to excessive air infiltration in the ductwork, and a plan has been developed to help resolve these issues • Severe corrosion is present on the northeast structural platforms and around the deaerator tank. The plant replaced many of these major structural sections and platforms • Encapsulation and restoration were also used to improve the columnar steel interfaces with major foundations • Palo Seco has been updated with newer controls and electrical switchyard infrastructure in recent years • The generator for Unit 1 was rewound in 2008 after it was damaged in a fire
	Unit 1 Circulating Water System	Currently, pump motor 1-1 is out of service, the entire assembly is removed for repair, and the piping is blanked off. One of the traveling screens was also removed for service.
Future Projects	Unit 2 Decommissioning	Unit 2 is in extended layup and has been inoperable since 2016 due to a steam turbine and generator issue and is not expected to return to service.

Exhibit 2

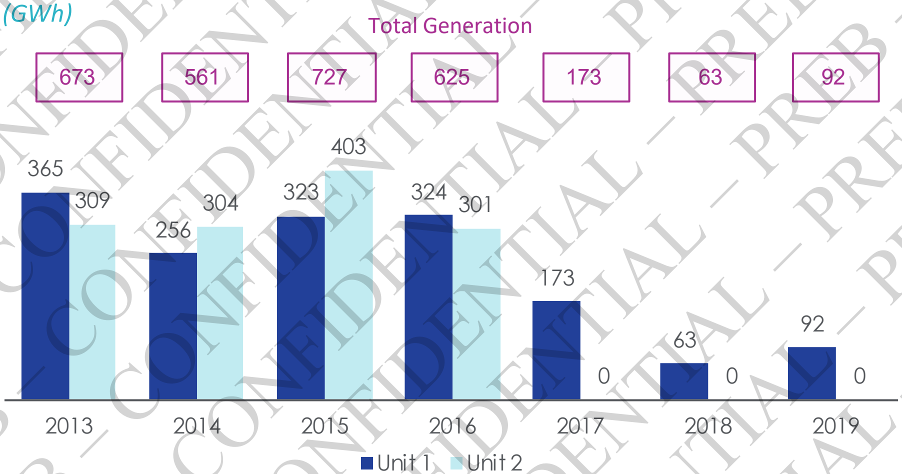
Source: Independent Engineering Report, Palo Seco Steam Plant, May 2019.

Palo Seco Units 1 & 2: Historical Operating Summary

Palo Seco Units 1 and 2 have had minimal operation and Unit 2 is out of service permanently.

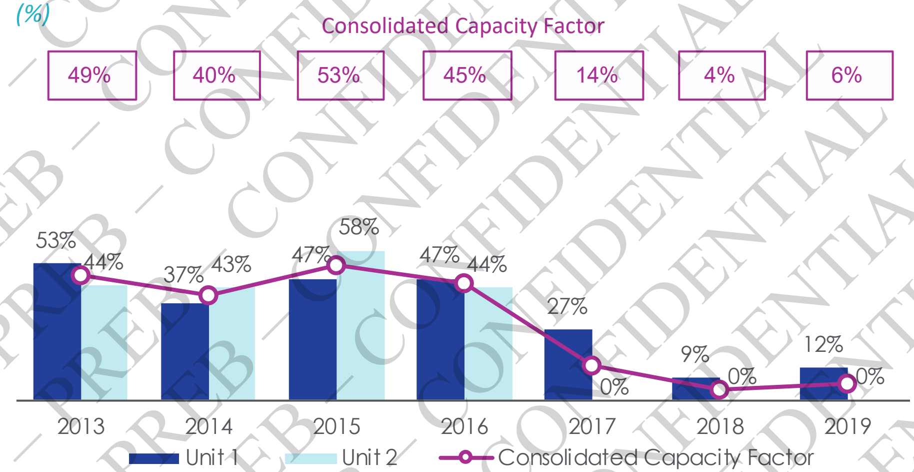
Net Generation

(GWh)



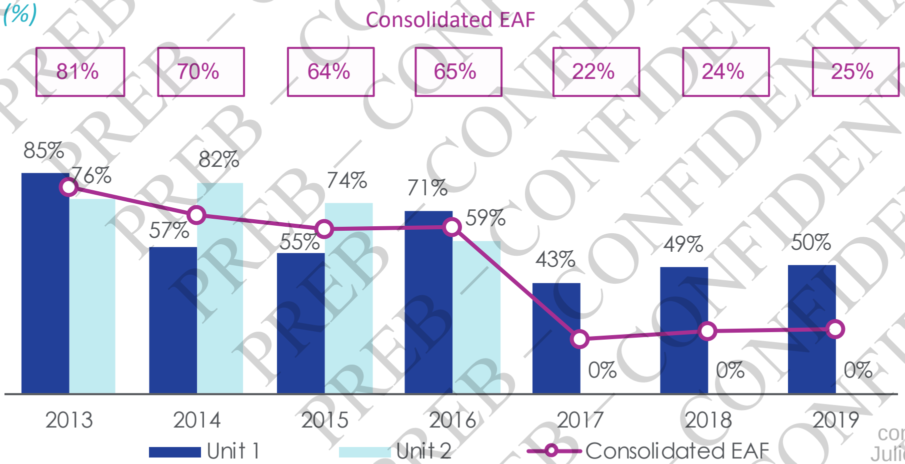
Capacity Factor

(%)



Equivalent Availability Factor

(%)



Equivalent Forced Outage Rate

(%)

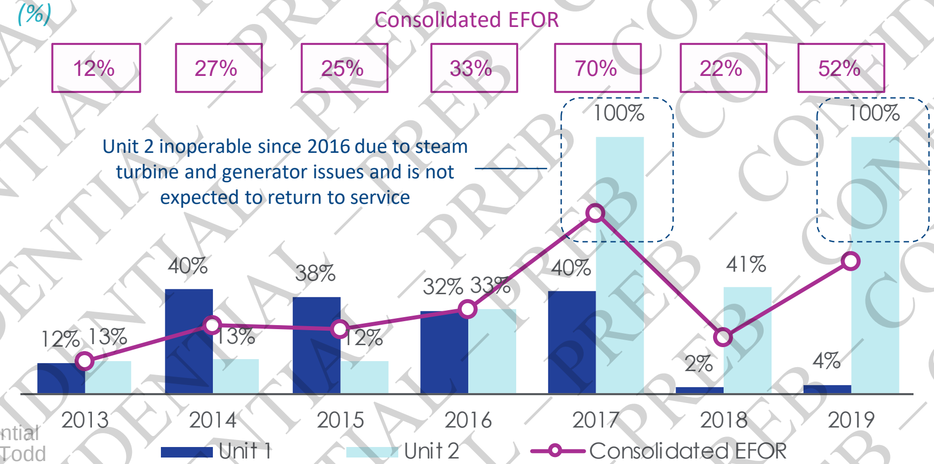


Exhibit 2

Note: Reflects calendar years. Consolidated averages are weighted by capacity. 2017 includes the impact of Hurricanes Irma and Maria.
Source: PREPA monthly operating reports.

Palo Seco Steam Electric Station – Units 3 & 4

Facility Overview

Facility Overview	Location	Cataño, Bayamon Region
	Water Source	San Juan Bay and Puerto Rico Aqueduct and Sewer Authority (local municipal supply)
	Interconnection	Oil fuel, both heavy and diesel oil, from two separate pipelines. Municipal water and sewer are provided. Seawater is used as circulating water.
	Plant Capacity	Nameplate: 216 MW (Unit 3) / 216 MW (Unit 4) Available + short-term outage: 216 MW (Unit 3) / 165 MW (Unit 4)
	COD	1967 (Unit 3) / 1968 (Unit 4)
	Technology	ST
	Fuel / Fuel Supplier	No. 6 Fuel Oil / Freepoint Commodities
	Control System	N/A
Operational Metrics	Availability[1]	44% (Unit 3) / 5% (Unit 4)
	Capacity Factor[1]	39% (Unit 3) / 4% (Unit 4)
	Minimum Load	80 MW (Unit 3) / 80 MW (Unit 4)
	Heat Rate[2]	Full Load: 9,725 Btu/kWh Min Load: 10,347 Btu/kWh
	Ramp Rates	3 MW per minute up / 3 MW per minute down
	Start-Up Times	Hot: 3 hours; Warm: 6 hours; Cold: 8 hours
Major Equipment	Steam Turbine	Westinghouse
	Boiler	Combustion Engineering

Exhibit 2

Facility Photo

Facility Highlights

- Palo Seco Units 3 and 4 are the larger, bunker fuel-fired generating units located at the Palo Seco Steam Electric Station; both units are required for short-term standby services due to their location
  - Unit 3 is undergoing environmental and condenser maintenance
  - Unit 4 is limited to 165 MW due to boiler feed pump
- Units are subject to Particulate Matter emission limits and HCl/HF acid gas emission limits under MATS, as well as work-practice standards for tune-ups and startup/shutdown
- Units must be taken out of service for environmental outage at least every 18 months due to 1999 Consent Decree with EPA/DOJ
- Units are located in a nonattainment area for the sulfur dioxide NAAQS and may be subject to restrictions or retirement or reductions in fuel sulfur content depending on the results of the sulfur dioxide state implementation plan

Source: Independent Engineering Report, Palo Seco Steam Plant, May 2019.
1. Reflects average value by unit for 2017 – 2019.
2. Heat rates reflect assumption based on historic operating experience.

Palo Seco Units 3 & 4: Major Maintenance and Future Plans

Recent and Ongoing Projects

Various Unit 3 Repairs	• The generator for Unit 3 underwent a complete overhaul in 2008 • Unit 3 has a significant boiler derate due to having only one boiler feedwater pump in service and excessive ductwork air infiltration which is currently derating the unit by approximately 65 MW • Boiler feedwater pump 3-2 is currently damaged and requires a new water seal • Portions of the furnace wall and economizer are near their end of life • Corrosion is present throughout the facility and is currently being maintained or repaired based on input from GE Power
Various Unit 4 Repairs	• Unit 4 recently underwent a major steam turbine repair on the HP section, generator cooling fan, and rotor • The turbine was removed for repairs, including restoration of corrosion damage present on the critical areas of the rotor shaft, bearing and sealing surfaces, and the machine casings • Unit 4 batteries were recently replaced

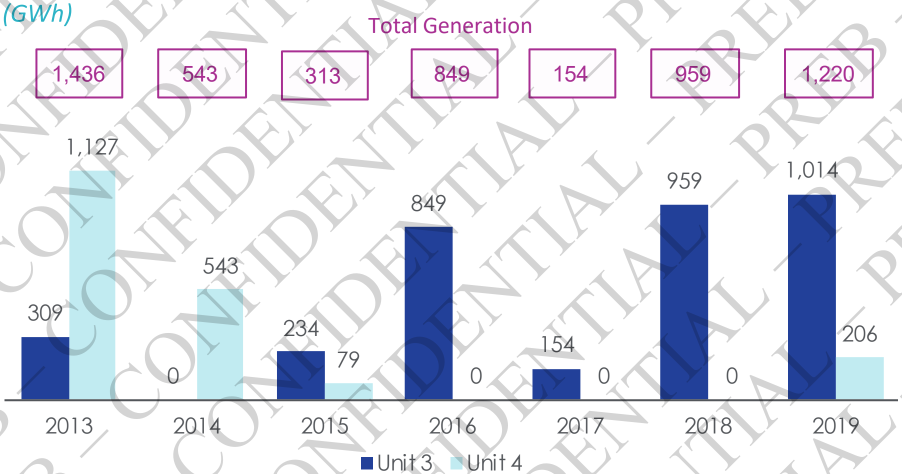
Exhibit 2
Independent Engineering Report, Palo Seco Steam Plant, May 2019.

Palo Seco Units 3 & 4: Historical Operating Summary

Palo Seco Units 3 & 4 are in the middle of the dispatch queue; however, they have various service challenges limiting their use.

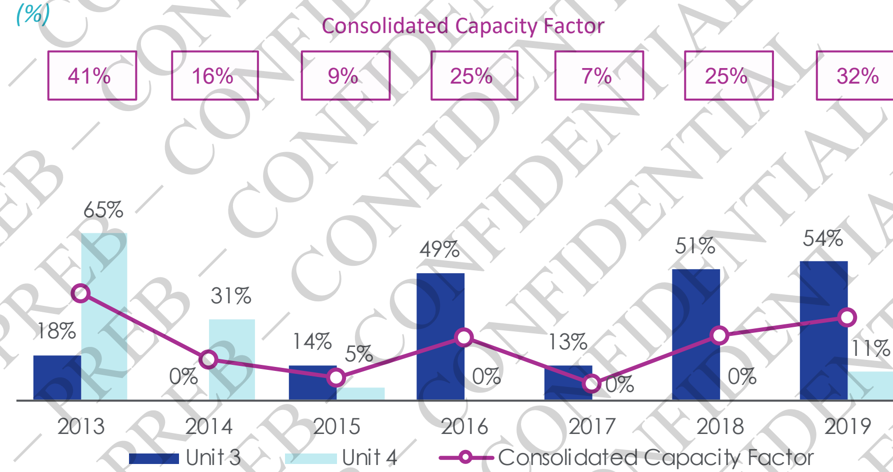
Net Generation

(GWh)



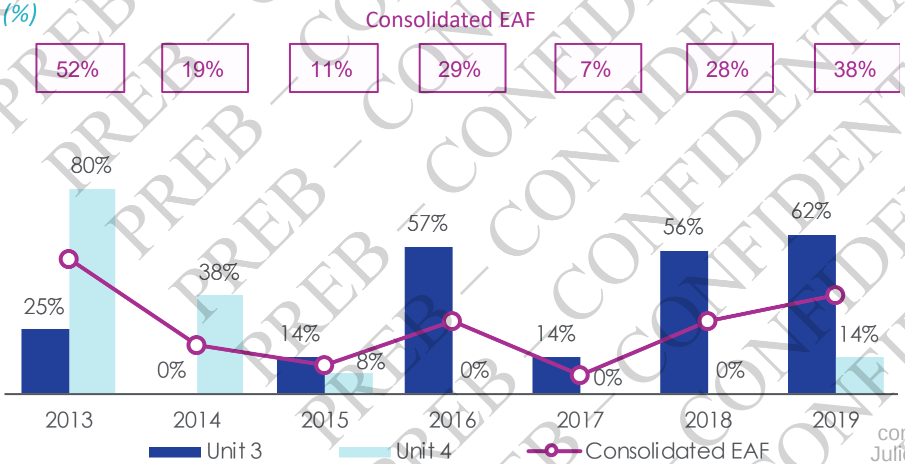
Capacity Factor

(%)



Equivalent Availability Factor

(%)



Equivalent Forced Outage Rate

(%)

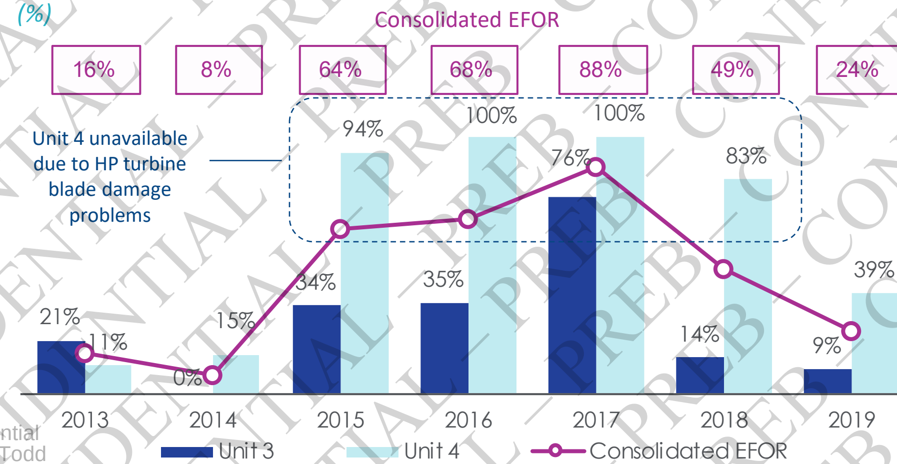


Exhibit 2

Note: Reflects calendar years. Consolidated averages are weighted by capacity. 2017 includes the impact of Hurricanes Irma and Maria.
Source: PREPA monthly operating reports.

Palo Seco CT Peakers

Facility Overview

Facility Overview

Location	Cataño, Bayamon Region
Water Source	San Juan Bay and Puerto Rico Aqueduct and Sewer Authority (local municipal supply)
Interconnection	Connected to 115-kV switchyard
Plant Capacity	Nameplate: 126 MW (21 MW for each of: Unit 1-1, 1-2, 2-1, 2-2, 3-1, 3-2) Available + short-term outage: 60 MW (~20 MW for each of: 1-1, 1-2, 2-1, 0 MW for 2-2, 3-1, 3-2)
COD	1972-73
Technology	Three blocks of diesel-fueled combustion turbine generators; each block is composed of two 21 MW (nominal) Hitachi-GE Frame 5 gas turbines with a single step-up transformer
Fuel/ Fuel Supplier	No. 2 / Puma Energy Caribe, LLC
Control System	GE Mark II

Major Maintenance and Future Plans

- For Palo Seco, the IE Report indicates that the major equipment at site, while still mostly operable, is at the end of its design life
- In general, anticipated infrastructure maintenance and repair would not be cost effective for continued service largely due to the current extended non-use of much of the thermal equipment, extensive coastal corrosion impact across the plant and equipment, as well as safety concerns
- The plant has seen much lower operation since the September 2017 hurricanes

Facility Photo

Facility Highlights

- There are three blocks of diesel-fueled gas turbine generators; Each block is composed of two 21 MW (nominal) Hitachi-GE (PB5341) combustion turbine generators. In total, the three blocks, with six gas turbines, have a nameplate capacity of 126 MW (3 blocks x 42 MW)
- The units operate on No. 2 fuel oil, with no provision for natural gas supply on site
- Units 2-2, 3-1, and 3-2 cannot be operated and cannot be returned to service; PREPA applied for a construction permit for the Palo Seco Mobile Pac units subject to the retirement of these units
- PREPA has represented to PRDNER and EPA that these units are out of service and will be retired
- Units are located in a nonattainment area for the sulfur dioxide NAAQS and may be subject to restrictions or retirement or reductions in fuel sulfur content depending on results of sulfur dioxide state implementation plan.

Exhibit 2

Source: Independent Engineering Report, Palo Seco Steam Plant, May 2019.

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Palo Seco MobilePac Peakers

Facility Overview

Facility Overview

Location	Cataño, Bayamon Region
Water Source	San Juan Bay and Puerto Rico Aqueduct and Sewer Authority (local municipal supply)
Interconnection	Tied into existing site interconnection feeds
Plant Capacity	81MW (3 x FT8 design MobilePac units)
COD	2019
Technology	MHI/PWPS Aero-derivative combustion turbines
Fuel/ Fuel Supplier	Diesel (and NG capable)
Control System	MHI/PWPS control systems

Facility Photo

Major Maintenance and Future Plans

- Units are the newest in the PREPA fleet
- Aside from standard maintenance practices, there are no major maintenance or specific projects identified

Facility Highlights

- Three units were installed in 2019
- MobilePac units are considered quick start, high reliability, simply-packaged and designed to be mobile and capable for relocation
- Units are located in a nonattainment area for the sulfur dioxide NAAQS and may be subject to restrictions or retirement or reductions in fuel sulfur content depending on the results of the sulfur dioxide state implementation plan.
- These units may not legally be operated at this time and are the subject of a pending notice of violation; Permitting with PRDNER is in progress, and PREPA is involved in discussions with PRDNER and U.S. EPA to discuss permitting
- NOx injection controls must be operational, and permit must be obtained before these units can be operated.

Exhibit 2

Source: Independent Engineering Report, Palo Seco Steam Plant, May 2019.

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4f. San Juan

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San Juan Aerial Site View

San Juan is comprised of two combined-cycle units (Units 5 and 6) in a 1x1configuration, including Westinghouse/Siemens W501FC GTs in a multiple-shaft configuration of one GT, one heat recovery steam generator (HRSG), one ST and two generators. The units are now dual fuel and can operate on either No. 2 fuel oil or natural gas, with steam injection for NOx control. The four conventional steam plants are heavy fuel oil-fired units and consist of a Combustion Engineering (now GE Power) fired natural circulation boiler, a GE condensing ST generator, and associated auxiliary equipment. Each ST unit is rated at 100 MW.

