GOVERNMENT OF PUERTO RICO
CENTRAL OFFICE FOR RECOVERY,
RECONSTRUCTION AND RESILIENCY

October 20, 2021

BY EMAIL

Honorable Raúl M. Grijalva
Chair
Committee on Natural Resources
U.S. House of Representatives
Washington, DC 20515

Written Responses to Additional Questions from Committee Members from the Central Office for Recovery, Reconstruction and Resiliency of the Government of Puerto Rico (COR3) in relation to the Full Committee Oversight Hearing held on October 6, 2021, titled "PREPA Post Implementation of the LUMA Transmission and Distribution Contract"

Dear Chairman Grijalva,

First and foremost, thank you for allowing us the opportunity to participate in the above-referenced hearing before the Committee on Natural Resources of the U.S. House of Representatives. On October 12, 2021, we received additional questions submitted by Congresswoman Jennifer González-Colón and Congressman Blake Moore. As required, and pursuant to Committee Rule 3(o), we hereby submit the written responses from the Central Office for Recovery, Reconstruction and Resiliency of the Government of Puerto Rico ("COR3") in reply to such inquiry.

Questions from Rep. González-Colón (PR) for Mr. Manuel A. Laboy, PE, Executive Director, Central Office of Recovery, Reconstruction and Resiliency (COR3)

1) About FEMA Projects:

a) What have been the major problems with getting FEMA obligations flowing?

i) Has there been any special difficulty or challenge with knowing what FEMA considers a completed Scope of Work submission?

ii) How does the status of PREPA projects compare with that of COR3-related projects in general?

iii) Are there any actions you would recommend to accelerate FEMA project approval?

b) Do we know and can you provide us what are the current timelines for submitting project Scope of Work documentation to FEMA?

COR3 Response:

The Public Assistance ("PA") program of the Federal Emergency Management Agency ("FEMA") works on a reimbursement basis. Ordinarily, once a project has gone through all steps of the FEMA National Delivery Model and is thus considered as "obligated" by FEMA, the subrecipient may present a Request for Reimbursement ("RFR") before COR3 in relation to non-federal funds that have already been expended by the subrecipient with regards to the obligated project. Thereafter, after a comprehensive evaluation of compliance with all applicable federal, state, and local laws and regulations, COR3 approves, partially approves, denies, or requests additional information to validate the RFR, as the case may be.

In the case of the Puerto Rico Electric Power Authority ("PREPA"), as related to the damages caused by Hurricane Maria in 2017 (identified as FEMA-DR-4339-PR) and subsequent presidential major disaster declaration, an initial project obligation was made using an innovative statistical sampling method known as the FEMA Accelerated Award Strategy ("FAASt"). The purpose of the FAASt initiative was to allow PREPA and other subrecipients[1] to perform a thorough evaluation of their facilities and develop a master plan to rebuild while better addressing the needs of the people of Puerto Rico, instead of just restoring them to pre-disaster conditions. Given that PREPA provides critical services as defined in Section 406(a)(3)(B) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988 ("Stafford Act"),[2] projects are meant to include the disaster-damaged components to restore the function of the facility or system to industry standards, without regard to its pre-disaster condition, and to restore components not damaged by the disaster when necessary, as authorized by Section 20601 of the Bipartisan Budget Act of 2018 ("BBA").[3] Furthermore, the FAASt strategy was meant to reduce the administrative burden on all parties and expedite the FEMA project formulation process.

To execute the FAASt strategy, FEMA established that its Cost and Analysis Validation team ("CAV Team") would be in charge of developing the Statistical Sampling Methodology ("SSM") to reduce the number of sites requiring inspections, Damage, Description and Dimensions ("DDD"), scopes of work ("SOW"), and cost estimates, all of which are traditional components of a FEMA PA Project Worksheet. The SSM provided FEMA with a robust statistical approach to expeditiously generate reliable cost estimates for entire sample populations, to formulate the fixed cost estimate ("FCE") required under Section 428 (Alternative Procedures) of the Stafford Act and the master recovery budget for PREPA.[4] As with other Section 428 projects, PREPA projects under FAASt can be used towards a Consolidated Project, an Improved Project or an Alternate Project as allowed under applicable FEMA policies and procedures. In the case of Alternate Projects, they must still include a critical service and must be constructed to an approved industry standard. FEMA will evaluate the proposed use for reasonableness to ensure funds are used in an appropriate manner, and with the intent to improve the resiliency of such critical services.

[1] The other subrecipients under the FAASt initiative are the Puerto Rico Department of Education (PRDE), and the Puerto Rico Aqueduct and Sewer Authority (PRASA).
[2] Pub. L. No. 100-707, 102 Stat.4689.
[3] Pub. L. No. 115-123, 132 Stat. 64. See also FEMA Recovery Policy FP-104-009-5 Version 2 (BBA), Implementing Section 20601 of the 2018 Bipartisan Budget Act through the Public Assistance Program.
[4] The PA program is authorized by Sections 406 (traditional) and 428 (alternate procedures) of the Stafford Act, 42 U.S.C. §§5172 and 5189f. PREPA PA projects are covered under Section 428 as per FEMA requirements.

