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Executive Director

BY ELECTRONIC MAIL

March 15, 2024

Mr. Lionel Santa Crispín
General Counsel
Puerto Rico Electric Power Authority

Re: Purchase Contract for Temporary Generators

Dear Mr. Santa Crispín,

In accordance with the Contract Review Policy (the “Policy”) of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed contract for the purchase of temporary generators between the Puerto Rico Electric Power Authority (“PREPA”) and New Fortress Energy, Inc. (the “Proposed Contract”).

After reviewing the Proposed Contract, the Oversight Board concludes “Approved with **Conditions.**” Conditions and observations related to the Proposed Contract are set forth in Appendix A attached hereto.

Our review is solely limited to compliance of the Proposed Contract with Section 204(b)(2) of PROMESA, which seeks to ensure proposed contracts promote market competition and are not inconsistent with approved Fiscal Plans. For the avoidance of doubt, the review performed by the Oversight Board does not constitute a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local; and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local.

In addition, the Oversight Board has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements under the applicable contract. Any material changes to the Proposed Contract must be submitted to the Oversight Board for review and approval **prior to execution.**

Mr. Santa Crispín
March 15, 2024
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This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information the Oversight Board was not directed to when the review was conducted. In addition, during the course of our review, we may receive information that we may refer to the relevant authorities.

This letter is issued only to PREPA and solely with respect to the Proposed Contract.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jaime A. El Koury', with a stylized flourish at the end.

Jaime A. El Koury
General Counsel

APPENDIX A

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PREPA – NEW FORTRESS ENERGY, INC.

Fiscal Plan Alignment

This review covers the Proposed Contract between PREPA and New Fortress Energy, Inc. (the “Seller”).

The Proposed Contract stems from PREPA’s need to maintain 14 temporary generators (the “Generators”) in the Central Palo Seco and San Juan power plants in response to the need for additional energy generation following the impact of Hurricane Fiona. The Generators were installed by the Federal Emergency Management Agency (“FEMA”) and the US Army Corps of Engineers under an emergency mission which concludes on **March 15, 2024**.

The Generators, which are owned and are currently being operated by the Seller, produce approximately 350 MW of additional power generation capacity to Puerto Rico, representing approximately 10% of the installed energy in Puerto Rico and 15% of the power supplied to PREPA’s electrical grid as of November 2023.¹ The Generators constitute a reliable source of energy, allowing the Island to meet its generation capacity and mitigate load sheds.

The Generators have a useful life until **December 31, 2025**, after which they shall be retired. By then, further stabilization of the legacy generation assets that were damaged as a result of Hurricane Fiona shall occur, and other generation sources, such as renewables and energy storage projects, shall be in place.

The Proposed Contract contemplates the purchase of the Generators from the Seller for a maximum payable amount of **\$306,598,756.47**, of which 25%, or \$76,649,689.12, shall be due at closing. FEMA will cover 90% of the maximum payable amount, which amounts to \$275,938,880.82. The remaining 10%, or \$30,659,875.65, will be covered with PREPA’s own funds.

PREPA has certified that the funds required to cover its 10% share under the Proposed Contract shall be allocated under its **FEMA Reimbursement Account – GBR 4991**. As such, the Oversight Board’s review indicates that PREPA has sufficient funds to cover its 10% share of the maximum payable amount as of the date of this letter.

This determination does not consider the extent to which total available funds to cover PREPA’s 10% share will be subsequently encumbered by PREPA. Consequently, we rely on PREPA’s budget certification for purposes of this review. In the event that the Proposed Contract causes PREPA to exceed its budget, it must identify savings in other areas to cover any overbudgeted amounts and request a reapportionment of any identified funds to the Oversight Board in order to ensure compliance with its Fiscal Year 2024 Certified Budget.

On March 15, 2024, the Oversight Board received information from PREPA and the Puerto Rico Public-Private Partnerships Authority indicating that various Generators will require preventive

¹ See PREPA’s Letter to the Environmental Protection Agency (Feb. 12, 2024). We understand that two of the original 17 generators were backup generators and thus not in rotation. We further understand that the expectation is that the 14 units to be acquired continue to produce the approximate 350 MW.

APPENDIX A

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maintenance to avoid deterioration within the next year, and that the Seller has only agreed to provide maintenance to seven of the 14 Generators at no cost. The Seller communicated this information to PREPA after it submitted the Proposed Contract to the Oversight Board. As you know, in accordance with the Policy, government entities are required to submit *final* versions of proposed contracts to the Oversight Board for review and approval prior to execution. Further, the Oversight Board is concerned with the Seller's untimely disclosure of the condition of the Generators. This issue should have been disclosed and resolved prior to PREPA submitting the Proposed Contract for the Oversight Board's review and approval.

As such, the Oversight Board's approval of the Proposed Contract is **conditioned upon** the Seller providing maintenance to at least 7 of the 14 Generators acquired under the Proposed Contract, and to any additional Generators requiring scheduled or major maintenance not previously disclosed by the Seller in the first 12 months following closing, **at no additional cost**. PREPA must submit the final version of the Proposed Contract to the Oversight Board including language to this respect.

PREPA is expected to inform the Oversight Board of any budgetary differences other than those specified in Appendix A (Contract Submission Questionnaire) and to request a re-review of the Proposed Contract should any changes occur.

This review was conducted on the basis of information submitted by PREPA. The Oversight Board has not independently verified the information included in the submission. Should the Oversight Board become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.