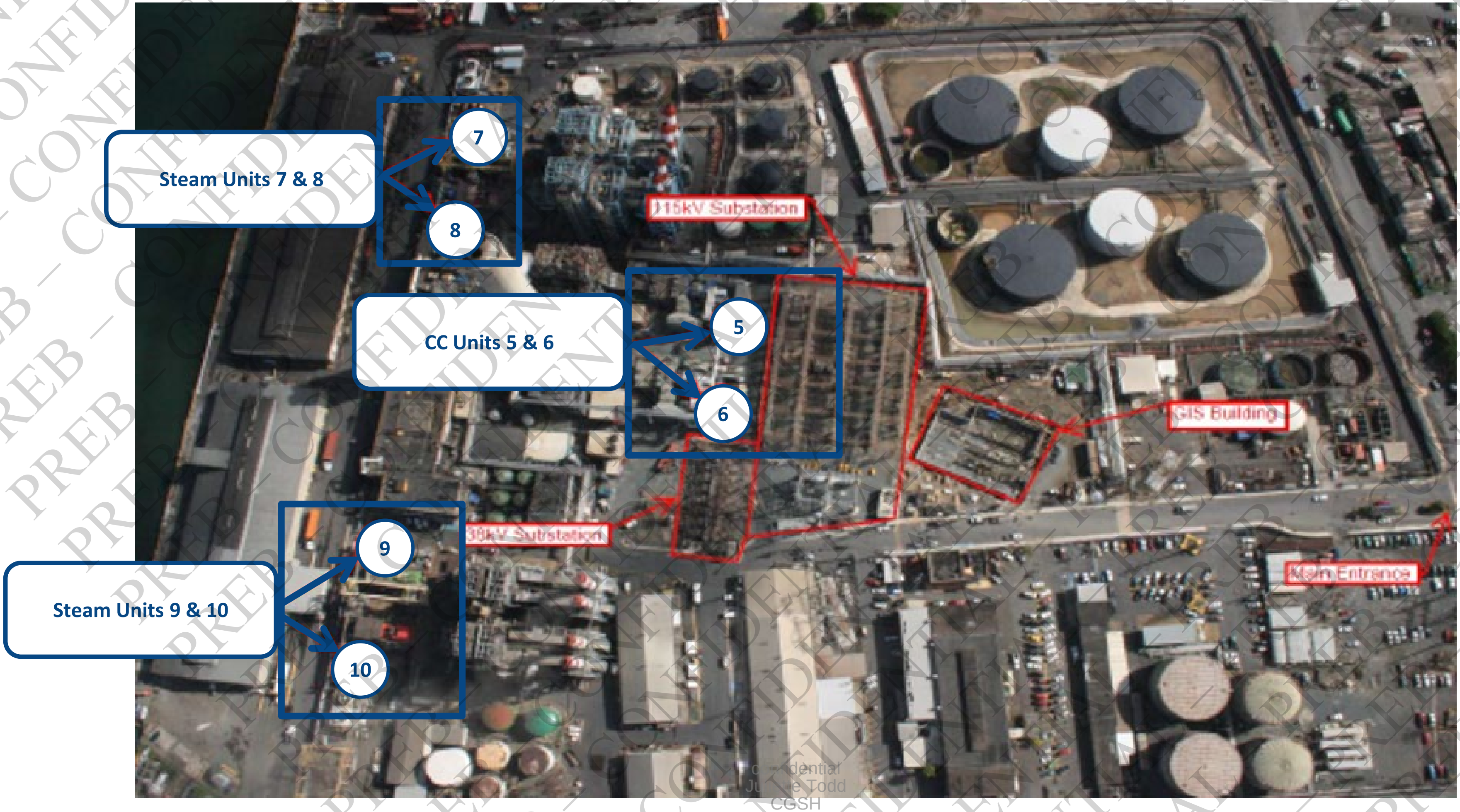


Exhibit 2

San Juan Combined Cycle – Units 5 & 6

Facility Overview

Facility Overview	Location	San Juan, San Juan Region
	Water	San Juan Bay and Puerto Rico Aqueduct and Sewer Authority (local municipal supply)
	Interconnection	Each unit-block has a dedicated MPT which is connected to the 115-kV switchyard. Unit 6 - underground cable; Unit 5 - overhead conductor.
	Plant Capacity	Nameplate: 220 MW (Unit 5) / 220 MW (Unit 6) Available + short-term outage: 170 MW (Unit 5) / 200 MW (Unit 6)
	COD	2008
	Technology	Dual Fuel CCGT
	Fuel / Fuel Supplier	Natural Gas & Low-sulfur Fuel Oil No. 2 / NFE and Puma Energy
	Control System	Emerson Ovation
Operational Metrics	Availability[1]	75% (Unit 5) / 87% (Unit 6)
	Capacity Factor[1]	51% (Unit 5) / 63% (Unit 6)
	Minimum Load	120 MW (Unit 5) / 120 MW (Unit 6)
	Heat Rate[2]	Full Load: 7,625 Btu/kWh / 7,853 Btu/kWh Min Load: 8,461 Btu/kWh / 8,856 Btu/kWh
	Ramp Rates	15 MW per minute up / 15 MW per minute down
	Start-Up Times	30 minutes for the gas turbines (hot, warm and cold)
Major Equipment	Combustion Turbine	Westinghouse/Siemens 501FC
	Steam Turbine	Ansaldo Energia
	HRSG	Ansaldo Energia
	Environmental	Steam injection; Unit 5 has Selective Catalytic Reduction and Oxidation Catalyst ("SCR/OxCat") system with aqueous ammonia

Exhibit 2

Facility Photo

Facility Highlights

- The San Juan Combined-Cycle Power Plant began commercial operation in October 2008
- The facility is comprised of San Juan Units 5 and 6, which each operate in a 1x1 (GT x ST) configuration; each unit includes a gas turbine, a gas turbine generator, a heat recovery steam generator, a steam turbine and a steam turbine generator
- Facility is anticipated to remain a core asset in the generation fleet post-transformation
- New Fortress Energy provides offshore liquified natural gas storage and land-based regasification facilities
- Units are located in a nonattainment area for the sulfur dioxide NAAQS and may be subject to restrictions or retirement or reductions in fuel sulfur content depending on the results of the sulfur dioxide state implementation plan

Source: Independent Engineering Report, San Juan Power Plant, May 2019.
1. Reflects average value by unit for 2017 – 2019.
2. Heat rates reflect assumption based on historic operating experience.

San Juan CC 5 & 6: Major Maintenance and Future Plans

Recent and Ongoing Projects

Natural Gas Fuel Conversion	GTs in Units 5 and 6 were converted to add natural gas fuel capability. The units are dual fuel capable now and can burn either natural gas or liquid fuel (#2 diesel). There is a New Fortress Energy contract to supply re-gasified liquefied natural gas to the San Juan site. All modifications to the combined-cycle units for firing natural gas was completed under this contract.
Units 5 & 6 Derate	Units 5 & 6 are not able to run at full capacity: bypass valves are leaking, and a significant amount of steam is being dumped directly to the cold reheat and condenser. The steam turbines cannot operate at the full load output of 65 MW and both have been limited to approximately 50 MW each.
Unit 5 Generator Rotor Repair	In 2012, the Unit 5 ST was opened due to poor alignment. Additionally, the Unit 5 generator rotor required repair, so the Unit 6 generator rotor was switched into Unit 5. Unit 6 currently has the Unit 5 generator rotor. Unit 5 subsequently received a major overhaul in 2014.

Exhibit 2

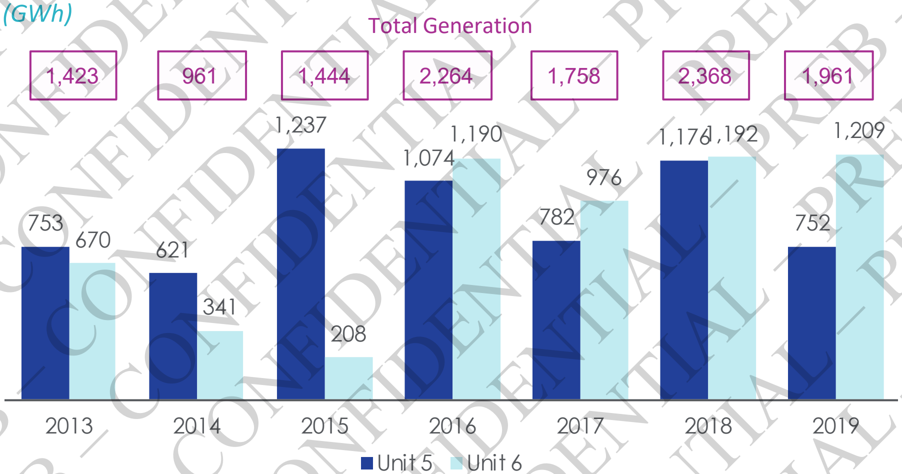
Source: Independent Engineering Report, San Juan Power Plant, May 2019.

San Juan Combined Cycle: Historical Operating Summary

San Juan 5 & 6 are among the least expensive PREPA-owned units and are located close to the largest load center, Greater San Juan. These units are a key provider of base-load services.

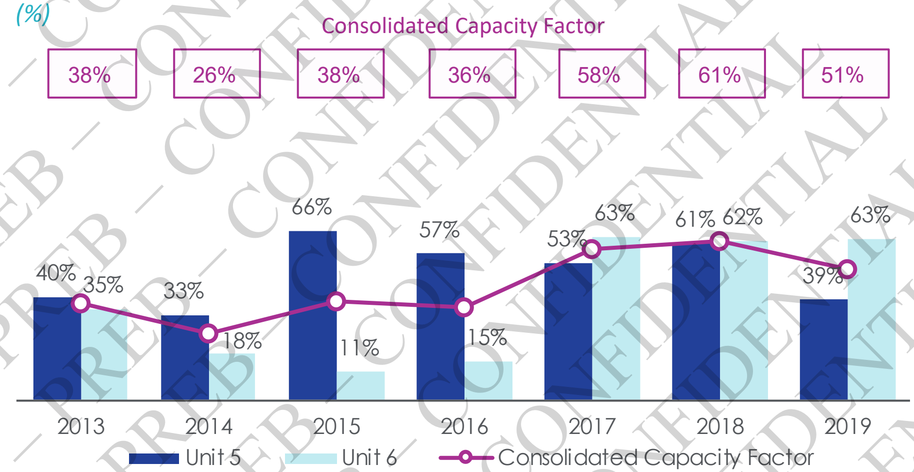
Net Generation

(GWh)



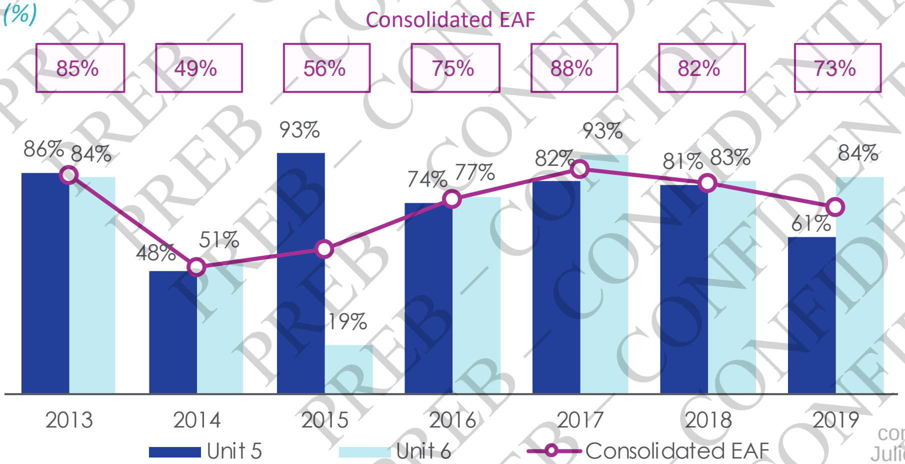
Capacity Factor

(%)



Equivalent Availability Factor

(%)



Equivalent Forced Outage Rate

(%)

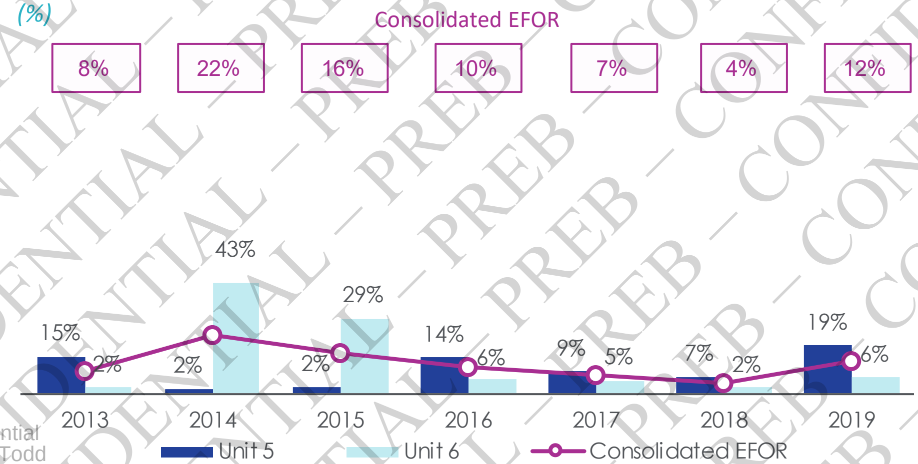


Exhibit 2

Note: Reflects calendar years. Consolidated averages are weighted by capacity. 2017 includes the impact of Hurricanes Irma and Maria.
Source: PREPA monthly operating reports.

San Juan Steam Electric Station – Units 7-10

Facility Overview

Facility Overview	Location	San Juan, San Juan Region
	Water	San Juan Bay and Puerto Rico Aqueduct and Sewer Authority (local municipal supply)
	Interconnection	Four MPTs associated with the steam plant are connected to the 115-kV switchyard through underground cable
	Plant Capacity	Nameplate: 100 MW (Unit 7) / 100 MW (Unit 8) / 100 MW (Unit 9) / 100 MW (Unit 10) Available + short-term outage: 70 MW (Unit 7) / 100 MW (Unit 8) / 40 MW (Unit 9) / 0 MW (Unit 10)
	COD	1964 (Units 7 & 8) / 1965 (Unit 9) / 1965 (Unit 10)
	Technology	ST
	Fuel / Fuel Supplier	No. 6 Fuel Oil / Freepoint Commodities (delivered via transfer lines from Port of San Juan)
	Control System	Emerson Ovation
Operational Metrics	Availability[1]	33% (Unit 7) / 48% (Unit 8) / 34% (Unit 9) / 3% (Unit 10)
	Capacity Factor[1]	19% (Unit 7) / 10% (Unit 8) / 27% (Unit 9) / 0% (Unit 10)
	Minimum Load	50 MW (Unit 7) / 50 MW (Unit 8) / 50 MW (Unit 9) / 50 MW (Unit 10)
	Heat Rate[2]	Full Load: 10,497 Btu/kWh / 10,445 Btu/kWh Min Load: 10,498 Btu/kWh / 10,498 Btu/kWh
	Ramp Rates	3 MW per minute up / 3 MW per minute down
	Start-Up Times	Hot: 3 hours; Warm: 6 hours; Cold: 8 hours
Major Equipment	Steam Turbine	General Electric
	Boiler	B&W (Units 7 & 8) / Combustion Engineering (Units 9 & 10)

Exhibit 2

Source: Independent Engineering Report, San Juan Power Plant, May 2019.
1. Reflects average value by unit for 2017 – 2019.
2. Reflects heat rates for Units 7 & 8, respectively. Heat rates reflect assumption based on historic operating experience.

Facility Photo

Facility Highlights

- The facility is comprised of four units, each of which are 100 MW; All units, 7-10, are at the end of their design life
  - Units 7 is anticipated to remain operational for standby services while new generation is brought online
  - Unit 8's main power transformer is undergoing maintenance but is anticipated to return to service
  - Unit 10 is out of service indefinitely and is not expected to return to operations
- Units 9 and 10 have hydrochloric acid and hydrogen fluoride MATS limits; compliance is demonstrated by fuel moisture content <1%
- The open plant design exposes much of the equipment to coastal conditions, and the plant's poor condition is primarily the result of this design and location. The facility is a 1960s era oil-fired design and does not have the benefit of modern emissions controls or newer equipment
- Units 1-6 have been retired; but kept mostly in place

San Juan Units 7-10: Major Maintenance and Future Plans

Facility Highlights (continued)

- Units 9-10 are subject to Particulate Matter emission limits and HCl/HF acid gas emission limits under MATS, as well as work-practice standards for tune-ups and startup/shutdown
- Units 7-8 are limited-use units under MATS; subject to 8% heat input limit
- Units must be taken out of service for environmental outage at least every 18 months due to 1999 Consent Decree with EPA/DOJ
- Units are located in a nonattainment area for the sulfur dioxide NAAQS and may be subject to restrictions or retirement or reductions in fuel sulfur content depending on the results of the sulfur dioxide state implementation plan

Future Projects		
	Decommissioning of Units 1-6	The original plants (Units 1 through 6) were constructed using a ST building along the Port Authority on San Juan Harbor. These thermal units were installed in the 1950s and were rated at nominally 22 MW each.
	Decommissioning of Units 7-10	As per IRP schedule.

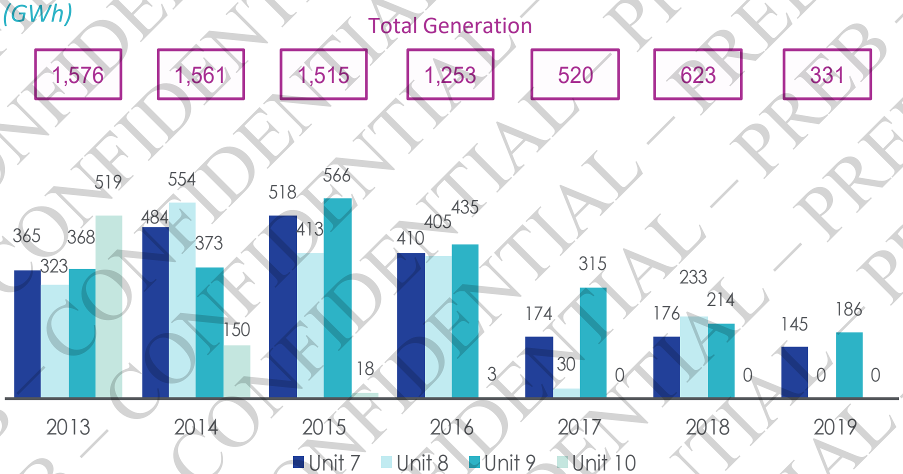
Exhibit 2

Source: Independent Engineering Report, San Juan Power Plant, May 2019.

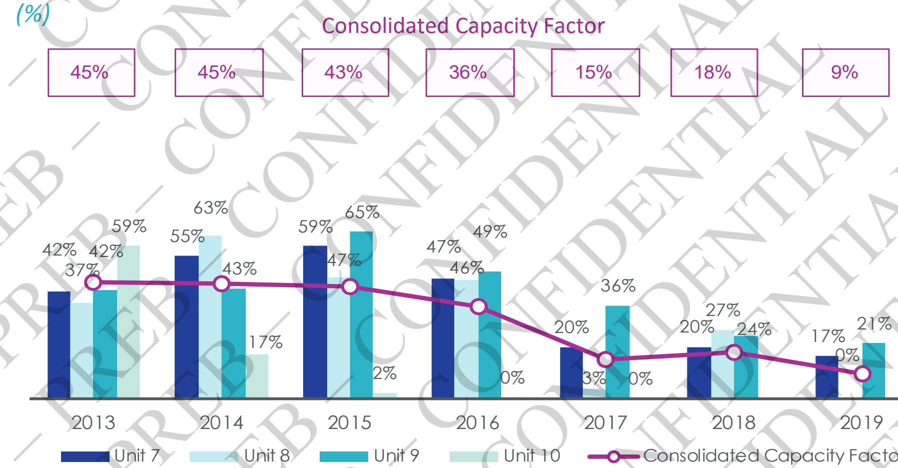
San Juan Units 7-10: Historical Operating Summary

San Juan units 7 – 9 are primarily used to provide peaking services (unit 10 does not operate). Despite operational challenges, the units may be dispatched due to their proximity to San Juan where power supply is needed.

