GOVERNMENT OF PUERTO RICO PUERTO RICO PUBLIC SERVICE REGULATORY BOARD PUERTO RICO ENERGY BUREAU

IN RE: REVIEW OF GENERA PR, LLC REQUEST TO OPERATE PALO SECO MP AND MAYAGUEZ CT WITH NATURAL GAS AS PRIMARY FUEL CASE NO.: NEPR-MI-2024-0004

SUBJECT: Resolution and Order for Request for Leave to Change Cambalache Units 2 and

3 Primary Fuel to Natural Gas.

RESOLUTION AND ORDER

On July 23, 2024, Genera PR LLC ("Genera") filed before the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") a document titled *Motion to Submit Request for Leave to Change Cambalache Units 2 & 3 Primary Fuel* ("July 23 Motion").¹ Attached to the July 23 Motion, Genera included as Exhibit A a memorandum titled *Request for Leave to Change Cambalache Units 2 & 3 Primary Fuel to Natural Gas* ("Fuel Swap Memorandum"). Genera requested that the Energy Bureau approve the conversion of the primary fuel for Cambalache Power Plant's Combustion Units 2 and 3 from ultra-low sulfur diesel ("ULSD") to liquefied natural gas ("LNG"), while retaining ULSD as the backup fuel.² According to Genera, the proposed conversion is expected to result in fuel cost savings.

The state of the s

On November 20, 2024, the Energy Bureau issued a Resolution and Order ("November 20 Resolution") stating that the July 23 Motion was incomplete and lacked sufficient detail, clarity, and adequate information for a comprehensive evaluation. The Energy Bureau denied the request until Genera submits a proposal that includes specific information outlined in the November 20 Resolution.³



On March 6, 2025, Genera filed before the Energy Bureau a document titled *Motion to Submit Response to Resolution and Order dated November 20, 2024, for the Reevaluation of the Cambalache Fuel Swap Request* ("March 6 Motion"). Through its filing, Genera purports to submit its responses to the information requested by the Energy Bureau in its November 20 Resolution. As part of the March 6 Motion, Genera included the following exhibits and requested a confidentiality designation for Exhibit B:

SM

Exhibit A: Responses to Questions

Exhibit B: Cambalache CT Project Description

Exhibit C: Asset Purchase Agreement by and between NFE Power PR LLC as Seller,

The Puerto Rico Electric Power Authority as Buyer and New Fortress

Energy Inc. dated March 15, 2024

Exhibit D: Cambalache Fuel Swap Cost Savings

Exhibit E: Letter from de United States Environmental Protection Agency to Puerto

Rico Electric Power Authority dated July 5, 2006

Exhibit F: PREPA Cambalache Title V Permit.

² See, July 23 Motion, p.2

¹ See July 23 Motion.

³ In seeking to ensure the submission of a comprehensive petition that would allow for an adequate and efficient review, the Energy Bureau reminded Genera of the protracted nature of the prior proceedings, which required multiple requests for information and clarification in connection with the evaluation of similar fuel conversion proposals for certain combustion units at the Palo Seco and Mayagüez Power Plants. *See* November 20 Resolution, p. 1.

The request does not involve an increase in the capacity of the units, nor does it require repairs or improvements necessary to maintain the units in their current operational condition or to reduce their outage rate. As further discussed below, the request does not improve the overall capacity of PREPA's existing generation fleet. On the contrary, although not properly addressed by Genera, the proposed modifications are likely to affect the availability of the units during the period required to implement the necessary alterations to the units and the associated fuel handling infrastructure, which could extend to approximately two months.⁴ This estimate assumes that the units may be operated during the installation of the fuel handling facilities. However, if, for safety or regulatory reasons, the units cannot be operated during the installation period of the fuel handling infrastructure, the duration of their unavailability could be substantially longer, potentially extending up to approximately eight months, Genera does not take this posibility into consideration.⁵

In In

#

In addition, as further discussed below, under the existing air permits there are no limitations, there would be a limitation, reducing to approximately 3,504 hours per year, if the units are operated using LNG.⁶ Although the units are not designed to operate at such high-capacity factors under normal conditions, their availability during emergency events, when additional usage may be required, will be constrained by the limitations imposed under the revised permitted operating conditions for LNG. On the other hand, according to Genera, the amount of LNG available per day is limited to approximately 76,500 gallons.⁷ However, the quantity of LNG required to operate the units at 40% capacity factor is estimated at approximately 226,738 gallons.⁸

II. Scope of Fuel Swaps

A. Generation Units Conversion for Dual-Fuel Use

ABU

Natural gas (NG) is a naturally occurring hydrocarbon gas mixture composed primarily of methane, with varying amounts of other hydrocarbons and trace impurities. NG is one of the primary fuels used for combustion in power generation facilities, where it is combusted in gas turbines or boilers to produce electricity. Liquefied natural gas (LNG) is NG that has been cryogenically cooled to approximately -162°C (-260°F), causing it to condense into a liquid state, significantly reducing its volume for efficient storage and transportation. Upon regasification, LNG returns to its gaseous state and can be used in power generation facilities in the same manner as NG.



Conversions to natural gas typically involve modifying combustion units that operate on diesel to use natural gas as the primary fuel, while preserving dual-fuel capability. This allows operation with either natural gas or diesel. Gas conversions involve technical modifications and the installation of additional infrastructure to ensure operational flexibility and fuel supply safety. The conversion adapts the internal combustion engines to primarily run on natural gas, with the option to use diesel as a backup when necessary. This requires modifications or installations of dual-fuel injection systems, specific combustion controls, and monitoring equipment to efficiently switch between fuels.

In addition to engine modifications, gas handling and regasification infrastructure must also be installed, presumably within the existing premises. This includes distribution piping systems, control and safety valves, leak detection equipment, and measurement devices to ensure safe operation and compliance with applicable regulations. A key element is the regasification system, which will store LNG and convert it to a gaseous state for injection into the generation units. The regasification infrastructure includes cryogenic storage/buffer tanks, ambient vaporizers or other



⁴ See March 6 Motion, infra, Exhibit A, p. 12.

⁵ See Cost Breakdown & Timeline, March 6 Motion, infra, Exhibit B, p. 11.

⁶ See March 6 Motion, infra, Exhibit A, p. 14.

⁷ See March 6 Motion, infra, Exhibit A, p. 14.

⁸ See March 6 Motion, infra, Exhibit B, p. 47.