Under the FAASt initiative, a main, single project obligation was initially done by FEMA on September 24, 2020, based on the SSM of damaged PREPA facilities throughout the island, which resulted in a total, fixed project amount of approximately $10.5 billion, of which $9.5 billion correspond to the federal share,[5] with a $1 billion non-federal cost share requirement.[6] The foregoing amount allows PREPA to repair damages related to the following types of facilities:

- buildings (101)
- substations/transmission centers (404)
- distribution lines/conductors (3,249 miles overhead & underground)
- streetlights (342,569)
- transmission lines (3,254 circuit miles)
- poles and hardware (397,843)
- transformers (18,812)
- mega generators (4)
- soil stabilization (708 locations)
- telecommunications sites (49)
- generation plants (9)
- Black Start generators (4)
- sediment removal (from 11 reservoirs)
- hydroelectric power plants (10)
- dams (19)
- irrigation channels (9)
- water conveyance systems (7)
- telecommunications infrastructure

The cost estimate per sector is divided as follows:

1. Buildings - $ 125,088,362.54
2. Transmission - $ 2,642,131,654.47
3. Substations - $ 781,890,093.70
4. Telecommunications and Information Technology - $ 685,928,720.98
5. Generation - $ 108,927,715.08
6. Distribution - $ 5,499,837,404.90
7. Water Assets - $ 860,926,275.87

Given that these categories are allocated in a single PW obligation, LUMA/PREPA have the flexibility to use the funds as needed. In other words, the funds can be transferred from one sector to another, with prior approval from COR3 and/or FEMA, by using available FEMA tools for Section 428 projects as outlined above.

FEMA established a period of performance for five (5) years from the date of PW obligation, as set forth in 44 CFR 206.204(c). However, unlike regular PA projects, FAASt projects would

[5] PREPA allocated $193,746,436 of its anticipated insurance proceeds as part of the permanent work Project Worksheet (PW) under the FAASt strategy, amount which must be subtracted from the total fixed cost estimate of $10,704,730,227.54 as per FEMA requirements. Therefore, the exact amount of federal funding for PREPA under the PA program, as per the FAASt obligation, is $9,459,885,412.39.

[6] Notably, the non-federal cost share requirement for PA permanent work related to Hurricane Maria, including PREPA, will be covered by Community Development Block Grant – Disaster Recovery (CDBG-DR) funds as allowed by the U.S. Department of Housing and Urban Development ("HUD"). The Puerto Rico Department of Housing ("PRDOH") is the recipient of CDBG-DR funds assigned to Puerto Rico after Hurricane Maria.

not be processed through the FEMA National Delivery Model nor the Atlantic Consolidated Resource Center ("CRC") to develop the cost estimates. Thus, we are currently immersed in what is known as the post-award process, which requires individual subproject obligation under the FEMA National Delivery Model before moving forward with actual construction work. In order to obligate such individual projects, on November 18, 2020, FEMA developed a Post-Fixed Cost Estimate Obligation Course of Action Guide (COA Guide), for purposes of defining the procedures to develop individual subprojects. Among other things, the COA Guide requires PREPA to submit a 90-day Workplan –to be updated every 90-day period– and to hold monthly meetings and weekly working sessions with FEMA, COR3 and LUMA Energy, LLC ("LUMA"), to discuss the workplan and subprojects in the pipeline. Furthermore, PREPA must specify locally adopted construction codes and standards and/or FEMA-approved industry standards to be used and describe how they are going to be incorporated in the construction project.

In addition, the COA Guide requires subrecipients to submit a proposed SOW for each facility, for the review of FEMA and COR3. This is particularly important because SOWs for subprojects must be submitted prior to commencing any construction works, to ensure that there is sufficient time for FEMA to complete PA eligibility assessments and Environmental and Historic Preservation ("EHP") compliance reviews. However, to prepare a SOW, architecture and engineering ("A&E") design services must be procured and relevant studies and designs must be conducted for each subproject. At this juncture we must note that the abovementioned $10.5 billion budget does not take into account what could represent millions in potential additional funding from mitigation measures under Section 406 of the Stafford Act, inasmuch these measures would be part of the SOW of each subproject. To date, we are working with FEMA to agree upon a standard methodology to incorporate Section 406 mitigation works in proposed SOWs.

As can be inferred from the discussion above, FAASt projects differ from traditional PA project obligation in that the FAASt obligation only represents a master recovery budget, as every subproject must be thereafter obligated following FEMA's National Delivery Model and the COA Guidelines. Furthermore, in the case of PREPA, the road to subproject obligation has an additional complexity, that is, all projects must count with prior approval from the Puerto Rico Energy Bureau ("PREB"), our independent state energy industry regulator, prior to submitting to FEMA and COR3. Among other things, the PREB evaluates projects for compliance with what is known as the Integrated Resource Plan ("IRP"), a comprehensive document that was approved by the PREB pursuant to state Act No. 17-2019, as amended, known as the Puerto Rico Energy Public Policy Act, with ample participation from the public which sets forth a roadmap for meeting aggressive renewable energy generation targets for the next couple of decades. Thus, proper alignment must be found between all relevant parties –including FEMA, COR3, PREB, PREPA, and as of June 1, 2021, LUMA– in order to move forward with all necessary approvals and commencing the construction phase of a specific PREPA subproject.

COR3 is engaged in continuous discussions with FEMA, PREPA, LUMA, and the PREB for purposes of accelerating subproject formulation, obligation and execution. On July 29, 2021, we sent a letter to FEMA expressing various concerns with the FAASt post-obligation process and the COA Guide.

Although FEMA has not yet responded, we have had multiple discussions and have made progress after the July 29, 2021 letter, most notably with the Puerto Rico Aqueduct and

Sewer Authority ("PRASA"). However, there is still areas of opportunity that are under discussion with FEMA to continue improving the FAASt post-obligation process.