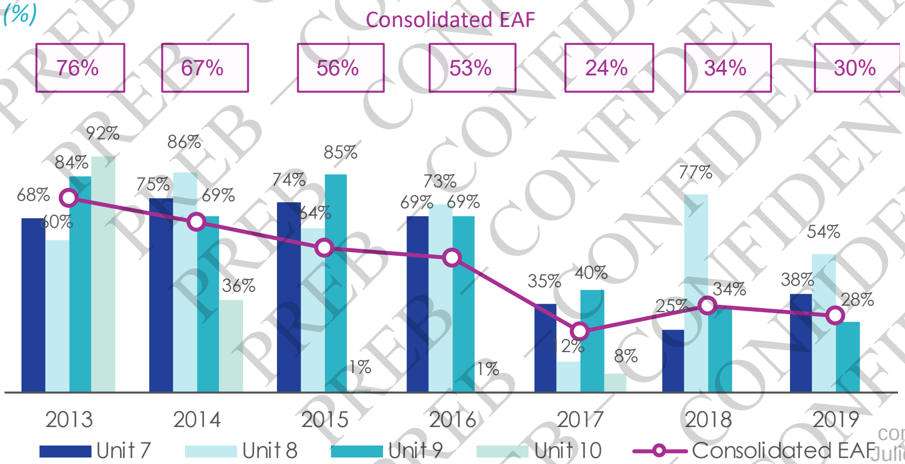
Net Generation
(GWh)



Capacity Factor
(%)



Equivalent Availability Factor
(%)



Equivalent Forced Outage Rate
(%)

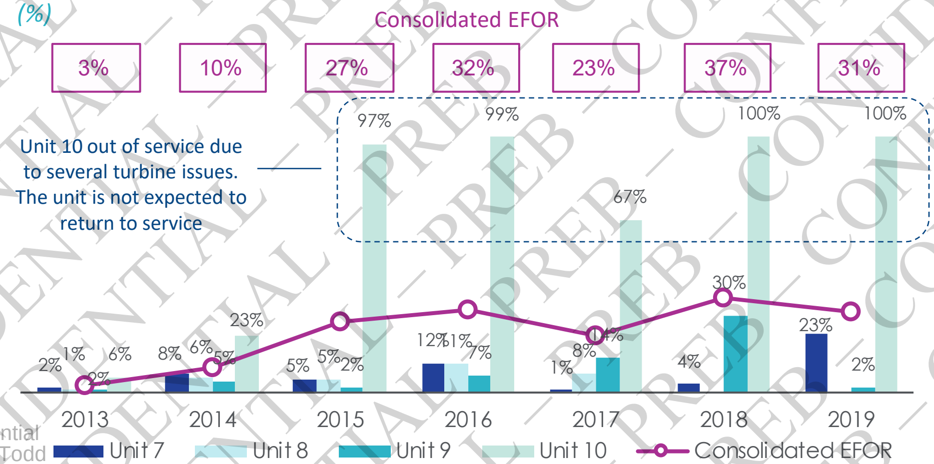


Exhibit 2

Note: Reflects calendar years. Consolidated averages are weighted by capacity. 2017 includes the impact of Hurricanes Irma and Maria.
Source: PREPA monthly operating reports.

4g. Standalone Peaking Sites

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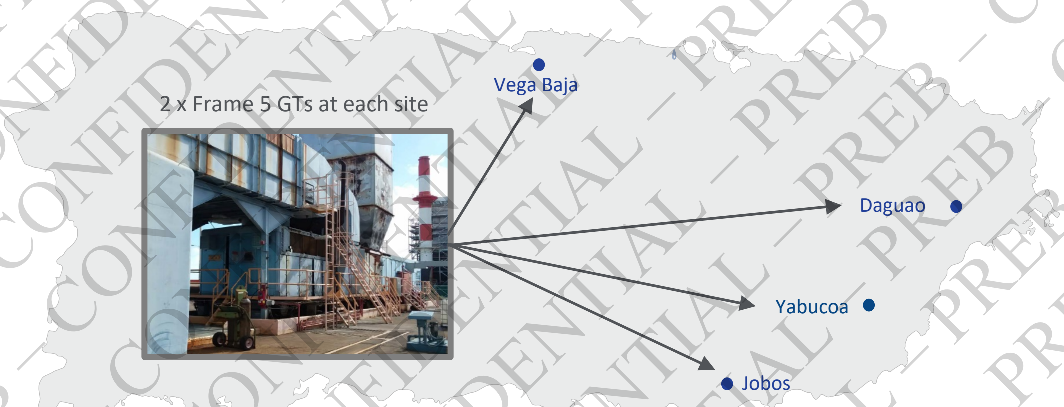
Exhibit 2

Standalone Peaking Sites

Peaking Gas Turbine Footprint



Peaking Gas Turbine Commentary

- In addition to the gas turbine peaking units installed at some of the larger generating sites, there are four standalone peaking sites
- These GT units are distillate-fired GE design Frame 5 machines with nameplate capacity of 21 MW each
- The peaking sites are generally small and self-contained, with one common MPT feeding the switchyard.
- Puma Energy-supplied diesel fuel is delivered by tanker truck (differing from the Palo Seco, Aguirre and Costa Sur peaking GTs, which are connected by pipeline)
- Currently, 97 MW are classified as either available or undergoing a short-term outage. Most sites are exhibiting their age, and these units have the fleet's lowest efficiencies; as many are nearing end of life.
  - Vega Baja Unit 2 has a combustion & stage failure
  - Yabucoa Unit 1 and 2 are on outage due to high temperature trips

Peaking Gas Turbine Capacity and Status

	Number of Units	Nameplate Capacity	Available + Short-term Outage Capacity	Primary Use	Commentary
Daguao	2	42 MW	34 MW	Peaking Capacity	Both units operational and derated, 1-1 at 18MW and 1-2 at 16MW.
Jobos	2	42 MW	42 MW	Peaking Capacity	Both units operational.
Vega Baja	2	42 MW	21 MW	System Reliability	Unit 1-1 operational. Unit 1-2 on outage with return to service date TBD.
Yabucoa	2	42 MW	0 MW	System Reliability	Unit 1 and 2 on short term outage due to high temperatures; return to service is TBD.

Exhibit 2

Note: Information as of October 31, 2020.

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Standalone Peaking Sites

Daguao

Jobos

Vega Baja

Yabucoa

Exhibit 2

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5. Fuel Management

Delis Zambrana - Senior Program Manager, PREPA
Edwin Barbosa - Fuel Office Administrator, PREPA
Dennis Zabala - Principal Advisor, Sargent & Lundy

Fuel Procurement Overview

The entire legacy generation fleet is fossil fuel powered, requiring significant fuel resources to be imported to the island. Fuel is the largest cost component in PREPA's current electric rate.

Overview

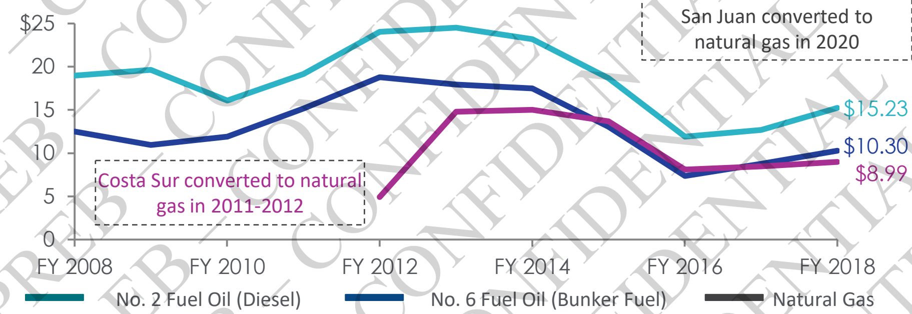
- Fuel contracts are awarded through competitive RFP processes
  - Fuel oil and diesel contracts are typically 1-2 years in length; the FOMB usually requires a new RFP when the original contract expires
  - Natural gas contracts are typically longer; the NFE contract is 5 years and the Naturgy contract is 12 years
  - Fuel pricing is tied to market indices with a fixed adder for shipping and other supply charges
- In addition to the commodity cost, PREPA incurs additional costs related to logistical / transportation challenges and environmental compliance
- No. 6 fuel oil is delivered to the island at the CORCO pier in the south, then transported by barge to Aguirre, San Juan and Palo Seco
  - Pipelines transport No. 6 fuel oil from CORCO to Costa Sur (south) and from Palo Seco to San Juan
  - No. 2 fuel oil is delivered at San Juan by pipeline from Puma Energy's Caribe facility; it is also transported via barge to Cambalache, Mayaguez and Aguirre
  - No. 2 fuel oil is delivered to other, smaller combustion turbine peaker sites and Costa Sur (if necessary) via tank truck
- At Aguirre, Palo Seco, and San Juan, the sulfur dioxide state implementation plan may potentially require reductions in fuel sulfur content in the near future

Key Fossil Fuel Suppliers

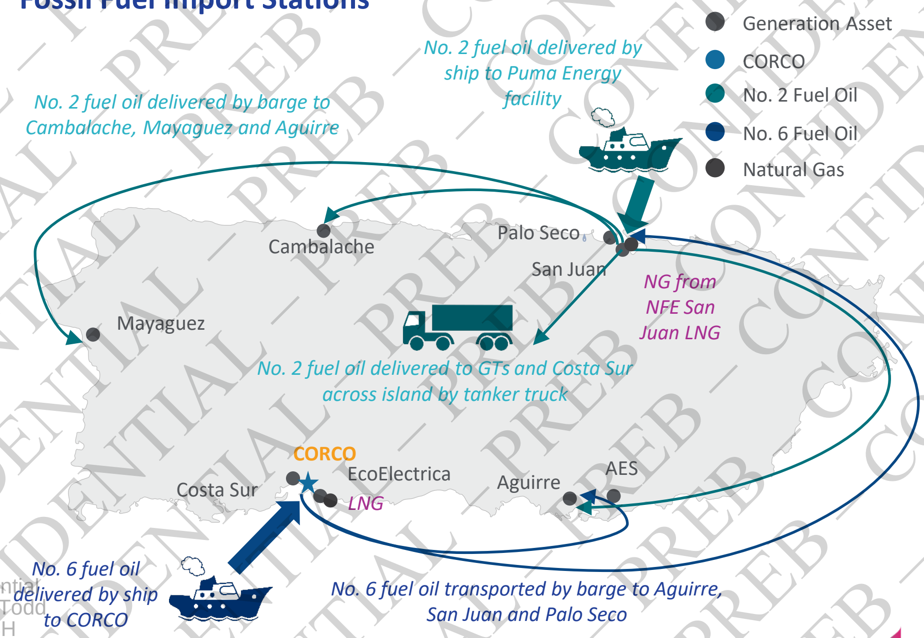
Natural Gas	Naturgy New Fortress Energy
Fuel Oil and Diesel	Puma Energy Caribe Freepoint Commodities
Propane and Automotive Fuel	Liquilux Gas Corp. Total Petroleum Puerto Rico by joint GSA contract

Historical Realized Fuel Prices

($ / MMBtu)



Fossil Fuel Import Stations



Note: Pipelines (not shown) connect CORCO to Costa Sur, EcoElectrica to Costa Sur and Palo Seco to San Juan.

Exhibit 2

Site Specific Fuel Information

	Aguirre	Cambalache	Costa Sur	Mayaguez	Palo Seco	San Juan	Standalone Peakers
Natural Gas Supply	• N/A	• N/A	• Supplied via pipeline from EcoEléctrica • LNG stored in a 42m gallon insulated tank	• No NG supply for site • Each GT is configured to be capable of NG conversion if gas fuel becomes available	• No provision for natural gas supply on site but San Juan Harbor could supply natural gas to site	• Regasified LNG to the San Juan site is complete	• N/A
Heavy Fuel Oil Supply (#6)	• Delivered to port by barge; pipelines to multiple onsite storage tanks	• N/A	• Delivered to port by barge or vessel; pipelines to multiple onsite storage tanks	• N/A	• Delivered via transfer lines from docking station at Port of San Juan	• Delivered via transfer lines from docking station at Port of San Juan	• N/A
Diesel Supply (#2)	• Delivered to port by barge; pipelines to multiple onsite storage tanks	• Delivered by barge at port, then by pipeline up to on site storage tanks; tank truck deliveries also possible	• Delivered to port by tank truck or piping transfer from CORCO; pipelines to multiple onsite storage tanks	• Delivered by barge to Mayaguez port transfer station and then via pipeline to on site storage tanks	• Delivered via pipeline from Puma Energy to on site storage tanks	• Delivered via pipeline from Puma Energy to on site storage tanks	• Delivered by tank trucks to onsite storage tanks
Propane Supply	• Delivered by truck to tanks on site • Propane is used to ignite the burners on the boilers	• N/A	• Delivered by truck to fuel tanks on site • Propane is used to ignite the burners on the boilers when natural gas is not available	• N/A	• Delivered by truck to tanks on site • Propane is used to ignite the burners on the boilers	• Delivered by truck to tanks on site • Propane is used to ignite the burners on the boilers	• N/A

Exhibit 2

Summary of Key Fuel Procurement Contracts

	Fuel Oil and Diesel		Automotive Fuel		Other Fuel-Related	LNG	
Contract Counterparty :	**Puma Energy Caribe, LLC**	**Freepoint Commodities LLC**	**Total Petroleum Puerto Rico Corp.**		**Commonwealth Oil Refining Company, Inc.**	**Naturgy**	**NFENERGIA LLC**
Fuel Type/ Services	Light distillate No. 2 fuel oil	Residual No. 6 fuel oil	Gasoline and ultra low sulfur diesel ("ULSD")	Unleaded Gasoline and Diesel	Terminalling services in Peñuelas	LNG	LNG
Volume (Min / Max)	Min. volume is 75% of the plant requirements	Max. volume of 1,650,000 barrels per month	None	None	Maximum available capacity for PREPA is 1.454 MM barrels (6 tanks)	• Min. annual volume: 55 Tbtu; Max. annual volume: 106 Tbtu	• Max. annual volume: 25 Tbtu
Credit Allowance	• $45M • 60 days to pay invoice	• $200M • 70 days to pay invoice	• 60 days to pay invoice	• 45 days to pay invoice	• Various; 5 – 30 days to pay invoice	• 30 days to pay invoice	• 30 days to pay invoice
Contract Start	November 21, 2019	August 1, 2019	August 4, 2020	March 2, 2015	June 10, 2020	April 2, 2020	March 5, 2019
Expiration	November 20, 2021	October 30, 2021	November 1, 2022	April 30, 2021	December 31, 2021	September 30, 2032	March 4, 2024
Price Structure	Unit price ($ / bbl) using a fixed price differential plus an escalator factor, taking as reference the delivery date	For initial term: Unit price ($ / bbl) using an escalator plus a price differential, with 70-day credit term	Unit price ($ / gallon) using a fixed price differential plus an escalator factor and applicable taxes (ASG gas/diesel contract)	Unit price ($ / gallon) using a fixed price differential plus an escalator factor and applicable taxes	Various unit prices depending on function	• Contract start until 2021:115% x Henry Hub + $5.80 • 2021: 115% x Henry Hub + $5.70 • 2022: 115% x Henry Hub + $5.60 • 1/2023- 9/2032: 115% x Henry Hub + $5.50	• Transition Period and months 1-12: $8.50 + 115% x Henry Hub + Natural Gas Manufacturing Surcharge • Months 13-24: $7.50 + 115% x Henry Hub+ NGMS • Months 25 to end of Contract Term: $6.50 + 115% x Henry Hub+ NGMS
Fixed Price Differential	• Up to 1.2M bbls: $10.00/bbl • 1.2M bbls to 3.6M bbls: $9.50/bbl • Greater than 3.6M bbls: $9.00/bbl	Payment in "Early Payment Discount Period" (62nd day): • San Juan and Palo Seco plants: $4.28 • Aguirre and Costa Sur plants: $6.28 Payment in "Full Payment Period" (72nd day): • San Juan and Palo Seco plants: $17.71 • Aguirre and Costa Sur plants: $19.78	$0.2100 / gallon (both gasoline and ULSD)	$0.379 / gallon (both gasoline and diesel)	Fee Schedules: • Storage: $1.30 per shell bbl/month • Loading: $.0144787 per shell bbl/month • Unloading: $0.144787/bbl • Blending: $0.005810/shell bbl per hour • Direct unloading: $0.211620 /bbl • Tank transfer: $0.066842 /bbl • Truck loading rack: $1.279032 /bbl • Wharfage / dock maintenance: $0.055697 /bbl • Dockage: $0290892 /ton /day	Not Applicable	Not Applicable
Price Escalator	✓ *Formulaic escalation*	✓ *Formulaic escalation*	✓ *Formulaic escalation*	✓ *Formulaic escalation*	X	X	X
Delivery of Fuel	Seagoing vessel, barge, tank to tank transfer or tank truck	Barge or other type vessel	Via tank trucks to Technical Services Offices and Workshops	TOTAL fuel stations	Not Applicable	Pipeline interconnection between Costa Sur and EcoEléctrica generation facilities	Pipeline interconnection from NFE facilities in Port of San Juan

Exhibit 2

Note: All contracts are available in Data Room.

6. Financial Projections

Fernando Padilla – Deputy Executive Director of Operations, PREPA

Exhibit 2

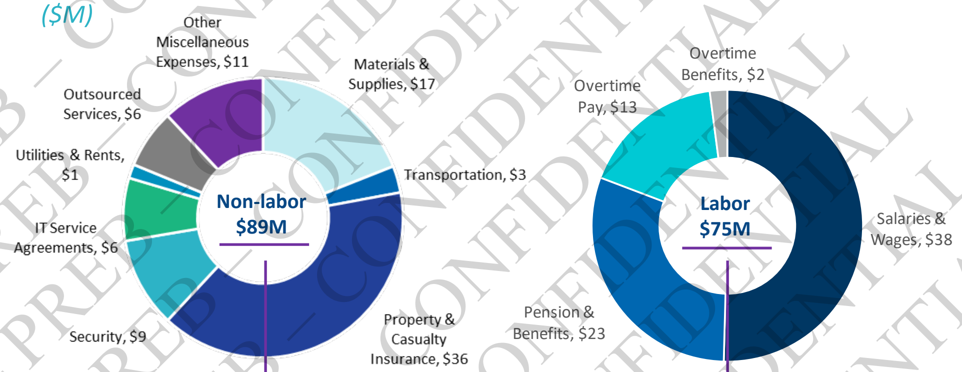
Legacy Generation Financial Budget

According to the 2021 Fiscal Plan, operating the Legacy Generation Assets is expected to cost $978M in FY21, including $725M in non-controllable expenses (fuel, variable O&M, etc.) and $253M in controllable costs.

- The operating budget for the Legacy Generation Assets consists of "non-controllable" costs; costs for which the magnitude is out of the control of the operator and "controllable" costs which the operator has some ability to control through its management of the plant operations
- Costs are expected to decline through 2025 for several reasons, including:
  - Many legacy generation units are expected to retire in the coming years leading to a decrease in variable costs and major maintenance
    - The retirement schedule implicit in the 2021 Fiscal Plan differs from the IRP retirement schedule due to timing differences in publication dates – as a result, these financial budgets will change once the IRP compliance plan is filed by PREPA and approved by PREB; Appendix D provides the retirement schedule assumed in the Fiscal Plan
  - New generation coming online is expected to displace legacy generation leading to lower production over the forecast period

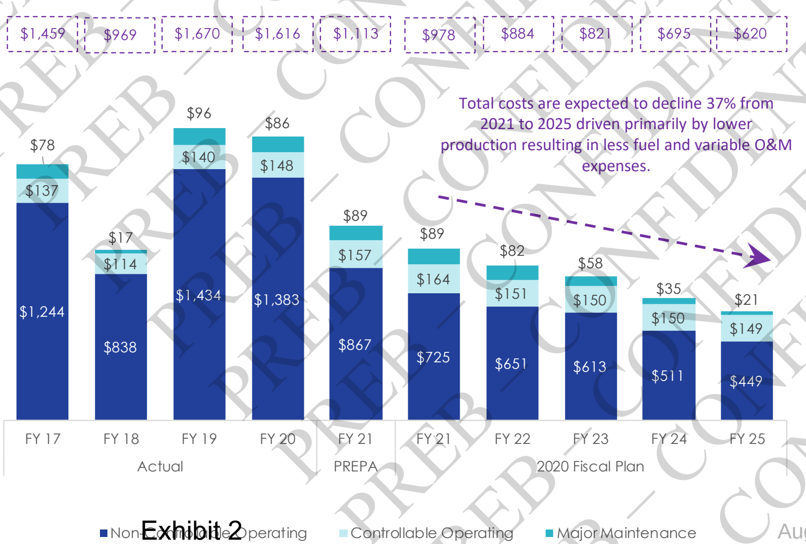
Controllable Operating Costs – FY21 Budget

($M)



Total GenCo Budget[1]

($M)



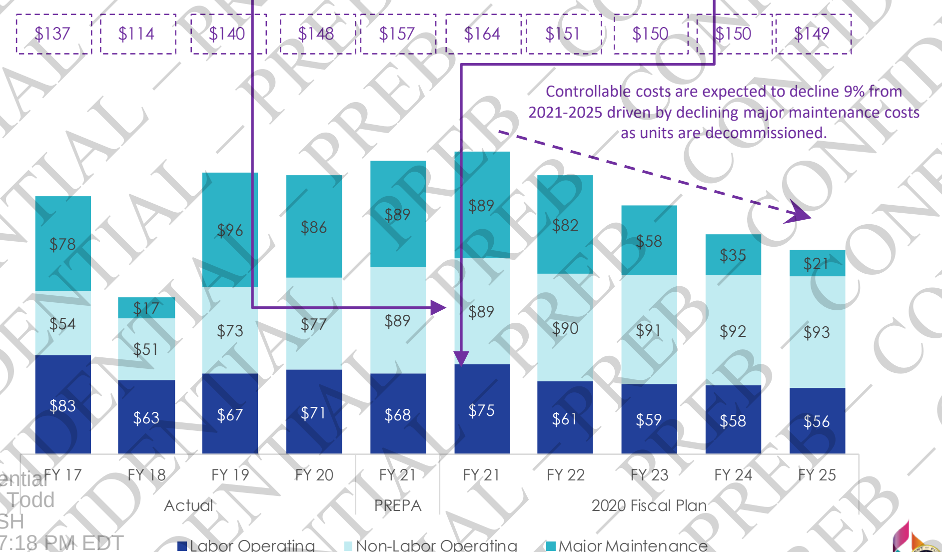


Exhibit 2

Source: 2021 Fiscal Plan for the Puerto Rico Electric Power Authority, June 29, 2020.