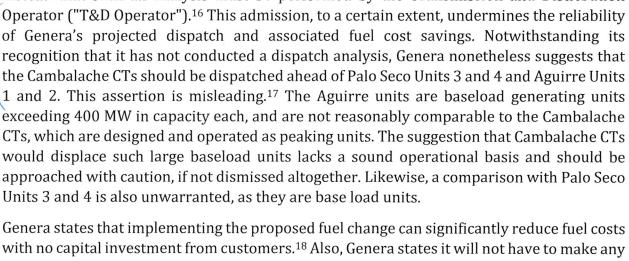
systems, pressure and temperature control equipment, and gas distribution piping. The LNG supply will be delivered by cryogenic trucks transporting LNG (LNG ISO trucks), which will be unloaded into cryogenic buffer tanks for subsequent vaporization and distribution to the generation

В. Cambalache CTs Proposed Fuel Swap

In this case, the Energy Bureau is specifically considering Genera's request to approve switching the primary fuel used to generate electricity to two (2) turbines units 2 & 3 at the Cambalache Power Plant in Arecibo ("Cambalache CTs")⁹ from ULSD to natural gas while allowing ULSD to remain as the backup fuel. 10 The Cambalache CTs are a set of two ABB dualfuel-capable 82.5 MW (nameplate)11 combustion turbines ("CTs") that began commercial operation in 1997. 12 According to Genera, the Cambalache CTs ran as peaking resources in 2024, with annual capacity factors of about 26%, for the period covered between July 2023 to June 2024. 13 Additionally, Genera states that the Cambalache CTs operate according to the Permit Title V issued by the Department of Natural and Environmental Resources ("DNER").14

In the Fuel Swap Memorandum, Genera describes its assumptions regarding the fuel costs that would be incurred using ULSD versus natural gas for Cambalache CTs. Genera calculates that operating Cambalache CTs on natural gas would save about \$24.31 million per year, compared with ULSD.¹⁵

In its filing, Genera acknowledged that it did not analyze the system dispatch impacts associated with the proposed fuel swap for the Cambalache combustion turbines, asserting instead that such an analysis must be performed by the Transmission and Distribution of Genera's projected dispatch and associated fuel cost savings. Notwithstanding its 1 and 2. This assertion is misleading.¹⁷ The Aguirre units are baseload generating units exceeding 400 MW in capacity each, and are not reasonably comparable to the Cambalache would displace such large baseload units lacks a sound operational basis and should be approached with caution, if not dismissed altogether. Likewise, a comparison with Palo Seco



⁹ For the avoidance of doubt and recognizing that the Cambalache Power Plant consists of three (3) principal units, Cambalache Units 1, 2, and 3, the term "Cambalache CTs" refers exclusively to Units 2 and 3 of the Cambalache Power Plant and does not encompass Unit 1 or any other unit located at the facility.

¹⁰ See, in general, Fuel Swap Memorandum.

¹¹ See Fuel Swap Memorandum, p. 4.

¹² The dependable capacity of each unit is 78 MW. See Fuel Swap Memorandum, p. 8.

¹³ *Id*, p. 5. In a subsequent submission, Genera asserts that the capacity factor for the period covered between October 2023 to September 2024 is 29%. See March 6 Motion, Exibiti A, p. 5.

¹⁴ *Id*.

¹⁵ See Fuel Swap Memorandum, Appendix A, p. 1. In a subsequent submission, Genera asserts that fuel swap savings would be about \$27.07 million per year, compared with ULSD. See March 6 Motion, Exibiti D, p. 1

¹⁶ See March 6 Motion, Appendix A, p. 6.

¹⁷ Id.

¹⁸ See Fuel Swap Memorandum, p. 4.

capital investments to complete the fuel swap initiative.¹⁹ Genera states that the "proposed fuel swap be performed along with a supply contract under an RFP process administered by the Third-Party Procurement Officer ("3PPO")".²⁰ Genera also states that "the entity who makes capital investments will be the selected entity by 3PPO under the RFP process that shall be published in the following 60-90 days."²¹ As of issuing this Resolution and Order, the Energy Bureau has not received the referenced Request for Proposals (RFP) from Genera or any other relevant party involved in the procurement process.

III. Analysis of the Cambalache CTs Fuel Swap Proposal

- A. Alignment with the Approved IRP and Energy Public Policy
 - (1) Alignment with Approved IRP

The Energy Bureau acknowledged the importance of thoroughly evaluating the proposed fuel swap initiative under provisions of the Approved Integrated Resources Plan ("IRP") ²² to ascertain its alignment with approved directives.

According to simulations conducted as part of the Proposed IRP,²³ Cambalache Units 2 and 3 were projected to retire in 2023 and 2037, respectively.²⁴ However, they were recommended to stay online for reserves and MiniGrid support.²⁵ The Approved IRP includes a retirement plan with different scenarios and timeframes for the generation assets, including PREPA's Legacy Generation Assets ("LGA"). The Energy Bureau approved the retirement plans for PREPA steam units under PREPA's caveats indicating a need for replacement capacity, assurance of meeting the overall reliability needs, and in alignment with more specific timing thresholds described in the Modified Action Plan.²⁶ As proposed by PREPA, the Cambalache CTs were not considered for retirement in the Modified Action Plan of the Approved IRP.

The Proposed IRP and its modeling results do not address the specific fuel swap proposed by Genera for the Cambalache CTs, nor do they directly evaluate the economics of using LNG ISO containers for the Cambalache CTs, as proposed by Genera. Notwithstanding, the Proposed IRP indicates that LNG containers could be used to deliver natural gas to peaking units such as Cambalache.²⁷ Additionally, using LNG ISO containers was acknowledged as a







¹⁹ See March 6 Motion, Appendix A, pages 39, 40, 42, 43 and 45.

²⁰ See March 6 Motion, Appendix A, pages 39 and 40. 3PPO is the office within P3 Authority responsible for the acquisition and analysis of matters in which there may be a conflict of interest between Genera and its affiliated companies or subsidiaries under the Generation OMA.

²¹ See March 6 Motion, pages 39, 42, 43, 45 and 64.

²² Final Resolution and Order on the Puerto Rico Electric Power Authority's Integrated Resource Plan, In re. Review of the Puerto Rico Electric Power Authority Integrated Resource Plan, Case No. CEPR-AP-2018-0001, August 24, 2020 ("Approved IRP"). Minor modifications and/or clarifications to the Approved IRP were introduced through a Resolution and Order on Reconsiderations issued by the Energy Bureau on December 2, 2020, in case: In re. Review of the Puerto Rico Electric Power Authority Integrated Resource Plan, Case No. CEPR-AP-2018-0001.

²³ PREPA's Motion to Leave File IRP Main Report "ERRATA" Version, dated June 19, 2019, which included a corrected version of the Main IRP Report submitted on June 7,2019, and is titled Integrated Resource Plan 2018-2019, Draft for the Review of the Puerto Rico Energy Bureau, Prepared for the Puerto Rico Electric Power Authority, June 7, 2019 (Rev. 2.1), In re. Review of the Puerto Rico Electric Power Authority Integrated Resource Plan, Case No. CEPR-AP-2018-0001 ("Proposed IRP").

²⁴ See Proposed IRP, infra, Section 8.2.3, p 8-24.

²⁵ See Proposed IRP, infra, Section 8.3.2, p 8-51.

²⁶ See Approved IRP, ¶ 630, p. 193.

²⁷ See Proposed IRP, Section 7.1.2.11, p. 6-14. [LNG or CNG containers also could be used to deliver natural gas to peaking sites such as Cambalache and Mayagüez].

potentially cost-effective option for fueling certain peaking units.²⁸ However, in the evaluation of other northern peaking units, PREPA noted that while LNG ISO containers could be an alternative fuel source, they are "generally more costly than bulk supply for large volumes of LNG."²⁹ PREPA did not recommend small-scale LNG delivered via ISO containers as a viable solution in the Proposed IRP, particularly because the analysis was focused on large-scale combined cycle units, where the economics of ISO containers were even less favorable compared to alternatives such as FSRUs.

