

Testimony of Robert Bryngelson
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Hearing on “The Status of the Puerto Rico Electric Power Authority Restructuring Support Agreement”

Thank you Chairman LaMalfa, Ranking Member Torres and members of the Subcommittee. My name is Rob Bryngelson, and I am the President and CEO of Excelerate Energy, LP (Excelerate). I appreciate the opportunity to appear before the Subcommittee today to provide testimony regarding Excelerate’s experiences cooperating with the Puerto Rico Electric Power Authority (PREPA) 1) with the development of the Aguirre Offshore GasPort Project (AOGP); 2) supporting PREPA’s efforts in developing the Restructuring Support Agreement (RSA); and finally, supporting PREPA’s continuing efforts to comply with the requirements of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA).

Excelerate Energy, LP

Excelerate is a Texas-based energy company engaged in the development of LNG transportation and regasification infrastructure, a provider of LNG storage and regasification services, and an importer of LNG. The company operates a fleet of nine purpose-built Floating Storage Regasification Units (FSRU), LNG carriers capable of regasifying LNG on board the vessel for delivery as gaseous natural gas to downstream customers worldwide.

Established in 2003 and headquartered in the Woodlands, Texas, Excelerate also has facilities in Singapore, Dubai, Kuwait City, Buenos Aires, Israel, and Rio de Janeiro.

Aguirre Offshore GasPort Project

The AOGP Project is a critical initiative for PREPA. For many years, PREPA and the government of Puerto Rico have worked to bring an energy solution to the island that will minimize the environmental impacts from power generation, will allow PREPA to be compliant with the Federal Mercury and Air Toxics Standards (MATS) Rule, and help lower energy costs. AOGP is the most economical and time efficient solution to meet PREPA’s urgent goals.

Since natural gas is one of the most environmentally-friendly and cost-competitive fuel sources available, PREPA recognized early on that converting its power generation from fuel oil to natural gas would provide the most immediate benefits to the island. PREPA initially considered conventional energy infrastructure solutions and sought to utilize land-based pipelines to bridge existing resources for the distribution of natural gas. Ultimately, the pipeline projects encountered considerable financial, environmental, and public opinion challenges, and were canceled. As a result, PREPA turned its attention to other, more advanced alternatives – specifically Excelerate’s floating LNG regasification terminals.

In 2008, Excelerate introduced the concept of an offshore LNG import terminal to PREPA as a viable alternative solution to access natural gas. Floating regasification terminals, such as the proposed AOGP project, can be designed and constructed at a fraction of the cost of similarly sized land-based LNG import facilities. More importantly, floating regasification terminals require minimal infrastructure and land-use, thus reducing environmental impacts and long-term effects on the surrounding environment.

In 2011, PREPA selected Excelerate, following a Notification of Interest and Request for Proposal process, as the most qualified technology provider to collaborate on the development of a floating, offshore LNG delivery system incorporating Excelerate's FSRU technology – a decision based on Excelerate's industry-leading experience. For the project site, PREPA selected the Central Aguirre Power Complex as the location for LNG importation as it is the facility with the greatest power generation capacity on the PREPA system, providing the most cost-savings and benefits to the surrounding environment. Excelerate proposed an offshore delivery system with a proposed capital cost of approximately \$266 million, which includes infrastructure construction, permitting and development fees. Annual operation and maintenance expenses are estimated approximately \$6.2 million. Excelerate has purchased and constructed the FSRU, and the vessel stands ready to support the Project.

In April 2013, Excelerate formally commenced the permitting process with the Federal Energy Regulatory Commission (FERC) which started its rigorous review under the National Environmental Policy Act. After an extensive permitting process, FERC published the Final Environmental Impact Statement (EIS) for the project in February 2015. The EIS document describes the effects of the project on the land, water, air, ecosystems in the project area as well as the social, cultural and economic impacts. The document also provides ways to mitigate, lessen or remove, any potential impacts. To ensure that the AOGP was, in fact, the appropriate solution, the EIS also analyzed other alternatives to supply natural gas to Aguirre.