Note: "Non-controllable" expenses defined as fuel and variable O&M costs, "Controllable" defined as all other operating costs.

1. Implicit in the budget forecast is the Fiscal Plan's assumptions on asset retirements; this retirement schedule will change once PREPA files its IRP compliance plan.

Legacy Generation Operating Budget

The Fiscal Plan's detailed operating budget for the Legacy Generation Assets is presented below, including:

- Average total operating expenses of $706M from FY22 to FY25;
- Average non-controllable expenses of $556M from FY22 to FY25;
- Average controllable expenses of $150M from FY22 to FY25; and,
- Average major maintenance of $49M from FY22 to FY25.

	Actual				PREPA	2020 Fiscal Plan					
$ in thousands	FY 17	FY 18	FY 19	FY 20	FY 21	FY 21	FY 22	FY 23	FY 24	FY 25	Notes
Non-Controllable Operating Expenses											
Fuel Expenses	$1,187,353	$799,343	$1,378,913	$1,329,340	$813,967	$684,782	$621,072	$588,832	$491,841	$432,743	
Variable Operating Expenses	56,425	38,330	54,875	53,513	53,513	40,003	29,589	23,950	18,994	16,656	[1]
Total Non-Controllable Expenses	**$1,243,778**	**$837,673**	**$1,433,788**	**$1,382,854**	**$867,480**	**$724,785**	**$650,661**	**$612,782**	**$510,836**	**$449,399**	
Controllable Operating Expenses											
Labor Operating Expenses											
Salaries & Wages	$43,330	$31,293	$35,140	$36,408	$37,765	$37,910	$38,889	$39,395	$38,316	$37,272	
Pension & Benefits	26,103	18,736	20,565	20,203	22,725	22,813	10,911	11,053	10,750	10,457	
Overtime Pay	11,937	11,586	10,703	12,785	6,524	12,897	9,811	7,458	7,543	7,634	
Overtime Benefits	1,341	996	1,089	1,625	783	1,568	1,177	895	905	916	
Total Labor Operating Expenses	$82,710	$62,611	$67,497	$71,020	$67,797	$75,187	$60,787	$58,801	$57,514	$56,279	
Non-Labor / Other Operating Expenses											
Materials & Supplies	$16,701	$16,455	$16,794	$18,241	$15,402	$16,946	$17,128	$17,303	$17,499	$17,710	
Transportation	3,293	2,003	2,221	2,296	2,779	2,755	2,784	2,813	2,844	2,879	
Property & Casualty Insurance	16,871	16,907	33,774	33,720	35,510	35,510	35,890	36,258	36,669	37,112	[2]
Security	7,732	8,107	8,873	8,353	9,277	9,277	9,377	9,473	9,580	9,696	[2]
IT Service Agreements	2,625	1,569	4,696	3,332	6,475	6,475	6,545	6,612	6,687	6,767	[2]
Utilities & Rents	1,610	1,537	1,537	1,940	6,534	1,434	1,449	1,464	1,481	1,499	
Outsourced Services	283	130	375	1,027	4,978	6,072	6,137	6,200	6,270	6,346	
Other Miscellaneous Expenses	5,346	4,705	4,351	7,613	8,048	10,677	10,792	10,902	11,026	11,159	
Total Non-Labor / Other Operating Expenses	$54,460	$51,413	$72,621	$76,522	$89,003	$89,147	$90,101	$91,024	$92,055	$93,167	
Total Controllable Operating Expenses	**$137,171**	**$114,023**	**$140,118**	**$147,542**	**$156,800**	**$164,334**	**$150,889**	**$149,825**	**$149,568**	**$149,447**	
Total Operating Expenses	$1,380,949	$951,696	$1,573,906	$1,530,396	$1,024,280	$889,118	$801,549	$762,607	$660,404	$598,846	
Major Maintenance	$78,159	$17,363	$95,615	$85,999	$88,553	$88,553	$82,405	$58,235	$34,941	$20,965	[3]
Operating Capacity (MW)	*2,827*	*2,827*	*2,827*	*2,827*	*2,827*	*2,827*	*2,770*	*2,665*	*2,356*	*1,998*	
Operating headcount by year	*1,078*	*1,078*	*1,078*	*1,078*	*1,078*	*1,078*	*1,094*	*1,097*	*1,055*	*1,014*	

Notes:

[1] The variable costs for FY17-FY20 have been derived for the historical and forecast period by using asset production (either actual or projected) and variable O&M rates per the Siemens PROMOD runs that underpin the fiscal plan that were prepared in June 2020.
[2] Historical costs in FY17-FY19 derived from total PREPA costs based on the implied GenCo allocation from the fiscal plan budget. FY20 costs sourced from fiscal plan.
[3] Maintenance capital in FY21 excludes $9.9 million associated with the hydro generating units. No adjustments have been made for FY22-FY25.
(4) The 2020 PREPA Fiscal Plan can be found in the data room in folder 2.1.2.1.
(5) FY17-FY20 and the PREPA FY21 forecast have been prepared using the PREPA general ledger data.

Source: 2021 Fiscal Plan for the Puerto Rico Electric Power Authority, June 29, 2020; PREPA data.

Asset-Level Budget Detail

Below is a summary of historical site-level operating costs from FY14 – FY20. In addition to the site data there are two overhead cost categories including general and administrative and general repair parts and expenses.

	Actual						
$ in thousands	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Non-Controllable Operating Expenses							
Aguirre	$762,693	$657,956	$380,138	$371,079	$341,406	$515,339	$537,651
Cambalache and Mayaguez	19,068	26,448	29,872	15,810	42,214	16,633	51,310
San Juan	536,531	416,890	293,804	368,643	116,649	316,331	340,000
Palo Seco	276,880	155,656	102,901	125,239	61,612	154,181	234,291
Costa Sur	758,389	645,510	417,936	363,007	275,792	431,303	219,602
Total Non-Controllable Expenses	$2,353,560	$1,902,459	$1,224,651	$1,243,778	$837,673	$1,433,788	$1,382,854
Labor Operating Expenses							
Aguirre	$29,086	$25,238	$23,761	$21,947	$15,592	$17,886	$17,501
Cambalache and Mayaguez	13,841	11,570	11,167	9,989	7,985	8,635	11,043
San Juan	21,795	18,096	17,135	16,309	13,323	12,150	13,698
Palo Seco	18,945	14,479	13,704	13,618	9,481	13,167	12,650
Costa Sur	20,929	19,021	18,243	17,216	13,924	12,668	12,972
General	2,515	2,016	2,008	2,291	884	1,519	1,590
Engineering & Technical	1,591	1,114	1,185	1,340	1,420	1,472	1,566
Total Labor Operating Expenses	$108,701	$91,533	$87,204	$82,710	$62,611	$67,497	$71,020
Non-Labor / Other Operating Expenses							
Aguirre	$6,740	$6,085	$6,411	$7,997	$5,557	$6,306	$6,496
Cambalache and Mayaguez	3,303	2,958	2,980	3,210	3,966	2,722	4,901
San Juan	8,617	7,284	8,671	6,566	6,345	6,097	8,562
Palo Seco	4,075	2,817	4,644	3,103	3,907	4,208	4,543
Costa Sur	5,681	4,484	4,979	5,708	4,805	5,392	4,101
General	286	305	229	27,573	26,660	47,662	47,622
Engineering & Technical	345	287	305	304	172	235	298
Total Non-Labor / Other Operating Expenses	$29,047	$24,222	$28,220	$54,460	$51,413	$72,621	$76,522
Total Operating Expenses	$2,491,307	$2,018,214	$1,340,074	$1,380,949	$951,696	$1,573,906	$1,530,396

Exhibit 2

Source: PREPA data.

Major Maintenance Budget in FY21

PREPA projects to spend $88.6M in major maintenance in FY21, including a $10M surcharge associated with LNG supply delivered by New Fortress Energy at San Juan and improvements to the turbine generator at Costa Sur Unit 6.

$ in thousands

Description	Amount
Aguirre CC	
Scheduled Maintenance Stag I Combined Cycle	$2,500
Other	1,000
Total	**$3,500**
Aguirre Steam	
Generator Rehabilitation - Unit 2	$4,200
Mark Vle Controls Upgrade	3,500
Other	6,713
Total	**$14,413**
Cambalache	
Major Inspection "C" Unit 1-3	$4,000
Cambalache GT Unit Repairs	300
Total	**$4,300**
Costa Sur	
Turbine Generator Improvement Unit 6	$5,000
Boiler Feed Pump Barrel Assembly Units 5 and 6	1,500
Other	950
Total	**$7,450**
Mayaguez	
Aeroderivative Improvement	$2,000
Mayaguez Station Control System Upgrade (HMI)	200
Total	**$2,200**
Palo Seco GT	
Portable Generators (20-30 MW)	$600
Battery Bank Replacements	600
Breaker	100
Total	**$1,300**

Description	Amount
Palo Seco Steam	
Turbine Generator Improvement	$2,500
Boiler Improvement Unit 4	2,500
Boiler Improvement Unit 3	2,000
Upgrade Foxboro 1,3 and 4 (Cyber Security)	2,000
Water Boxes Improvement (Condenser) - Unit 3 and 4	1,200
Forced and Induced Fan Wing Control System - Unit 3 and 4	1,000
Other	990
Total	**$12,190**
San Juan Steam	
Natural Gas Manufacturing Surcharge (LNG Supply)	$10,050
Combined Cycle Improvement Unit 5	7,000
Combined Cycle Improvement Unit 6	7,000
Scheduled Maintenance HRSG - Unit 5	5,000
Spare Bundle for Feeding Pumps - Unit 5 and 6	1,900
DCS Foxboro Upgrade Unit 7, 8, 9 and 10 (Cyber Security)	1,800
Other	2,050
Total	**$34,800**
General	
Fuel Storage Tanks Improvement	$3,000
Equipment for Production Division	1,100
Transformer for Generation Plant	1,000
Other	3,300
Total	**$8,400**

Exhibit 2

Source: 2021 Fiscal Plan for the Puerto Rico Electric Power Authority, June 29, 2020.

7. Environmental Considerations

Luisette Rios - Head of Environmental Protection and Quality Assurance, PREPA
Alfonso Baretty - Director of Planning and Environmental Protection, PREPA

confidential
Juliette Todd
CGSH
Aug 17, 2022 7:18 PM EDT
Management Presentation
1.1.13.17

Exhibit 2

Environmental Overview

1999 Consent Decree Covering PREPA's Baseload Generation Resources

- An Air Compliance Program (including O&M and monitoring) for PREPA baseload units to meet opacity limits and performance measures
- A Clean Water Act compliance program to meet wastewater discharge limitations
- The payment of stipulated penalties for Consent Decree violations
- Mandatory environmental outages at least every 18 months for baseload units, during which boilers and key components are cleaned and recalibrated to meet the opacity standards of the Consent Decree
- PREPA is in the process of negotiating a modification to the Consent Decree that would significantly streamline its obligations
- PREPA has not been able to complete the required annual NOx testing at the Aguirre, Palo Seco, and Costa Sur Power Plants

MATS

- Applies to PREPA oil-fired baseload generating units, including San Juan Units 7-10, Aguirre Units 1-2, Palo Seco Units 1-4, Costa Sur Units 3-6
  - San Juan Units 7-8, Palo Seco Units 1-2 and Costa Sur Units 3-4 designated as limited-use units subject to 8% heat input limit
  - Remaining units must comply with emissions limits for Particulate Matter and acid gases and work practice standard requirements
- PREPA power plants have operated in noncompliance and/or have not timely conducted required testing/audits, which is anticipated to be resolved through a consent decree with the EPA in 2021

EPA granted No-Action Assurances Following Hurricanes Irma and Maria in 2017 and Jan. 2020 Earthquakes

- No Action Assurances ("NAA") have been granted to PREPA for certain Clean Air Act requirements in the wake of natural disasters
  - Hurricanes: NAA issued on October 6, 2017, extended through July 31, 2018 for various requirements, including certain MATS requirements
  - 2020 Earthquakes: 3 NAAs issued for:
    - MATS Compliance: Issued on February 13, 2020 and extended until August 14, 2020, for certain requirements
    - Fuel Consumption and Analysis: Issued on January 31, 2020 and extended until August 14, 2020, for certain requirements
    - Internal Combustion Engines: Issued on January 31, 2020; expired on April 30, 2020

Exhibit 2

Environmental Overview

Nonattainment with the 1-hr Sulfur Dioxide National Ambient Air Quality Standard ("NAAQS")

- In Jan. 2018, San Juan and Guayama-Salinas areas were designated as nonattainment areas
- Nonattainment status means that new or modified generation units in these areas will be subject to nonattainment New Source Review ("NNSR") permitting requirements
- San Juan, Palo Seco and Aguirre will be subject to the state implementation plan ("SIP") that is currently under development by the Puerto Rico Department of Natural and Environmental Resources ("PRDNER")
- PRDNER did not submit the SIP to the United States Environmental Protection Agency ("EPA") by the October 2019 deadline
- In November 2020, EPA issued a Finding of Failure to Submit ("FFS") the SIP, with an effective date of December 3, 2020
  - FFS triggers an EPA obligation to promulgate a federal implementation plan within two years if EPA has not approved a SIP
  - The FFS triggers deadlines for EPA to impose sanctions if Puerto Rico has not made a complete SIP submittal, including:
    - 2-to-1 emission offsets if EPA has not determined PRDNER made a complete SIP submittal by June 3, 2022
    - Federal highway funding sanctions if EPA has not determined PRDNER made a complete SIP submittal by 6 months after the offset sanctions
- SIP may require PREPA to restrict operations at generation units, retire generation units, or switch to fuel with reduced sulfur content, among other things
- PREPA is working with EPA and PRDNER on attainment modeling to develop the SIP

Preconstruction Permitting Requirements for New or Modified Facilities

- Construction of new, or modification of existing, facilities are potentially subject to the New Source Review permitting program
- Projects also require a permit to construct from PRDNER
- On January 22, 2021, EPA issued a Notice of Violation and Opportunity to Confer regarding the Palo Seco MobilePac Units.
  - EPA alleges that PREPA violated: 1) PSD requirements by failing to apply for and obtain a PSD construction permit, 2) NNSR permitting requirements because the units are located in a non-attainment area for SO2, and 3) New Source Performance Standards and National Emission Standards for Hazardous Air Pollutants
  - PREPA is conferring with EPA regarding the NOV

Exhibit 2

Summary of Key Environmental Regulations Applicable to PREPA

Law / Regulation	Summary
MATS	• Finalized in February 2012 and effective April 2015 for San Juan, Palo Seco and Costa Sur and April 2016 for Aguirre • Imposes emission limits, monitoring and reporting obligations for mercury, acid gases and particulate matter • Requires compliance with work practice standards for startups / shutdowns and tune-ups
National Ambient Air Quality Standards	• Clean Air Act sets NAAQS for criteria pollutants: ozone, particulate matter, CO, NOx, SO_2 and lead • Standards look at emissions contributions from all sources (e.g., stationary and mobile facilities) • In January 2018, the U.S. EPA finalized its determination that the San Juan and Guayama-Salinas airsheds are in nonattainment for the 1-hour SO_2 NAAQS due to the San Juan, Palo Seco, and Aguirre power stations – Puerto Rico must develop a SIP requiring that PREPA take measures to return Puerto Rico's nonattainment areas to attainment (to be achieved by 2023) – SIP may require PREPA to restrict operations at or retire generation units, or switch to fuel with reduced sulfur content, among other things
New Source Review ("NSR") Permitting Program	• New major sources and major modifications to existing sources that increase emissions by certain threshold amounts must obtain a permit: – Prevention of Significant Deterioration ("PSD") permit for sources in attainment areas – NNSR permit for sources in nonattainment areas • If subject to NSR, sources in attainment areas must install Best Available Control Technology ("BACT"), while sources in nonattainment areas must install equipment to achieve the Lowest Achievable Emissions Rate ("LAER") and offset emissions, among other things
Title V Permitting	• PREPA's power plants are required to have a Title V Air Operating Permit under the Clean Air Act
NSPS and NESHAP	• Depending on the type of unit, PREPA generating units are subject to New Source Performance Standards ("NSPS") under Section 111 of the Clean Air Act and 40 C.F.R. Part 60, including the NSPS for stationary combustion turbines (Subpart KKKK), electric generating units (subpart TTTT), and stationary compression ignition internal combustion engines (Subpart IIII) • Depending on the type of unit, PREPA generating units are subject to National Emission Standards for Hazardous Air Pollutants ("NESHAP") under Section 112 of the Clean Air Act and 40 C.F.R. Part 63, including MATS (Subpart UUUUU), as well as the NESHAP for stationary combustion turbines (Subpart YYYY) and reciprocal internal combustion engines (Subpart ZZZZ)
Greenhouse Gas Emission Standards	• NSPS for Electric Utility Generating Units was finalized in 2015 under Clean Air Act Section 111(b) – If new power plants are built, or existing plants are reconstructed or modified, the NSPS may apply • Puerto Rico was not subject to the Affordable Clean Energy Rule, i.e., Emissions Guidelines for Existing Electric Generating Units under Clean Air Act Section 111(d) • D.C. Circuit Court of Appeals vacated the Affordable Clean Energy rule • The new Administration is expected to propose a new regulation under Section 111(d)

Exhibit 2

Summary of Key Environmental Regulations

Law / Regulation	Summary
Clean Water Act / Puerto Rico Water Quality Standards	• PREPA's four major baseload power plants are each required to have a National Pollutant Discharge Elimination System ("NPDES") permit; renewals must be applied for every five years • Pursuant to Clean Water Act Section 316(b), the EPA promulgated final regulatory standards for cooling water intake structures, requiring covered facilities to reduce the impingement and entrainment of marine life by water intake structures • [Placeholder for Section 316(b) language from Luisette] • Under the Clean Water Act, Puerto Rico publishes and maintains water quality standards and regulations to protect, preserve, maintain and enhance the quality of water in Puerto Rico compatible with the social and economic needs of the people of Puerto Rico

Spill Prevention, Control, and Countermeasure ("SPCC") Program	• Section 311 of the Clean Water Act imposes requirements for prevention, preparedness, and response to oil discharges
	• PREPA is required to prepare and update SPCC Plans for its generation facilities
	    ◦ PREPA is behind schedule for on updating some of its plans, which must be updated every 5 years
	• Requires integrity testing for oil storage tanks at PREPA's generation facilities
	    ◦ PREPA is behind schedule on integrity testing for some of its oil storage tanks

Underground Injection Control ("UIC") Regulation	• PREPA has UIC facilities for the disposal of sanitary waste at most of its generation facilities that are regulated under PRDNER's Underground Injection Control regulations • Generally, must either obtain a permit to operate the UIC or implement an alternate compliance plan to close the UIC • PRDNER has approved alternate compliance plans for the septic systems at the San Juan, Aguirre, and Palo Seco power plants, but monitoring and closure activities are still in progress • An alternate compliance plan for Costa Sur was submitted to PRDNER, but remains under consideration • The UIC facilities have been closed at Mayaguez and Culebra • PREPA needs to develop and submit alternative compliance plans for Jobos, Yabucoa, and Daguao
Safe Drinking Water Act ("SDWA")	• PREPA's Aguirre and Costa Sur power plants have public water systems that must comply with SDWA requirements • Under the SDWA, PREPA's public water systems are subject to sampling and reporting requirements and maximum contaminant levels
Palo Seco Superfund Site	• The Site includes the Palo Seco Power Plant, a depot area, and the former Bayamón river channel. • The site was not placed on the Superfund National Priorities List and was addressed via other Superfund authorities. • PREPA entered into administrative order on consent with EPA to conduct a remedial investigation/feasibility study • In the Record of Decision for the Site, EPA concluded that the "no additional action decision under CERCLA for the PREPA Palo Seco Site is believed to be protective of human health and the environment." • PREPA maintains monitoring wells onsite and offsite, some of which contain free product/diesel, with small amounts of PCBs. • PREPA plans to install free product recovery equipment.