Genera's proposal explicitly states that "no or minimal" capital investment must capture the Cambalache CTs fuel cost savings.³⁰ They are not proposing LNG infrastructure at the same scale as what was outlined in the Proposed IRP for other peaking units.³¹ They propose using LNG ISO containers to deliver fuel to Cambalache CTs, a method recognized as a potentially cost-effective alternative. Therefore, if the fuel cost savings proposed can be implemented as stated in Genera's proposal -without any capital investment that would impact ratepayers-the proposal would be aligned with the Modified Action Plan of the Approved IRP.

As asserted, the cost of LNG fuel is $$14.40/MMBtu.^{32}$ The projected cost of ULSD is estimated at \$19.72/MMBtu, resulting in proposed fuel savings of $$5.32/MMBtu.^{33}$

Genera's computations set forth the economic rationale for using lower-cost LNG (per MMBtu) in place of higher-priced ULSD at the Cambalache CTs. Genera proposes that savings would be generated based on the following key input assumptions:

- a. Fuel price differences per MMBtu for ULSD versus LNG.
- b. Annual electricity production from the Cambalache CTs units (based on an associated annual capacity factor estimate and considering permit limitations).
- c. Assumed heat rates for the units.34

Genera estimated annual savings of \$24.31 million for the Cambalache CTs.³⁵ This estimate is based on an assumed 78 MW capacity for each Cambalache unit, a 26% capacity factor, and heat rates allegedly derived from historical operation.³⁶

However, considering the caveats regarding capacity factor assumptions and other errors identified in Genera's calculations, as discussed in this Resolution and Order, the Energy Bureau acknowledges that some level of savings exist, though not to the extent originally calculated by Genera (\$24.31 million v. \$8.46 million). For example, Genera calculates the Cambalache CTs using the price of ULSD. However, there is no need to use ULSD at Cambalache, because the Cambalache CTs are not within the non-attainment area designated by the EPA. This means the units can operate on standard diesel instead of ULSD, which is a more expensive fuel. The projected savings are lower, even though the unit is operating on ULSD. Additionally, errors have been identified in Genera's calculations of the proposed







²⁸ *Id.*

²⁹ *See* Proposed IRP, Section 7.1.2.11, p. 6-14.

³⁰ See Fuel Swap Memorandum, pages 3-4. Also, see March 6 Motion, pages 39, 40, 42, 43 and 45.

³¹ It is important to note that LNG infrastructure costs were considered in the context of supplying the larger combined cycle units at Mayagüez and Palo Seco, with capital expenditures estimated to range from \$167 to \$222 million. *See* Approved IRP, ¶561, p. 158.

³² See Fuel Swap Memorandum, p. 7.

³³ Id.

³⁴ Id., pp.7-9.

³⁵ Id., p.7.

³⁶ *Id.*, p.7.

reductions. However, it is acknowledged that reductions do exist and will benefit the ratepayers.

Based on the reasons discussed, the Energy Bureau finds that the proposed fuel swap for the Cambalache CTs <u>is not inconsistent with the Approved IRP</u>.

(2) Alignment with Energy Public Policy

To support compliance with energy public policy, Genera argues that Article 1.11 of Act 17-2019 mandates the conversion of all existing PREPA units to dual-fuel capability, with one of the fuels being natural gas. However, this interpretation is incorrect, as Section 1.11 of Act 17-2019 explicitly states it does not apply to operators of the Legacy Generation Units; rather, it applies to PREPA Generation Legacy Assets sold as part of a PREPA Transaction. Nevertheless, Act 17-2019 does not prohibit existing units within PREPA's Generation Legacy Assets from being converted to dual-fuel capability. Therefore, if a proposed conversion aligns with the Approved IRP and applicable energy public policy principles, the Energy Bureau may authorize the conversion of a PREPA Legacy Generation Asset to dual-fuel use, with natural gas as one of the fuels.

Ju,

#

A careful review of Genera's filings also shows that the proposed fuel swap substantially aligns with the energy public policy, as it meets the objectives of providing affordable and reasonable electric power service, allowing fossil fuel units to operate with multiple fuel types, including natural gas, ensuring that fuel and power purchases are made at reasonable prices based on market and local conditions, and promoting small-scale power plants with a diversified fuel mix.³⁷

Despite the foregoing, to fulfill the mandate established in Article 1.5(3)(c) of Act 17-2019 and ensure that fuel procurement for power generation occurs at reasonable prices, certain conditions must be implemented to maintain low fuel costs and prevent monopolistic control over natural gas delivery.³⁸ These conditions are essential to align with Puerto Rico's energy public policy and account for market price fluctuations, geographic realities, and the existing energy infrastructure.

and

B. Relevant Permits

According to Genera's claims, Cambalache CTs operate under the Permit Title V issued by the DNER on May 31, 2005, which authorizes the operation of the two CTs using fuel oil #2. Cambalache CTs currently may not operate using natural gas. The conditions in the permit for the operation of Cambalache CTs would need to be modified to allow the use of natural gas. ³⁹ Additionally, a Prevention of Significant Deterioration ("PSD") analysis, including revised natural gas emission calculations, must be submitted to the Environmental Protection Agency ("EPA"). Genera has submitted no further information about other local or federal permits necessary for implementing the proposed fuel swap at Cambalache, nor has it provided a detailed schedule for obtaining such permits.

Genera has conveyed, both in its filings and public representations, that the project is effectively ready for implementation, pending only the Energy Bureau's approval. However, it has not provided a reasonable timeline for securing several key permits that are typically required for projects of this nature. Based on experience with similar permitting processes,

It is hereby declared as public policy of the Government of Puerto Rico: ... (c) To ensure that the purchase of fuel for energy generation and the purchases of power for the transmission and distribution network are made at a reasonable price that takes advantage of the reductions in the costs of supplies according to the market, the geographical realities, and the realities of Puerto Rico's electrical power infrastructure, among other factors;...

³⁷ See, in general, Article 1.5 of Act 17-2019.

³⁸ Article 1.5(5)(c) of Act 17-2019 provides as follows:

³⁹ See Fuel Swap Memorandum, p. 5.

obtaining these authorizations can be complex and time-consuming, raising questions as to whether the project is as imminently executable as Genera has suggested.

The Energy Bureau **CLARIFIES** that it is solely Genera's responsibility to obtain all required permits for the project's execution, and the Energy Bureau has not assessed the status or adequacy of these permits. To the fullest extent possible, all permits obtained in connection with the proposed fuel swap must be secured to benefit PREPA, ensuring that if Genera or the selected fuel supplier is replaced, the transition to a new party remains seamless and does not disrupt fuel supply or operations. Further, Genera **SHALL** only operate the Cambalache CTs using natural gas once it fully complies with all applicable legal requirements and permits.

