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Sent: Friday, June 7, 2024 10:11
To: Comentarios <comentarios@jrsp.pr.gov>
Subject: Comments on Genera Fuel Plan Case No. **NEPR-MI-2023-0004** and Review of Genera PR, LLC Request to Operate Palo Seco MP and Mayagüez CT with Natural Gas as Primary Fuel **NEPR-MI-2024-0004**

June 7, 2024

Edison Avilés Deliz
Chairman
Puerto Rico Energy Board
Via email: comentarios@jrsp.pr.gov

Comments on Genera Fuel Plan Case No. NEPR-MI-2023-0004 and Review of Genera PR, LLC Request to Operate Palo Seco MP and Mayagüez CT with Natural Gas as Primary Fuel NEPR-MI-2024-0004

Queremos Sol is a multisectoral coalition that proposes and advocates for the sustainable and equitable transformation of Puerto Rico's electric sector via efficiency and conservation, rooftop solar and storage, and a renovated public governance model (www.queremossolpr.org). Since 2018, we have been active participants in all matters related to Puerto Rico's energy sector.

Through an April 15, 2024 resolution, the Puerto Rico Energy Bureau (PREB) is requesting comments related to Genera Fuel Plan Case No. NEPR-MI-2023-0004. This docket addresses Genera's Fuel Optimization Plan (FOP). However, an intrinsic part of the FOP is the "fuel swap" that Genera proposes for the Palo Seco Mobile Packs and the Mayagüez Combustion Turbines. Through a May 9, 2024 resolution, the PREB opened a new docket, NEPR-MI-2024-0004, to evaluate the fuel swap proposal separately. Since matters related to NEPR-MI-2024-0004 are directly related and part of NEPR-MI-2023-0004, our comments address both dockets.

We first want to bring to the public record and to the PREB's attention comments made on May 9, 2024 by Genera directors and officials, on a call to investors, boasting on how the Puerto Rico Government was precisely doing as they said and as they expected them to do, in reference to their plans for the use of more natural gas on the island to benefit its parent company New Fortress Energy (NFE). Wes Edens, CEO of NFE (Genera's parent company), told investors:

“The government has done exactly as we said -- as we thought that they would. When FEMA decided to end the contract, the decision that was made to not only keep the power plants on and keep them using gas but to also greatly expand the use of natural gas around the island.”¹

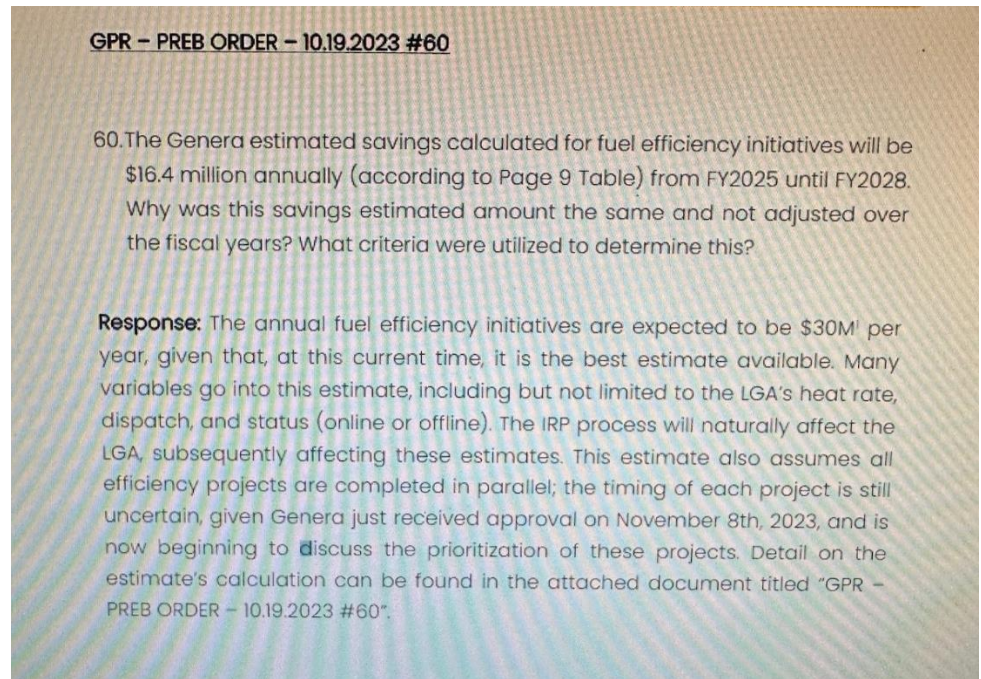
The “government” referenced by Wes Edens in the above statement is the Government of Puerto Rico, of which the PREB is its energy regulator. Thus, matters related to the two referenced dockets, should not be treated as mere procedural matters within the context of Genera’s contractual obligations under the privatization contracts. As we have previously alerted in communications to the public, to local and federal government agencies and to the PREB, Genera’s and New Fortress’ main motivation and objective in the privatization contracts is to increase use and dependency of natural gas in Puerto Rico, in order to financially benefit the parent company, NFE.

