

To: Puerto Rico Task Force Website:  
[www.prtaskforce@mail.house.gov](mailto:www.prtaskforce@mail.house.gov)

From: Richard T. Pittenger, Executive Vice President of  
Power Technologies Corporation;

**OUTLINE OF COMMENTS/INFORMATION ON POWER TECHNOLOGIES**  
**CORPORATION “WEST COAST POWER PROJECT” IN PREPA BOND**  
**PROSPECTUS DOCUMENTS 2004 thru 2013:**

**NOTE: All Bond Prospectus documents can be found on the**  
**Government Development Bank (GDB) website**

**{GDB Website: [http://www.gdb-](http://www.gdb-pur.com/investors_resources/prepa.html)**  
**pur.com/investors\_resources/prepa.html}**

**\$319 MILLION ISSUE OF AUGUST, 2004**

This bond issue was placed just two months after PREPA committed to the PTC, West Coast Co-Generation plant first mentioned on the bottom of page 34.

**\$993 MILLION ISSUE OF MARCH 2005**

This Bond Issue states the following about the West Coast Power Project: The Authority has projected a need for additional capacity after fiscal year 2009. Accordingly, the Authority's Governing Board has approved the construction by a private company of a co-generation plant on the western part of the island that will add approximately 536 MW of generating capacity in fiscal year 2010.

The above can be found on page 34 under "Additional Generating Facilities".

West Coast Power Project referred to as part of the Five-Year Capital Improvement Program on page 36. Also part of the Projected Capital Improvement Program Production Plant costs of \$809MM thru 2009.

NOTE: PREPA's Generation Expansion Plan was based upon only increases in demand for electricity. It had a major fault that there was no consideration for the following:

- 1) Need to decommission aged generation equipment and outdated technologies existing in the system
- 2) Need for improvement on the average efficiency of fuel utilization which can only be achieved with new technologies i.e. combined cycle systems. New systems are about 30% more efficient

### **\$1,943 MILLION ISSUE OF APRIL 2007**

The West Coast Power Plant is referenced along with new Gas Pipeline systems in "Additional Generating Facilities" on page 33.

The Plant is also referenced at the bottom of page 36 under the Projected Five-Year Capital Improvement section.

NOTE: PREPA's Generation Expansion Plan was based upon only increases in demand for electricity. It had a major fault that there was no consideration for the following:

- 1) Need to decommission aged generation equipment and outdated technologies existing in the system
- 2) Need for improvement on the average efficiency of fuel utilization which can only be achieved with new technologies i.e. combined cycle systems. New systems are about 30% more efficient

### **\$557 MILLION ISSUE of MAY 2007**

Same comments as the Bonds issued in April of 2007

### **\$697 MILLION ISSUE OF JUNE 2008**

Restates the plans for Gas Pipelines as stated in the April 2007 Bond Issue on page 23

West Coast Plant mentioned on the bottom of page 26 as part of the Projected Five-Year Capital Improvement Program.

NOTE: PREPA's Generation Expansion Plan was based upon only increases in demand for electricity. It had a major fault that there was no consideration for the following:

- 1) Need to decommission aged generation equipment and outdated technologies existing in the system
- 2) Need for improvement on the average efficiency of fuel utilization which can only be achieved with new technologies i.e. combined cycle systems. New systems are about 30% more efficient
- 3) PTC and PREPA continued to finalize the PPOA negotiations with full vetting of the final PPOA language by Sidley Austin Brown and Wood, LLP, the Bond Counsel of PREPA starting in March of 2008 and finalization in August of 2008.
- 4) PREPA executives told PTC in the fall of 2008 that the agreement would be signed after the election.
- 5) At this point PTC had expended many years of initial development along with the extensive negotiations for both the West Coast Power Plant and the Island wide Pipeline Transmission system. All costs were to be reimbursed to PTC if contracts were not completed by PREPA. This was the commitment as part of Letters of Intent issued by five PREPA Executive Directors.
- 6) PREPA also had expended significant resources in support of these facilities and had regularly assured PTC that they project documents would be executed as planned.