Considering all of the above, the process for formulating and obligating each specific PREPA project under the general FAASt obligation is as follows. The first step is for LUMA (as agent of PREPA for Transmission & Distribution and related assets) or PREPA (for generation-side assets) must first submit a project before the PREB. After the PREB considers and approves a project, the project description is submitted by LUMA/PREPA to COR3 and FEMA, and the project is created and assigned a number on Grants Portal, FEMA's proprietary digital system which must be used by subrecipients during the project formulation process. Thereafter, project A&E development starts, with support from COR3 and FEMA for purposes of policy and program eligibility guidance. Once the minimum required A&E percentage is met for a project, LUMA/PREPA may submit the "Detailed SOW" into Grants Portal for Environmental and Historic Preservation (EHP); Cost scoping; 406 Hazard Mitigation proposal; and Regular, Improved or Alternate project review.

As soon as the steps outlined in the preceding paragraph are completed, FEMA obligates the project, and only then is the subrecipient authorized to initiate construction activities as per the current COA Guide. As mentioned earlier, there are several issues surrounding SOW development that have a significant impact on subproject obligation, which in turn represent construction delays.

Notwithstanding the above, as of October 14, 2021, LUMA expects to submit detailed SOWs before COR3 and FEMA as per the timeline set forth in Appendix 1. As for PREPA, they expect to submit detailed SOWs as per the timeline set forth in Appendix 2.

2) While we work towards the 100% renewables target and even once it is in effect, is it not true that on-demand base and peak capacity is still necessary to have? Can storage batteries alone assure this?

a) Can the generation side provide resiliency in case of another catastrophic hurricane, without installation of on-demand climate-independent units such as LNG generators?

b) FEMA funds include $2.4 Billion for Transmission and $4.9 Billion for Distribution.

i) The recipient of these funds is PREPA as the public owner of the assets, but LUMA is the operator of T&D: how is the process expected to be managed to minimize bureaucratic steps?

ii) Who is going to answer for maximizing the use of those funds to build a system that people can trust?

COR3 Response:

As mentioned in our response to question number one (1) above, the PREB, as our state energy industry regulator, must evaluate and approve each LUMA/PREPA subproject prior to submitting to FEMA and COR3. Among other things, the PREB evaluates projects for

compliance with the IRP and state Act No. 17-2019 and the IRP, which set forth the mandate for renewable energy targets.

As Recipient of FEMA PA and HMGP grants, COR3's responsibilities are limited to providing technical assistance for ensuring that subrecipient activities are carried out in full compliance with FEMA PA and HMGP program requirements, and other federal, state, and local laws and regulations. Any technical questions related to the on-demand base, peak capacity, and battery storage, and any other similar questions of technical nature, should be addressed by LUMA, PREPA, or any other party with the required technical expertise in energy utilities and projects.

A very relevant party with technical expertise in the energy sector is the U.S. Department of Energy ("DOE"), who is currently working on a study focused on feasible alternatives to the 400 MW Combined Cycle HMGP project in Palo Seco, to serve load when cross-island transmission lines are unavailable after a disaster or other event that compromises the energy grid. This study encompasses three major efforts: defining threats and needs; evaluating the capacity of potential for alternative generation and creating candidate scenarios, including Liquified Natural Gas ("LNG"); and finding optimized energy generation portfolios which maximize priority metrics. Once this portfolio is available, COR3 will be able to determine which alternatives comply with HMGP requirements for resiliency, mitigating future blackouts in the northern area of the island, and which has a Benefit-Cost Analysis (BCA) greater than one (1).

As explained in our written statement and testimony, PREPA's recovery process is unique in that additional key players are engaged in the process. In addition to prior approval from the PREB, we must also consider the particularities of the public-private partnership ("P3") transaction for the Operation and Maintenance ("O&M") of PREPA's Transmission and Distribution (T&D) assets and other customer-centric services between the Government of Puerto Rico,[7] through the Puerto Rico Public Private-Partnerships Authority ("P3A"), PREPA, and a consortium of two well-known and reputable companies who are experts in the energy sector, known as LUMA Energy LLC.[8] After June 1, 2021, the date LUMA formally took over PREPA's T&D operations, the private entity also acts as PREPA's agent for recovery purposes, including those related to FEMA and COR3. As per the qualified O&M agreement, PREPA's T&D and other assets remain their own, which is something that was consulted with FEMA and carefully carved as part of the P3 procurement and contracting process inasmuch they had to remain as PREPA assets for purposes of receiving PA and HMGP disaster recovery funding from FEMA. Thus, even now, PREPA remains the applicant and subrecipient of FEMA funds before said federal entity and COR3, even if LUMA is an agent for T&D and other related non-generation assets.

In relation to its responsibilities as agent of PREPA for recovery purposes, LUMA had to prepare a procurement manual for all purchases to be made by LUMA as agent of PREPA, including those to be made with federal funds, which in turn had to be approved by P3A and COR3, and consequently acknowledged by the PREPA Board of Directors. Although not a party to the O&M agreement, FEMA and the Office of the Inspector General of the

[7] We note that a separate competitive process is currently being conducted by P3A for a similar transaction concerning PREPA's energy generation assets and operation.

[8] LUMA is a joint venture between U.S. based Quanta Services, Inc., and ATCO Ltd., which is based in Canada. In addition, and Innovative Emergency Management, Inc. (IEM), an expert in disaster recovery, serves as LUMA contractor for such purposes and appeared as part of the consortium during the competitive process for the T&D O&M contract.

Department of Homeland Security also reviewed the procurement manual for consistency with federal procurement standards. After June 1, 2021, and LUMA having formally entered the playing field as agent of PREPA, the private consortium is now responsible for planning and executing recovery and reconstruction projects on behalf of PREPA as subrecipient, and LUMA's Manual will govern the procurement processes for FEMA-funded projects carried out by LUMA in accordance with its responsibilities as operator of the T&D system under the O&M agreement. A crucial part of the procurement manual effectively attends to any actual or potential organizational conflict of interest when a LUMA affiliate company participates in any procurement process, and any mitigation plans to avoid such conflicts must approved by P3A or COR3 prior to implementation.

