



2 June 2011

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Special Projects and Enforcement Branch
U. S. Army Corps of Engineers
Jacksonville District, Regulatory Division
P.O. Box 4970
Jacksonville, Florida 32232-0019

Re: Via Verde Project – Request for Supplemental Information

Dear (b) (6)

As extensively discussed during the May 11, 2011 Interagency Meeting held in Puerto Rico, and on behalf of the Puerto Rico Electric Power Authority (PREPA), this letter provides the U. S. Army Corps of Engineers (USACE) with additional information (1) in response to comments that were made during a local radio show, and which alleged the Via Verde project scope would be modified to supply Natural Gas to the local industrial sector, and (2) regarding whether the Alternatives Analysis for the Project must be expanded to evaluate the utilization of Floating Storage and Re-Gasification Unit (FSRU) technology.

As indicated in all the official documents presented at the State and Federal level, and as reiterated during the May 11, 2011 Interagency Meeting held at the USACE office in Puerta de Tierra, the Via Verde Project proposes to supply natural gas to the Puerto Rico Electric Power Authority's (PREPA) three electric generation facilities located in the northern part of Puerto Rico. PREPA proposes to utilize the approved EcoEléctrica LP Liquefied Natural Gas (LNG) Terminal and associated infrastructure that is available in the southern part of Puerto Rico to supply natural gas to the Project. This proposed scope for the Via Verde Project is set forth in the Joint Permit Application (JPA), filed on September 20, 2010 with the USACE, and no changes to that scope are proposed by PREPA. As proposed, the Via Verde Project is an integral and complete project that has its own independent utility.

Alleged Modification of the Via Verde Project Scope

PREPA understands that during a radio show a commenter alleged the Via Verde Project will be used to sell natural gas to a cluster of industries located near the Project corridor. This allegation is without merit. The scope of the Via Verde Project, as presented to all State and Federal agencies, has

not been modified, and is consistent with both the state approvals that have been granted for the Project, as well as the Joint Permit Application for the Project that was filed with the USACE.

During the public participation process fostered by the Environmental Quality Board in connection with the evaluation and approval process of the Final Environmental Impact Statement (DIA-F) for the Project (sections of which have been translated and delivered to the USACE), the Puerto Rico Industrial Development Corporation (PRIDCO) recommended that PREPA consider the option of providing natural gas to the industrial community in Puerto Rico.

Although PRIDCO's recommendations were incorporated into the DIA-F, neither the EQB nor the Puerto Rico Planning Board required the scope of the Via Verde Project to be modified. PREPA still proposes to use all of the natural gas available to the Project from the EcoEléctrica facility for PREPA's northern generating plants, as set forth in the JPA. As indicated in the JPA, the Via Verde Project is intended to provide PREPA with flexibility to efficiently operate the power generating units located in the northern part of the Island, through monitoring each unit's operating capacity, individual fuel consumption and type of fuel to foster the lowest power generating costs.

In the event that PREPA, at some future date, were to obtain excess volumes of natural gas and decide to sell that natural gas to industrial users along the Project route, PREPA acknowledges it would have to seek appropriate permits, and perform whatever additional environmental analysis is required, at that time. PREPA reiterates, however, that it has no current plans to supply such natural gas to local industries or construct any such facilities, and that the evaluation of such a hypothetical occurrence is beyond the scope of the Project.

Inclusion of Floating Storage and Re-Gasification Units (FSRU) in the Alternative Analysis

As discussed above, the Via Verde Project proposes to supply natural gas to PREPA's three electric generation facilities located in the northern part of Puerto Rico. PREPA intends to utilize the approved EcoEléctrica Terminal and associated infrastructure that is available in the southern part of Puerto Rico to supply natural gas to the Project.

As an initial matter, PREPA understands that a recent article in a local newspaper discussed the potential use of FSRU technology in connection with the potential repowering of the Aguirre Power plant located in the Southern section of the Island of Puerto Rico. PREPA notes that any consideration of repowering the Aguirre Plant is separate and distinct from the Via Verde Project. Instead, any repowering of the Aguirre Plant (or any other south coast plant) would constitute a separate project that would have to be evaluated at the appropriate time by PREPA in accordance with its Corporate Strategic Plan 2009-2012. As such, any evaluation of the potential repowering of the Aguirre Plant, and the potential use of FSRU technology to provide the required supply of natural gas, is beyond the scope of the Via Verde Project. This subject was discussed in great detail during the Interagency Meeting held at the USACE office on May 11, 2011.