In July 2015, FERC issued its order authorizing the project. Both documents concluded that, as proposed, the project will have no significant impact on the environment and determined that it is the best, proposed alternative for bringing LNG to the island.

PROJECT BENEFITS

Cost reduction and environmental enhancement are the primary drivers for bringing LNG as a new source of fuel to PREPA. Under the current U.S. EPA regulations, utilities must reduce air emissions from operations requiring PREPA to switch from heavy fuel oil to a cleaner-burning fuel source, like natural gas. Not only will natural gas allow PREPA to be compliant with the new regulations, but it is considerably cheaper than fuel oil and will provide several billions of dollars in fuel cost savings over the life of the project. In addition, there is an abundance of LNG available in the international market which will allow PREPA to take advantage of competitive pricing. The successful conversion of the Aguirre power plant will be the first step in upgrading PREPA's system to provide safe, clean energy for the citizens of Puerto Rico.

Environmental Benefits

One of the long-term benefits of the project will be the improved air quality on the island, especially to the residents of the surrounding community of Aguirre. By switching to natural gas at the Aguirre Power Complex, an overall reduction in air emissions of 64 percent is estimated, with greenhouse gases, specifically CO₂, reduced nearly 30 percent. This decrease is equivalent to eliminating greenhouse gases from more than 335,000 passenger cars.

Additionally, the project will improve the water quality in the local area. The power complex is located adjacent to the Jobos Bay Estuarine Sanctuary and currently receives its fuel via cargo tankers which must traverse the environmentally-sensitive bay to reach the plant. The AOGP terminal will be located outside the bay and would eliminate approximately 90 percent of the barge traffic reducing the risks of any inadvertent fuel spills.

Economic Benefits

Excelerate and Siemens Engineering conducted a financial analysis of the AOGP project and determined that PREPA would realize \$25 million in savings per month, or more, in operating costs once the project is in service. Over the 15-year life of the project, nearly \$5 billion will be saved in fuel costs.

As PREPA converts its many power generating facilities to natural gas, the fuel cost savings will be substantial translating to lower energy costs for consumers. With lower electricity rates, industries will be encouraged to expand current operations, and industries that have left will have the incentive to return.

Community Benefits

It is Excelerate's goal that the AOGP terminal will become an integral part of the community of Aguirre. During the construction phase of the project, local fishers will be employed to assist with directing local fishing traffic safely around the active construction area. When in operation, Excelerate will work with the local mariner unions to train local members to perform some duties of the FSRU crew.

Excelerate will patronize local businesses as the primary source of supplies and services for the construction crews. During operations, local tugboat operators will be utilized to guide the large refueling tankers that will call upon the AOGP facility. The terminal will also procure food and other supplies for the vessel crew from local providers.

PROJECT STATUS

Permitting

The AOGP project is near completion of its comprehensive environmental analysis which began in 2011. During this review process and in conjunction with regulatory bodies, Excelerate completed multiple studies to evaluate site locations, interconnecting pipeline routes, and construction techniques.

Public participation was integral in the development of this project. In addition to FERC's public hearings, both Excelerate and PREPA held more than two dozen community meetings to ensure complete transparency throughout the entire permitting process. Excelerate worked closely with the residents in the project area to present the details of the project and explain the potential benefits the project would bring to their community. Residents had the opportunity to share their input regarding the project location, construction activities, and any possible impacts to the fishing community. Both Excelerate and FERC considered the community's feedback during the analysis and design of the project.

The National Marine Fisheries Service (NMFS) is currently completing its review of any biological impacts the project will have to the location and finalizing its mitigation requirements for the project to lessen or remove any of these potential impacts. Excelerate, NMFS, and FERC will complete these mitigation plans by April 2017. All other permits, local and Federal, will be finalized after the consultation.

