

Thursday, March 14, 2024 at 22:45:48 Atlantic Standard Time

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**Subject:** FW: FEMA Temporary Units Borescope inspection.  
**Date:** Thursday, March 14, 2024 at 10:45:34 PM Atlantic Standard Time  
**From:** Lcdo. Alexis Rivera  
**Attachments:** image001.jpg, logo\_49878b15-ab70-4db5-b9fb-3394d7be0579.jpg, 036\_sm\_fb\_a1347472-45be-4a0b-af83-b901fa688c57.png, 036\_sm\_in\_468e365e-e301-4c97-a0b4-805cb9a8926e.png, x\_32x32\_027703eb-eea5-4ba0-a261-000e8a68aa84.png, 036\_sm\_y2\_45d41b4c-7f16-42de-b619-b5cde39239df.png, 036\_sm\_instagram\_9927e091-e056-4b30-a2b6-e681664c9634.png

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**From:** Josue A Colon-Ortiz <[josue.colon@prepa.pr.gov](mailto:josue.colon@prepa.pr.gov)>  
**Date:** Thursday, March 14, 2024 at 10:44 PM  
**To:** Lcdo. Juan González <[jgonzalez@gmlex.net](mailto:jgonzalez@gmlex.net)>, Lionel E Santa Crispín <[LIONEL.SANTA@prepa.pr.gov](mailto:LIONEL.SANTA@prepa.pr.gov)>, Lcdo. Alexis Rivera <[arivera@gmlex.net](mailto:arivera@gmlex.net)>, Jaime A Umpierre-Montalvo <[JAIME.UMPIERRE@prepa.pr.gov](mailto:JAIME.UMPIERRE@prepa.pr.gov)>, Ezequiel J Nieves-Ayala <[EZEQUIEL.NIEVES@prepa.pr.gov](mailto:EZEQUIEL.NIEVES@prepa.pr.gov)>, Ruth Dones-Ramos <[RUTH.DONES@prepa.pr.gov](mailto:RUTH.DONES@prepa.pr.gov)>  
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**Subject:** FEMA Temporary Units Borescope inspection.

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**Josue A. Colon-Ortiz**  
PREPA CEO, PE



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**From:** Batista Bustelo, Sebastian (AAPP) <[sbatista@cor3.pr.gov](mailto:sbatista@cor3.pr.gov)>  
**Sent:** Thursday, March 14, 2024 8:53:09 PM  
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**Subject:** RE: Disclosure Schedules to the Purchase Agreement

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Dear PREPA team,

As stated in the previous email, attached please find the Borescope inspection.

I'm using Adobe Acrobat.

You can view "Palo Seco Power Plant\_Puerto Rico\_FSR\_BSI ESN 481559\_Generacion de Mejicali\_REV B (Final Report).pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:b03e7129-2251-4f42-ae55-f7741796592d>

You can view "Palo\_Seco\_GT#1\_BSI\_HS\_Report\_26JAN24.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:058b4c59-9089-4fa2-81c7-108469d2c8a9>

You can view "SJ\_BSI\_557-238 7250391 Initial\_Unit 1\_04Jun23.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:f60ac363-4aef-4bb8-af3c-4e9fd2f1a9ab>

You can view "SJ\_BSI\_557-252\_PRE-COMMISSIONING\_Unit 5\_07JUL23.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:0812938b-f3ea-40f3-89c4-ac5feab263ff>

You can view "SJ\_GT#1\_BSI\_Report\_08MAR24.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:3ec988bf-c4b9-42ea-aadc-745b8c304bb6>

You can view "SJ\_GT#2\_BSI\_HS\_Report\_04DEC23.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:f8672e38-01f0-42aa-9c9c-035122828072>

You can view "SJ\_GT#2\_BSI\_HS\_Report\_07MAR24.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:1c9c27a6-d763-4162-b6bd-b2066b9e7500>

You can view "SJ\_GT#3\_BSI\_HS\_Report\_05DEC23.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:8d301926-252e-4437-a94e-e12ee3f2987b>

You can view "SJ\_GT#3\_BSI\_HS\_Report\_05MAR24.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:4412ab1d-b776-4ba0-ad5f-43e8ab3cc4eb>

You can view "SJ\_GT#4\_BSI\_HS\_Report\_06DEC23.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:c3556da1-a333-4ad7-b14b-2ca35826908e>

You can view "SJ\_GT#4\_BSI\_HS\_Report\_07MAR23.pdf" at:

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You can view "SJ\_GT#5\_557-252\_BSI\_Report\_09MAR24.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:bdf5d50d-fca4-4192-966c-26f24f589248>

You can view "SJ\_GT#6\_BSI\_HS\_Report\_01DEC23.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:2e3b4db4-21bb-49f9-83bd-151d7b6f147a>

You can view "SJ\_GT#6\_BSI\_HS\_Report\_05MAR24.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:0aee3e6a-db6a-41c3-98f6-669dfb1a876a>