C. Project Cost Estimates

In the Fuel Swap Memorandum Genera submitted certain information related to the scope of work and costs associated with the requested conversions for the Cambalache CTs. Genera indicated that converting the Cambalache CTs from their current fuels to natural gas is not expected to involve any capital improvements for PREPA.⁴⁰ In the Fuel Swap Memorandum, Genera indicated that "Genera, with the approval of PREB, seeks to implement projects that can substantially reduce fuel costs with no or minimal capital investment and achieve fuel cost savings until units of the LGA are retired or replaced."41 However, in the March 6 Motion, Genera asserted that "the costs associated with the replacement of each of the aforementioned components shall be borne by an Affiliate of Genera, as delineated in the LGA OMA".42 Also, Genera states that "as an entity who administers Legacy Generation Assets, Genera will not have to make any capital investments to be able to complete this fuel swap initiative".43 Likewise, Genera states that "recommends that this proposed fuel swap be performed along with a supply contract under an RFP process administered by 3PPO. The entity who makes capital investments will be the selected entity by 3PPO under the RFP process that shall be published in the following 60-90 days."44 The foregoing demonstrates that the information submitted by Genera about who will assume the costs of the conversions is substantially contradictory and lacks clarity.

The total cost breakdown for the fuel swap project for the two CTs at the Cambalache facility, including new components, replacement of damaged ones, and regasification infrastructure, is approximately \$32 million. According to Genera, the construction cost of at the Cambalache facility is \$5.4 million, and the cost of the infrastructure for gas handling, which includes the regasification units, amounts to \$26.6 million.

Contrary to Genera's initial representations, the information obtained through the Energy Bureau's detailed request for information reveals that the proposed project is a more complex initiative than originally suggested. The expenses necessary for the conversion of the units will not necessarily be minimal, nor will they be covered by Genera's affiliates. Instead, in its most recent filing, Genera proposes that all costs, both those associated with the conversion of the units and those necessary for regasification, be covered by the company that will supply the LNG.⁴⁸









⁴⁰ See Fuel Swap Memorandum, p. 3.

⁴¹ *Id*.

⁴² See March 6 Motion, Exhibit A, p. 10.

⁴³ See March 6 Motion, Exhibit A, p. 39, 40, 43, 44, 45.

⁴⁴ Id., and March 6 Motion, Exhibit A, p. 64.

⁴⁵ See March 6 Motion, Exhibit B, p. 4 and 11.

⁴⁶ See March 6 Motion, Exhibit B, p. 4.

⁴⁷ See March 6 Motion, Exhibit B, p. 11.

⁴⁸ See March 6 Motion, Exhibit A, pp. 39-45.

One matter of concern identified by the Energy Bureau is that, in its filings, Genera asserts that no funds from its Operational Budget will be used for implementing the Cambalache CTs conversions. Genera has also represented that the costs associated with the conversions will be covered by the company that will supply the LNG, following the completion of a request for proposals process allegedly being conducted by 3PPO, or, in certain cases, asserts that they will be covered by an affiliate. However, in the *Cost Breakdown & Timeline* submitted by Genera, the company states that approximately \$700,000 has been invested in completed engineering work, and an additional \$1 million has been spent on environmental permitting processes that have commenced. Genera also indicates that it has \$7.5 million worth of equipment in stock. This amounts to \$9.2 million, and **Genera must clarify whether these funds were drawn from its Operational Budget or contributed by another party to advance phases of a project that has not yet been approved.** It must be noted that if such operational expenses were incurred using Genera's Operational Budget, they could constitute non-allowable expenses under Generation OMA, which Genera may have to reimburse if found to have been incurred improperly.

14

D. Proposed Implementation Schedule

In its March 6 Motion, Genera states that the lead time of some parts that need refurbishing or purchasing is expected to reach up to thirty-two (32) weeks sometimes, and once all parts are on hand, each unit can be taken out of service for approximately six (6) weeks for installation and one (1) week for commissioning.⁵¹ According to Genera, project is expected to be executed within thirty-nine (39) weeks of notice to proceed.⁵² The timeline does not appear to be reasonable, particularly given the complexity of the environmental permitting process described, which requires EPA approvals.

Consistent with the Energy Bureau's assessment of timeline inadequacy, Genera, in a filing before the Energy Bureau, asserts that completing all phases required for the installation of regasification units -similar to those planned for the Cambalache CTs-will take more than a year.⁵³ This acknowledgment underscores the complexity and extended timeline associated with implementing the proposed fuel conversion.

E. Cambalache CTs Capacity Factor

The recent average capacity factors for the Cambalache combustion turbines, excluding data from 2024, which is not considered a typical year due to the atypical shortage of generation resources, are approximately 19%.⁵⁴ These figures reflect values even above their typical role as peaking plants, which are primarily used during periods of high demand or unexpected outages, except for the outlier year of 2024.⁵⁵ The data provided by PREPA as part of the Proposed IRP establishes that, for the years between 2013 and 2018, the average capacity factor of the Cambalache CTs was less than ten percent (10%).⁵⁶

⁴⁹ *Id.*

⁵⁰ Id.

⁵¹ See March 6 Motion, Exhibit A, p. 12.

⁵² See March 6 Motion, Exhibit B, p. 5.

⁵³ See In Re: Genera R LLC Fuel Optimization Plan, Case No. NEPR-MI-2023-004, Motion to Reconsider Final Resolution and Order on Genera's Fuel Optimization Plan from November 22, 2024, filed by Genera on January 23, 2025 ("January 23 Motion"), p. 4.

⁵⁴ March 6 Motion, Appendix A, p. 51.

⁵⁵ See March 6 Motion, Appendix A, p. 51. The average capacity factor for 2024 is not representative of the unit's typical operation, as it reflects the interruptions that occurred during the year. Therefore, this capacity factor is not being used to represent the units' typical operating capacity factor.

⁵⁶ See Proposed IRP, Exhibit 4-1 (Summary of Existing Plant Characteristics and Performance), p. 4.1.

The savings proposed by Genera are based on a 26% capacity factor, which falls within the range of an intermediate load unit rather than a Peaker. This assumption exceeds the historical usage patterns, where the Cambalache CTs typically operate below 10% capacity factor. If the units continue to operate at a more representative capacity factor, the actual savings would be substantially less than what is projected under the 26% capacity factor scenario. Under these circumstances, the projected savings could be as low as \$17.52 million for a 20% capacity factor, of which only \$8.76 million would directly benefit ratepayers, and \$8.67 million for a 10% capacity factor, with just \$4.34 million accruing to ratepayers.

In addition, the capacity factor from historical levels to the proposed 26%, will undoubtedly lead to increased operating and maintenance costs for the Cambalache CTs. Running the units more frequently will accelerate wear and tear, resulting in higher expenses for maintenance, repairs, and replacement of components. These additional costs will further diminish the potential savings from the fuel switch, as the anticipated financial benefits may be offset by the increased expenditure required to keep the units operating reliably at a higher utilization rate. It is further noted that in its most recent filing, Genera uses a 32% capacity factor for its calculations. Should this level of utilization materialize, it would result in increased use of the units and higher operation and maintenance costs associated with their continued operation.⁵⁷

14

Another factor of concern is that, in the March 6 Motion and exhibits, Genera consistently discusses operating the Cambalache CTs at capacity factors ranging from 40% to as high as 85%. For instance, the calculation of LNG ISO tanks required per day is based on a 40% capacity factor,⁵⁸ while the sizing of the LNG storage tank assumes a capacity factor of 85%.⁵⁹ This approach is not only inconsistent with the assumptions in the July 23 Motion, but also raises serious concerns, as operating the units at such elevated capacity factors, more characteristic of baseload generation, could significantly affect their availability and substantially increase maintenance costs. These consequences would likely erode the projected fuel cost savings and could negatively impact system reliability, further contradicting the Approved IRP, which endorsed retaining the Cambalache CTs, after the projected retirement dates of 2023 and 2037, to support the MiniGrids and not for sustained use as baseload units, an operational role for which these units were not designed.

