

Medellín, August 12, 2009

ProEnergy Services, L LC  
2031 Adams Road  
Sedalia, Missouri 65301  
Attn: **Jeff Canon President and CEO**

Re: Termocolón Power Project, Colon, Panama

Dear Jeff:

With regard to the development of the Combined Cycle we can observe that the evolution and current advance does not demonstrate compliance with the expectations of GENA. For this reason we will appreciate the best effort of all the actors of the project to take the corrective necessary and opportune actions focused to end in the due term, with the necessary quality in such a manner to attenuate at the same time the impact of the over-costs and penalties to which the project is exposed.

In the case PROENERGY's scope of supply we are requiring your valuable support to identify, to correct and to intensify the works in all the aspects that could be impacting the development of the project.

As a preliminary induction, we have identified between others the following factors that are affecting in the advance and quality of the assembly of the Combined Cycle equipment.

- a. Lack of engineering and lack of opportune and sufficient information.

We can mention some aspects in which we require the information and definition such as for instance:

- Complete and detailed list of systems, subsystems, equipment and components of the Combined Cycle.

- Complete and detailed list and technical specifications and quantities of equipment, materials and components, organized by systems. Between other please to include the following aspects:
  1. List of equipment
  2. List of instruments
  3. List of gaskets and packings
  4. List of piping
  5. List of bolts
  6. List of supports
  7. List of valves
  8. List of special tools
- Inventory organized by systems of equipment and materials actually available on site in conditions ready for assembly. List of equipment and materials still missing and the relevant program to provide them.
- Engineering and definition of the By-Pass system.
- Provision of materials and definition of provisory assemblies necessary for Blow-out.
- Please let us to mention that we have great concerns in regards with the condition and reliability of the some of the protection and control systems as for instance the steam turbine governor system and many of the instrumentation.
- Control strategy for automatic operation and protection of each of the Combined Cycle systems.
- Definition of boiler blow-down water drains and disposal system
- Tests, procedures and quality records for each equipment and system.
- Records of refurbishment performed to each of the used equipment.
- List and matrix of lubricants.
- List of spare parts.

- Available photographyc record of the equipment, which was taken in the old plant
- Missing erection, operation and maintenance manuals. We can mention such as for instance those manuals for circulating water pumps, boiler feed-water pumps, control equipment, electrical equipment, etc.
- Missing procedures and relevant quality records such as for instance lube oil system flushing procedure, blow-out procedure, miscellaneous testing procedures, as well as acceptance criteria for each test as applicable, etc.

In addition, please let us to mention that many of the information provided by PROENERGY it is in an illegible and non actualized condition. GENA will appreciate PROENERGY to actualize, digitalize in "Autocad" and to provide information in a suitable condition.

**b. Lack of equipment and materials.**

We observe that a lot of equipment, materials and components of the different systems are not on site yet. We will appreciate PROENERGY to identify and present a complete list of all the missing components including as well all the special tools and a program of delivery and arrival to the project site.

Please note that GENA has recently provided PROENERGY a preliminary list of some of the identified missing equipment and materials.

**c. Insufficient personnel to attend to the different areas of the project.**

The personnel actually assigned by PROENERGY for the Combined Cycle has provided us with excellent technical advisement. Nevertheless we consider that the PROENERGY's personnel on site it is not sufficient to attend opportunely and in a daily basis in such aspects as engineering, materials, and technical support to the

quantity of systems and areas that are in present in progress as well those that will become soon in the erection program. Please to increase the crew with sufficient personnel as well with specialists in specific areas such as steam turbine, generator, control, etc.

- d. Inadequate condition of materials, piping and secondhand equipment.

Many of the secondhand equipment still have not been submitted to the process of refurbishment to a level that allows to install and to operate them in reliable, safe and efficient condition.

It is evident that many of the aforementioned equipment actually available on site are in a non suitable condition for operation, therefore we require immediately an assessment of which equipment will be refurbished and repaired on site, and the dates in which it will be done. It is possible to mention, for instance the case of the steam turbine, the governor system, the majority of used valves of the project, a large amount of piping present corrosion at inadmissible levels, lack of maintenance of electrical motors, lack of maintenance of the exciter, coolers of the generator, condensed pumps, steam turbine valves completely disassembled, etc.

Due to the current conditions of equipment, please indicate the necessary actions, testing or maintenance works to leave them in conditions of reliability, availability and efficiency. Please confirm for example if PROENERGY is considering to extract the rotor of the generator in order to verify conditions of integrity of the windings and internal parts as well as to realize any type of disassembly to determine conditions of the bearings and other components. If already done please provide proper records.

Due to the previously mentioned aspects our erection contractor of erection is refusing to increase their man load as it is uncertain if the existing equipment can be installed in it's current conditions.

This letter is not meant to be all inclusive of the condition of all the equipment received to date, as to make a more comprehensive assesment the information requested in the above literal a. is required from Proenergy.

It is important to understand that the suitable and timely attention to the above mentioned matters have a big influence in the success of the project and in the quality of the final product as well as in the reliability, availability and efficiency of the Cycle. GENA will appreciate PROENERGY to present a complete corrective action plan.



Please Jeff make yourself available on Thursday August 13-09 at 15:00 for a conference call to discuss these important aspects of the project via conference call.

Sincerely,

**Uriel Salazar Duque**  
**President**  
**Generadora del Atlantico**

Copia: Archivo de Correspondencia

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