We raise an additional concern as to Wes Edens’ above assertion that a Puerto Rico Government decision exists to “greatly expand the use of natural gas around the island.” Who in government made that decision which is clearly contrary to the 2020 Integrated Resource Plan (2020 IRP) and contrary to the objectives of Public Law 17-2019? Was it the PREB? In response to questions previously raised by the PREB as part of NEPR-MI-2023-004, Genera admitted that they received approval on November 8, 2023 to proceed with the “efficiency projects.” (See screenshot below). Are these the projects Edens is celebrating beforehand with Genera’s and NFE’s investors? As you are aware, the attachment referenced in Genera’s response was deemed confidential, thus we do request that a list of these projects be disclosed and made available in these dockets for public review and comment.

¹ New Fortress Energy, Q1 2024 Earnings Call, May 8, 2024, https://finance.yahoo.com/news/fortress-energy-inc-nasdaq-nfe-203313059.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAKeztMFu3cl8E-IfscEnsPRkJTsycPHqUYLedsvsX-PCaULqWjyPiuXJvFmDCij5cq_e2RVYjLHeReW8xnXldCgYPEDrTcLp9MSIrvytc9ZKi7Vzf6fWvjRPwfHr0s7jPVL U24tWnnQG_HUdZR_PSenmgclqX3tKfcQOJ9sdjuW

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On the above referenced May 9, 2024 call to Genera's and NFE's investors, Wes Edens further addressed their strategic intentions for locking in long-term natural gas contracts with the Puerto Rico Government, as well as, a clear path in accomplishing this:

“What's left for us in Puerto Rico in our business is simply long duration, highly sustainable, highly predictable gas contracts for us all which is amazing. That's the outcome that we're looking for. And with this today, we can see the path to getting there exactly as we predicted.”³

Furthermore, as expressed by Genera CEO Brannen McElmurray in the May 9, 2024 call with investors, to accomplish this they would need to violate or derail Puerto Rico's mandated renewable energy policy goals, as their business strategy relies on low margins, which requires large volumes and long-term contracts to maximize revenue:

“The end state of this is we expect all oil and HFO power on the island to be retired and the island to be powered simply by natural gas supplemented with solar and battery and that is going to be Puerto Rico's future.”⁴

As Genera's intentions become a matter of public record, it is essential that the PREB incorporate these into a careful evaluation of matters pertaining to the above referenced

² Genera, Motion Submitting Final Response to Resolution and Order Dates October 19, 2023, Nov. 14, 2023, p. 15

