



January 27, 2020

Governor Wanda Vázquez Garced
Avenida Juan Ponce de León
San Juan Antiguo, P.R. 00901

Dear Governor Vázquez,

I would like to bring to your attention information that has been provided to my organization, the Institute for Energy Economics and Financial Analysis (IEEFA), regarding units 5 and 6 of the San Juan power plant. This information raises questions about New Fortress Energy (NFE), the contractor for the conversion and supply of natural gas to the plant.

As you can see from the enclosed materials provided by Capitol Forum, a private, market information service, NFE faces an enterprise-wide, deteriorating financial status. The report notes NFE's failure to secure financing for its proposed Pennsylvania natural gas liquefaction facility and significant delays in projects in Jamaica, the Dominican Republic, and Ireland as well as Puerto Rico. According to the report, "management has failed to put a single project into service on schedule since becoming a public company." Going forward, NFE is significantly exposed to commodity price risk and the growth of renewable energy in markets that it is trying to supply with natural gas. The analysts have concluded that NFE's situation is "fatal." The second document highlights the fact that NFE is delinquent in its delivery of natural gas to the San Juan project.

The San Juan project is PREPA's first, substantial endeavor that will support its major rebuilding effort. Successful execution is important for policy reasons, fiscal savings and to send the message that Puerto Rico has changed and can deliver on its promises.

IEEFA has previously called attention to the risks to Puerto Rico from signing a contract for this project with a new, politically-connected company with little track record in the natural gas business. Although this contract was signed before you became governor, new contracts are currently underway for the concession of the transmission and distribution system, privatization of the generation system, and repairs from earthquake damage. The commonwealth's history of politically-driven contracting in the electrical system cannot be allowed to continue if Puerto Rico is to have a functional electrical grid.

PREPA has a history of hiding problems. The San Juan project was originally to be completed and in operation by June 2019. The delays have been left unexplained. Governor,

you now have an opportunity to break with that past and to investigate and take needed action to get this project back on track. If replacement of the contractor is warranted, do it now. If corrective actions are needed, take them now.

You have been saddled with many problems since assuming the Governorship. This is one that impacts the immediate, daily life and safety of the people of Puerto Rico. By finding an alternative solution, you will send the right message and set the course of Puerto Rico's energy development on a sounder and more sustainable path.

Sincerely,

A handwritten signature in black ink that reads "Tom Sanzillo". The signature is written in a cursive, slightly slanted style.

Tom Sanzillo
Director of Finance
tsanzillo@ieefa.org

Delivered by email with two attachments:

"New Fortress Energy: Unit 6 Conversion Stalled Pending Earthquake Damage Assessment," The Capitol Forum, January 22, 2020 (PDF)

Email received by Daniel Sherwood, Capitol Forum, December 27, 2019 (PDF)