In addition, Genera acknowledges that operating the Cambalache CTs at capacity factors exceeding 40% would require investments in additional control equipment to avoid triggering Prevention of Significant Deterioration ("PSD") regulatory requirements.⁶⁰ However, Genera's proposal fails to address critical aspects related to this issue, including the estimated cost of such control equipment, who would be responsible for bearing that cost, how the project timeline would be affected if these capacity-enhancing measures are implemented, and how the anticipated environmental benefits of switching from ULSD to a cleaner-burning fuel like natural gas may be offset by increased emissions resulting from higher operating capacity with natural gas.⁶¹

Given these circumstances, it is crucial to closely monitor the implementation of the proposed fuel swap to ensure that the changes result in meaningful savings and that the approval does not merely facilitate a fuel switch that primarily benefits an LNG supplier

⁶⁰ See March 6 Motion, Appendix A, p. 5.





⁵⁷ See March 6 Motion, Exhibit C.

⁵⁸ See March 6 Motion, Appendix A, p. 1.

⁵⁹ See March 6 Motion, Appendix A, pp. 3-4.

without providing tangible advantages to ratepayers.⁶² Additionally, if the proposed fuel supplier is an Affiliate of Genera, heightened scrutiny is necessary to prevent conflicts of interest in the implementation of the proposed fuel swap project.⁶³

F. Compliance with Section 5.6 (b) of the Generation OMA

Under Section 5.6(b) of the Generation OMA, capital improvement projects of PREPA's LGA proposed to be made, owned and funded by Genera or its designated affiliate, must be presented in sufficient detail to enable the Energy Bureau to make a fully informed assessment. Genera's insufficient or non-responsive information regarding (i) existing infrastructure to be used for the supply of the LNG; and (ii) the ownership and the costs of the capital improvements, including the transfer of ownership to assure PREPA is the owner of the certain capital improvements resulted in delays to analyze the proposed Cambalache fuel swap.

The Energy Bureau believes that PREPA should be the exclusive owner of all necessary improvements to implement the Cambalache CTs fuel swap unless it complies with Section 5.6(b)(i) of the Generation OMA.⁶⁴ This section allows Genera, subject to the evaluation of the requirements established therein and the approval of the Energy Bureau, to qualify as the owner of the proposed improvements or the regasification facilities intended for the fuel switch. However, Genera has not provided reasonable explanations to justify how a third party could invest in PREPA's assets and then transfer them to PREPA for free outside the scope of the provisions outlined in Section 5.6(b)(i) of the Generation OMA. Neither Genera demonstrated that the regasification units installed by a natural gas supplier (or by Genera) can be used at no cost or at a reasonable cost by other natural gas suppliers to avoid monopolization by a single gas supplier if it has exclusive access to supply natural gas to PREPA units subject to the gas conversion. Genera did not demonstrate that the removal of the regasification infrastructure is feasible within a reasonable timeframe, allowing other fuel providers to install their own regasification facilities without imposing onerous conditions on the new supplier or limiting PREPA's use of the generating units supplied by

The ownership of regasification units to supply natural gas to the plants for which conversion is requested would grant a significant benefit to a fuel supplier. Genera itself acknowledged in a recent document submitted to the Energy Bureau the possibility that the installation of regasification units could be subjected to a competitive bidding process, combined with the establishment of a long-term gas supply contract. This is a mechanism similar to what was used in relation to the conversion of Units 5 and 6 of the San Juan Power Plant.

The approval of the proposed natural gas conversion for the Cambalache CTs presented by Genera could significantly impact the cost of electric service over several years, particularly fuel costs. While this may seem like a cost-saving measure, in the long term, PREPA could become dependent on the company providing the regasification facilities, which could expose it to potential monopolistic practices by that company and increases in fuel costs. Genera's parent company has acknowledged the significant barriers to entry that potential competitors may face in the natural gas market in Puerto Rico as a result of its current







⁶² This should not be seen as a limitation on the dispatch of the Cambalache CTs, but rather as an acknowledgment that the annual savings would likely be even lower than Genera's estimates.

⁶³ In a recent investor call, New Fortress emphasized to its investors the potential to substantially increase natural gas sales to several PREPA units, including the Cambalache units, highlighting the associated benefits and noting that, aside from the investment in regasification units, no additional capital expenditures are expected to be incurred by New Fortress. This representation raises concerns as to which party will ultimately bear the costs necessary to upgrade or improve the Cambalache CTs, thereby creating uncertainty regarding the allocation of responsibilities and financial burdens associated with the proposed fuel conversion. *See, Earnings call transcript: New Fortress Energy Q4 2024 beats earnings estimates*, Investing.com (March 3, 2025). Available at: https://www.investing.com/news/transcripts/earnings-call-transcript-new-fortress-energy-q4-2024-beats-earnings-estimates-93CH-3904375 (last visited July 3, 2025).

⁶⁴ Although Genera has not been able to demonstrate it, it asserts that the investments proposed in relation to the conversions, in its view, are not subject to Section 5.6(b)(i) of the Generation OMA.

market position.⁶⁵ These barriers are further reinforced by the strategic advantages derived from the operation of legacy generation assets by its subsidiary, Genera, which places the company in a uniquely favorable position relative to other prospective gas suppliers.⁶⁶

G. Considerations in Natural Gas Pricing

(1) Current Prices

The price under the existing natural gas contract covering the Cambalache CTs does not appear to be favorable for the proposed natural gas conversion. PREPA has a contract with NFEnergía LLC ("NFE"), an affiliate of Genera, to supply natural gas to the temporary generation units located at the Palo Seco and San Juan power plants.⁶⁷ This contract also allows NFE to supply natural gas to any other existing PREPA unit in Puerto Rico. Under the terms of the Temporary-Units Contract, NFE is required to install, at its own cost, the necessary regasification units to supply natural gas to PREPA facilities that do not currently use it. The contract has a one-year (1) term, with the option of three (3) additional one-year renewals, allowing for a total duration of up to four (4) years. The approximate price of natural gas under this contract is \$14.40/MMBtu. However, under a separate contract, 68 NFE supplies natural gas to Units 5 and 6 of the San Juan Power Plant at a significantly lower price of approximately \$11.25/MMBtu—about 28% less than the rate under the Temporary-Units Contract. Additionally, under the recently approved gas powered generating facility in San Juan, NFE agreed with the P3 Authority to supply natural gas under a long-term contract at an approximate rate of \$10.25/MMBtu, which is 40% lower than the price under the Temporary-Units Contract.⁶⁹ This demonstrates that entering into contracts with longer terms, such as five years, can secure significantly lower prices, resulting in greater savings for the benefit of ratepayers.