Exhibit 2

Summary of Key Environmental Regulations

Law / Regulation	Summary
Resource Conservation and Recovery Act ("RCRA"): **Hazardous Waste Management**	• Various PREPA generation facilities are regulated as RCRA generators of hazardous waste and have obtained a RCRA ID Number from EPA • Many generation facilities are currently either Very Small Quantity Generators or Small Quantity Generators • PREPA generation facilities also are small quantity handlers of universal wastes (e.g., lamps, batteries)
Toxic Substances Control Act ("TSCA"): **Polychlorinated Biphenyl ("PCB") Program**	• PREPA transformers and electrical equipment are regulated under TSCA if they contain oil with more than 49 ppm PCBs • Requirements govern storage, disposal, spills, marking, and recordkeeping • There are a handful of transformers at each generation facility • There are generally one to two step-up/step-down transformers at the switchyards of the generation facilities. • There are also transformers associated with each generation unit: (i) one to two main power transformers that provide power to the switchyard/grid, and (ii) normal service station transformers, which provide power to auxiliary equipment • Because of the age of many of the generation facilities, transformers and other electrical equipment in the switchyards may contain PCBs • EPA regulations establish assumptions to be applied in instances where the PCB concentration of a transformer or other electrical equipment has not been established
Emergency Planning and Community Right-to-Know Act	• PREPA generation facilities must file Toxic Release Inventory Form R reports and/or Tier II reports under EPCRA

Exhibit 2

Environmental Compliance and Recent Upgrades

Environmental Compliance Strategy

MATS

- MATS compliance strategy will reflect PREPA's Integrated Resource Plan and will rely on retirement / reduced output at existing plants
  - Retire noncompliant generation as new capacity comes online
  - Limit output of oil-fired steam units to qualify as limited-use liquid oil-fired units (must operate below threshold of 8% heat input capacity factor averaged over a 24-month block period)
- On August 24, 2020, PREB issued its final order on the IRP, approving in part and disapproving in part PREPA's proposed IRP
- Negotiations with the EPA regarding the Consent Decree for MATS Compliance are expected to commence in 2021

Clean Water Act Section 316(b)

- In order to comply, PREPA will replace the cooling water intake screens at all applicable facilities with improved traveling screens
  - These screens loop in an elliptical, allowing trapped marine to escape through an outflow channel, limiting marine life loss
  - Engineering study to select alternative for impingement and entrainment compliance requirements; preferred alternative: dual flow travelling screens and integrated vessel into dedicated fish return system through new outfall separate from existing debris trough system
  - Design work is complete for Costa Sur and Aguirre
  - Design work for Palo Seco and San Juan is in progress

Recent Environmental Upgrades

- **FY 2006**: completed fuel upgrades at Palo Seco, San Juan, Aguirre and Costa Sur so fuel sulfur content does not exceed 0.5% by weight
- **FY 2007**: completed projects to reduce NOx emissions at Palo Seco, San Juan, Aguirre and Costa Sur
- **FY 2011 – 2012**: Costa Sur Units 5 and 6 converted to dual fuel (natural gas and residual oil), with modifications to support continued full load operation with all-gas firing
- **FY 2011**: completed installation of signage and spill response material at substations
- **FY 2013 – 2015**: completed construction of compliance containment at substations that needed to be upgraded
- **FY 2013**: performed remediation at major generating stations
- **FY 2014**: funded section 316(a) and (b) Clean Water Act projects at Costa Sur related to mitigation of the cooling water intake and discharge systems
  - Completed rehabilitation of Costa Sur's outflow channel walls in FY 2012
  - Total upgrade projects are expected to be completed in FY 2021
- **FY 2018**: replaced the water treatment system at San Juan
- **FY 2020**: converted San Juan Units 5-6 to dual-fired with natural gas; SCR/OxCat is being installed on Unit 5; performance testing required

Exhibit 2

8. Safety

Shehaly Rosado – Head of Occupational Safety, PREPA

Exhibit 2

PREPA Safety Actions and Initiatives

PREPA began to implement DuPont's recommendations and Industry Safety Standards; however, progress slowed due to emergency hurricane recovery efforts. Work to improve safety standards continues.

Ongoing Safety Programs

- Following the release of a third-party safety study, the 2014 DuPont report,[1] PREPA identified certain key recommendations to begin implementing into their system:
  - Safe Operational Leadership
    - Review safety vision, principles and standards
    - Review / define roles and responsibilities for all levels within the organization
    - Continued safety leadership training and development for line management
  - Management System
    - Develop, train and support a safety observation process
    - Improve the incident investigation process
    - Continued incident investigation training and support
    - Develop and improve a Contractor Safety Program
  - Worker Engagement
    - Build effective 2-way communication process to engage workers
    - Deploy motivational systems, including rewards and recognition programs
- There are additional safety considerations for natural gas use in San Juan, Costa Sur, and potentially LNG storage at Palo Seco

PREPA Safety Actions

Emergency Action Plan ("EAP")
- Evacuation Plan
  - Verification route
  - Drills and exercises
- Revised and updated all Corporate Emergency Action Plans
  - Natural disasters
  - Active Shooting

Protective Equipment Suppliers
- Extended contract times
- Develop new contract for uniform suppliers

Dielectric Test
- Develop a services contract

Industrial Hygiene
- Develop a professional services contract for 3 new Hygienists

Safety Workshops for:
- Municipality workers
- General communities

Internal Safety Distributions and Alerts
- Asegúrate / Alertas
- Special Flash News

Contractor Safety Briefings

Safety Training and Re-Training
- Supervisor and managers
- General workers
- Develop new corporate training
- Re-training operational workers, linemen, crane operators, heavy equipment operators, etc.

Safety and Health Month Celebration

PREPA Safety Committees[2]

UTIER	• Address work health/safety issues impacting employees • Implement investigation procedures • safetyutier@prepa.com
UEPI[1]	• OSHA and safety training • safetyuepi@prepa.com
UITICE	• Participate in Safety and Health corporate activities • safetyuitice@prepa.com

Exhibit 2

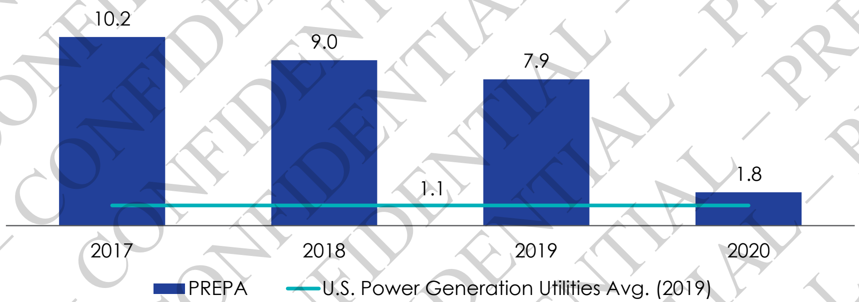
1. In 2014, DuPont Sustainable Solutions conducted a Workplace Safety Assessment Report for PREPA which revealed poor safety conditions and culture within PREPA.
2. In addition to PREPA Safety Committees, all emails will also be sent to PREPA Occupational Safety Division at safety@prepa.com.

Health & Safety Overview

PREPA's historical OSHA safety statistics have trended downwards (improved) in recent years; however, they are still significantly above the average for U.S. utilities.

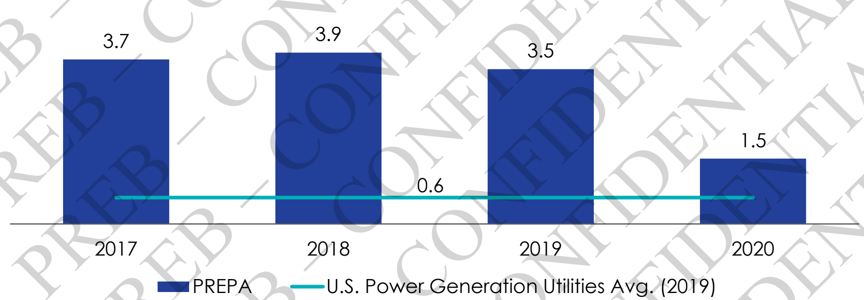
Historical Recordable Incident Rate ("IR")

(per 200,000 hours)



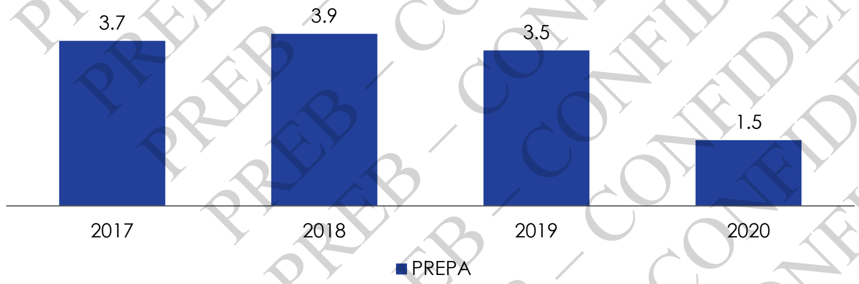
Historical Days Away, Restricted, or Transferred ("DART")[2]

(per 200,000 hours)

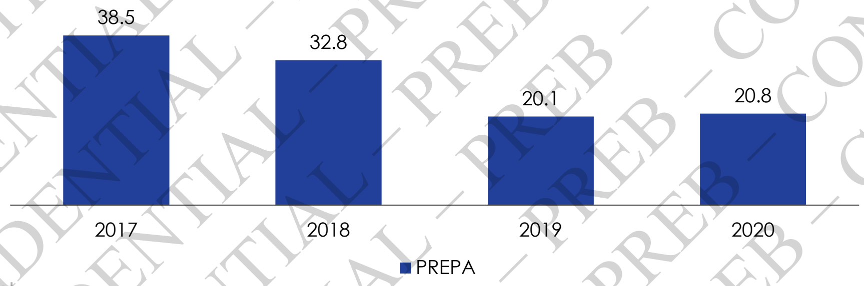


Lost Time Case Rate ("LTC")[1,2]

(per 200,000 hours)



Severity Rate[1]



Source: PREPA historical data, OSHA data.

Note: Data is in calendar years; 2019 is latest available U.S. Utilities OSHA data. All metrics represent the simple facility average across the legacy generation fleet.

1. U.S. utilities average is not available for LTC and Severity Rate.
2. LTC and DART metrics are the same because Restricted Work hours in the DART calculation are equal to zero.

9. Human Resources

Nydza Irizarry Algarin – Director of Human Resources and Labor Affairs, PREPA

Exhibit 2

Generation Workforce Overview

PREPA's Generation Directorate employs a large workforce of key personnel with valuable experience that can be leveraged by a potential private party.

Workforce Overview

- The Generation Directorate employs a total of 1,011 employees across two different unions
- PREPA workforce is ~74% unionized, with the majority (559) of unionized employees being members of the Union de Trabajadores de la Industria Electrica y Riego de Puerto Rico ("UTIER")
  - The collective bargaining agreements ("CBAs") with each of the unions remain in effect under an evergreen clause
  - The CBAs tends to restrict the manner PREPA can efficiently manage and deploy its human resources
- In addition to the labor unions, Generation has 10 trust positions, 249 management positions and 193 temporary workers
  - These are positions directly appointed and approved by PREPA's CEO and the Board of Directors
  - In general, all directorships, high-level management, are trust positions
  - Historically, a political shift in the local government results in a change of the CEO and the majority of the trust employees. Most trust employees revert to former career staff positions
  - The change of trust employees creates inefficiencies and continuity challenges
  - The use of trust positions is part of the organizational structure of the government it is not unique to PREPA
  - Act 4-2016 prohibits executive-level employees from participating in political activities

Division	Average Annual Salary ($ in thousands)[1]	Total Annual Labor Costs ($ in millions)[2]
Generation Engineering, Technical Service & Administration	34.5	8.9
Distributed Peaker Sites	35.7	9.0
Aguirre	40.7	13.5
San Juan	40.2	9.4
Costa Sur	39.5	11.1
Palo Seco	41.2	8.8
Total	38.6	60.6

confidential
Juliette Todd
CGSH
Aug 17, 2022 7:18 PM EDT
Management Presentation
1.1.13.17

1. Current applicable compensation for active employees is as of September 9, 2020 and includes regular compensation and pension, medical and other benefits. Does not including overtime and overtime benefits.
2. Reflects staffing levels as of September 9, 2020, summed to the relevant group and annualized assuming no new hires or retirements.

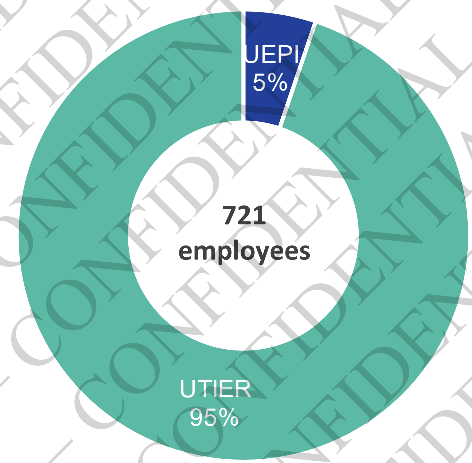
PREPA Union Labor Overview (Generation Directorate)

Labor Contract Overview

	Union Name	UTIER	UEPI
Contract Summary	Union Description	• Employees related to the O&M of PREPA's electrical and irrigation systems • Engineering division employees, including all office workers and draftsmen • Any other officer in the construction of substations, electrical aerial and underground T&D lines	• All professional employees, excluding executives, supervisors, confidential employees, employees closely allied to management and any employee with power to employ, dismiss, promote, discipline or otherwise vary the status of employees
	Effective Date	August 24, 2008	September 15, 2014
	Contract Length	4 years *(Evergreen Provision in Place)* *Act 3, 2017 until June 2021*	4 years *(Evergreen Provision in Place)* *Act 3, 2017 until June 2021*
Employee Demographics	Employees Covered	685	36
	Average Salary	$35,045	$45,458
	Total Compensation of Covered Employees	$38.2M	$2.6M

Generation Union Workforce Breakdown

Employees By Union



Compensation By Union

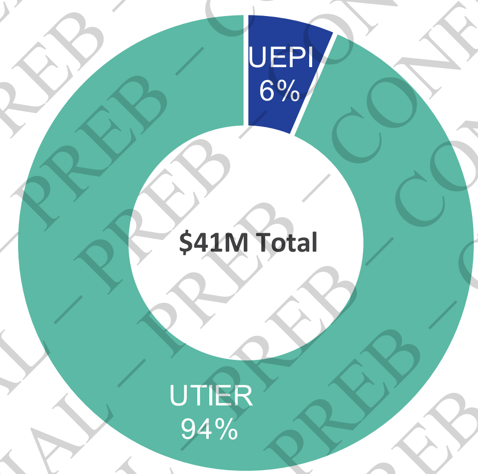


Exhibit 2

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Aug 17, 2022 7:18 PM EDT
Management Presentation
1.1.13.17

Note: Statistics reflect staffing levels and current compensation levels (excluding overtime and overtime benefits) as of September 9, 2020.

Exhibit F: Summary of O&M Agreement

SUMMARY OF OPERATION AND MAINTENANCE AGREEMENT FOR THE PUERTO RICO THERMAL GENERATION FACILITIES

*This summary of the principal terms and conditions of the operation and maintenance agreement for the Puerto Rico thermal generation facilities (the "**O&M Agreement**") is provided for convenience and should not be relied upon in lieu of the O&M Agreement. In the event of any conflict between this summary and the O&M Agreement, the O&M Agreement controls. Capitalized terms used in this summary and not otherwise defined herein have the meaning set forth in the O&M Agreement.*

Term	Summary
Parties	[The Puerto Rico Electric Power Authority][PREPA Genco, LLC] (["**PREPA**" or][1] "**Owner**"); The Puerto Rico Public-Private Partnerships Authority (the "**Administrator**"); and Genera PR, LLC ("**Operator**"), a limited liability company organized under the laws of Puerto Rico.
Purpose	The O&M Agreement awards the right to provide (i) the services provided in order to manage, operate, maintain, repair, restore, replace, optimize (including fuel and efficiency) if approved by PREB, and other related services for the base-load generation plans and combustion turbine peaking units listed on Annex I (*Legacy Generation Assets*) (the "**Legacy Generation Assets**"), commencing on the Service Commencement Date (all such services, the "**O&M Services**"), (ii) the services provided prior to the Service Commencement Date in order to complete the mobilization and handover to Operator of the operation, management and other rights and responsibilities with respect to the Legacy Generation Assets pursuant to the O&M Agreement, including the services contemplated by the Mobilization Plan (all such services, the "**Mobilization Services**"), (iii) the services provided in order to complete the dismantlement and removal of the structures comprising the Legacy Generation Assets, and all other activities indispensable for the retirement, dismantlement, Decontamination or storage of the Legacy Generation Assets, including the services contemplated by the Decommissioning Plan, in each case in compliance with Applicable Law and in accordance with the Integrated Resource Plan (all such services, the "**Decommissioning Services**"), and (iv) the services provided in order to complete the demobilization and handover of the rights and responsibilities, if any, with respect to the Legacy Generation Assets, back to Owner or to a successor operator upon the early termination or expiration of the Term, including the services contemplated by Demobilization Plan (all such services, the "**Demobilization Services**"), in each case, subject to the terms and conditions of the O&M Agreement. (§1.1 and §5.1)
Effective Date	The O&M Agreement becomes effective on the date it is executed by the Parties (the "**Effective Date**"), and includes the following conditions precedent to the Effective Date: (i) receipt by Parties of the approvals required under Act 120, in form and substance reasonably acceptable to Administrator and Operator; (ii) receipt by Owner of the Guarantee; (iii) receipt by Owner of a copy of a certificate as to certain matters of Commonwealth law duly executed by Operator; (iv) receipt by Owner of a Tax Opinion and receipt by Operator of a Reliance

[1] If the reorganization of PREPA occurs after the execution of the O&M Agreement, then PREPA will be the signatory and assign the agreement to PREPA Genco, LLC, upon completion of the reorganization.