³ New Fortress Energy, *supra* n.1

⁴ New Fortress Energy, *supra* n.1

dockets. By awarding the privatization contract to Genera, a subsidiary of NFE, the Government of Puerto Rico, including the PREB, opened the door and handed over Puerto Rico's generation fleet to a company that does not hesitate to violate federal regulations (as evinced in the case related to FERC and the natural gas terminal in San Juan) nor is troubled by expressing publicly their intent to interfere with Puerto Rico law. As the entity empowered by law to protect and defend the public interest on energy matters, the PREB cannot ignore such flagrant declarations which are clearly detrimental to our archipelago and represent a material obstacle to attaining 100% renewable energy by 2050. The PREB cannot allow NFE/Genera to strong-arm their way through this process in order to further their profit agenda. PREB must thus, move to condemn the remarks made by Genera and NFE officers and directors to investors, and also move swiftly to define pathways to cancel the Genera contract, as they clearly demonstrate to have conflict of interest and do not intend to abide by Puerto Rico's energy laws in contravention of law, morals and public order.⁵

We also include here comments and questions related to the above reference dockets:

- Why did the PREB allow and accept Genera's FOP filing when the P3A has yet to approve it and maintains discrepancies with Genera over it?
- Genera states that no incremental capital investments will be required for the fuel swap, yet this does not mean that funding is coming out of Genera's pocket. So, who is going to be paying for the "replacements"? Are federal funds being used for this? If so, which and what alternatives to the fuel swap were evaluated, including distributed renewable generation as essential service?
- What is the rationale to assume a 0.33 capacity factor (approximately) at Palo Seco and Mayagüez?
- The analysis of the fuel swaps needs to incorporate the negative impact of additional truck traffic from supply stations to generation plants. How many trucks are needed (daily/monthly) to achieve the assumed 0.33 generation capacity factor?
- The analysis for fuel swap needs to assess generation cost (\$/kWh) and thus the O&M cost of generating at Palo Seco and Mayagüez should be added to fuel cost.
- What are the revised safety plans for the operation of Palo Seco and Mayagüez (including natural gas delivery/storage)? Safety plans must include evacuation plans for employees as well as for communities and the public in the vicinity of the plants.
- What is the real cost of truck deliveries for the fuel swap? In their first models, Oct. 2023, Genera's price for land gas was estimated at \$14.30/MMBtu (NFE's land gas cost) which resulted in \$38mm/yr. estimated savings for Mayagüez. In the revised model, April 2024, they are estimating \$10.25/MMBtu (LNG San Juan) plus \$1 premium for logistics to Mayagüez. This results in their \$50 m/yr. savings estimate. However, Genera indicates that truck delivery will be procured, so the price and, thus, the amount of "savings", remain uncertain.

⁵ P.R. Civ. Code, 31LPRA Sec. 3372

- What are the impacts and risks of additional gas deliveries at San Juan as well as the impacts/risks of truck deliveries to Mayagüez?
- Genera/LUMA have already demonstrated lack of capacity to ensure LNG deliveries (after Ukraine war exploded and more recently with "miscalculation" of needed LNG for Costa Sur, Ecoeléctrica). How is this material risk being assessed and incorporated into the analysis?
- Which of the fuel strategies in the FOP will be implemented to supply natural gas at Palo Seco and Mayagüez? How can the PREB evaluate these fuel swaps in a separate docket when they have not yet evaluated or approved the portfolio optimization initiative in the FOP?
- The fuel swaps proposed were not evaluated in the 2020 Integrated Resource Plan (2020 IRP) and, if they were to be considered now, they need to be included in the new 2024 IRP process to account for public participation, public input and a robust evaluation of alternatives that advance Puerto Rico's renewable energy goals. As discussed above, Genera's motivation is a perverse interest for fuels swaps that could generate additional compensation for them, and their objective is derailing Puerto Rico's mandated renewable energy policy goals.

We also raise concern as to the natural gas supply contract entered between NFE and PREPA, which, to our knowledge, was not evaluated by the PREB even though it has considerable cost and energy sector impacts and implications. We thus, request that the PREB open a docket and investigation on this matter.

Lastly, we request that the PREB hold public hearings in Mayagüez, Toa Baja and San Juan regarding the FOP and the fuel swap, as communities within these municipalities will be negatively affected by what Genera is proposing and the PREB is considering. We appreciate the opportunity to present these comments.

Cordially,

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