(2) Impact of Ownership of Regasification Units on Natural Gas Price

The installation of regasification units will create entry barriers for other potential natural gas suppliers to the units authorized for conversion. This is because the development and installation of such units require considerable time for planning, design, permitting, and construction. The entity that initially installs these units will gain a competitive advantage, as any new supplier entering the market would face a prolonged process—potentially exceeding a year—to remove existing units and install new ones.⁷⁰

It would not be practical for PREPA to take the generation units out of service solely to replace the natural gas supplier, which would inherently favor the initial supplier. This situation could lead to a lack of competition, making it difficult to secure competitive prices. PREPA would be effectively bound to maintain the contract with the company that originally installed the regasification units, particularly if the contract is for a short period, such as one year. A short-term timeline will not allow sufficient time to plan for new competitive







⁶⁵ See, in general, Earnings call transcript: New Fortress Energy Q4 2024 beats earnings estimates, Investing.com https://www.investing.com/news/transcripts/earnings-call-transcript-new-fortress-energy-q4-2024-beats-earnings-estimates-93CH-3904375 (last visited on July 3, 3035).

⁶⁶ Id.

⁶⁷ Natural Gas Sale and Purchase Agreement, Natural Gas Supply (Palo Seco, San Juan and Other Generation Units Around the Island, between NFEnergía LLC and Puerto Rico Electric Power Authority dated March 15, 2024 (the "Temporary-Units Contract"). See, Request to Make Responses to Case No. NEPR-MI-2021-0014 April 11, 2024 Order Part of the Docket of the Case of Caption, pages 67-137.

⁶⁸ Fuel Sale and Purchase Agreement between NFEnergía LLC and Puerto Rico Electric Power Authority, dated March 5th, 2019, Contract No. 2019-P00079 (the "Units 5-6 Contract"). https://consultacontratos.ocpr.gov.pr/

⁶⁹ See, Puerto Rico Public-Private Partnerships Authority's Request for Issuance of Energy Compliance and Request for Confidential Treatment of Documents, dated November 22, 2024, Exhibit I, Power Purchase and Operating Agreement by and between Energiza LLC and The Puerto Rico Electric Power Authority, p. 23 ["Fuel Price Index" means (115% * HH + \$7.95) in US\$/MMBtu for natural gas fuel.], filed in case In Re: Certificate of Energy Compliance, Case No.: NEPR-AP-2024-0003.

⁷⁰ See January 23 Motion, p.4.

processes or to design the logistics to replace an existing supplier. For example, in a five-year contract, if the competitive process is completed well in advance and a new bidder is selected with adequate lead time, they can initiate the necessary steps to develop the required infrastructure and ensure a seamless transition for natural gas supply. Without sufficient anticipation, the ability to secure alternative suppliers and implement logistical adjustments will be significantly constrained.

For further confirmation of the foregoing analysis, refer to Genera's January 23 Motion, where Genera acknowledges that the design and installation of regasification units will be a lengthy process. Additionally, Genera states that if the fuel supplier, its affiliate, NFE, opts to remove the existing regasification infrastructure, replacing it would involve a design, procurement, and installation period of up to a year. Genera also asserts this would require PREPA to make a capital investment at least equal to that of its affiliate. Meanwhile, fuel costs for operating these units with ULSD would rise significantly until the new infrastructure is in place.

#

To mitigate this risk, it may be beneficial to conduct a public bidding process, allowing multiple companies to submit proposals to cover the costs of the conversions and the installation of regasification units for long-term natural gas supply. This approach would promote competition and help secure more favorable pricing for PREPA.⁷³ Likewise, PREPA or the P3 Authority may take advantage of other procedures available under existing laws and regulations to directly negotiate these agreements, provided that such processes yield substantial benefits for ratepayers.

Given these considerations, the Energy Bureau emphasizes that, as part of the gas conversion process, the option of conducting a Request for Proposals ("RFP") should be explored to allow the participation of multiple natural gas suppliers. This would ensure a competitive and transparent selection process that fosters better pricing and contractual conditions for PREPA. An RFP would facilitate the evaluation of multiple offers related to the required improvements for unit conversions, the installation of regasification units, and the long-term supply of natural gas. This process would also help mitigate risks associated with limited competition while ensuring greater operational and financial flexibility for PREPA.

Although Genera has not requested an amendment to the Cambalache CTs fuel swap, it has informed the Energy Bureau that it is in discussions with the P3 Authority regarding the parameters and development of an RFP for a new fuel supply agreement that could be used for Palo Seco and other sites across the island, which the 3PPO could manage. According to Genera, the RFP would further elaborate on the concepts and documentation requested by the Energy Bureau, particularly regarding the ownership of improvements and regasification units, as well as their accessibility to different natural gas suppliers. Genera asserts that as part of this process, a requirement should be included mandating that any fuel provider install, own, commission, operate, and maintain the necessary regasification equipment. Additionally, upon contract termination, the provider would either remove all supplied equipment if the agreement were short-term or transfer the equipment to PREPA under a build-own-transfer model if the agreement is long-term and allows the fuel provider to recover equipment costs during the contract term. Genera also recommends pursuing

⁷¹ *Id.*

⁷² *Id.* Specifically, Genera states:

^{8.} Moreover, if Genera affiliate decides to remove its owned regasification infrastructure being used for these generation units, it will take up to a year to design, procure and install a new regasification infrastructure, which will require a capital investment from PREPA equal to or higher than Genera's affiliate, not to mention the substantial increase in fuel costs for the operation of these units with ULSD until new regasification infrastructure is installed.

⁷³ Although involving a larger and more complex project, a similar approach was followed in connection with the conversion of San Juan Plant Units 5 and 6. See In Re: Request for Proposals for Conversion of San Juan Units 5 and 6 to Natural Gas, Case No. CEPR-AI-2018-0001.

⁷⁴ See March 6 Motion, page 39, 40.

longer-duration contracts, which it suggests would result in a reduced fuel rate benefiting PREPA. 75

The foregoing arguments presented by Genera acknowledge the risks identified by the Energy Bureau regarding the ownership of the regasification units, highlighting the need to implement measures to safeguard the public interest. Additionally, Genera recognizes that proper contractual and regulatory provisions must be established to ensure transparency, fair competition, and the long-term accessibility of these assets to benefit the energy system.

The Energy Bureau recognizes that an alternative mechanism could be established to allow other natural gas suppliers to access Genera's or its affiliates' regasification facilities under fair and competitive terms. This approach could involve setting access fees and terms of use through regulatory proceedings with the Energy Bureau, ensuring equitable conditions for all market participants. However, implementing such a framework would be more complex and require significant time for design, implementation, and oversight. Defining clear access rules, fair fees, and dispute resolution mechanisms could delay the entry of new suppliers, thereby postponing the realization of projected savings for PREPA and its customers.