You can view "SJ\_GT#7\_BSI\_HS\_Report\_05JAN24.pdf" at:

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You can view "SJ\_GT#8\_BSI\_HS\_Report\_05JAN24.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:e6a0bf13-61f1-4655-8b49-421d21d81b3c>

You can view "SJ\_GT#9\_BSI\_HS\_Report\_06JAN24.pdf" at:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:96c743e3-d683-4e96-a5a2-6fae2ff3a3a1>

You can view "SJ\_GT#10\_BSI\_HS\_Report\_07JAN24.pdf" at:

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---

**From:** Batista Bustelo, Sebastian (AAPP)

**Sent:** Thursday, March 14, 2024 8:50 PM

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**Subject:** Disclosure Schedules to the Purchase Agreement

\* **Confidential** \*

Dear PREPA team –

In anticipation of the filing of the documentation with FOMB and PREB, we want to raise to your attention that we recently received a revised draft of the disclosure schedules to the purchase agreement from NFE listing all the maintenance issues that have been identified in the borescope inspection reports (a zip folder with all the reports will be send in a separate email, for your reference), some of which we received in the past 48hs/72hs and some of which are still pending.

It is important to highlight that anything that NFE discloses in the disclosure schedules is an exception to the reps and warranties in the agreement and is not subject to any indemnity claims.

As summarized below, there is a number of maintenance repair issues that are identified in the reports that indicate that the units will need to be taken out of service and repaired in the next 6-12 months. These issues could result in reduced available capacity and additional costs for the repairs (which will not be covered by NFE under the current draft of purchase agreement).

The maintenance issues include the following:

- The list that NFE proposes to include in the disclosure schedules is attached. As you will see, the list includes seven equipment items that are “not-serviceable”. That means that they are not reliable – even though the units may be running today, should an issue occur, they cannot be serviced and will need to be replaced (which would result in high costs, not just for the replacement but also for the non-availability of power).
- Separately, the scheduled maintenance of various units is expected to occur over the next few months (as can be seen in the attached schedule provided by NFE). This would result in the following units not being available for 4-6 weeks each within a short time of the purchase having been made, the cost of which will have to be borne by PREPA. The units mentioned are:
  - Palo Seco – GE TM2500+ - Engine # 557-259 – Hot Section1 scheduled – 5/15/2024
  - San Juan – GE TM2500+ - Engine # 557-266 – Hot Section1 scheduled – 5/15/2024
  - San Juan – GE TM2500+ - Engine # 557-251 – Hot Section1 scheduled – 10/01/2024
  - San Juan – GE TM2500+ - Engine # 557-240 – Hot Section1 scheduled – 10/07/2024
  - San Juan – GE TM2500+ - Engine # 557-254 – Hot Section1 scheduled – 10/14/2024
- In addition to the above identified units, NFE has stated that the status of several other Palo Seco units will be determined based on the borescope inspections – which we have not received yet. GE recommended hot section interval is 25,000 hours – however, the units from Egypt have had the Hot Sections done at 5,000 hours, indicating the condition of the turbines.
- As it relates to the three units that will not be acquired and will be part of the purchase option that PREPA will have, NFE has not provided the details of which “package” they belong to and how they would affect the other 14 units that are being acquired if they are taken offline. Also, the new units are different models (at 30MW each) from the original units that were to be acquired (PS 5, 6 and 7, at 35 MW each), and thus will add up to 15 MW less compared to the original ones and potentially an excess of ~\$9.4mm being paid for less output.

With a view towards moving forward, we will have a meeting with NFE this evening and request a special indemnity for the items they are proposing to list in the schedule given the contingent nature of the risk. Under a special indemnity, assuming it is accepted by NFE, if any of the repairs is required within the next 6-12 months, NFE would be required to pay for those repairs on a dollar one basis (i.e., not subject to any deductible, de minimis or cap). This represents a shift in the commercial arrangement and exposes NFE to additional risk that they may not be willing to accept at this point of the transaction.

Also, NFE told us an hour ago that they will not sign a regasification equipment lease (which has been part of the transaction documents since day one and is critical to the operation of the assets once acquired). They argue that because they have been recently appointed as fuel supplier for these units and they own the regasification equipment, a lease is not needed. The practical concern of this is that the current fuel supply agreement expires on December 2025 and, if the use of the temporary units were to be extended past that date, the regasification

equipment would not be available for another fuel supplier absent the lease. During our meeting with NFE this evening, we will make further inquiries on this matter and ask that the lease be available regardless of who is the operator of the temporary generation units and who is the fuel supplier.

Lastly, please be reminded that FEMA originally obligated \$372.3m for 17 generation units. Given that PREPA would now be acquiring only 14 units for \$306.6m, there is a remaining balance of \$65.7m that could potentially be used to fund any maintenance, or repairs needed, subject to FEMA's approval. Alternatively, PREPA may also use funds from the FFAST project, which could also be potentially available to fund such maintenance or repairs.

We are available to discuss at your convenience, if helpful.

Regards,



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