## **\$822 MILLION ISSUE OF MARCH 2010**

First mention of the Law Suit filed by Power Technologies Corporation in September of 2009 on bottom of page 58

The announcement reads as follows:

In 2008 (actually end of September 2009), Power Technologies Corp. filed suit against the Authority, alleging that the Authority had withdrawn from a contracting process for a new energy facility, in which Power Technologies was involved, without explanation or justification. Power Technologies seeks damages of \$51.4 million. The case is currently in the discovery stage.

Notes; In addition to the incorrect date of filing i.e. September 2009 vs. 2008 the following should be noted;

- 1) Power Technologies Corp (PTC) won an International bid solicitation originally submitted on March 15, 2002.
- 2) PTC was selected to negotiate final documents for a Power and Purchase Agreement (PPOA) in May of 2004. Negotiations proceeded until early 2009.
- 3) PTC and Sidley Austin (PREPA's bond counsel), completed negotiations late in August 2008 after extended delays on PREPA's part.
- 4) Letters of Intent with significant commitments by PREPA to PTC were made as extensions by five Executive Directors of PREPA.
- 5) Bonds were floated in 2007 for about \$2 billion which included funds for both PTC's project and a planned Gas Pipeline Transmission Project.
- 6) PREPA entered into a signed agreement for PTC to lead development of a 130 mile plus Pipeline system in October of 2007. This Project was in addition to the Guayanilla to Aguirre pipeline system that PREPA was developing.
- 7) PTC and PREPA had the understanding that the Pipeline system was needed in order to provide Natural Gas to the North Coast of Puerto Rico and to have a stable supply system. It was contemplated that PTC and PREPA would develop this system and that PTC would be a co-owner of the pipeline system.
- 8) The PPOA was effectively completed in the Fall of 2005 (a normal period of time to negotiate such an agreement, but PREPA management delayed for unknown reasons until the 2007 bond issues were placed. Lack of full commitment carried the final document vetting by Sidley Austin into the political season of 2008.

**\$320 MILLION ISSUE of APRIL 22 2010**

PTC Legal Suite on Page 59

**\$631 MILLION ISSUE OF APRIL 22 2010**

PTC Legal Suite on Page 63

**\$322 MILLION ISSUE OF APRIL 2010**

PTC LEGAL ISSUE on Page 63

**\$76 MILLION ISSUE OF MAY 2010**

PTC Legal issue on bottom of page 58

**\$316 MILLION ISSUE OF MAY 2010**

PTC LEGAL ISSUE ON PAGE 59

**\$218 MILLION ISSUE OF SEPTEMBER 29 2010**

PTC LEGAL ISSUE ON PAGE 63

**\$355 MILLION ON DECEMBER 24 2010**

PTC LEGAL ISSUE ON PAGE 62

**\$650 MILLION ON APRIL 12, 2012**

PTC LITIGATION ON PAGE 10, RAISED TO OVER \$52 MILLION FROM \$51 MILLION on PREVIOUS ISSUES

**FINAL ISSUE OF about AUGUST 15 2013 for \$673 MILLION**

MENTION OF PTC LITIGATION DUE TO STAY AGREEMENT, page 91

PREPA States: “The case was voluntarily dismissed by the Plaintiff. Power Technologies Corp. seeks damages of \$52.4Million.Plaintiff and the Authority are currently in the process of engaging in extrajudicial settlement negotiations of Plaintiff’s claim.

COMMENT: Power Technologies Corporation did enter into a Stay Agreement with PREPA just prior to the Bond Prospectus filing. This was done at the request of PREPA Management and with their sincere verbal commitment to negotiate a settlement to the litigation that was put on hold without prejudice.

The “Stay Agreement” which was signed to support the planned Bond Placement also required PREPA to enter into “Settlement Negotiations.” PREPA proceeded with a successful Bond Placement on August 15, 2013.

Once the Bonds were placed, PREPA ignored its commitment to negotiate a settlement in good faith. Thus the statement in the Bond Prospectus was false. Even now, three years later, PREPA has made no attempt to enter into extrajudicial settlement negotiations with Power Technologies Corporation as stated in the Bond Prospectus.