Term	Summary
	Letter; (v) receipt by Owner of a Sworn Statement executed by Operator; (vi) receipt by Operator of, and written agreement to be subject to, the obligations under the Consent Decree and the jurisdiction of the United States District Court for the District of Puerto Rico in connection with the Consent Decree; (vii) receipt by Administrator of a communications plan in a form reasonably satisfactory to Administrator; (viii) receipt by Administrator of an organizational conflict of interest policy in the final form agreed to by Administrator and Operator; (ix) a final plan for the reorganization of PREPA having been filed with the applicable Government Bodies; and (x) execution of a protocol agreement among Operator, Administrator, Owner, and the FOMB, which shall (A) include provisions governing the FOMB's interaction with the Parties with respect to the respective duties of the FOMB and Owner under PROMESA, which shall apply only during the period the FOMB is in existence and Owner is a covered territorial instrumentality pursuant to PROMESA and (B) have a set of rules for the period during Title III and a separate set of rules triggered by the Title III Exit. (§2.2)
Mobilization Period and Service Commencement Date	1. Prior to the Service Commencement Date, Operator shall provide the Mobilization Services. (§4.1) 2. As compensation for the Mobilization Services, Owner or Administrator shall pay Operator an aggregate amount equal to (i) the hourly fully allocated cost rate for each category of Operator employee or Affiliate personnel providing Mobilization Services, as set out in Annex XI (*Mobilization Hourly Fully Allocated Rates*); *multiplied by* (ii) the number of hours worked by each Operator employee or Affiliate personnel in such category providing Mobilization Services; *plus* (iii) all other reasonably necessary and documented costs and expenses incurred by Operator (without markup for Operator profit) in the course of providing the Mobilization Services. The aggregate Mobilization Service Fee shall not exceed US$15,000,000 (the "**Mobilization Service Fee Cap**"). If the aggregate Mobilization Service Fee paid to Operator reaches 70% of the Mobilization Service Fee Cap, Operator shall provide notice to and meet with Administrator to discuss and review the pending Mobilization Services necessary to complete the Mobilization Plan and the cost thereof. (§4.6) 3. The "**Service Commencement Date**" is the date on which a handover to Operator of the O&M Services occurs, which shall be the first Business Day of a calendar month that is at least three Business Days following the date on which Administrator confirms that all Service Commencement Date Conditions have been satisfied or waived. (§4.7(b))
Service Commencement Date Conditions	The "**Service Commencement Date Conditions**" include: (i) fulfillment by Operator of its obligations with respect to the Mobilization Period under the O&M Agreement (including (A) completion of the Mobilization Plan and Handover Checklist, (B) confirmation of the Guarantee and the Required Insurance, (C) interview and evaluation of candidates for employment at Operator, (D) offers of employment to all fulltime plant Owner Employees employed and in good standing as of June 30, 2022 and (E) execution of the joinder agreement to the

Term	Summary
	PREPA-Genco-Hydroco Operating Agreement;[2] (ii) fulfillment by Owner and Administrator of their respective obligations with respect to the Mobilization Period under the O&M Agreement (including (A) completion of the Mobilization Plan, (B) pre-funding of the Service Accounts and (C) procurement and delivery of Fuel to each Legacy Generation Asset); (iii) issuance of all Commencement Date Governmental Approvals; (iv) acceptability and effectiveness of documents and instruments identified in Article 4 (*Mobilization Period*); (v) no Governmental Body having enacted or enforced any Applicable Law, and no injunction being in effect, that would make it illegal for, or prohibit or enjoin, any Party's performance of its obligations under the O&M Agreement; (vi) update by a qualified environmental consultant of the Baseline Environmental Study; (vii) finalization of the Initial Budgets (including any amendment thereto) and issuance by PREB of a Rate Order sufficient to fund the Initial Budgets and (viii) receipt by Operator of the Tax Decree. (§4.5)
Failure of Service Commencement Date Conditions	1. If (i) the Service Commencement Date does not occur by the date that is 90 days following the Target Service Commencement Date or such other later date as Administrator and Operator may agree and (ii) the failure to of the Service Commencement Date to occur is not caused by any Force Majeure Event or Owner Fault, Operator shall pay to Owner Delay Liquidated Damages in the amount of US$1,000,000 per week for each week the Target Service Commencement Date is delayed beyond such period, up to a maximum of US$15,000,000. Operator shall not be required to pay Delay Liquidated Damages after the earlier of (A) the date on which the Operator Service Commencement Date Conditions are satisfied by Operator or waived by Administrator or (B) the date of termination of the O&M Agreement for failure of the Service Commencement Date to occur. (§4.8(a)) 2. Administrator shall have the right, subject to approval by PREB, to terminate the O&M Agreement if (i) all of the Owner Service Commencement Date Conditions are satisfied but any of the Operator Service Commencement Date Conditions are not satisfied by Operator or waived by Administrator by a date that is six months following the Target Service Commencement Date or (ii) any of the Service Commencement Date Conditions are not satisfied or waived by each of Administrator and Operator by the date that is nine months following the Target Service Commencement Date. (§4.8(b)(i) and §4.8(b)(iii)) 3. Operator shall have the right to terminate the O&M Agreement if (i) all of the Operator Service Commencement Date Conditions are satisfied but any of the Owner Service Commencement Date Conditions are not satisfied by Owner or waived by Operator (unless such failure to satisfy the Owner Service Commencement Date Conditions is the result of the acts, omissions or breach of Operator) by the date that is six months following the Target Service Commencement Date or (ii) any of the Service Commencement Date

[2] The "**PREPA-Genco-Hydroco Operating Agreement**" is the operating agreement that provides for certain rights and responsibilities, including fuel and non-fuel budgeting and account funding, the demarcation of the Legacy Generation Assets, dispatch and shut down procedures and protocols, planned maintenance communications, switching and clearance procedures, access to plant substations and other related equipment, and agreed upon requirements and procedures related to annual performance tests.

Term	Summary
	Conditions are not satisfied or waived by each of Administrator and Operator by the date that is nine months following the Target Service Commencement Date. (§4.8(b)(ii) and §4.8(b)(iii)) 4. In the event of the termination of the O&M Agreement for failure of the Service Commencement Date to occur, Operator shall (i) retain any Mobilization Service Fee earned as of the effective date of such termination, and shall within five Business Days of the effective date of such termination, return to Administrator any amounts held in the Mobilization Account in excess of any earned Mobilization Service Fee and (ii) pay any accrued and unpaid Delay Liquidated Damages as of the effective date of such termination. (§4.8(b)(v)) 5. In addition to and notwithstanding anything to the contrary in Section 4.8(b) (*Failure of Service Commencement Date Conditions – Termination for Failure of Service Commencement Date Conditions*) of the O&M Agreement, in the event the O&M Agreement is terminated prior to the Service Commencement Date other than as a result of the acts, omissions or breach of Operator, Operator shall be reimbursed for any reasonable and documented costs and expenses incurred by Operator (without markup for Operator profit) that are necessary and reasonable in the course of terminating the activities undertaken in connection with the Mobilization Services, including reasonable and documented breakage fees for any Subcontractors providing Mobilization Services. (§4.8(b)(vi))
Term	10[3] years from the Service Commencement Date (the "**Initial Term**") with option to extend, for some or all of the Legacy Generation Assets, for an additional period mutually agreed by Operator and Administrator (acting on Owner's behalf) (the "**Extension Term**"), subject to (i) the maximum term permitted under Act 29 at the time of such extension, (ii) receipt of a Tax Opinion and a Reliance Letter in connection with such Extension Term, (iii) to the extent required by Applicable Law, the conditions precedent to the Effective Date shall have been satisfied prior to the first date of the Extension Term, and (iv) approval from PREB, to the extent required by Applicable Law. (§2.3)
Reduction of Term and/or Services	Upon written notice to Operator, Administrator (acting on behalf of Owner) shall have the right to reduce the scope of the O&M Services, the Decommissioning Services and/or the Term, if and to the extent necessary, (i) to prevent any adverse effect to the exclusion from gross income of interest on obligations of Owner, its Affiliates or another Governmental Body for federal income tax purposes under the Internal Revenue Code or (ii) to comply with the Fiscal Plan or any other Applicable Law or contractual requirement, including the Integrated Resource Plan. Notwithstanding any reduction in the scope of O&M Services, the fixed fee component of the service fee payable to Operator (the "**Fixed Fee**") shall not be reduced other than pursuant to an O&M Fixed Fee Adjustment. If any such reduction affects Operator's ability to achieve Actual Fuel Savings outlined in a PREB-approved Fuel Optimization Plan, then Operator and Administrator shall

[3] Subject to confirmation based on final determination as to the remaining useful life of the Legacy Generation Assets.

Term	Summary
	negotiate proportional adjustments to the Fuel Optimization Plan and Fuel Optimization Payment, to reasonably assure that Operator has a reasonable opportunity to earn the Fuel Optimization Payment, which adjustments shall be submitted to PREB for review and approval. (§2.3(c))
Ownership of the Legacy Generation Assets	The Legacy Generation Assets is and remains owned by PREPA throughout Term. Operator shall perform the O&M Services as independent contractor with no ownership or other interest in Legacy Generation Assets. (§3.1 and §3.2)
Qualified Management Contract	The Parties intend for the O&M Agreement to constitute a "qualified management contract" under Revenue Procedure 2017-13, such that the provision of O&M Services by Operator under the O&M Agreement does not adversely affect the exclusion from gross income for federal income tax purposes under the Internal Revenue Code of the interest on such obligations. If the O&M Agreement is determined to fail the requirements to comply with the requirements of Revenue Procedure 2017-13 and Section 141 of the Internal Revenue Code for tax exempt status, the Parties agree to use reasonable efforts to amend the O&M Agreement to comply with such requirements to prevent any adverse effect to the exclusion from gross income of the interest obligations of Owner, its Affiliate or another Governmental Body for federal income tax purposes under the Internal Revenue Code. (§3.9)
Administrative Expense Treatment	1. No later than ten Business Days after the Effective Date, Owner shall file a motion with the Title III Court seeking administrative expense treatment for any accrued and unpaid amounts required to be paid by Owner under the O&M Agreement during the Mobilization Period, including the Mobilization Service Fee. (§4.1(c)(i)) 2. Operator shall have the right to terminate the O&M Agreement (i) if such motion is denied by the Title III Court, (ii) if such motion has not been approved by the Title III Court on or before the date that is 90 days following the date on which such motion is filed, which 90 day period may be extended for an additional 45 days by Administrator at its sole discretion, or such later date as Administrator and Operator may agree or (iii) if the Title III Court approval has been ultimately reversed on appeal. (§4.1(c)(ii))
Scope of O&M Services	The O&M Agreement provides a list of operational and legal services to be performed by Operator, including: (i) administering Facility Contracts, including Fuel Contracts; (ii) recommending and, if approved by Administrator, procuring Consumables, Spare Parts and Capital Spare Parts, including Capital Improvements (which would be performed, owned and funded by Operator); (iii) representing Owner before PREB and preparing related filings and submissions; (iv) sourcing, procuring, and managing the transportation, delivery, supply, quality-testing, storage and handling of Fuel; (v) providing Operator Benefit Plans; (vi) requesting and expending federal funds for the applicable Legacy Generation Assets; (vii) performing other accounting, financial, and IT services; (viii) complying with the PREPA-Genco-Hydroco Operating Agreement and coordinating with T&D Operator[4] and (ix) assisting Owner in fulfilling any

[4] The "**T&D Operator**" refers to LUMA Energy, LLC together with LUMA Energy ServCo, LLC.

Term	Summary
	obligations under Applicable Law, including obligations (A) with respect to PREB, (B) with respect to the FOMB under PROMESA, (C) with respect to Environmental Law, including the Consent Decree and State Implementation Plan and (D) agreements that Owner or its Affiliates are a party to. (Article 5 and Annex IX)
Contract Standards	Operator is required to perform O&M Services and other obligations under the O&M Agreement in compliance with terms, conditions, methods, techniques, practices and standards imposed or required by: (i) Applicable Law, (ii) the practices, methods, and acts that are generally recognized and utilized by companies operating gas and/ or oil-fired, electric power generation plants in the US ("**Prudent Industry Practice**"), (iii) applicable equipment manufacturer's specifications and reasonable recommendations in the Facility Contracts, (iv) applicable insurance requirements, (v) the Procurement Manual and (vi) any other standard, term or condition specifically contracted in the O&M Agreement to be observed by Operator (the "**Contract Standards**"). (§1.1, §5.1 and Section I.L of Annex IX)
Pre-Existing Environmental Conditions	1. Operator shall perform environmental, health and safety activities related to the generation of Power and Electricity, including (i) managing an environmental, health and safety program for each of the applicable Legacy Generation Assets; (ii) coordinating, overseeing and maintaining compliance of the Legacy Generation Assets with applicable Environmental Law (including providing environmental permitting services); and (iii) monitoring and analyzing emerging Environmental Law to manage future and ongoing compliance and operational efficiencies; provided that Operator shall be responsible for any such activities with respect to any Pre-Existing Contamination only to the extent that: (x) Operator materially exacerbates Pre-Existing Contamination, and such exacerbation is attributable to Operator's gross negligence or willful misconduct and in such event, only to the extent of such exacerbation; (y) Owner and Operator agree in writing that Operator shall assume responsibility for any of the foregoing; and (z) such Pre-Existing Contamination would reasonably be expected to result in an imminent threat to human health or the environment, Operator shall undertake, at Owner's expense, all required Remedial Actions with respect to Pre-Existing Contamination (§5.9) 2. Except with respect to Pre-Existing Contamination, which Operator is required to address under clause (x) above, if Operator at any time identifies a Pre-Existing Environmental Condition that (i) requires Remedial Action under Applicable Law, (ii) materially interferes with the performance of the O&M Services, (iii) materially increases the cost of performing the O&M Services or (iv) constitutes Environmental Noncompliance, or, alternatively, receives written notice from any Governmental Body or third party asserting or claiming any such Pre-Existing Environmental Condition requires Remedial Action or constitutes Environmental Noncompliance, Operator shall notify Administrator and Owner of this finding by written notice and Owner shall then, as soon as reasonably practicable given the condition in question, commence and diligently prosecute such Remedial Actions as are required by Applicable Law or to prevent future material interference with the

Term	Summary
	performance of the O&M Services or material increases in costs of performing the O&M Services. Operator and Owner may agree that Operator shall assume responsibility for developing and implementing any required Remedial Actions, subject to reimbursement from Owner. (§5.9(a)(ii)) 3. Operator shall be responsible for any Losses resulting from or related to any Pre-Existing Contamination, including the failure to pursue those O&M Services impeded by the existence of Pre-Existing Contamination, only to the extent such Losses (i) are caused in whole or in part by Operator's material exacerbation of Pre-Existing Contamination that is attributable to Operator's gross negligence or willful misconduct and, in that event, only to the extent of such exacerbation (the "**Pre-Existing Contamination Liability Standard**") or (ii) result from Operator's negligent failure to take Remedial Action necessary to address an imminent threat to human health or the environment. Operator shall not be responsible for any Losses resulting from or related to any Pre-Existing Environmental Noncompliance, except to the extent such Losses are caused by Operator's negligence or willful misconduct ("**Pre-Existing Noncompliance Liability Standard**"). (§5.9(a)(iv)) 4. Any Losses related to any Environmental Noncompliance, including Pre-Existing Environmental Noncompliance, that are incurred or sustained within the first full fiscal year after the Service Commencement Date, and that arise out of the condition of or defects in the equipment and systems at any Legacy Generation Asset with respect to such equipment or systems that were in place on or prior to the Service Commencement Date, shall not be the responsibility of Operator, except where Operator failed to repair, maintain, or replace such equipment or systems in accordance with an approved O&M Budget. Any Losses related to any Environmental Noncompliance, including Pre-Existing Environmental Noncompliance, that arise out of or relate to the storage tanks or the associated piping at any Legacy Generation Asset shall not be the responsibility of Operator until the earlier of (x) the first full fiscal year after the Service Commencement Date or (y) such time as Operator has completed an inspection pursuant to American Petroleum Institute (API) Standard 653 (or a comparable standard addressing out-of-service tank inspection) and has implemented any remedial or repair measures as may be required to restore such tank to compliance with Environmental Laws. (§5.9(a)(ii))
Consent Decree	1. The O&M Agreement is conditioned on Operator's agreement to be subject to the obligations under, and becoming a signatory to, the Consent Decree and the jurisdiction of the United States District Court for the District of Puerto Rico in connection with the Consent Decree. To the extent required to effectuate Section 5.9(c) (*Environmental, Health and Safety Matters – Consent Decree*), Operator shall assist Owner in taking all necessary steps to make Operator a signatory to the Consent Decree or to obtain any needed U.S. District Court approval. (§5.9(c)(i)) 2. During the term of the O&M Agreement, neither Owner nor Administrator may enter into a consent decree or other form of settlement in resolution of any Legal Proceeding that may be brought or asserted under any Environmental Law by a Governmental Body or third party that imposes, or has the potential to impose, any injunctive relief or other prospective

Term	Summary
	restrictions on operations at any Legacy Generation Asset without notifying Operator. (§5.9(c)(i))
Decommissioning the Legacy Generation Assets	1. After the Service Commencement Date (i) Administrator (acting on behalf of Owner and in accordance with the Integrated Resource Plan, and in consultation with T&D Operator) may deliver to Operator a decommissioning notice to commence Decommissioning Services for one or more of the Legacy Generation Assets (including any applicable Out-of-Service Units) or (ii) in the event that Operator determines in accordance with Prudent Industry Practice and in consultation with T&D Operator that, due to an Emergency Event, Extended Event or other critical developments at the applicable Legacy Generation Asset, all or a portion of the Legacy Generation Asset cannot continue to be safely operated and maintained, Operator may deliver to Administrator and PREB (with copy to Owner and T&D Operator) a request to commence Decommissioning Services for the applicable Legacy Generation Asset, which request Administrator and PREB shall approve or deny within 30 days of receipt. Operator shall not commence any Decommissioning Services under clause (ii) above until it has provided T&D Operator at least two years advance written notice of the commencement of such Decommissioning Services, unless mandated by PREB to commence such Decommissioning Services on a specific earlier date. (§16.1(a)) 2. The Decommissioning Plan shall provide for (i) the permitting, demolition, Decontamination, waste disposal and dismantling/or preparation for conversion to such other future use as Administrator and PREB may designate, as applicable, of the Legacy Generation Asset, and waste disposal, for achievement of end-state conditions within a prescribed time (provided that notwithstanding anything in the O&M Agreement to the contrary, in no event shall Operator have any obligation to perform Decommissioning Services after the expiration of the Term), (ii) the development of the Decommissioning Budget, (iii) reasonably acceptable arrangements to facilitate the transition of Operator Employees into new jobs or industries, including a training and/or severance plan (to be funded by Owner) for any Operator Employees, which arrangements Operator, Owner and Administrator shall cooperate as needed to implement and (iv) a timeline setting forth when Decommissioning Services shall be provided, including the date on which the Decommissioning Services shall commence (the "**Decommissioning Commencement Date**") and the date on which the Decommissioning Services for such Legacy Generation Asset shall be completed (the "**Decommissioning Completion Date**"). (§16.1(b)) 3. Owner or Administrator shall pay Operator all Pass-Through Expenditures required to perform the Decommissioning Services and shall continue to pay the O&M Fixed Fee in full (subject to any applicable O&M Fixed Fee Adjustment) for the duration of the Term, notwithstanding the commencement of Decommissioning Services with respect to any Legacy Generation Assets prior to the end of the Term. Operator shall be entitled to earn an Incentive Payment or shall incur a Penalty based on Operator's performance of the Decommissioning Services in accordance with the

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	Incentives and Penalties, as set forth in Section 7.1(c) (*Service Fee – Incentive and Penalties*). (§16.2(d))
Rights and Responsibilities of Owner	From and after the Service Commencement Date, Owner shall (among other things): (i) grant Operator access to the Legacy Generation Assets; (ii) pay the applicable Service Fee and any other amounts due to Operator and fund the Service Accounts; (iii) ensure that, to the extent PROMESA requires Owner to submit any Budget to the FOMB for approval, such Budget provides that Owner is authorized to pay amounts due to Operator under the O&M Agreement and fund the Service Accounts; (iv) cooperate with Operator such that the Budgets and funds in support of O&M Services are sufficient in amount to enable Operator to meet the Contracts Standards and provide a reasonable opportunity for Operator to achieve the Incentive Payment; (v) respond promptly to requests for approval, review or consent of Owner or for information of Owner; (vi) except in certain circumstances, manage Owner's legal matters; (vii) cooperate with Operator and Administrator in obtaining and maintaining all Governmental Approvals and (viii) coordinate any Audits that Owner is entitled to perform under the O&M Agreement with any Audits being undertaken by Administrator and any other Governmental Body that has the right under Applicable law to perform an Audit. (§6.1)
Rights and Responsibilities of Administrator	Administrator shall be responsible for overseeing, in the manner provided for and subject to the terms and conditions of the O&M Agreement, Operator's compliance with its obligations under the O&M Agreement. In particular, from and after the Service Commencement Date, Administrator shall: (i) have the right to review and approve O&M Budgets for a given Contract Year, including modifications thereto, to ensure compliance with the then applicable Rate Order; (ii) have the right to review and approve the Incentive Payment payable to Operator for a given Contract Year, including based on Administrator's evaluation of Operator's performance with respect to the Incentives and Penalties; (iii) cooperate with Operator such that the Budgets and funds in support of O&M Services are sufficient in amount to enable Operator to meet the Contracts Standards and provide a reasonable opportunity for Operator to achieve the Incentive Payment; (iv) have the right to exercise Oversight in relation to Operator's compliance with O&M Budgets, including Pass-Through Expenditures, in accordance with the procedures set forth in the O&M Agreement (provided that Administrator shall (A) reasonably coordinate with Owner to avoid duplicative Oversight and (B) except to the extent provided under the O&M Agreement, avoid exercising Oversight with respect to items that fall within the scope of PREB's statutory oversight); (v) have the right to exercise Oversight in relation to Operator's compliance with its obligations under the O&M Agreement, including performance of the O&M Services; (vi) have the right to exercise Oversight, as agent of Owner, in relation to Operator's compliance with federal funding requirements; (vii) be responsible for responding promptly (and in any event within thirty (30) days or shorter period required by the O&M Agreement) to all requests of Operator with respect to matters requiring the approval, review or consent of Administrator (and in each such case, unless otherwise specifically stated in the O&M Agreement, Administrator shall not unreasonably withhold, delay or condition any such approval, review or consent) and as to such other

