

# Autoridad de Energía Eléctrica

*Puerto Rico Electric Power Authority*

## Evaluation and Selection Report

*Request for Proposals (RFP) 81412*

**Fuel Supply in the North and Conversions of  
San Juan Units 5 & 6**



## INTRODUCTION

This request for proposals (RFP) was issued by the Puerto Rico Electric Power Authority (PREPA). The purpose of this RFP is to solicit proposals from interested qualified firms which can provide LNG fuel supply in the North and LNG fuel conversion of San Juan Units 5 and 6.

The Puerto Rico Electric Power Authority (PREPA) electric generating fleet is old and in various states of disrepair. Because the majority of the power generation in Puerto Rico is on the South side of the Island and a majority of the load is on the North Side of the Island in the San Juan area, reliable and economic generation is needed in the north. This became especially critical following the 2017 hurricanes when much of the transmission capability from south to north was destroyed.

PREPA seeks to reduce the cost of generation and improving the compliance with environmental requirements for units required to reliably operate at base load in the San Juan area. One alternative being considered by PREPA is to seek suppliers for an alternate fuel supply to the newer, existing and more efficient combined cycle units at the San Juan generating station (San Juan Units 5 and 6). While the Units 5 and 6 are currently only capable of burning #2 Fuel Oil, PREPA will consider converting these units to an alternative fuel if the cost savings associated with the lower cost fuel supply justifies the power plant conversion modification expenditures.

Depending on the exact heat rate of modified units and assuming an 85% capacity factor, it is estimated that the total annual fuel requirements for the converted San Juan Units 5 and 6 would be approximately 25,000,000 MMBTU/year, or 25 TBTU/year.

PREPA is requesting all-inclusive, turnkey proposals to furnish, install, connect, deliver and operate a safe, stable, and reliable fuel supply system to the San Juan Units 5 and 6 combustion turbine combined cycle power generating plant; to supply the fuel gas for five years to the power generating plant; and to perform all work, including but not limited to: engineering/design, environmental permit support, equipment/materials supply, construction and commissioning, as required for the conversion of San Juan Units 5 and 6 to firing fuel gas. The fuel gas supply shall be liquefied natural gas (LNG) with an annual available quantity of at least 25 TBTU/year (alternative fuels can be proposed provided the combustion turbine equipment manufacturer, Mitsubishi Hitachi Power Systems, can confirm the units can safely and reliably upon being converted to the proposed alternate fuel and that can be cleared by PREPA on a risk assessment).

The intent of this RFP is to award one contract for LNG fuel supply, or any other proposed fuel, in the north and for fuel conversion of San Juan Units 5 and 6. Award of contract will be to those qualified firms whose proposal, conforming to RFP81412, is most advantageous to PREPA, the price and other factors will also be considered therein.

## PROCESS

On July 13, 2018, PREPA's Governing Board approved a request for proposal process for the acquisition of a new fuel contract for San Juan Units 5 and 6 via Board Resolution 4620. PREPA published a public notice for this request for proposal in PowerAdvocate, PREPA's official electronic sourcing platform on July 30, 2018. Invitations to participate were either sent directly to vendors that PREPA understood could provide these services or interested vendors requested access through PowerAdvocate's Opportunities Dashboard. The RFP event link (invitation) was also





published on aeepr.com (*Oportunidades de Subastas*). All vendors that requested access before the closing date of the RFP were granted access by the designated points of contact (PREPA Procurement) for this event.

This request for proposals had the following Key Process Events:

- August 9, 2018 - RFP Kick-off Meeting
- August 10 and 23; Sept 11 and 13 – Site Visits
- August 28, 2018 - Questions Deadline
- Sept. 10 and 15 - Questions Answered (clarifications to RFP terms were posted as addenda on PowerAdvocate)

By September 25, 2018, the closing date of RFP 81412, approximately sixty-eight companies had been granted access to this event, of which six companies submitted proposals. PREPA received proposals from:

1. AES Corporation
2. Naturgy Energy
3. Lakeside Power and Methane, LLC
4. SeaOne Caribbean
5. Puma Energy Caribe
6. New Fortress Energía

These six submittals were evaluated in accordance with the evaluation requirements set forth in the RFP and the evaluation criteria mentioned in section 3 of the RFP Overview Document.

### EVALUATION AND ANALYSIS OF PROPOSALS

For the evaluation of the proposals, the Chief Executive Officer, Engineer José Ortiz, designated an Evaluation Committee (Committee) on September 24, 2018, which included the following representatives:

- Edgardo Díaz – Head, Supply Chain Division
- Jaime Umpierre – Head, Engineering and Technical Services Division
- Roberto Rivera – Senior Engineer, Planning and Environmental Protection Directorate
- Edgardo Vázquez – Administrator, Fuels Office
- Nathan Pollak – Filsinger Energy Partners

For phase one of the evaluation, this Committee, with the additional assistance of Paul Harmon and Marcus Klintmalm of Filsinger Energy Partners, evaluated all six proposals based on the following requirements for quality assurance of the proposals received (Section 5.1.a(i) of PREPA's RFP Guide) and as established in Section 3 of the RFP 81412 Overview Document:

*“Experience and Capacity (10 percent)*

*Respondents must demonstrate experience and success in developing LNG fuel developments of similar scope as the duties described herein. Proponents shall provide the names and titles of the key members of the Project team (including the Design Entity selected by the Proposer) with a brief description of the qualifications and experience of:*

1. Project Manager
2. Engineering and Design Manager

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3. Lead Engineers
4. Inspector Manager.
5. Safety Officers, QA/QC Managers, Environmental specialists.
6. Other key personnel required, including subcontractors.

