

DRAFT JUSTIFICATION

Justification for Increase in Restoration and Reconstruction RFP

Objective: Board resolution to increase initial request for a \$300M cap on the RFP (January 2018) to \$1.7B cap to reflect current realities five months later.

Background

While we have reached the 98% mark of customers restored as of May 4, 2018, there is still a considerable amount of transmission, sub-transmission, and distribution emergency work, some of which does not energize customers, rather it serves as backup or redundant lines for the system. The remaining customer work is slow and challenging due to the terrain the extent of damage. The transmission work is moving along at the expected pace, but much of this work requires helicopter support.

In March 2018, PREPA requested Cobra bring an additional 300 line workers (D-200, T-100) to the island. Cobra requested PREPA reduce the deficiency in payment, award the RFP, and complete Amendment #6. This would allow for additional work to be done without running out of funds on the amended contract. This was important because at this time, Cobra was and still is PREPA's only contractor on the ground.

After internal discussions, PREPA has chosen to move all future work, emergency and permanent, to new contracts versus relying on the emergency Cobra contract put into the place back in October 2018. It has taken 5 months to get close to awarding 2 of 3 contracts under the RFP, and conditions have changed dramatically in terms of the dollars and scope of the initial intent of the RFP. Given the abandonment of the Amendment option and the amount of work still left to do, the emergency work alone is projected to cost \$750M, more than twice the original cap of the RFP.

Finally, we would like to finalize permanent work efforts that are ready to begin. These are projects that can be done irrespective of the final

Emergency Work for Cobra (\$620M)Current Rates under Amendment #5 (not RFP)

Current Burn Rate: \$110M/month (550 line workers, Transmission and Distribution)

+100 Distribution Line Workers Burn Rate: \$130M/month

+200 Distribution Line Workers Burn Rate: \$150M/month

Emergency Work Assigned

- Mobilization of up to 200 Distribution linemen, including vegetation management, on top of the 550 T&D that are already here
- Complete Remaining Transmission Lines already assigned. The Transmission Reestablishment Plan *estimates* this work to be done by July 31; however *reassessment and rework* from other contractors may push this out.
- Complete distribution work in Yabucoa, Utuado, and other areas in the Distribution Master Plan already assigned with ETRs out into Summer 2018 (additional areas will be added as work progresses)
- Purchase materials as requested by PREPA

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- Complete substation work in Vieques already underway

Emergency Work for Mastec (\$250M)

- Initial mobilization of 200 FTE for distribution and associated equipment (urgent need from the planning meetings are in distribution)
- Complete distribution work in assigned areas (TBD)
- Complete 38KV work on priority lines (TBD)

Permanent Work for a Resilient Design for Vieques and Culebra (\$130M)

- Modernize Vieques and Culebra and move to a standard voltage and replace poles, wires, transformers, etc. with an industry standard
- This allows for any generation design going forward to be successful across both islands

Hold Funds for Initial Response in 2018 Hurricane Season (\$300M)

- Redirect some current crews on island for immediate response
- Mobilize new crews for continued response
- Allows time to establish new emergency contracts without slowing initial response

Begin Permanent Work on the 230KV Loop (\$400M)

- Initial design and construction on the 230KV loop (estimate is \$1.2-2B). All advisory reports to PREPA conclude this work needs to be constructed in a more resilience manner for island stability.