



GOVERNMENT OF PUERTO RICO

CENTRAL OFFICE FOR RECOVERY,
RECONSTRUCTION AND RESILIENCY

Hon. Pedro R. Pierluisi Urrutia
Governor

Manuel A.J. Laboy Rivera
Governor's Authorized
Representative

November 17, 2023

VIA EMAIL: Deanne.Criswell@fema.dhs.gov

The Honorable Deanne Criswell
Administrator
Federal Emergency Management Agency
500 C Street, S.W.
Washington, D.C. 20024

Re: FEMA-4671-DR-PR (Hurricane Fiona) – Acquisition of Temporary Generators for the Stabilization of Puerto Rico's Power Grid System

Dear Administrator Criswell,

On November 7, 2023, the Central Office for Recovery, Reconstruction, and Resiliency (COR3) sent a letter to request an extension of the Direct Federal Assistance (DFA) from the Federal Emergency Management Agency (FEMA) until December 31, 2024, to allow the Puerto Rico Electric Power Authority (PREPA) to use the temporary power generators located in its Palo Seco and San Juan sites and provide coverage and stability to the Island's electrical grid throughout the 2024 hurricane season. As stated in the letter, the request is of critical importance because PREPA currently does not have backup generation capacity to cover the 350MW that will be lost if the temporary units are removed by FEMA on March 15, 2024. Based on the information provided to PREPA by LUMA Energy PR (LUMA) and Genera PR (Genera), a deficit of 350MW would expose over 550,000 U.S. citizens in Puerto Rico to power loss, and millions of dollars in economic losses.¹

Taking this into consideration, it is PREPA's intent to acquire the temporary power generators from the DFA. By acquiring these units and making them part of the generation fleet, it will allow Genera to perform all necessary repairs and maintenance to existing generation fleet caused by recent disasters. Also, it will serve as a significant mitigation measure for future disasters. Specifically, these units will improve the system's reliability, and provide a rapid spinning reserve, and supply generation deficiency due to constant base load outages to keep the continuity of the service

¹ Attached as Annex A is the most recent report on the status of the generation system. As the report shows, the DFA units have avoided 41 load sheds. Also, it is expected that 18 load sheds will be avoided through March 15, 2024, and an additional 11 load sheds until the end of 2024.

under emergency events and different scenarios that can put the system at risk of load shedding and blackouts. These specific units are dual fuel and modular which provide additional operational flexibility for different scenarios in case of an emergency.

Both Genera and LUMA have expressed their unequivocal support for PREPA's initiative and collaborative efforts have been initiated with the relevant government agencies. Consequently, Genera has submitted official notices to local and federal environmental regulatory agencies informing them that the Government of Puerto Rico intends to keep the units beyond the expiration of the DFA and that official applications will be presented to ensure compliance. Furthermore, Genera is preparing an official application to be submitted before the end of the month to initiate a formal process and request Puerto Rico Energy Bureau's approval to maintain the units as part of PREPA's generation fleet with COR3. Accordingly, below is a projected timeline of the actions that Genera has or will take in support of PREPA's initiative to acquire and maintain the units in operation permanently:

Milestone	Target Completion Date ²
PREB approval	Q4 2023
Formulate/Obligate FEMA funding (DR-4671/DR-4339)	Q1 2024
PREB leave to allocate O&M (including LTSA, spares and consumables) expenses in GenCo budget.	Q1 2024
Negotiate and complete a memorandum of understanding with PRASA for demineralized water.	Q1 2024
Baseline Environmental Studies.	Q1 2024
Permitting.	Q1 2024
Preparation of warehouse to store spares and consumables.	TBD
Negotiation of Definitive Sale Agreements: <ul style="list-style-type: none"> • Due Diligence • Terms and Conditions • Price • Supporting Documentation 	TBD

² These are preliminary estimates that will be subject to further review of the established task force.

Fuel Sale and Purchase Agreement:	TBD
<ul style="list-style-type: none"> • RFP- P3A process <ul style="list-style-type: none"> ○ Bidding Process ○ Award ○ Contract Negotiation ○ Contract Execution 	
Negotiation and Execution of Long-term Service Agreement.	TBD
Competitive Processes to Purchase of Spare Parts and Consumables.	TBD

The Government of Puerto Rico will establish a task force to ensure that all necessary tasks and milestones are completed promptly to guarantee uninterrupted service of the units after the DFA ends. However, the processes to transfer the units to PREPA is complex and time-consuming and we expect such processes to be complete at some point in 2024.