Engineering

The AOGP project has undergone a rigorous design effort since introducing the floating concept to PREPA in 2008. Preliminary design has been completed and reviewed by FERC, the U.S. Army Corps of Engineers, and the Department of Transportation Office of Pipeline Safety. Separate from the engineering design efforts for the AOGP structure and subsea pipeline, additional work has been completed to design the horizontal directional drill under the Boca del Infierno. In conjunction with the design of the AOGP project, the work required to convert the Aguirre power plant has been underway cooperatively with AOGP to ensure both projects are completed at the same time. Advanced engineering is scheduled to begin as early as second quarter 2017 and construction to begin in the third quarter of 2017.

PREPA RESTRUCTURING SUPPORT AGREEMENT

My testimony today is intended to provide information to the Subcommittee regarding Excelerate's efforts to support PREPA's successful restructuring, and not to discuss the mechanics of the RSA and other financial efforts currently underway by the Puerto Rico Government. Excelerate's involvement with the development of the AOGP project became a critical piece to the overall restructuring of the utility. The intent and scope of the AOGP project was to bring about the reduction of fuel costs for the facility and in turn result in the eventual reduction in electricity rates for the ratepayers. Efforts taken by the past Commonwealth administration to facilitate the recovery of the island's economy resulted in direct impacts to the continued development of the AOGP project. Law 21ⁱ passed by the Padilla placed a moratorium on the ability for creditors to seek payment for obligations incurred by government entities. Because the critical AOGP project was currently in active development, the potential that Excelerate would be prevented from seeking payment of current invoices was a serious development. If enacted, Excelerate would have to suspend activities until either the Law was repealed or specific waivers could be granted. The timing of this law impacted negotiations between the Restructuring Officer (RO) and the bondholders who were progressing to a point where some funding for the AOGP project could be released for continued development. However, without the ability to ensure payment of invoices, Excelerate would be required to suspend development activities. Excelerate's position is to support the passage and implementation of the RSA as quickly as practicable to allow PREPA to begin the critical restructuring of the utility. Continued delays to RSA implementation will have detrimental impacts to the continued development of the AOGP project. The longer the AOGP project is delayed, the longer it will be until PREPA can pass the potential fuel cost savings to their utility ratepayers.

PROMESA

In April, 2016 Congress introduced HR 4900 entitled the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), establishing an oversight board, a process for restructuring debt,

and expedited procedures for approving critical infrastructure projects. In our opinion, the AOGP project was clearly a project that met the criteria as a critical infrastructure project. Excelerate has had several meetings with Congressional members responsible for the PROMESA, briefing the members on the attributes and development status of the project. Most recently Excelerate met with the Chairman of the Fiscal Oversight Board and the Revitalization Coordinator to present the project. The Fiscal Board will be establishing a Critical Project Program in April 2017, and Excelerate will present the AOGP project for consideration of the Fiscal Board. The AOGP project is in the final stages of permitting and is scheduled to commence the initial procurement phase of construction in the 3rd quarter of 2017, pending final approval of project financing. Approval by the Fiscal Board will have a direct positive impact on the implementation of PREPA's RSA.

CONCLUSION

The Aguirre Offshore GasPort project is a critical initiative for PREPA. For many years, PREPA and the government of Puerto Rico have worked to bring an energy solution to the island that will minimize the environmental impacts from power generation, will allow PREPA to be compliant with the Federal air emission rules, and help lower energy costs. AOGP is the most economical and time efficient solution to meet PREPA's urgent goals.

Excelerate has remained a committed, cooperating partner for PREPA and for the Government of Puerto Rico. The purpose of the hearing today has focused on getting PREPA's Restructuring Support Agreement implemented as soon as possible. Excelerate supports these efforts and will continue to offer assistance in any way need by PREPA or the Governor.

We look forward to our continued participation in the process with our ultimate goal of bringing the AOGP project in-service, bring clean-burning natural gas to PREPA and being a part of the Governor's efforts to revitalize the Puerto Rico economy. I thank you on behalf of Excelerate Energy for allowing me to provide this testimony.

¹ Law 21, "Puerto Rico Emergency Moratorium and Financial Rehabilitation Act", 6 April 2016.