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	matters relating to the obligations of Operator in respect of which Operator shall reasonably request the response of Administrator in accordance with the provisions of the O&M Agreement; (viii) be responsible for (A) cooperating with Operator by providing Operator such information, data and assistance as may be reasonably necessary for Operator to perform its obligations and (B) from time to time, as and when requested by Owner, executing and delivering, or causing to be executed and delivered, all such documents and instruments and take, or cause to be taken, all such reasonable actions, as necessary for Operator to perform its obligations under the O&M Agreement; (ix) have the right to declare an Event of Default and exercise remedies under the O&M Agreement, including termination of the O&M Agreement upon the occurrence of an Operator Event of Default; and (x) be responsible for coordinating any Audits that Administrator is entitled to perform under the O&M Agreement with any Audits being undertaken by Owner and any other Governmental Body that has the right under Applicable Law to perform an Audit. The Parties acknowledge that (x) Owner delegates unto Administrator all rights, responsibilities and obligations pertaining to the Oversight of Operator's compliance with its obligations under the O&M Agreement and (y) PREB is the entity responsible for overseeing all technical and operational aspects of Operator's performance under the O&M Agreement. (§6.2)
Rights and Responsibilities of PREB	Nothing in Article 5 (*O&M Services*) specifically, and in the O&M Agreement generally, shall be construed to limit the authority of PREB to exercise its statutory authority to regulate and take actions to protect the public interest regarding the generation of Power and Electricity with respect to items that are within the purview of PREB's stator oversight. (§6.5)
Staffing Levels	From and after the Service Commencement Date and at all times during the Term, Owner and Administrator shall maintain staffing in connection with the O&M Services only at those levels strictly necessary for Owner and Administrator to timely and efficiently perform their obligations under the O&M Agreement. At all times prior to the Service Commencement Date, Owner shall maintain staffing necessary to continue to perform its obligations at the same or higher level than it performed such obligations as of the Proposal Submission Date. (§6.4)
Operator Compensation	1. Owner shall pay Operator a service fee consisting of (i) the Fixed Fee *plus* (ii) any O&M Incentive Payment *plus* any Decommissioning Incentive Payment *minus* any O&M Penalty *minus* any Decommissioning Penalty, based on Operator's performance of the O&M Services and the Decommissioning Services, as applicable (collectively, the "**O&M Service Fee**," and together with the Mobilization Service Fee and the Demobilization Service Fee, the "**Service Fee**"). (§7.1) 2. The applicable Service Fee shall constitute payment for any amount incurred by Genera Management LLC, including for the on-island executive management team and their associated corporate overhead ("**Operator Overhead**"), none of which shall be subject to reimbursement as a Pass-Through Expenditure. (§7.1)

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Incentives and Penalties	1. Based on Operator's performance with respect to the Incentives and Penalties, Operator shall be eligible to receive Incentive Payments or be subject to Penalties as a deduction from the O&M Service Fee in any given Contract Year, except during the Mobilization Period and the Demobilization Period. An amount equal to the maximum amount of the Incentive Payments in any given Contract Year shall be included in the Operating Budget or the Decommissioning Budget, as applicable. (§7.1) 2. As described in detail in Section III of Annex II (*Compensation – Incentives and Penalties*), in performing the O&M Services, Operator shall be evaluated in six categories: Operation Cost Efficiency, Equivalent Availability Factor (EAF), Safety Compliance, Environmental Compliance, Fuel Optimization, and Reporting Obligations. In performing the Decommissioning Services, Operator shall be evaluated in the category of Decommissioning Costs Efficiency. The annual cap on the aggregate sum of the amounts payable under each category shall be US$100,000,000 (the "**Annual Incentive Cap**"); provided, however, that any excess amounts shall be carried over into subsequent Contract Years. (§7.1(c) and Section III of Annex II) 3. For each of the Operation Cost Efficiency, Fuel Optimization, and Decommissioning Costs Efficiency categories, Operator and Owner shall each receive 50% of any savings achieved during the relevant Contract Year. (Section III of Annex II)
Pass-Through Expenditures	1. Operator shall be reimbursed for the reasonable and documented costs and expenses (without markup for Operator profit) incurred by Operator in connection with the performance of its obligations (including the O&M Services and the Decommissioning Services) (the "**Pass-Through Expenditures**"), excluding Disallowed Costs and Operator Overhead.[5] (§7.2) 2. Operator shall provide promptly such additional supporting documentation evidencing the provision of the O&M Services and Decommissioning Services, if any, including evidence of the payment of any Subcontractor whose fees or allocated expenditures (in the case of Subcontractors that are Affiliates of Operator, charging any amounts to Operator on an allocation basis) are included in the applicable Pass-Through Expenditures, and the calculation of the Pass-Through Expenditures related thereto, as Administrator may request and as may be required by Applicable Law. To the extent necessary for Administrator to complete its review of the applicable invoice, upon Administrator's reasonable request, such additional supporting documentation shall include any relevant Confidential Information. Owner's sole responsibility with respect to all invoices shall be payment of undisputed amounts and shall not include review of any invoice. (§7.2) 3. A "**Disallowed Cost**" shall be (i) any and all Pass-Through Expenditures incurred as a result of Operator's gross negligence or willful misconduct, except as otherwise provided Section 5.9(a)(iv) (*Environmental, Health and Safety Matters – Pre-Existing Environmental Conditions*) where the

[5] Pass-Through Expenditures shall also include, without limitation, the items listed in Annex XII (*Pass-Through Expenditures*) to the O&M Agreement.

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	applicable standard shall be either the Pre-Existing Contamination Liability Standard or the Pre-Existing Noncompliance Liability Standard, (ii) any and all fines, penalties or other similar payments or charges imposed by PREB, the Puerto Rico Department of Natural and Environmental Resources, the EPA, the United States Department of Justice, OSHA, or any other Governmental Body on Operator, except to the extent Operator is performing its obligations under the O&M Agreement in accordance with the O&M Agreement and such fines, penalties or other similar payments or charges have not been imposed as a result if Operator's violation of Applicable Law, and (iii) any and all expenditures in excess of the then-currently approved Operating Budget or the relevant Default Budget, or the then-currently approved Decommissioning Budget(s) that are incurred by Operator other than as a result of Owner Fault, Operator's compliance with the Consent Decree or other Applicable Law, or a Force Majeure Event. (§7.6)
Budgets	1. For any Contract Year in which there is a single base rate covering each of PREPA's transmission and distribution system (the "**T&D System**") and related assets, Owner's Hydropower Assets, and the Legacy Generation Assets (other than the initial Contract Year, for which the procedures for the Initial O&M Budget shall apply, or a year in which a rate adjustment approved by PREB enters into effect, in which case the O&M Budget used in connection with obtaining such rate adjustment shall be used), in accordance with the PREPA-Genco-Hydroco Operating Agreement, Operator shall meet with T&D Operator, Administrator, and other relevant parties to determine the allocation of such base rate and the resulting revenues among the non-generation budgets T&D Operator must prepare, the Hydroco Budgets, the budgets for PREPA and its subsidiaries other than Genco and Hydroco, and the generation budgets Operator must prepare, which allocation shall be proportional to, and consistent with, the cost allocation among such budgets in the then applicable Rate Order (the "**Budget Allocation Meeting**"). (§7.3(a)) 2. Subject to the requirements determined in the Budget Allocation Meeting, Operator shall prepare the proposed O&M Budgets for such Contract Year, consolidate such budgets with the proposed Hydroco Budget (which Hydroco shall submit to Operator) and submit to T&D Operator the proposed O&M Budgets for the relevant Contract Year. (§7.3(b)) 3. Once Administrator has received the proposed O&M Budgets submitted by T&D Operator in accordance with the PREPA Genco Hydroco Operating Agreement, Administrator shall review the O&M Budgets to ensure compliance with the then applicable Rate Order and shall notify Operator whether the proposed budgets are compliant or request any changes or modifications to the proposed Budgets to conform the proposed O&M Budgets with the applicable Rate Order. (§7.3(c))
Quarterly Adjustments to Fuel Budget	No later than 14 days prior to the end of a quarter, Operator shall prepare and submit to PREB for approval (with copy to Administrator and T&D Operator), as necessary, (i) a record of actual Fuel Costs spent in the current quarter, with all applicable invoices and necessary supporting information for auditing purposes

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	and (ii) revised quarterly budgets describing the estimated variable Fuel Costs for the following quarter for the purpose of resetting the Fuel Costs to be recovered for that quarter. In the event PREB does not timely approve a proposed revised quarterly Fuel Budget prior to the start of the applicable quarter, the proposed quarterly Fuel Budget shall be adjusted to reflect the maximum amount of Fuel Costs to be recovered through the rates set forth in the applicable Fuel Adjustment Clause then in effect. (§7.3(f))
Amendments to Budgets	1. Operator may, from time to time, propose to Administrator to amend the approved Operating Budget for a given Contract Year; provided that any such amendment shall be compliant with the applicable Rate Order. (§7.3(e)(i)) 2. If, during a Contract Year, Operator becomes aware that the Pass-Through Expenditures for such Contract Year are expected to exceed the relevant Budget for such Contract Year (taking into account the allowances for Excess Expenditures), then (i) Operator shall promptly notify Administrator and T&D Operator of the expected shortfall, (ii) T&D Operator shall notify PREB of the expected shortfall and, (iii) as promptly as practical, Operator shall prepare and submit to PREB proposed amendments to the relevant Budget for such Contract Year, which amendments must be consistent with the then applicable Rate Order and shall require and be subject to approval by PREB. (§7.3(e)(i)) 3. Notwithstanding anything to the contrary contained in the foregoing, in the event that PREB takes any action or issues any order that could result in a change in the portion of rates that relate to the Legacy Generation Assets, then Operator shall, as promptly as practicable, prepare and submit to PREB, with copy to T&D Operator, Administrator and Hydroco, the proposed amendments to the Operating Budget, which amendments must be consistent with the then applicable Rate Order and shall require and be subject to approval by PREB. (§7.3(e)(ii)) 4. In the event Decommissioning Services for one or more of the Legacy Generation Assets occur during any given Contract Year and the applicable Decommissioning Budgets for such Legacy Generation Assets has been approved, as of the month such Decommissioning Services commence, the approved Operating Budget for such Contract Year shall be amended to reflect the transition of all costs related to such Legacy Generation Assets, including the O&M Fixed Fee Adjustment as set forth in Section I of Annex II (*Compensation – O&M Fixed Fee*), from the relevant operation line items to separate line items for the decommissioning of such Legacy Generation Asset. (§7.3(e)(iii))
Budget Policy	The O&M Budgets and the related Operator staffing levels for each Contract Year shall be designed to be adequate in both scope and amounts to reasonably assure that Operator is able to carry out the related O&M Services in accordance with the Contract Standards and to reasonably assure that Operator has a reasonable opportunity to earn the Incentive Payment. The O&M Budgets for each Contract Year shall comply with (i) the then applicable Rate Order, (ii) any PREB-approved directive or requirement applicable to Hydroco, Owner or PREPA, (iii) Applicable Law, and (iv) amounts allocated to the generation budget as agreed in

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	the Budget Allocation Meeting for such Contract Year and any follow up to such meeting. The Parties further acknowledge and agree that, from time to time, it may be necessary or appropriate to amend or otherwise adjust the relevant categories of Incentives and Penalties or the O&M Budgets as a result of (A) Force Majeure Events, (B) Owner Fault, (C) Forced Outages or (D) additional requirements imposed by Owner, Administrator, PREB, or any other Governmental Body after approval of the O&M Budgets, in the case of each of clauses (A) to (D), which (x) have resulted (or are reasonably likely to result) in schedule delays or increased work scope or costs and (y) are not attributable to Operator's gross negligence or willful misconduct. Operator shall provide notice to Administrator promptly following the occurrence of an event contemplated above and the Parties shall, in good faith and acting reasonably, consider necessary adjustments to the Incentives and Penalties or the O&M Budgets that are based on rates that are reasonable and necessary and shall submit such to PREB for approval. (§7.4)
Service Accounts – Operating, Fuel and Decommissioning Accounts	1. Owner shall establish one or more operating accounts from which Operator shall draw funds from time to time to pay for Pass-Through Expenditures actually incurred by Operator in performing the O&M Services and from which Owner shall pay the O&M Service Fee (collectively, the "**Operating Account**"). Prior to the Service Commencement Date, the Operating Account shall be funded with an amount equal to the sum of (i) anticipated Pass-Through Expenditures for the following two months *plus* (ii) the anticipated O&M Service Fee for the following two months, in each case based on the then-currently approved Operating Budget or the relevant Default Budget then in effect. Thereafter, the Operating Account shall be replenished to maintain a minimum balance of the amount that is equal to the corresponding funding level. Except under circumstances specified in the O&M Agreement, Operator shall not withdraw funds from the Operating Account for Pass Through Expenditures that are not included in the then-currently approved Operating Budget or the relevant Default Budget then in effect without Administrator approval. (§7.5(a)) 2. Owner shall have established one or more fuel accounts from which Owner shall draw funds from time to time to pay for costs and expenses related to the purchase, transportation, testing, delivery and storage (including tank maintenance) of fuel for the Legacy Generation Assets actually incurred by Operator (the "**Fuel Costs**") in performing the O&M Services (collectively, the "**Fuel Account**"). Prior to the Service Commencement Date, the Fuel Account shall be funded with an amount equal to at least an average of two months of Fuel Costs, based on the average monthly Fuel Costs set forth in the then currently approved Fuel Budget for the current quarter. Thereafter, the Fuel Account shall be replenished monthly. The required funding may be increased in accordance with any special stipulations in the approved and in-force fuel supply contracts for the Legacy Generation Assets. Operator shall not withdraw funds from the Fuel Account for any non-fuel costs or Fuel Costs that are not incurred pursuant to approved and executed fuel supply agreements for the Legacy Generation Assets without Administrator approval. (§7.5(b))

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	3. Owner shall establish one or more operating accounts from which Operator shall draw funds from time to time to pay for Pass-Through Expenditures actually incurred by Operator in performing the Decommissioning Services (collectively, the "**Decommissioning Account**"). Prior to the Decommissioning Commencement Date for the applicable Legacy Generation Asset, the Decommissioning Account shall be funded with a amount equal to the sum of all anticipated Pass-Through Expenditures for the following one month, based on the then-currently approved Decommissioning Budget. Thereafter, the Decommissioning Account shall be replenished monthly in accordance with procedures set forth in the PREPA-Genco-Hydroco Operating Agreement until all payments for the Decommissioning Services contemplated by the O&M Agreement have been made. Except under circumstances specified in the O&M Agreement, Operator shall not withdraw funds from the Decommissioning Account for Pass-Through Expenditures that are not included in the then-currently approved Decommissioning Budget. (§7.5(c))
Service Accounts – Reserve Account	1. Owner shall establish one or more reserve accounts (each, a "**Reserve Account**") from which Operator (i) shall draw funds from time to time to pay for costs in connection with Forced Outages, Force Majeure Events or Owner Fault, and costs in connection with the procurement and installation of any Capital Spare Parts approved by Administrator and (ii) may draw funds from time to time to pay for any shortfalls in the required funding of any other Service Account. (§7.5(d)(i)) 2. In the event there are no funds on deposit in the Reserve Account, Operator shall provide written notice to Administrator of such shortfall. Until the Reserve Account is replenished, to the extent costs are incurred under clause (i) of the foregoing, Operator may withdraw the necessary funds from any Service Account (other than the Fuel Account) provided that, prior to any withdrawal, Operator shall provide written notice of the intended withdrawal to Administrator for its review and approval. Operator may withdraw such funds only upon either (x) receipt of Administrator's written approval or (y) Administrator's failure to provide a response within a reasonable period. (§7.5(d)(i)) 3. No later than ten Business Days prior to the Service Commencement Date, the Reserve Account shall be funded with an amount equal to US$30,000,000. Thereafter, in the event that Operator withdraws funds from the account, the Reserve Account shall be replenished the following month with an amount equal to the aggregate amount withdrawn from the Reserve Account during the previous month; provided that if in any given month, Owner does not have sufficient funds to fund the Reserve Account in the required amount, the failure to so fund shall not constitute a default under the O&M Agreement so long as the Reserve Account is funded to the corresponding fund level as soon as Owner has sufficient funds to do so. (§7.5(d)(ii))
Unfunded Amounts	Operator shall have no obligation or responsibility to incur or pay any costs or make expenditures in providing the O&M Services (other than Disallowed Costs) to the extent any of the Service Accounts do not contain sufficient funds to pay

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	such costs and expenditures. To the extent sufficient funds for the performance of all of Operator's obligations under the O&M Agreement are not available for withdrawal by Operator from the Service Accounts, the Mobilization Accountor the Demobilization Account, as applicable, (i) Operator shall take reasonable measures (to the extent practicable using only the funds available in the Service Accounts) to maintain the continuity of the O&M Services in accordance with the Contract Standards to the extent possible in the absence of its receipt of such sufficient funding, (ii) Owner shall protect, defend, indemnify and hold harmless Operator and its Affiliates from and against any and all Losses arising in connection with the discontinuation of any Services that occurs notwithstanding Operator's efforts, and (iii) Operator shall not be liable for, and Owner hereby waives and releases Operator from any claims for, Penalties (other than the Safety Compliance and the Environmental Compliance Penalties), and Operator shall not be liable for any failure to perform its obligations in accordance with the terms of the O&M Agreement, until sufficient funds are made available. (§7.8)
Administrator Costs	Owner shall be solely responsible for all costs and expenses of Administrator in connection with the performance of Administrator's obligations under the O&M Agreement, and shall pay or reimburse Administrator promptly for any out-of-pocket or third-party costs and expenses. (§7.9)
Payment Disputes	Except as otherwise provided in Section 7.1(c) (*Service Fee – Incentives and Penalties*), if Owner or Administrator disagrees in good faith with any invoice submitted under the O&M Agreement, then such Person shall promptly notify Operator of such dispute (and in any event no later than the due date for the applicable invoice) and the reasons for the disagreement. Any amounts set forth in an invoice that are not paid as of the due date for such invoice shall be deemed disputed by the owing Person. (§7.10)
Credit Support	Operator shall cause the Guarantee to be provided on or prior to the Effective Date and maintained thereafter throughout the Term. (§8.1) The Guarantor's liability is capped at US$45,000,000 (§3.10 of the form of Guarantee Agreement).
Compliance with Applicable Law	Operator shall perform, and cause all Subcontractors to perform, the Services in accordance with the Contract Standards, including the Consent Decree. Operator shall provide written notice to Administrator if Operator violates, or becomes subject to any government or regulatory investigation in connection with the Anti-Corruption Laws or Sanctions. (§9.1 and §9.2)
Insurance	1. Operator shall maintain in effect, and cause any Subcontractor performing any of the O&M Services or the Decommissioning Services to maintain in effect, for the benefit of Owner and Operator, as applicable, the insurance policies and limits of coverage specified in the O&M Agreement and such insurance policies (i) as may be required by Applicable Law and (ii) as may be required by Prudent Industry Practice (the "**Required Insurance**"). All Required Insurance shall be in a form reasonably acceptable to Administrator and shall only be issued by generally recognized financially responsible insurers that (A) are authorized to do business in the Commonwealth or are otherwise authorized or permitted by the Office of the Commissioner of Insurance of

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	Puerto Rico and (B) at a minimum have a rating of A-(VIII) or better by A.M. Best Company or an equivalent rating by another similarly recognized insurance rating agency (unless Administrator consents to waive this requirement). (§10.1) 2. If the event of a Loss relating to the O&M Services, the Legacy Generation Assets or any Generation Site, Owner shall open an account in which to deposit any proceeds of insurance for such Losses (the "**Insurance Proceeds Account**"). If Operator receives any proceeds of insurance for any Losses relating to the O&M Services, the Legacy Generation Assets or any Generation Site, Operator shall deposit such amounts into the Insurance Proceeds Account. If Owner receives any proceeds of insurance for any Losses relating to the O&M Services, the Legacy Generation Assets or any Generation Site, Owner shall hold such amounts in trust, for the benefit of Operator, and Owner shall deposit such amounts in the Insurance Proceeds Account following the request of Operator. In consultation with and subject to the reasonable approval of Administrator (not to be unreasonably withheld, conditioned or delayed, with notice to PREB), Operator shall determine whether to use funds in the Insurance Proceeds Account either to remediate or decommission the Legacy Generation Assets in a manner consistent with Prudent Industry Practice, taking into account the Integrated Resource Plan and the other generation resources available to the T&D System, each to the extent applicable. (§10.3)
Subcontractors	1. Operator may engage Subcontractors to perform Operator's obligations under the O&M Agreement, including the Mobilization Services, the O&M Services, the Decommissioning Services, or the Demobilization Services. Operator's payment obligations under any Subcontract shall be a Pass-Through Expenditure, subject to certain exceptions. (§11.1(a)) 2. Operator shall provide to each person, firm, corporation, contractor, or subcontractor hired to perform any requirement of the Consent Decree (including its attachments or appendices) a copy of all sections of the Consent Decree (including its attachments and appendices) relevant to the employment of the person, firm, corporation, contractor, or subcontractor, and shall condition all contracts or subcontracts entered into upon performance of the requirement(s) in conformity with the terms of the Consent Decree (including its attachments and appendices). Operator shall further require that each such person, firm, corporation, contractor, or subcontractor provide written notice of the Consent Decree to all subcontractors hired to perform any portion of any requirement of the Consent Decree. (§11.2(b)) 3. In the event that any Affiliate of Operator proposes to participate in any procurement relating to subcontracting of services to be provided under the O&M Agreement, Operator shall provide Administrator with information regarding the identity of the Affiliate, the services to be provided and any other reasonable information as Administrator may reasonably request prior to such Affiliate participating in any such procurement process or receiving any information in connection therewith. (§11.4)

