

New Fortress Energy: Unit 6 Conversion Stalled Pending Earthquake Damage Assessment

Plans to convert the San Juan Combined Cycle Power Plant's Unit 6 from diesel to natural gas have been halted pending a damage assessment of Puerto Rico Electric Power Authority's (PREPA) Costa Sur plant due to recent earthquakes, PREPA Chief Executive Officer José Ortiz Vázquez said in an interview with *The Capitol Forum*.

Ortiz Vázquez explained that PREPA hopes to receive the results of the assessment of damages within approximately three months, which will guide the insurance and Federal Emergency Management Agency disbursements, along with PREPA's future planning efforts for the island's electric generation needs.

After a solution is formulated for the Costa Sur facility, which has the second largest production capacity of any facility on the island, then PREPA can return its attention to converting the San Juan Unit 6 facility, said Ortiz Vázquez.

New Fortress Energy (NFE) subsidiary NFEnergía LLC entered into a contract with PREPA in March 2019, agreeing to the supply of natural gas and conversion equipment of Units 5 and 6 to be constructed by Mitsubishi Hitachi Power Systems Americas, Inc., according to the contract between NFEnergía and PREPA.

As a result of recent earthquakes, PREPA declared a force majeure on the conversion of Unit 6, according to Ortiz Vázquez who informed New Fortress Energy of the news last week.

Unit 5 is "converted and commissioned," but is still awaiting gas from the New Fortress Energy handling facility, the construction of which was delayed due to conditions at the construction site, according to Ortiz Vázquez.

New Fortress Energy did not respond to requests for comment regarding when gas will be delivered to Unit 5 or how the stalled Unit 6 would impact its earnings and future plans.

"[A]ny cancellation related to or substantial disruption in the development of our Puerto Rico Facility or in our ability to perform our obligations under the Fuel Sale and Purchase Agreement with PREPA could have a material adverse effect on our financial condition, results of operations and cash flows," according to a New Fortress Energy disclosure in its most recent quarterly earnings filing.

New Fortress Energy forecast 383,000 gallons of liquified natural gas to be sold daily at its Puerto Rico facility during the first quarter of 2020, amounting to almost 27% of its projected volumes, according to its Q3 2019 investor slide deck.

Since originally announced in March of 2019, New Fortress Energy has moved back the date of full commercial operations at Units 5 and 6 three times and reduced the total projected volumes it expects to sell at the facility.

The company first projected 4.7 million gallons of liquified natural gas be sold per day to the San Juan Units 5 and 6 from Q3 2019 to Q4 2020, according to its May 15, 2019 investor presentation. The company revised that total downward by 36% to a little over 3 million gallons per day, based on *The Capitol Forum's* analysis of the company's investor presentations.