It is important to note that all FEMA PA and HMGP requirements –including FAASt requirements such as the 90-day workplan and frequent meetings required under the COA Guidelines– are applicable to all subrecipients, including PREPA, and regardless of whether LUMA is involved in the equation or not. Therefore, when acting as agent of PREPA for recovery purposes, LUMA must comply with every rule that would otherwise be applicable to PREPA as subrecipient. In this sense, the O&M transaction and LUMA's role as agent does not add any additional bureaucracy to the recovery process. However, as outlined in our response to question number one (1) above, COR3 has identified several issues surrounding the FAASt post application process, and is continuously engaged with FEMA, PREPA, LUMA and the PREB to find opportunities to make the recovery process more efficient and providing technical assistance, while complying with applicable laws and regulations, and promoting full accountability and transparency in the use of federal funds.

COR3 was created after Hurricane Maria to manage FEMA PA and HMGP moneys, and ensure not only adequate project execution, but full transparency, accountability and compliance with applicable laws and regulations[9] Furthermore, COR3 Executive Director also serves as the Governor's Authorized Representative for purposes of the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988 (Stafford Act).[10] Accordingly, COR3 has a prominent role in the recovery process, along with FEMA and each subrecipient, including PREPA. After the occurrence of a major disaster and subsequent Presidential declaration, FEMA awards PA and/or HMGP funds to COR3 as Recipient, while COR3 enters into subaward agreements with subrecipients and serves as pass-through entity to provide funding to carry out part of the PA or HMGP activities. As Recipient, COR3 is responsible for providing technical assistance and ensuring that subrecipient activities are carried out in full compliance with FEMA and other federal, state, and local requirements. On the other hand, subrecipients are responsible for actual procurement and project execution pursuant to applicable federal, state and local regulations, which in most cases mandate a full and open competitive process.

As Recipient and administrator of PA and HMGP grants, COR3 is responsible for reimbursements and 100% validation (completeness and compliance) thereof, audits (including FEMA Validate As You Go (VAYGo)), subrecipient monitoring, and the closeout process. During all of these steps, COR3 provides technical assistance to ensure subrecipients are aware of and comply with all program requirements, to minimize risk and avoid de-obligations.

[9] COR3 was created by Executive Order No. 2017-065, as subsequently amended, as a division of the Puerto Rico Public-Private Partnerships Authority (P3A).
[10] Pub. L. No. 100-707, 102 Stat.4689.

3) Do the terms for the Obligation of the FEMA funds in any way compel any of the entities that they must or must not install one or another form of generation? That is, does the FEMA funding in any way mandate preference for installing renewables or LNG units, or conversely or forbid it?

COR3 Response:

The FEMA funds under COR3's purview, specifically, funds derived from the PA and HMGP programs, are different in nature. On one hand, PA funds are tied to damages suffered by facilities of a subrecipient as a consequence of a major disaster declaration. Thus, generally, PA funds are used to restore damaged facilities to their pre-disaster condition. In PREPA's case, since it provides critical services as defined in the Stafford Act, the BBA authorizes PREPA (and LUMA, as its agent) to include the disaster-damaged components of a facility to restore the function of the facility or system to industry standards, without regard to its pre-disaster condition, and to restore components not damaged by the disaster when necessary. This way, and through the use of FEMA tools available for projects formulated under the Alternative Procedures set forth in Section 428 of the Stafford Act, through careful planning PREPA can maximize available (and capped, save for 406 hazard mitigation funding) PA funding under the FAASt initiative by taking advantage of Improved, Alternate or Consolidated project mechanisms, to effectively build back a better, more resilient energy infrastructure for Puerto Rico. It should be noted that when using these mechanisms, which imply redistribution of available capped funds, PREPA must make sure that there is enough money left to attend to all damaged facilities identified as part of the FAASt SSM, for purposes of complying with FEMA requirements.

On the other hand, after the occurrence of a major disaster and subsequent Presidential declaration, HMGP may be authorized under Section 404 of the Stafford Act.[11] Generally, while PA is tied to damaged facilities, HGMP funds are used towards long-term and cost-effective mitigation measures that reduce the risk of loss of life and property from future disasters, regardless of whether the facility was damaged or not.[12] HMGP may fund projects for structure elevation, floodwater prevention, structural and utility retrofits, slope stabilizations, drainage improvements, construction of safe rooms, and emergency power generators for critical facilities such as fire stations, hospitals, and water and sewer treatment facilities, and green infrastructure projects, among other mitigation measures as allowed under applicable FEMA guidance and regulations. Specifically, as to PREPA projects to be funded under the HMGP, we are currently working with PREPA, FEMA and the PREB to develop two generation projects (San Juan area Generation and Simple Cycle Turbines) that had already been approved by FEMA but are still facing some regulatory concerns, and other projects such as seismic retrofit for and Early Warning System for PREPA-owned dams, as well as a number of alternate project submissions in the pipeline. As with PA projects, all PREPA/LUMA HMGP projects must also count with prior approval from the PREB pursuant to Act No. 17-2019 and the IRP.

With regards to implementation of renewable energy sources or other, cleaner alternatives for our current diesel backed PREPA generators, such as LNG, it is imperative to reiterate

[11] 42 U.S.C. §5170c. Current cost-share requirements for HMGP consists of a 75% federal share and a 25% non-federal cost share. For Hurricane Maria, HMGP non-federal cost share requirements will be covered with CDBG-MIT funds through the Global Match Program.

