

July 13, 2017

John Filippelli, Director
USEPA Region 2
Clean Air and Sustainability Division
290 Broadway
New York, NY 10007-1866

Subject: Energy Answers Arecibo, LLC
Prevention of Significant Deterioration Air Permit Limited Extension Monthly Update Report

Dear Director Filippelli:

Please find below the third monthly update report, provided as per your April 10, 2017 PSD permit extension letter.

The test pile and demolition work on the Arecibo project site remains temporarily halted due to the delay in obtaining an injunction to ensure the safe and continuous access to the property. As noted in our June status update letter, an initial incident occurred on April 19th in which workers were obstructed from exiting the site at the end of the workday. The gathering of obstructionists continued for several days, causing concern for the safety of the workforce, as well as those obstructing the team's access to the site. In that letter we also noted that the Rosselló administration had recently signed into law new legislation that makes the obstruction or stoppage of permitted construction works a crime, with a penalty of up to three years imprisonment; however, at that time we continued to believe that it still was best to obtain an injunction to provide the authorities with specific legal grounds to take the necessary steps to ensure safe and consistent access to the project site.

After weeks of delays due to the recusal of the first and second judges assigned to the case, a hearing was scheduled for June 22, 2017. The hearing took place; however, an injunction was not granted for several reasons, the most important being the fact that an injunction is intended to be an instrument of last resort, and with the existence of the new law that authorizes the police to prevent and clear obstructions to permitted construction sites, the judge ruled that we had other alternatives available other than an injunction. On July 7, 2017, we met with the head of the state police's regional office to discuss the results of the hearing. During that meeting we reviewed the language of the new law and confirmed that with active permits in place, the police can act to clear any future obstructions.

Since the permits for the initial test pile work expired after 60-days, we are in the process of obtaining new permits. Once these permits are issued, the test pile, geotechnical and demolition work will recommence on the site.

Regarding other matters addressed in our PSD Permit Extension Request letter, the USDA Rural Utilities Service (RUS) Record Of Decision (ROD) has still yet to be released. However, conversations with the review staff have recently recommenced. Additionally, on July 2nd the Puerto Rico Electric Power

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Authority (PREPA) filed for restructuring under the Title III, bankruptcy-like, proceedings under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA). Although this was not the anticipated outcome, we see the Title III proceedings as providing a substantial change and improvement to the long-term financial stability of PREPA and as a result, directly improving the security of the contracts underpinning the Arecibo Project. We are working with members of the Puerto Rico Government and PROMESA governing board to communicate this to RUS and others participating in the project financing process.

The project EPC/Turnkey construction contract remains in effect and work toward the construction of the facility under this agreement continues. We continue to believe that with the receipt of the new permits and completion of the initial geotechnical work, we will be able to commence construction prior to the expiration of the PSD permit.

Finally, we continue to believe that the Arecibo Resource Recovery Facility's ability to provide fully compliant solid waste management capacity for over 20% of the MSW generated in Puerto Rico, greatly needed renewable energy generation capacity to Puerto Rico Electric Power Authority (PREPA), a major net reduction in GHG generation, the recovery of over 200 tons per day of recyclable metals that would otherwise be lost to landfills, as well as being a major short and long term economic stimulus, providing thousands of construction jobs and hundreds of permanent jobs, represents an important part of the solution to some of the most critical challenges facing Puerto Rico, including:

- The growing landfill crisis with 20 of Puerto Rico's 28 landfills not able to comply with Sub-Title D regulations,
- The aging PREPA generating fleet, with the average age of these facilities being over 45 years and many needing renovations and/or fuel conversions to effectively meet EPA emission standards,
- Puerto Rico's low recycling rate, which has remained below 15% for approximately 20 years, and
- Puerto Rico's historic economic crisis.

Should you have any questions, please contact me at your convenience.

Sincerely,



Mark J. Green
Vice President
Energy Answers Arecibo, LLC