*Proponents shall include a clear assignment of responsibility for various project tasks to specific individuals. Proposals shall include resumes identifying the qualifications and experience of all personnel listed above.*

*Submit a complete list showing all key firms in the Proposer's team. If a partnership and/or joint venture is proposed, clearly explain which parties in the partnership or joint venture will interface with PREPA on design and technical issues, which parties will interface with PREPA on financial or contractual matters, and which member or partner will be responsible to resolve disputes between the Proposer and PREPA.*

*Identify and describe potential subcontractors with demonstrated proof of the technical capabilities necessary to perform their proposed scope of work and or services.*

*Submit evidence that the Proposer is duly and properly organized and is qualified to conduct business in Puerto Rico or will be prior to contract award.*

*Respondents that demonstrate they have the staff available to begin immediately will be scored higher than those who need more time, or whose responses are vague.*

*Approach and Methodology (30 percent)*

*Explain your approach to completing the Project within the given construction dates and site constraints. Include a summary-level CPM schedule detailing all aspects of the Project. Include a detailed assessment and response to the site condition restraints.*

*Respondents shall outline a clear and straightforward approach and demonstrated commitment to accomplishing the schedule goal of providing fuel gas for San Juan 5 and 6 no later than March, 2019. Respondents shall identify key goals and objectives, and methods for achieving high standards for the delivery of services, in expectation of meeting or exceeding these goals.*

*Describe in detail the methods you foresee utilizing to accomplish the duties at the site. Provide sketches or illustrations to explain your approaches if necessary. This approach will include:*

1. Demonstrating a clear and thorough interpretation and acknowledged assimilation of the project work scope as described herein and that are part of this RFP.
2. Satisfactorily demonstrating how the duties will be staged to minimize impacts to PREPA operations.
3. Presenting a clear and logical approach for the efficient performance of all work tasks across the Proposer's entire Project Team.
4. Describing how the Proposer's submitted milestone schedule demonstrates a clear understanding and integration of all the interrelated duties.
5. Describing how the Proposer intends to address and mitigate adverse environmental materials.
6. Providing a specific and project-proven approach and plan for effective Quality Assurance/Quality Control across the Proposer's Project Team





7. *The Proposer's outline plan and commitment to safety.*

*Respondents shall explain how they will be organized to effectively deploy support for PREPA and clearly identify engagement manager and different work stream leaders.*

*Price Proposal (60 percent)*

*Proposals will be scored based on price proposal format provided. Respondents shall clearly identify proposed capacity payment to cover costs for conversion of San Juan 5 and 6, proposed delivered fuel payment price, and proposed fuel price indices for inflation and changing market conditions. Terms and conditions of priced proposal will also be a consideration.*

*Provide evidence of the Proposer's financial ability and resources to adequately perform and manage the Contract, manage risk or ability to obtain such resources as are required during the performance of the Project. If Proposer is a joint venture or a newly-formed entity, identify appropriate guarantor(s) and provide evidence of the financial resources of such guarantor(s). Submit audited financial statements for the Proposer for the most recent three (3) fiscal years, certified by certified public accountant in accordance with generally accepted accounting principles. If the Proposer is a partnership or joint venture, then audited financial statements for each corporation, partnership, Limited Liability Company, sole proprietorship, member or partner holding an interest in the Proposer must be submitted for the same three (3) year period. If applicable, provide all such information with respect to any guarantor(s).*

*Provide a letter from a bonding company satisfactory to PREPA that commits the bonding company to provide the required bonding on behalf of the Proposer if the Proposer is awarded the contract for the Project.*

*Provide a letter from an insurance company, satisfactory to PREPA that commits the insurance company to provide the required insurance on behalf of the Proposer if the Proposer is awarded the contract for the Project. Insurance requirements can be found in Attachments to this RFP. PREPA may request further clarification to assist the Evaluation Committee in gaining additional understanding of proposal. A response to a clarification request must be to clarify or explain portions of the already submitted proposal and may not contain new information not included in the original proposal."*

The above mentioned criteria was graded using a score of 1 to 5, as established in Section 3 of the RFP document and defined as:

- 1 = Inadequate, does not meet RFP expectations.
- 2 = Adequate, criteria is met, below the standards set by the RFP.
- 3 = Good, meets the minimum standards set by the RFP.
- 4 = Very good, meets the standards set by the RFP.
- 5 = Excellent, presents the best proposal that meets the standards set by the RFP.