[12] Damaged facilities or components thereof should take advantage of Section 406 Hazard Mitigation measures and funding. COR3 works with PREPA and other subrecipients to maximize available funding under both PA and HMGP.

that state Act No. 17-2019 and the IRP, which set forth the mandate for renewable energy targets, are applicable to PREPA and, thus, also to LUMA. As such, regardless of FEMA or other federal statues or regulations that may be applicable, state law itself mandates PREPA to incorporate renewables and meet aggressive targets towards a completely renewable energy power grid by the year 2050. Precisely, this is the reason why PREPA/LUMA recovery projects must first be approved by the PREB.

In addition, as mentioned before, the DOE is conducting a study that shall, among other things, help PREPA and the PREB to determine whether transitioning to LNG at this point in time would be beneficial in the long run for renewable energy efforts, which would impact PA and HMGP projects in the pipeline. The fact that the DOE is conducting this study to help Puerto Rico in the reconstruction process while achieving renewable energy targets should not surprise anyone, given the strong public policy of President Biden's Administration towards renewable energy and initiatives to tackle climate change.[13] Furthermore, and although not strictly required, FEMA fosters climate change adaptation in their policies and procedures. These, tied with Act No. 17-2019, IRP and other PREB requirements, make a strong case for renewable and clean energy implementation during the PREPA recovery process.

4) Is LUMA expected or required to (and if so, have they) provide you an estimated impact regarding increased labor cost from the proposed PLA with the IBEW and how it affects the original Reconstruction cost estimates prepared by PREPA as to skilled labor infrastructure reconstruction and ability to comply with FEMA's programs in place for revitalizing local enterprises post Hurricane Maria?

COR3 Response:

PREB requires LUMA and PREPA to present cost estimates for consideration and approval of projects. Furthermore, as per FEMA requirements, SOW development must include cost estimates for each subproject under the FAASt obligation, which we mentioned functions as a fixed-cost estimate and budget for all PREPA projects under the PA program. Certainly, the foregoing includes all T&D and related infrastructure PA projects within the purview of LUMA as per the qualified O&M agreement, as well as PREPA's generation-side PA projects. On the other hand, as Recipient and subrecipient, COR3 and PREPA are responsible for grant management and compliance with applicable policies, procedures, laws, and regulations.

In any case, COR3 is not, and would not be a party to any Project Labor Agreement ("PLA") to be executed between LUMA, any other contractor, and a labor union, and how PLAs may impact FCEs for Section 428 projects is yet to be seen. At this point, and recognizing potential issues that may arise, COR3 continues to work with all relevant parties, including FEMA, P3A as administrator of the qualified O&M agreement, LUMA and PREPA in order to minimize any risks stemming from PLA implementation or any other matter that may

[13] See Executive Order 13990 of January 20, 2021, titled "Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis"; Executive Order 14007 of January 27, 2021, titled "President's Council of Advisors on Science and Technology"; Executive Order 14008 of January 27, 2021, titled "Tackling the Climate Crisis at Home and Abroad"; Executive Order 14027 of May 7, 2021, titled "Establishment of the Climate Change Support Office"; Executive Order 14030 of May 20, 2021, titled "Climate-Related Financial Risk"; H.R. 3684 – Bipartisan infrastructure bill titled "Infrastructure Investment and Jobs Act" (which is still pending before Congress); and FEMA Press Release- Biden Administration Commits Historic $3.46 Billion in Hazard Mitigation Funds to Reduce Effects of Climate Change – August 5, 2021.

unexpectedly increase cost estimates for capped projects or somehow impact local businesses, while keeping in mind that all facilities identified in the FAASt SSM as damaged need to be addressed in order to comply with FEMA policies.

5) What would be the impact on the recovery and mitigation action plan to rescind the LUMA contract and reset the whole changes in the electric system?

COR3 Response:

The administrator of the O&M agreement for PREPA's T&D system is the P3A, and not COR3. Therefore, any contract-related questions should be addressed by P3A. As we have reiterated, COR3 is responsible, as Recipient of PA and HMGP grants, for managing funds assigned to Puerto Rico after the devastation caused by Hurricane Irma, Maria, the 2020 earthquakes, COVID-19, and other disasters, and providing related technical assistance to PREPA and other subrecipients to maximize available funding while ensuring compliance with applicable laws and regulations and providing for full transparency and accountability in the management of such federal funds.

Pursuant to the above, we respectfully ask the Committee to redirect this question to the P3A.

6) More in general terms, as a way of framing this in the greater Puerto Rico scope – what is the status today of recovery projects in general that have been approved by COR3 vs. how many applications are still outstanding? How is going the progress on the pace of reviewing and approving recovery projects that are shovel ready, and which can take advantage of already appropriated money, but that are awaiting COR3 approval? Is there a list or portal where that can be accessed? What would help accelerate FEMA's project approval?

COR3 Response:

As of October 20, 2021, the PREB has approved 120 projects related to the PREPA FAASt obligation and HMGP, for an amount of over $8 billion. Of these, 118 projects are from the FAASt PA obligation, of which 96 projects are related to T&D and managed by LUMA, which represent an amount of almost $7 billion, while the other 22 projects are generation and water assets managed by PREPA and represent an amount of approximately $968 million. The remaining two (2) projects approved by the PREB are PREPA generation side HMGP projects and represent an amount of over $665 million.