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Taxation	1. Owner shall be entitled to (i) deduct and withhold from any consideration payable to Operator under the O&M Agreement such amounts as required under applicable Tax law and (ii) request any necessary Tax information from Operator. The Parties agree to cooperate in good faith to reduce or eliminate the amount of any applicable withholding Taxes. In the event any withholding Taxes are paid by Owner in respect of amounts payable to Operator, Owner shall use commercially reasonable efforts to provide Operator (A) receipts or other evidence of payment of such withholding taxes and (B) all informative statements required by Applicable Law. (§12.1) 2. Operator and each of its subsidiaries shall (i) prepare and timely file Tax Returns required under Applicable Law and (ii) pay Taxes required under Applicable Law. (§12.2)
Intellectual Property	1. Operator shall grant to Owner, and shall cause its Affiliates and Subcontractors to grant to Owner, a perpetual, non-exclusive, fully paid-up, royalty-free, worldwide license and sublicense, under all of such party's rights in, to and under the Operator Intellectual Property and Subcontractor Intellectual Property, solely in connection with the Legacy Generation Assets and related facilities of Owner and their related operations (including the O&M Services or the Decommissioning Services) by or on behalf of Owner or any successors or operators thereto to (i) make, have made, use, sell, offer for sale, export or import any product, service or apparatus and practice any method and (ii) use, reproduce, distribute, perform, display, execute and create derivative works in connection with any of the foregoing. (§13.1) 2. Any and all written, recorded or oral Facility Information furnished or made available in connection with the O&M Agreement, or that constitutes Work Product, shall be deemed "**Owner Confidential Information**" with respect to which Operator shall be deemed to be the receiving Party and Owner shall be deemed to be the disclosing Party. "**Operator Confidential Information**" includes Confidential Information pertaining to Operator Intellectual Property or Subcontractor Intellectual Property, or to Operator's policies and strategies. (§13.2(a)(i)) 3. Operator shall comply with, and shall use commercially reasonable efforts to ensure that all Operator Related Parties and all Subcontractors comply with all Contract Standards and all requirements of Applicable Law regarding data security, cyber security and information security in respect of the Facility Information and related Information Systems. (§13.3)
Termination for Events of Default by Operator	1. Administrator, subject to specified cure periods, may terminate the O&M Agreement for certain events of default by Operator (each, an "**Operator Event of Default**"), including: (i) bankruptcy; (ii) failure to provide or maintain the Guarantee; (iii) failure to perform a material obligation, covenant, term or condition under the O&M Agreement; (iv) failure to pay any undisputed amount required to be paid by Operator under the O&M Agreement or by Guarantor under the Guarantee (other than a Penalty); (v) any representation or warranty of Operator under the O&M Agreement shall have been proven to be false or inaccurate in any material respect when made

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	and thereby materially and adversely affects the legality of the O&M Agreement or the ability of Operator to carry out its obligations thereunder; (vi) failure to obtain or maintain the Required Insurance; (vii) a Change of Control of Operator that is not permitted by the O&M Agreement; (viii) transfer of any portion of Operator's rights or obligations under the O&M Agreement other than as permitted under the O&M Agreement; (ix) (A) a violation of any of the provisions of Article 3.2 of Act 2 or (B) entry of a plea of *nolo contendere* with a court of competent jurisdiction, in each case, resulting in a final, non-appealable judgment with respect to any Applicable Law or Anti-Corruption Laws; (x) failure to pay any undisputed Penalties required to be paid by Operator under the O&M Agreement or by Guarantor under the Guarantee during three or more consecutive years and (xi) failure to meet the Minimum Performance Threshold for any two consecutive Contract Years with respect to any of the following Incentives and Penalties standards: (A) availability and reliability, (B) safety compliance, (C) environmental compliance and (D) decommissioning, and no such failure shall have been excused by a Force Majeure Event, a Forced Outage or Owner Fault (a "**Minimum Performance Threshold Default**"). (§14.1) 2. Upon the occurrence of an Operator Event of Default relating to (i) bankruptcy, (ii) a violation of Article 3.2 of Act 2 or (iii) entry of a plea of *nolo contendere* with a court of competent jurisdiction with respect to any Applicable Law or Anti-Corruption Laws, the O&M Agreement shall terminate immediately without further action by Administrator. (§14.2(a)) 3. Upon the occurrence of any other Operator Event of Default (and for so long as the same is continuing), Administrator may terminate the O&M Agreement upon not less than 120 days prior written notice to Operator, subject, to the extent required by Applicable Law, to the prior approval of PREB or the FOMB (if then in existence), without need for a court decision or arbitral award confirming Administrator's right to terminate, subject to certain additional conditions with respect to an Operator Event of Default relating to a Change of Control of Operator. (§14.2(b))
Termination for Events of Default by Owner	1. Operator, subject to specified cure periods, may terminate the O&M Agreement for certain events of default by Owner (each, an "**Owner Event of Default**"), including: (i) bankruptcy (provided that the pursuit by creditors of Owner of relief from the automatic stay extant pursuant to section 362(a) of the Bankruptcy Code in the current Title III Case for the purpose of seeking appointment of a receiver under applicable law shall not constitute an Owner Event of Default unless and until any such receiver is duly appointed); (ii) failure to perform a material obligation, covenant, term or condition under the O&M Agreement; (iii) failure to pay any undisputed Service Fee or other undisputed amount required to be paid by Owner to Operator under the O&M Agreement; (iv) failure (A) to fund any Service Account in an amount equal to the requisite funding for such Service Account, (B) to replenish any Service Account (other than the Reserve Account which is addressed in clause (C) below) in an amount equal to at least one half of the requisite funding for such Service Account or (C) to replenish the Reserve Account in accordance with Section 7.6(d)(ii) (*Service Accounts – Reserve Account*); and (v) any

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	representation or warranty of Owner under the O&M Agreement shall have proven to be false or inaccurate in any material respect when made and thereby materially and adversely affects the legality of the O&M Agreement or the ability of Operator to carry out its obligations thereunder. (§14.3) 2. Upon the occurrence of an Owner Event of Default, Operator may terminate the O&M Agreement upon not less than 120 days prior written notice to Administrator, subject to certain additional conditions with respect to an Owner Event of Default relating to failure to fund a Service Account. Owner agrees the automatic stay extant in the Title III Case pursuant to section 362(a) of the Bankruptcy Code shall not apply to the exercise by Operator of its termination rights or other remedies under Section 14.4 (*Termination for Owner Event of Default*), Section 14.5 (*Additional Termination Rights*) or Section 14.6 (*Remedies Upon Early Termination*). (§14.4)
Additional Termination Rights	The O&M Agreement provides additional termination rights, subject to not less than 120 days' (and, in the case of (iii) below, 270 days') prior written notice to the other Party, including: (i) termination by Administrator or Operator in the event that a Force Majeure Event continues for a period in excess of 18 consecutive months and materially interferes with, delays or increases the cost of the Mobilization Services, the O&M Services, the Decommissioning Services or the Demobilization Services; (ii) termination by Operator in the event of a Change in Regulatory Law and (iii) termination by Operator in the event that the Procurement Manual is revoked and not replaced within such period by a procurement manual that is mutually agreed by the Parties. In addition, the O&M Agreement provides for termination by each of Administrator and Operator for failure to satisfy the Service Commencement Date Conditions. (§4.8(b) and §14.5)
Remedies Upon Early Termination	1. Upon the early termination of the O&M Agreement, (i) Owner shall pay Operator any accrued and unpaid amounts required to be paid by Owner under the O&M Agreement, (ii) Owner shall pay or reimburse Operator all Pass-Through Expenditures accruing after the date of such early termination that cannot reasonably be avoided by Operator and (iii) Operator shall pay Owner (A) any accrued and unpaid Penalties and (B) any penalties, fines or moneys incurred by Operator and owed to Governmental Bodies for violations of Applicable Law, including Environmental Law. Notwithstanding the termination of the O&M Agreement for all other purposes, Operator shall complete the Demobilization Services for each Legacy Generation Asst promptly following such termination, and Owner shall pay Operator all amounts required to be made under the O&M Agreement with respect to such Demobilization Services. (§14.6(a) and §14.6(b)) 2. In the event the O&M Agreement is (i) terminated, revoked, nullified, cancelled or otherwise rendered invalid by any duly enacted law of the Commonwealth, as determined by a final non-appealable judgment by a court of competent jurisdiction (a "**Contract Nullification or Cancellation**") or (ii) terminated by Operator as a result of a Change in Regulatory Law that has certain consequences specified in the O&M Agreement, Owner shall pay Operator the Operator Termination Fee. The "**Operator Termination Fee**" is an amount equal US$45,000,000. (§14.6(c)(i))

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	3. In the event the O&M Agreement is terminated by Administrator due to either a Failure to Pay Penalties or a Minimum Performance Threshold Default, Operator shall pay Owner the Owner Termination Fee. "**Owner Termination Fee**" is an amount equal to US$45,000,000. (§14.6(c)(ii))
Dispute Resolution	1. Operator acknowledges and agrees that Administrator (or any Designated Person appointed by Administrator) shall be authorized to participate in or act for and on behalf of Owner in any Dispute Resolution Procedure. The Dispute Resolution Procedures set forth in the O&M Agreement do not apply to any dispute between a Party and PREB, which disputes shall be subject to resolution in accordance with Applicable Law. In the event that Operator disagrees with a decision of PREB, nothing shall prejudice, limit or otherwise impair Operator's right to exercise its rights pursuant to Act No. 38 of June 30, 2017 and Section 6.5(c) of Act 57. (§15.1) 2. The Parties agree to attempt to resolve any Dispute through good faith negotiations. If the Dispute remains unsolved with thirty (30) days after receipt of notice of such Dispute (the "**Negotiation Period**"), (i) Technical Disputes shall be referred to arbitration by an Independent Expert for a final and binding determination and (ii) any other Dispute shall proceed to mediation and, if necessary, litigation in the Commonwealth Court of First Instance, San Juan Part for a final and binding determination. If the Dispute is an O&M Budget Dispute or Decommissioning Budget Dispute, then during the Negotiation Period, the Designated Persons may agree to refer such Dispute to an Independent Expert appointed in accordance with the procedures set forth in Section 15.4(b)(i) (*Expert Technical Determination Procedure for Technical Disputes – Procedures*) for a non-final, non-binding determination. (§7.3(h) and §15.3) 3. Any Technical Dispute with a disputed value equal to or in excess of US$10 million may be referred to litigation pursuant to Section 15.6 (*Litigation as a Final Resort*) at the election of either Party at the time the Technical Dispute is initiated. (§15.4)
Demobilization Period	1. Commencing on the Demobilization Commencement Date, in addition to providing any remaining O&M Services and/or Decommissioning Services, Operator shall (i) perform the Demobilization Services specified in the Demobilization Plan, (ii) reasonably cooperate with Administrator during any procurement process to identify a successor operator and (iii) commence preparations for an orderly surrender of the Generation Sites and any remaining Legacy Generation Assets to Owner or Administrator (or their designee). (§17.1(a)) 2. Owner or Administrator shall pay Operator the Demobilization Service Fee as compensation for the Demobilization Services provided by Operator. (§17.3) 3. Operator shall have no obligation to continue performing any Demobilization Services as of the earlier of (i) the date which is 12 months following the expiration or early termination of the Term and (ii) the date on which there

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	are no funds available in the Demobilization Account, without need for a court decision or arbitral award confirming Operator's right to terminate. (§17.2(c))
Termination Prior to Completion of Decommissioning	In the event of the early termination of the O&M Agreement that occurs prior to the decommissioning of each and every Legacy Generation Asset, the Parties shall implement any arrangements contemplated by the Demobilization Plan, including arrangements relating to (i) the possible hiring of Operator Employees by a successor operator and (ii) a training and/or severance plan (to be funded by Owner) for any Operator Employees not hired into a successor job or industry, which arrangements Operator, Owner and Administrator shall cooperate as needed to implement. (§17.2)
Force Majeure Events	1. A "**Force Majeure Event**" shall be any act, event, circumstance or condition (other than lack of finances) whether affecting the Legacy Generation Assets, Owner, Operator or any of Owner's contractors or Operator's Subcontractors that (i) is beyond the reasonable control of and unforeseeable by, or which, if foreseeable, could not be avoided in whole or in part by the exercise of due diligence by, the Party relying on such act, event or condition as justification for not performing an obligation or complying with any condition required of such Party under the O&M Agreement and (ii) materially interferes with or materially increases the cost of performing such Party's obligations under the O&M Agreement, to the extent that such act, event, circumstance or condition is not the result of the willful or negligent act, error or omission or breach of the O&M Agreement by such Party. The O&M Agreement provides (x) a list of acts, events or conditions that, subject to the requirements specified above, by way of example and without limitation, may constitute a Force Majeure Event and (y) a list of acts, events or conditions that shall <u>not</u> constitute a Force Majeure Event. (§1.1) 2. If a Force Majeure Event interferes with, delays or increases the cost of a Party's performance of its obligations under the O&M Agreement and such Party has given timely notice and description as required by the O&M Agreement, such Party shall be excused from performance and any associated Events of Default, except to the extent a Force Majeure Event continues for a period in excess of 120 days and Administrator and Operator negotiate in good faith to determine modifications to the Incentive Payment or other provisions of the O&M Agreement. In the event Operator is the party claiming the Force Majeure Event, Operator shall be entitled to request appropriate adjustments to the O&M Budgets or the Incentives and Penalties in accordance with the terms of the O&M Agreement. (§18.2(c) and §18.2(a)) 3. In addition to all other relief pursuant to the O&M Agreement, the occurrence of a Force Majeure Event shall not excuse or delay the performance of (i) a Party's obligation to pay amounts previously accrued and owing under the O&M Agreement, including any earned and unpaid Service Fees, (ii) Owner's obligation to continue to pay all Owner Payments and to deposit and make funds available for Operator's use in the Service Accounts and the Insurance Proceeds Accounts in accordance with the O&M Agreement and (iii) any obligation under the O&M Agreement not affected by the occurrence of the Force Majeure Event. (§18.2(b))

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Indemnification	1. Operator shall indemnify, defend and hold harmless Owner, Administrator and their respective Affiliates and Representatives against any and all Losses arising or resulting from: (i) a breach by Operator of any representation or warranty of Operator in the O&M Agreement that has a material adverse effect on (x) Operator's ability to perform its obligations under the O&M Agreement in respect of the Legacy Generation Assets or (y) the performance or the cost of performance by any Party of its obligations thereunder or (ii) Operator's gross negligence or willful misconduct in connection with the O&M Agreement (except, in each case of the foregoing, as otherwise provided in Section 5.9(a)(iv) (*Environmental, Health and Safety Matters – Pre-Existing Environmental Conditions*), where the applicable standard shall be either the Pre-Existing Contamination Liability Standard or the Pre-Existing Noncompliance Liability Standard), in each case as determined by a final and non-appealable judgment by a court of competent jurisdiction. In the event that any Losses are incurred by an Owner Indemnitee in connection with Section 5.9(a)(iv) *(Environmental, Health and Safety Matters – Pre Existing Environmental Conditions*), then Operator's liability for Losses shall be reduced by the amount of the Penalty paid or owed, if any, with respect to the environmental compliance category in Section III of Annex II (*Compensation – Incentives and Penalties*), if such Penalties arose as a result of the same conduct that led to such Losses. (§19.1) 2. Owner shall indemnify, defend and hold harmless Operator and the Equity Participants and its and their Affiliates and Representatives against any and all Losses arising or resulting from: (i) any breach by Owner or Administrator of any of its respective representations or warranties in the O&M Agreement that has a material adverse effect on the Legacy Generation Assets or on the performance or the cost of performance by any Party of its respective obligations under the O&M Agreement; (ii) any failure by Owner or Administrator to perform its obligations under the O&M Agreement or resulting from any Owner Fault; (iii) claims of any nature relating to the Legacy Generation Assets, Owner's operation thereof or any matter in the nature of the services to be provided by, or any other obligations imposed on, Operator under the O&M Agreement, in each case based on events or circumstances to the extent arising prior to the Service Commencement Date; (iv) the negligence (including gross negligence) or willful misconduct of Owner Indemnitees in connection with the O&M Agreement; (v) other than as expressly set forth in Section 5.5 (*Labor and Employment; Employee Benefits*), claims brought by Owner's or its Affiliates' former, current or future employees with respect to the non-payment or underfunding of benefits under Owner's pension plans, the PREPA Retirement System or any other employee benefit plans; (vi) claims brought against Operator by a Person not party to the O&M Agreement in connection with the Legacy Generation Assets or Operator's performance of the O&M Services, including (A) for loss of profits or revenues or special, exemplary, punitive, indirect or consequential damages (except to the extent arising out of fraud or intentional misrepresentation of any Operator Indemnitee) or (B) to the extent such claims are for Losses that would cause Operator's total liability to all Persons (including Owner Indemnitees) under or in connection with the O&M

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	Agreement in aggregate to exceed the amount of any applicable limitation of liability set forth in Section 19.3 (*Indemnification – Limitation on Liability*); (vii) claims brought against Operator in connection with the T&D System or the performance by T&D Operator of its obligations under the T&D O&M Agreement;[6] (viii) Pre-Existing Environmental Conditions, except to the extent of an exacerbation of such Pre-Existing Environmental Conditions to the extent caused by the gross negligence or willful misconduct of any Operator Indemnitee; or (ix) all claims brought against Operator after the Effective Date by any creditor or other Person in connection with or related to the Title III Case. (§19.2)
Limitations on Liability	1. Administrator shall not be liable to Operator Indemnitees under the O&M Agreement. (§19.3(c)) 2. Except as set forth in Section 19.3(b) (*Limitation on Liability – Gross Negligence; Willful Misconduct*), Operator's liability to Owner Indemnitees or any other Person under or in connection with the O&M Agreement, including under Section 19.1 (*Indemnification by Operator*) and including for Disallowed Costs, shall be limited to US$5,000,000 in the aggregate for Losses occurring in any Contract Year and US$20,000,000 in the aggregate for all Losses during the Term. (§19.3(a)(i)) 3. Operator's liability to Owner Indemnitees or any other Person for any Losses attributable to any Operator Indemnitee's gross negligence or willful misconduct as set forth in the O&M Agreement, including under Section 19.1 (*Indemnification by Operator*) or with respect to any Disallowed Costs attributable to Operator Indemnitees' gross negligence or willful misconduct, shall be limited to: (i) US$15,000,000 for all Losses occurring in each Contract Year for each of the first five Contract Years; (ii) US$20,000,000 for all Losses occurring in each Contract Year for each subsequent Contract Year and (iii) a total maximum of US$20,000,000 in the aggregate for all Losses during the Term. (§19.3(b)) 4. Operator's liability to Owner Indemnitees or any other Person under or in connection with the O&M Agreement shall be subject to the limitation on liability set forth in Section 19.3(a) (*Limitations on Liability – Operator General Limitations*) and limited as follows: (i) from the Effective Date until the end of the second Contract Year, Operator shall not be liable for any Loss for which an Owner Indemnitee is entitled to be indemnified, unless and until the aggregate amount of such Losses in such Contract Year exceeds US$1,000,000, in which event Operator shall then be liable for all Losses in excess of US$1,000,000 and (ii) from the beginning of the third Contract Year until the end of the Term, Operator shall not be liable for any Loss for which an Owner Indemnitee is entitled to be indemnified, unless and until the aggregate amount of such Losses in such Contract Year exceeds US$500,000,

[6] The "T&D O&M Agreement" means the operation and maintenance agreement for the T&D System, entered into on June 22, 2020, by and among PREPA, Administrator, LUMA Energy, LLC and LUMA Energy ServCo, LLC, pursuant to which T&D Operator shall operate, maintain and modernize the T&D System.

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	in which event Operator shall then be liable for all Losses in excess of US$500,000. (§19.3)
Amendments	Neither the O&M Agreement nor any provision thereof may be changed, modified, amended or waived, except by written agreement duly executed by the Parties. Any such amendment shall not be effective until (i) to the extent required by Applicable Law, approved by PREB and the FOMB (if then in existence) and (ii) Administrator has obtained a Tax Opinion and a Reliance Letter, at the cost of Owner or Administrator, with respect to any such amendment. (§21.3)
Governing Law	The O&M Agreement shall be interpreted, construed and governed by and in accordance with, and enforced pursuant to, the laws of the Commonwealth of Puerto Rico. (§21.15)