Therefore, the Energy Bureau considers that conducting a competitive RFP process in the short term or engaging in a legally permitted negotiation process is a more efficient and practical approach to securing competitive prices and fostering greater competition in the natural gas supply market. Through these processes, PREPA or the P3 Authority could select the supplier offering the most advantageous economic and technical conditions while ensuring the continuity and reliability of the generation service.

IV. Consideration of the Cambalache Fuel Swap as an Initiatives under the FOP

As part of its request to convert the units to natural gas, Genera asserts that the proposed initiative aligns with the fuel optimization framework in the Generation OMA⁷⁶, which could make it eligible for an incentive equal to 50% of the fuel cost savings expected to result from the Cambalache CTs conversion.⁷⁷ However, the Energy Bureau considers that the approval of the conversion is an independent process from the approval of a fuel optimization initiative (Fuel Optimization Plan, or "FOP") under the Generation OMA. Therefore, while conversion to natural gas may be consistent with the approved Integrated Resource Plan (IRP) and, thus, viable for authorization, this does not automatically mean it should be recognized as an initiative justifying an additional incentive under an FOP. Granting such an incentive under an FOP depends on Genera presenting initiatives that exceed its contractual obligations under the Generation OMA, rather than simply carrying out the tasks it must perform under the contract.

At first impression, the Energy Bureau considers that the proposed conversion of the Cambalache CTs to natural gas does not constitute a new initiative that would justify an additional incentive, particularly given it was already evaluated, to some extent, as part of the Integrated Resource Plan procedure, though it was ultimately not approved. PREPA, considering this denial, chose not to pursue it further. Additionally, as proposed, an affiliate of Genera would benefit from the sale of natural gas, while Genera itself would derive additional economic gains through the requested incentive. Under the alleged contract for the supply of natural gas to the Cambalache CTs, Genera's affiliate company must provide the regasification units at no additional cost; that is, the cost is already included in the price of the natural gas. Therefore, providing an additional incentive to Genera could be inequitable and contrary to the public interest. Nevertheless, should Genera submit this initiative for consideration under a FOP as an incentive-eligible project, the Energy Bureau will undertake its evaluation in due course.

⁷⁶ See Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement, dated January 24, 2023, executed by and among PREPA, the Puerto Rico Public-Private Partnerships Authority ("P3 Authority") and Genera, hereinafter the "Generation OMA".

⁷⁵ *Id*.

⁷⁷ See July 23 Motion, p. 2.

Notwithstanding the foregoing, the Energy Bureau has granted preliminary approval to certain aspects of a proposed amendment that eliminates all performance-based incentives under the Generation OMA in exchange for a lump-sum payment to Genera. This proposed amendment retroactively cancels all incentive categories, including fuel savings, and replaces them with a fixed payment structure purported to offer long-term cost savings and administrative simplicity. Consequently, the subsequent evaluation of the Cambalache CTs fuel swap as an initiative under the Fuel Optimization Plan ("FOP") might be rendered academic.

V. Conclusion

The Energy Bureau **REAFFIRMS** its ongoing commitment to expediting the evaluation of fuel swap requests in a manner consistent with the public interest. While the time taken to evaluate the proposed fuel swap in this case may appear lengthy, the procedural history of this matter clearly demonstrated the need for additional information to ensure a sound and well-informed determination. Even after Genera opted to proceed with the conversion following the November 20 Resolution, several of its representations, statements, and explanations remained vague, incomplete, contradictory, or otherwise unresponsive. In certain instances, the Energy Bureau was also required to conduct analyses that should have been provided as part of Genera's original submission. As with other fuel swap requests, these deficiencies constrained the Energy Bureau's ability to make a prompt decision. Nevertheless, given the complexity of the issues involved and the obligation to safeguard the public interest, the Energy Bureau reached a determination more quickly than might reasonably have been expected.

Contrary to Genera's claim, Act 17-2019 does not require all PREPA units to be converted for dual-fuel capability, with one of the fuels being natural gas. The provision mandating dual fuel capability for new or existing units does not extend to PREPA's Legacy Generation Assets. The law specifies that if any legacy asset is sold as part of a PREPA Transaction, it must be converted for dual fuel use under the legal requirements. However, we emphasize this requirement does not apply to units retained by PREPA for operation by a private operator under a contract like the Generation OMA. Nevertheless, the law does not prohibit existing units that are part of PREPA's Generation Legacy Assets from being converted for dual fuel use. Therefore, if consistent with the Approved IRP and the applicable principles of the energy public policy, the Energy Bureau may approve the conversion of a PREPA's Legacy Generation Asset to dual fuel capability, with natural gas as one of the fuels.

After reviewing the information submitted by Genera, and based on the preceding analysis, the Energy Bureau concludes that Genera did not adequately address the issue of ownership by Genera and/or its Affiliates concerning the improvements required for implementing the proposed fuel swap at Cambalache CTs. Genera failed to properly address the ownership and operation of the regasification units needed to effectively manage the natural gas operations at the Cambalache CTs.

As explained above, if Genera or its Affiliates intended to incur, in whole or in part, the capital expenses to carry out the Cambalache CTs conversion pursuant to Section 5.6(b)(i) of the Generation OMA, they were required to comply with the specific conditions outlined in that section. These conditions mandated that Genera provide the Energy Bureau with: (i) a detailed description of the proposed capital improvement sufficient to enable a thorough assessment and analysis, (ii) a clear explanation of how the expected rate of return for Genera's investment would align with the returns allowed for similar investments in the U.S. generation sector, (iii) a detailed method for calculating the expected rate of return, including sample calculations, (iv) confirmation that the proposed investment was consistent with the Approved IRP and Puerto Rico's energy policy, and (v) a rationale for why the proposed capital improvement should not be addressed within the pending rate Genera failed to meet these requirements, as the information and explanations provided were insufficient to satisfy some of these conditions. The submissions lacked the necessary detail, clarity, and substantiation needed for a comprehensive evaluation by the Energy Bureau, thereby failing to establish compliance with Section 5.6(b)(i).

The Energy Bureau **DETERMINES** that the information and explanations provided by Genera do not satisfy the requirements for Genera or its Affiliates to qualify as owners of the proposed improvements or the regasification facilities intended for the Cambalache CTs fuel swap. Allowing Genera or its Affiliates to assume ownership of these assets under the terms proposed in Genera's request poses a significant risk to reducing or eliminating a competitive natural gas market in Puerto Rico. Such ownership could undermine the ability of other gas suppliers to compete on equal terms for fuel supply, potentially leading to market distortions and impairing the open competition necessary for fair pricing and reliability in the energy sector.

In

Notwithstanding Genera's failure to meet certain key requirements for the approval of its proposal, the Energy Bureau recognizes that other compelling factors, as discussed in this Resolution and Order, weigh in favor of a conditional approval. These factors include the urgent need to stabilize fuel prices, reduce energy costs, and ensure compliance with the Approved IRP and Puerto Rico's energy public policy. The proposal's potential to enhance adherence to environmental requirements and promote the benefits of cleaner fuels further supports its conditional approval.