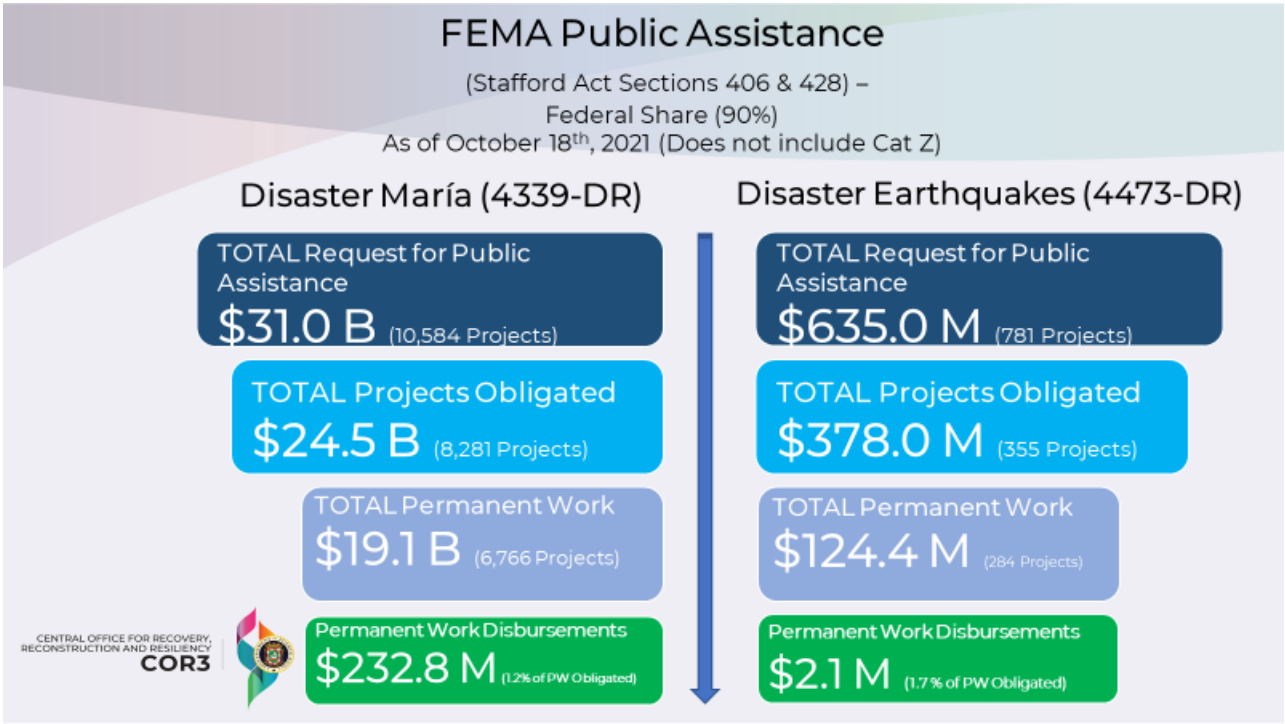
Many of the above-mentioned projects are already in the A&E design phase for the development of the detailed SOWs, which together sum 42 projects and a total project amount of over $1.8 billion. These include 37 T&D projects under FAASt (representing an amount of approximately $1 billion), 3 generation-side projects under FAASt (representing approximately $138 million), and the 2 generation-side projects under HMGP that were mentioned above. Notably, last week, COR3 disbursed an initial $7.1 million for A&E work necessary to develop and submit SOWs for four PREPA recovery projects. Current projections show that procurement and/or initial construction for about 65 projects representing an investment of $2.8 billion should occur during 2022.

So far, there have been a total of 89 projects submitted to FEMA via Grants Portal, of which 73 are LUMA T&D related projects and 16 are PREPA non-T&D projects. We note that these numbers differ from the PREB total approved projects because PREB approves some projects as bundles or programs.

While most the damages caused by Hurricane Maria were to the T&D system –including buildings, posts, substations, transmission lines, and other assets– which is in turn represented in the distribution of the $10.5 billion FAASt obligation for permanent work, there are also several projects to be funded under FEMA PA and HMGP programs that will impact generation assets. Furthermore, yet to be completed project formulation and obligations related to the 2020 earthquakes disaster and the damages caused to the important PREPA generation plant known as Costa Sur are sure to positively impact the generation-side of PREPA's operations.

In general terms, since the beginning of the current term on January 2021, COR3 has undertaken several initiatives to accelerate the recovery process and take advantage of the incredible amount of federal funding available for such purposes, specifically through the FEMA PA and HMGP programs. The initiatives in COR3's strategic plan may be summarized as follows:

As of October 18, 2021, the following represents general FEMA PA obligation status, including emergency work (FEMA PA Categories A and B for debris removal and emergency protective measures, respectively, of which a large part was assigned for PREPA emergency work), and permanent work obligations and disbursements. As for permanent work, we note that this process is only just beginning, and we expect disbursement to accelerate as more competitive processes, A&E studies and SOW development are conducted, and construction work initiates in 2022.



As for HMGP, current available funding and project status is available below. It should be pointed out that the current deadline to submit letters of intent for HMGP projects for the Hurricane Maria grant is set to expire on October 31, 2021, but COR3 timely requested an extension of time which is currently under FEMA's evaluation. Although the time extension, if granted, would allow us to work with applicants to provide more detailed LOIs, as well as additional time to consider energy generation project alternatives which in turn take into account the DOE study that was previously discussed, COR3 is ready to submit remaining LOIs by the October 31 deadline if needed, for purposes of securing available funding.