The evaluation process of proposals carried out by the Committee during various meetings through October 15, 2018, required the impartial analysis of each proposal to determine compliance on each of these criterion and additional requirements established in the RFP. The Evaluation Committee unanimously agreed, after an unbiased review of each proposal, per the criteria, that the following four companies did not meet the quality assurance of the basic requirements of RFP 81412:

1. Lakeside Power and Methane, LLC





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2. Naturgy Energy
3. SeaOne Caribbean
4. AES Corporation

The phase one evaluation table appears as **Annex A, Quality Assurance Evaluation for Short List**. Notification letters for this first evaluation and selection phase of RFP 81412 were sent to all six vendors on October 6, 2018 via PowerAdvocate's Messaging.

The remaining two proposals that best met the quality assurance evaluation and requirements of the RFP, including contract term and evidence of Mitsubishi Hitachi support for the conversion of the units, were selected for this RFP's short list and phase two of the evaluation process.

Phase two allowed **New Fortress Energía and Puma Energy Caribe** to further explain their proposals during presentations held on October 10 and 11, 2018, at PREPA's corporate headquarters with the PREPA Committee members (voting members) as well as Matt Lee and Marcus Klintmalm of Filsinger Energy Partners. During these presentations, the two companies were provided the opportunity to provide additional information regarding non-minor and substantial commercial and technical aspects of their proposals and were informed that, per the RFP document's section 3.1, the Evaluation Committee could alter the scoring of the proposals based upon the presentation. On October 12, 2018, PREPA issued written requests for clarifications to both short list participants regarding information discussed during the presentations, with responses due by October 15, 2018.

The Evaluation Committee then proceeded with a phase two evaluation of New Fortress Energía and Puma Caribe Energy's proposals based on the requirements of the RFP and the grading criteria as established in Section 3 of the RFP documents.

The resulting grading table is included as Appendix B of this Selection Report.

1. **Puma Energy Caribe** – This company ranked second upon completion of the phase one quality assurance evaluation based on the requirements as established in Section 3 of the RFP Overview Document. During the oral presentations held on October 11, 2018, Puma Energy was specifically informed that the RFP states *"there will be no take-or-pay provisions allowed by the contract"* and on October 15, PREPA issued a request for clarifications based on this requirement as set forth in section 4.3.4 of the RFP. Puma Energy responded that their proposal is based on a take-or-pay contractual structure.

The Committee also requested clarification on Puma's proposed timeline and the proponent confirmed they'd be ready to supply LPG in 13 months and LNG in approximately 18-22 months from a possible contract award. This delivery term would result in significantly less cost savings than those expected by PREPA as mentioned in the RFP documents. See Attachment C for the Proposed Price Evaluation Model.

After a thorough and impartial evaluation based on Puma's proposal, presentation and the RFP scoring criteria and requirements, their resulting score was **57.6%**.

2. **New Fortress Energía** - This company ranked first upon completion of the phase one quality assurance evaluation based on the requirements as established in Section 3 of the RFP Overview Document. The proposal included evidence of New Fortress





Energía's import authorization for LNG issued by the Department of Energy on March 26, 2018; as well as evidence of Jones Act compliance confirmation from the Customs and Border Protection Agency dated April 3, 2018.

During the oral presentations held on October 10, 2018, New Fortress confirmed their proposal contemplated no exceptions to the criteria and requirements of RFP 81412. They also provided the following update based on their proposal:

- US Coast Guard letter dated September 26, 2018, recommending "that the waterways approaching and entering San Juan Harbor to Wharves A and B in Puerto Nuevo, Puerto Rico be considered suitable for LNG marine traffic...provided to assist (NFE) in the proposal, planning and execution of the concept of operations of (NFE's) facility..."

New Fortress's delivery term of approximately six months to supply LNG to San Juan Units 5 & G would result in cost savings as expected by PREPA and mentioned in the RFP documents. See Attachment C for the Proposed Price Evaluation Model.

After a thorough and impartial evaluation of New Fortress's proposal, presentation and the RFP scoring criteria and requirements, their resulting score was **74.3%** which makes New Fortress Energía's proposal the highest ranking proposal.

#### DETERMINATION

Upon completion of a uniform evaluation of the six proposals received for this request for proposals and according to the requirements established therein, the Evaluation Committee unanimously determined on October 15, 2018, that New Fortress's proposal substantially complies with the intent, specifications, terms and conditions of RFP81412 to provide LNG fuel supply in the north of Puerto Rico and the conversions of San Juan Units 5 and 6.

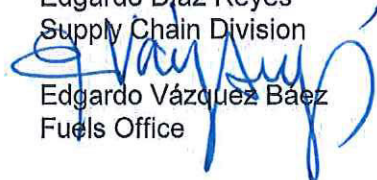
Approved today, October 25, 2018, in San Juan, Puerto Rico.

#### Evaluating Committee:

  
Jaime Umbierre  
Generation Directorate

  
Roberto Rivera Medina  
Planning and Environmental Protection

  
Edgardo Díaz Reyes  
Supply Chain Division

  
Edgardo Vázquez Baez  
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#### Filsinger Energy Partners Advisers:


Nathan Pollak

Paul Harmon

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Matt Lee

#### PREPA Procurement Representative:

  
Delis T. Zambrana Colón  
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