#

Considering all these factors, and with public interest as the guiding principle, the Energy Bureau **DETERMINES** that the balance of interests favors the conditional approval of Genera's proposal, subject to the satisfaction of specific conditions and requirements listed in this Resolution and Order to ensure compliance with regulatory standards and safeguard the competitive natural gas market. Therefore, the Energy Bureau **CONDITIONALLY APPROVES** the fuel swap for the Cambalache CTs, subject to the fulfillment of the following conditions:

Smu

- (i) The P3 Authority, 3PPO or PREPA SHALL execute a competitive procurement process, which may include either an RFP or any other legally permitted process (not necessarily an RFP). This process must ensure, to the extent feasible, the participation of multiple natural gas suppliers, fostering a transparent and competitive selection that secures the most favorable economic and technical conditions for PREPA. Any selected approach must guarantee long-term cost-effectiveness, operational reliability, and financial benefits for ratepayers. The execution of this process will be a prerequisite to proceeding with the conversion, ensuring that the supply arrangements promote market competition and do not create undue entry barriers for alternative suppliers. The scope of the project **SHALL** include the conversion of the Cambalache CTs to operate on dual-fuel -natural gas and dieselrequiring the supply and installation of the necessary conversion components, including, but not limited to, modifications to combustion systems, fuel handling equipment, and control systems. Additionally, the project will involve the installation of regasification units and associated infrastructure to facilitate the processing and delivery of natural gas to the converted units. This includes, but is not limited to, ambient air vaporizers, LNG storage facilities, interconnection pipelines, pressure regulation systems, and safety and monitoring equipment to ensure reliable and efficient operations.
- (ii) In conducting the procedure described in item (i) above, the P3 Authority, 3PPO, or PREPA shall comprehensively determine and subsequently certify to the Energy Bureau, supported by all relevant information, calculations, and studies, that: (a) verifiable fuel cost savings will result from the proposed conversion; (b) no funds from Genera's operational budgets, nor any existing spare parts, will be used for any aspect of the conversion, including design, engineering, permitting, construction, and operation; (c) any increase in operation and maintenance costs resulting from higher capacity factor usage of the units will be properly considered and accounted for in the determination of projected fuel savings; (d) the availability and ordinary use of the units as peaking units will not be constrained as a result of the fuel conversion, including, without limitation, that implementation of the

F P T O

DEEN

conversion will not lead to an increased outage rate or maintenance frequency; (e) the proposed fuel supply structure and operational framework shall not impair, restrict, or otherwise diminish the current capability to operate the units continuously for a period of up to thirty-five (35) days; and (f) any additional limitations or conditions that the entity conducting the process may reasonably impose to safeguard the public interest, considering considerations similar and purpose to those outlined in the foregoing subparagraphs.

- (iii) The structure selected for the development and execution of the project, as well as completing the applicable contract documents, shall ensure that constructing and implementing the required improvements under item (i) comply with all conditions necessary to maintain eligibility for Federal Emergency Management Agency ("FEMA") funding and do not jeopardize access to such funds.
- (iv) Genera is not authorized to incur or allocate any expenditures related to the proposed fuel conversion of the Cambalache CTs from the Operational Budgets or the Necessary Maintenance Expenses ("NME") approved by the Energy Bureau, nor from any federally funded or authorized capital expenditure programs. Additionally, Genera is not authorized to utilize any spare parts or equipment in stock not specifically procured for the proposed fuel conversion, including parts originally intended for routine maintenance or other operational needs.
- (v) Upon completing the improvements at PREPA's facilities for the fuel swap implementation at the Cambalache CTs, the parties shall execute all requisite agreements and documents to formally confirm PREPA's exclusive ownership of these improvements.
- (vi) If the selected structure under item (i) does not designate PREPA as the owner of the regasification units at the end of the natural gas supply term or any extension thereof, the parties' agreements shall outline the process for the removal of the regasification facilities within a reasonable timeframe. This process should allow other fuel suppliers to install their own regasification facilities without imposing onerous conditions on the new supplier or restricting the use of the generation units served by such facilities.
- (vii) The Cambalache CTs **SHALL** continue to be used as peaking units, not as baseload units. Genera **SHALL** maintain accurate records of all maintenance and operational costs incurred when operating the units at a capacity factor higher than what is typically used for peaking purposes. Upon request, these records **SHALL** be provided to the Energy Bureau and the P3 Authority for evaluation to ensure compliance with this condition.
- (viii) Genera **SHALL** certify to the Energy Bureau and provide thorough explanations, including all supporting documentation, establishing that no funds from its Operational Budget or NME have been used to carry out any activities related to the gas conversions of the Cambalache CTs. This includes, without limitation, and as discussed in this Resolution and Order, expenses related to engineering, permitting, and the acquisition of equipment.

This **CONDITIONAL APPROVAL** shall be limited to the project described in Genera's filings regarding the Cambalache site. Any modifications to the project shall require obtaining the corresponding authorization from the Energy Bureau before implementation.

The Energy Bureau **CLARIFIES** that this conditional approval of the fuel swap for the Cambalache CTs does not constitute, nor shall it be deemed, construed, or interpreted as a determination regarding the request for a fuel swap at any other site or any initiatives under

Jun Jun

#

Smy

and

Genera's FOP.⁷⁸ The evaluation of the fuel swap for the Cambalache CTs as a potential fuel-saving measure shall be conducted under the applicable criteria and procedures governing such matters, should the proposal be formally submitted.

The Energy Bureau is compelled to mention that in various public appearances and presentations before governmental entities, Genera's representatives have sought to convey the impression that it has submitted petitions to the Energy Bureau that warrant expedited consideration, thereby implicitly suggesting a lack of diligence by the Energy Bureau in addressing such petitions. However, the absence of supporting documentation, insufficient analysis, and overall deficiencies in the quality of Genera's filings have, in many instances, complicated the evaluation process. As a result, and to further its duty to safeguard the public interest, the Energy Bureau has often been compelled to undertake the type of review, clarification, and substantive development that should have been included in Genera's submissions.

The Energy Bureau WARNS Genera that:

- (i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to one hundred twenty-five thousand dollars (\$125,000) per day;
- (ii) for any recurrence of non-compliance or violation, the established penalty shall increase to a fine of not less than fifteen thousand dollars (\$15,000) nor greater than two hundred fifty thousand dollars (\$250,000) at the discretion of the Energy Bureau.

Be it notified and published.

Edison Avilés Deliz Chairman

Lillian Mateo Santos

Associate Commissioner

Ferdinand A. Ramos Soegaard Associate Commissioner

Antonio Torres Miranda Associate Commissioner

Sylvia B. Ugarte Araujo Associate Commissioner

⁷⁸ See In Re: Genera PR, LLC Fuel Optimization Plan, Case No.: NEPR-MI-2023-0004.

CERTIFICATION

I certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on July 3, 2025. I also certify that on July 4, 2025 a copy of this Resolution was notified by electronic mail to jdiaz@sbgblaw.com; jfr@sbgblaw.com; legal@genera-pr.com; regulatory@genera-pr.com. I also certify that on July 4, 2025, I have proceeded with the filing of the Resolution issued by the Puerto Rico Energy Bureau.

I sign this in San Juan, Puerto Rico, on July 4, 2025.

Sonia Seda Gaztambide Clerk