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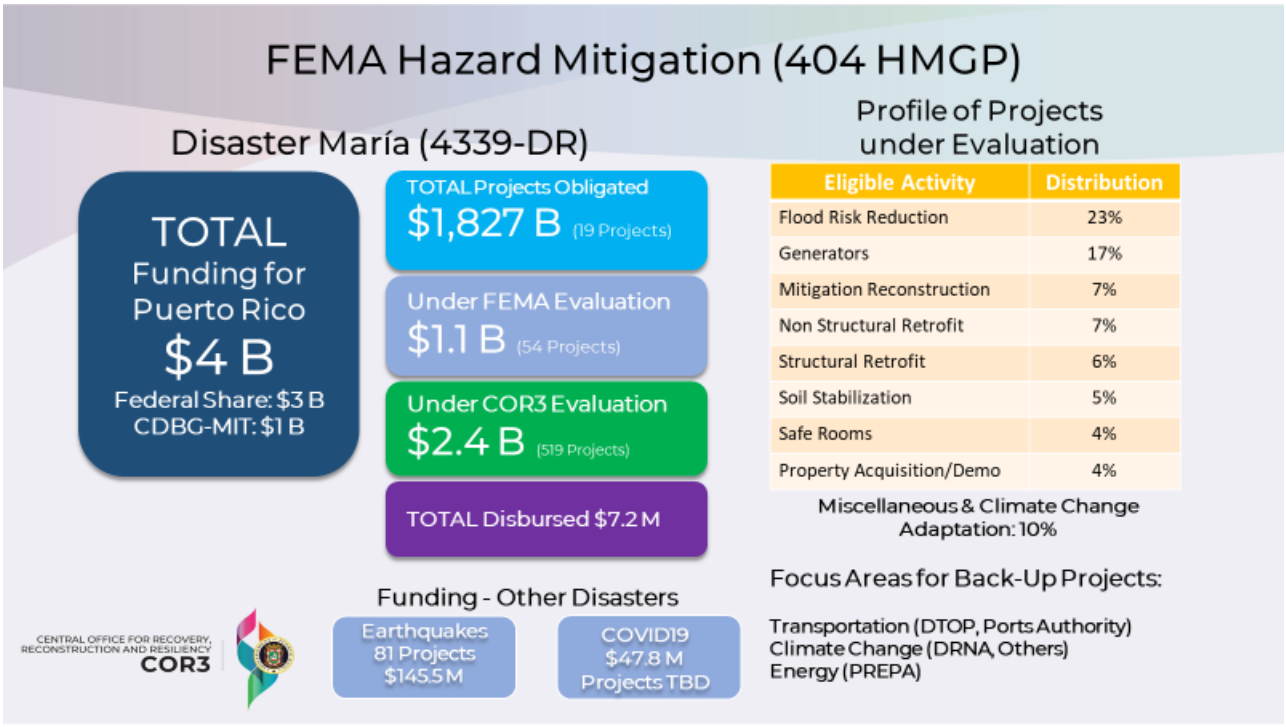

Please refer to COR3's prior answers for additional information and insight regarding the recovery process and our role in general.

Questions from Rep. Blake Moore for Manuel Laboy, Executive Director, Central Office of Recovery, Reconstruction, and Resiliency

1. *You mentioned that Puerto Rico is the largest recipient of FEMA disaster dollars. Can you describe for us how this funding is being used to ensure resiliency so that future storms are not as disruptive?*

COR3 Response:

We respectfully direct this Committee to our answers to questions number 1, 2, 3, and 6 from Rep. Jennifer González-Colón above, which together we understand effectively answer this question from Rep. Blake Moore. If needed, we can elaborate a separate, similar response for purposes of meeting Committee requirements.

2. *Can you compare the effectiveness of renewables and fossil fuels in the context of disaster preparedness and recovery?*

COR3 Response:

As per Act No. 17-2019, public policy pertaining to the energy sector is under the PREB's jurisdiction, and there is a state law mandate to incorporate renewable energy generation for the next couple of decades, which is reflected on the PREB's IRP. This, in turn, is the reason why all PREPA/LUMA recovery projects must be approved by the PREB prior to submitting before FEMA and COR3.

COR3 cannot comment or compare with regards to the effectiveness of renewables and fossil fuels, as our role is limited to managing PA and HMGP funds as Recipient, and assisting subrecipients, such as PREPA, through the recovery process, while ensuring compliance with applicable laws and regulations, in an accountable and transparent manner. As such, technical questions related to energy sources should be directed to the PREB, LUMA, PREPA, or any other party with technical expertise on energy matters. We also reiterate that the DOE is currently conducting a technical study that will help relevant parties implement measures that resilient before future disasters, including whether or not LNG implementation is viable at this point.

For additional information regarding this topic, please refer to COR3's answers to questions number 1, 2 and 3 from Rep. Jennifer González Colón.

Once again, we thank this Committee for the opportunity to comment on this crucial issue for the people of Puerto Rico. We are available to provide additional insight or discuss our previous answers at your convenience.

Sincerely,

Manuel A. Laboy Rivera, PE, MBA
COR3 Executive Director
Governor's Authorized Representative