In order to assist PREPA in the acquisition of the temporary units, COR3 has conducted a thorough assessment of the circumstances surrounding Hurricane Fiona and upon further consideration it understands that acquisition of these generators should be through the use of Public Assistance funds awarded by FEMA under this disaster. The intricacies of Hurricane Fiona's impact demand a swift and comprehensive response to restore essential services, particularly Puerto Rico's energy grid. This strategic choice aligns with the urgency of the situation, enables an efficient use of funds under both disasters (Hurricanes Maria and Fiona) and a more resilient and responsive recovery effort. Nevertheless, COR3 is aware that FEMA might find there are other considerations for which the acquisition should be through FEMA Accelerate Awards Strategy funding instead. Therefore, COR3 is entirely in the disposition to work with FEMA to determine the proper course of action and ensure that the public interest is best served as well as the overall recovery efforts.

Moreover, COR3 recognizes the importance of a judicious approach in acquiring temporary generators for efficient disaster response. Considering this, a comprehensive lease versus buy analysis will be conducted by PREPA to determine the most cost-effective and operationally sound option. This analysis will take into consideration various factors, including the duration of generator usage, maintenance costs, and the specific needs of the affected areas. By evaluating the advantages and disadvantages of both leasing and purchasing options, PREPA aims to optimize the allocation of resources and ensure a strategic investment in temporary generators. This approach not only aligns with financial prudence but also underscores the commitment to delivering timely and effective assistance to communities impacted by disasters. Having said that, it is COR3's understanding that given that the public exigency and emergency requires an

exception to the standard procurement process for the acquisition of temporary generators under the DFA. The urgency of the situation, coupled with the critical need for rapid deployment of resources to restore Puerto Rico's energy grid allow for a streamlined approach in acquiring the units without undergoing the traditional procurement process in accordance with FEMA's policies and applicable federal rules and regulations. The decision to expedite the acquisition of the temporary generators through this established framework underscores the commitment to a swift and effective disaster response.

Finally, it is important to clarify that the request for an extension of the DFA that is currently under FEMA's consideration does not run counter with PREPA's plans to acquire the temporary generators. On the contrary, this request is in line with ensuring a swift transition of the assets to PREPA's ownership and that there are no disruptions to the essential services in Puerto Rico. The extension of the DFA will provide security that, should any process be delayed, the 350 MW will still be supplied to the grid until the equipment purchase is approved and is fully transferred under the appropriate agreements. Now, regardless of when the DFA concludes, the units must remain on the island to avoid load-shedding and continue performing the repair of the electrical power grid. As stated in our prior letter, the provision of temporary power generators is a crucial step in restoring essential services and providing relief to the affected communities on the Island. Furthermore, this will enable us to:

- Ensure the uninterrupted operation of critical facilities such as hospitals, shelters, and emergency response centers.
- Facilitate the recovery efforts by powering infrastructure repair and rebuilding activities.
- Support our citizens in their time of need and mitigate the hardship caused by the power disruption.

In addition, the extension of the DFA will help provide continuity until the equipment purchase is approved and is fully transferred under the appropriate agreements, thus reflecting a coordinated and planned approach to managing the assets and support provided by FEMA. Also, by directly transferring the generators to PREPA, FEMA can avoid the significant expenses associated with the demobilization process. This includes the cost related to transportation, storage, and maintenance that would otherwise be incurred if these assets were to be decommissioned and then remobilized. The direct acquisition ensures that the generators remain in service where they are most needed thus providing uninterrupted support to critical infrastructure while simultaneously promoting fiscal efficiency within the agency. This not only benefits the immediate needs of the people of Puerto Rico, but also aligns with prudent financial stewardship of federal resources.

COR3 is committed to a transparent and cooperative process with FEMA and is prepared to provide any further information or documentation required to support PREPA's application for the acquisition of the temporary power generators.

We are grateful for FEMA's continued support and guidance in these challenging times and look forward to your affirmative response.

Regards,



Manuel A. J. Laboy-Rivera, PE, MBA
Executive Director
Governor's Authorized Representative

Cc: David Warrington, Regional Administrator
Duwayne W. Tewes, Federal Coordinating Officer