As part of the analysis filed with the JPA, and thereafter in the DIA-F and in additional information provided to the USACE, PREPA demonstrated that the Via Verde Project represents the most practical, most cost effective, and least environmental damaging option to supply natural gas to PREPA's generating facilities located in the northern part of Puerto Rico. Several environmental and other federal permits prompted the selection of Via Verde as the most timely and environmentally sound option to power the facilities located in the northern side of the Island, and to address Puerto Rico's electrical infrastructure crisis, as discussed by Governor Fortuño in Executive Order OE-2010-034.

The Alternative Analysis provided to the USACE evaluated a number of different alternatives related to the supply of natural gas to the Via Verde Project. These alternatives included (1) the construction of a liquefied natural gas receiving terminal in the north of the island, (2) the installation of tankers and buoys systems (LSRU) for the receipt, storage and re-gasification of liquefied natural gas, and (3) several terrestrial alignments for a natural gas pipeline. In addition, PREPA also analyzed the alternative of using renewable energy sources technically available in the commercial market and the No Action alternative.

Although the FSRU technology was not specifically evaluated, the impacts associated with this technology are very similar to those associated with the LSRU technology. Specially, the FSRU systems of tankers and buoy, commonly known as Deepwater Ports, involve the construction of a receiving buoy system to receive LNG which has been vaporized on board the LNG delivery tanker. This buoy system can be located 5 km or more offshore. An underwater pipeline system is then constructed from the receiving buoy to the electric generation facility where the natural gas will be used.

The construction, installation and operation of an FSRU system is regulated by two leading Federal agencies: the Department of Transportation's Maritime Administration (MARAD), and the U.S. Coast Guard, Deepwater Ports Standards Division. Numerous other State and Federal agencies, including the USACE, Federal Energy Regulatory Commission (FERC), U.S. Environmental Protection Agency, and others, would also have jurisdiction over the FSRU system. The permitting process for a FSRU system can take one year or more to complete, and from that point it can then take several more years to construct an FSRU system.

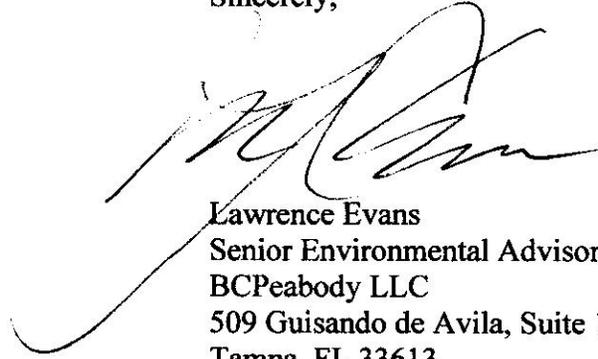
As noted above, as part of the Alternative Analysis presented to the USACE, PREPA evaluated the viability of the construction of a LSRU system (which is similar in impacts to the FSRU technology) in three areas: San Juan, Toa Baja and Arecibo. The criteria considered in said evaluation were environmental impact, costs, space, time to start operations, permits, security, environmental justice, past experiences in Puerto Rico and in the United States, and compliance with the terms and conditions included in the approved Executive Order signed by Governor Fortuño. That detailed analysis concluded that the use of LSRU technology in those areas was not feasible. Implementation of the FSRU option off the north coast of Puerto Rico would require the construction of the underwater pipeline system through ecologically sensitive areas, such as the San Juan Bay and its estuary, or in other the north coast areas which are considered as critical habitat for five species of coral reef in



danger of extinction, such as *Acropora*. As such, PREPA believes the use of FSRU technology similarly would not be a feasible option to supply natural gas to PREPA's power generating units located in the northern side of the island.

Please do not hesitate to contact us if you have questions or need additional information.

Sincerely,



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