c. *Rep. Jennifer González-Colón*
Rep. Blake Moore

APPENDIX 1

LUMA Timeline for Submission of Detailed SOWs

Project Title	Estimated Project Cost	Estimated Date to Submit Detailed SOW
FAASt Transmission Access Roads (Environmental)	$15,130,000.00	Requires Further Discussion
FAASt-Substation 3801 Culebra (Substation)	$1,200,000.00	February 2022
FAASt – Line 5400 – Rio Blanco HP to Daguao TC to Punta Lima TO to Vieques 2501 to Culebra 3801 (Transmission)	$73,060,000.00	April 2022
FAASt-Substation 2501 Vieques (Substation)	$2,300,000.00	February 2022
FAASt – Vieques Feeders 2501-01, 2501-02, 2501-03 and Culebra Feeders 3801-01, 3801-02 (Distribution)	$28,810,000.00	April 2022
FAASt Rio Grande Estate Substation CH-2306 (Substation)	$ 3,500,000.00	February 2022
FAASt San Juan 115kV Underground Transmission Loop (Transmission)	$ 10,000,000.00	February 2022
FAASt - Taft - MC 1105 (Substations)	$4,000,000.00	February 2022
FAASt – Line 8200 - San Juan SP to Catano Sect Line (Transmission)	$8,070,000.00	February 2022
FAASt [Palo Seco SP to Catano Sect Line-9500] (Transmission)	$6,710,000.00	April 2022
FAASt Transmission Line 37100 Costa Sur ST - Acacias TC (Transmission)	$91,900,000.00	October 2022
FAASt Arecibo Regional Office Building (Building)	$1,800,000.00	July 2022
FAASt Arecibo Electric Service Center (Building)	$2,310,000.00	July 2022
FAASt Aguadilla Electric Service Center (Building)	$2,500,000.00	July 2022

FAASt - Line 36200 - Monacillos TC to Juncos TC (Transmission)	$42,740,000.00	December 2022
FAASt Transmission - Line 50100 - Cambalache GP TC to Manati TC (Transmission)	$43,470,000.00	February 2023
FAASt - Line 36400 - Dos Bocas HP to Ponce TC (Transmission)	$87,440,000.00	June 2023
FAASt - Llorens Torres MC 1106 - Equipment Repair & Replacement - (Substations)	$4,000,000.00	February 2022
FAASt Centro Medico 1327/1359 Equipment Repair & Replacement (Substation)	$11,800,000.00	February 2022
FAASt Substation - Viaducto TC - MC 1100 - Equipment Repair & Replacement [Substation]	$4,000,000.00	March 2022
FAASt - Bayamon TC – MC-BKRS-Y1 (Substation)	5,300,000.00	February 2022
FAASt - Costa Sur SP TC – Equipment Repair and Replacement (Substation)	$3,700,000.00	February 2022
FAASt - Line 51300 - Ponce TC to Costa Sur SP TC (Transmission)	$26,080,000.00	July 2022
FAASt - Line 36100 - Dos Bocas HP to Monacillos TC (Transmission)	$115,490,000.00	September 2022
FAASt Garzas 1 HP to Garzas 2 HP - Line 1100 (Transmission)	$3,580,000.00	February 2022
FAASt Ponce TC to Jobos TC - 100 & 200 (Transmission)	$156,550,000.00	February 2022
FAASt Aguirre TC - BKRS (Substations)	$2,300,000.00	February 2022
FAASt Cachete – MC 1526 (Substations)	$4,000,000.00	February 2022
FAASt Guaraguao TC to Comerio TC Line-4100 (Transmission)	$25,280,000.00	March 2022
FAASt Transmission - Line 40100 & 40200 - Aguirre	$31,960,000.00	Moved to Mid Term

SP TC to Jobos TC (Transmission)		
FAASt-Line 37800 - Jobos TC to Cayey TC & Cayey TC to Caguas TC (Transmission)	$52,000,000.00	August 2022
FAASt - Line 39000 - Aguas Buenas TC to Caguas TC (Transmission)	$9,700,000.00	June 2022
FAASt Transmission Line 37800 Caguas TC to Monacillos TC (TRANSMISSION)	$33,400,000.00	February 2022
FAASt - Substations - Tapia GIS Rebuilt - Equipment Repair & Replacement	$23,000,000.00	February 2022
FAASt Caridad Substation – XFMR MC 1714 (Substation)	$4,000,000.00	February 2022
FAASt - Catano-Rebuild 1801(Substation)	$11,000,000.00	October 2021
FAASt - Manatí TC - BRKS 230 kV - (Substation)	$670,000.00	February 2022
FAASt - Line 36800 - Sabana Llana TC to Canovanas TC to Palmer-Fajardo TC (Transmission)	$70,310,000.00	April 2022

* We note that these LUMA T&D and related projects and dates for detailed SOWs submission are current as of October 14, 2021 and may change as of the date of this response letter and moving forward, depending on project progression, including but not limited to timing of PREB approvals, initial SOW submission before COR3/FEMA, development of detailed SOWs by A&E firms, and alterations to project schedule and planning.

**In addition to these projects, LUMA expects to submit multiple final detailed SOWs on November 2021 before COR3 and FEMA related to “Street Lights” and “Pole Replacements”.

APPENDIX 2

PREPA Timeline for Submission of Detailed SOWs

Project Title	Estimated Project Cost	Estimated Date to Submit Detailed SOW
Patillas Dam - Seismic Retrofit (Dams, Hydro, & Irrigation)	$558,000,000.00	2022 Q2
FAASt - Rio Blanco Hydroelectric System (Dams, Hydro, & Irrigation)	$48,100,000.00	2022 Q2
Early Warning System (Dams, Hydro, & Irrigation)	$100,000,000.00	2023 Q3
New Black Start System at Costa Sur – 404 EG (Generation)	$45,200,000.00	2022 Q1
New Simple Cycle Gas Turbines at Yabucoa – 404 EG (Generation)	$45,500,000.00	2022 Q2
New Combined Cycle Planning and Studies (Generation)	$5,000,000.00	N/A

* We note that these PREPA generation-side projects and dates for detailed SOWs submission are current as of October 14, 2021 and may change as of the date of this response letter and moving forward, depending on project progression, including but not limited to timing of PREB approvals, initial SOW submission before COR3/FEMA, development of detailed SOWs by A&E firms, and alterations to project schedule and planning.

**The list does not include additional emergency projects that are currently being evaluated by PREPA.