

**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 on PREPA's July 18
Motion.

RESOLUTION AND ORDER

I. Procedural Background

On January 31, 2025, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued two Resolutions conditionally approving the proposed fuel conversion of certain units located at the Puerto Rico Electric Power Authority's ("PREPA") Mayagüez and Palo Seco facilities.¹ As part of the conditions imposed for the authorization of said conversions, it was required, among other things, that a competitive procurement process be conducted, through which multiple companies would participate by submitting proposals to supply fuel, perform the conversion works necessary to enable dual-fuel operation using natural gas and ultra-low sulfur diesel ("ULSD"), and provide the infrastructure required for the supply of LNG and its regasification.

On June 11, 2025, the Energy Bureau issued a Resolution and Order ("June 11 Resolution") ordering PREPA to submit a summary of any procurement process conducted for the proposed fuel swaps. The submission was required to include all relevant information and supporting documentation.²

On July 11, 2025, PREPA filed a document titled *Motion to Request an Extension of Time to Comply with Resolution and Order dated June 11, 2025* ("July 11 Motion"), requesting an extension of time until July 18, 2025 to comply with the June 11 Resolution.

On July 18, 2025, PREPA filed a document titled *Motion in Compliance with Resolution and Order dated June 11, 2025* ("July 18 Motion"). As part of the July 18 Motion, PREPA included the following documents:

Annex 1 – RFP No. 3PPO-1125-17-MSIN Natural Gas Supply for Multiple Generation Sites

Annex 2 – ADDENDA 4, RFP No. 3PPO-1125-17-MSIN Natural Gas Supply for Multiple Generation Sites

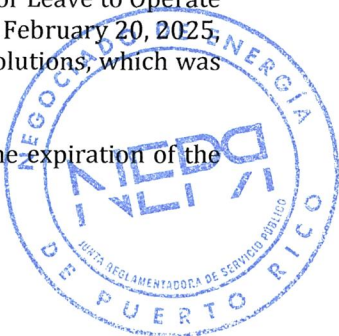
II. PREPA's Non-Compliance with the Request for Information

PREPA has not complied with the June 11 Resolution. As noted in the July 18 Motion, the RFP has been amended multiple times, however, only Addendum 4 was submitted. PREPA failed to provide all relevant information and supporting documents, including, but not limited to, all submitted proposals, contracts, and all communications exchanged between the parties and with government agencies. PREPA must submit the complete administrative record.

For the avoidance of doubt, the Energy Bureau clarifies that the required information must include the contract agreed upon between PREPA and New Fortress Energy ("NFE"), which was submitted to the Financial Oversight and Management Board ("FOMB") for approval. In connection with this contract, all communications exchanged by either party during the

¹ See Resolution and Order (for Request for Leave to Operate Mayaguez CTs with Natural Gas as Primary Fuel), dated January 31, 2025 ("January 31 Resolution"), and *Resolution and Order* (for Request for Leave to Operate Palo Seco MP with Natural Gas as Primary Fuel), dated January 31, 2025. Subsequently, on February 20, 2025, Genera PR, LLC ("Genera") filed a motion for reconsideration of the Energy Bureau's Resolutions, which was denied by the Energy Bureau through Resolution and Order dated June 20, 2025.

² Due to an error or inadvertence, the June 11 Resolution was notified to PREPA after the expiration of the granted term.



negotiation process must also be included, as well as any information submitted to the FOMB, including any additional responses provided to its information requests as part of the contract evaluation process. In addition, PREPA shall submit to the Energy Bureau any other information that is submitted to the FOMB pursuant to requests made following the FOMB's denial of the contract approval.³ To avoid any doubt, it is clarified that all information submitted or exchanged in this case, whether by PREPA, the P3, or the Third-Party Procurement Office ("3PPO"), must be submitted to the Energy Bureau.

Considering the foregoing, the Energy Bureau **ORDERS** PREPA to submit the requested information no later than **Thursday, July 24, 2025, at 5:00 p.m.** Given the urgency of this matter, PREPA is hereby advised that no extensions will be granted for this submission. The requested information should already exist in electronic records; therefore, the sole expectation is that it be compiled and submitted to the Energy Bureau without delay.

III. Failure to Comply with January 31 Resolution

Through the January 31 Resolution, the Energy Bureau conditionally approved the fuel swap for the Mayagüez CTS, subject to certain conditions. Among others, the Energy Bureau states:

- (i) *The P3 Authority, 3PPO or PREPA, as applicable, 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 Mayagüez CTs to operate on dual-fuel—natural gas and diesel—requiring 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.*

...

In summary, as reflected in the January 31 Resolution, the competitive process ordered by the Energy Bureau encompassed not only the acquisition of natural gas, but also all infrastructure necessary to enable the conversion of the units for dual-fuel use, Natural Gas and ULSD, as well as all infrastructure related to the regasification facilities required to supply such units. Moreover, the January 31 Resolution makes clear that the Energy Bureau determined that, instead of relying on a one-year contract such as the one that had previously existed for the potential supply of natural gas to the units slated for conversion, a longer-term contract should be executed in order to secure more favorable pricing. To that effect, the Energy Bureau expressly referenced, as a model, the contract for the conversion of San Juan Units 5 and 6, which was executed for a five-year term.⁴

³ See FOMB letter addressed to the Puerto Rico Public-Private Partnership Authority ("P3"), dated July 9, 2025 regarding NF Energía, LLC Fuel Supply of Liquefied Natural Gas.

⁴ See January 31 Resolution, pp. 10 and 12.



In the July 18 Motion, PREPA states that, in order to ensure greater supplier participation and comply with the Energy Bureau's requirements for transparency and competition, the 3PPO amended the RFP through Addenda No. 4 by removing the requirement to include regasification infrastructure. PREPA further states that a separate RFP will be issued for the design, installation, and operation of regasification units at those sites, and that the revised RFP now focuses solely on the supply of LNG to already converted facilities. The procurement of regasification infrastructure for unconverted sites will be managed independently to maximize competition and ensure compliance.⁵ This reasoning does not convince the Energy Bureau.

In light of the foregoing, the Energy Bureau **ORDERS** PREPA to **SHOW CAUSE**, within **five (5) days** of the notification of this Resolution and Order, as to why it failed to follow the procedure established in the January 31 Resolution.

The Energy Bureau emphasizes that, as part of the rate review petition submitted on July 3, 2025,⁶ Genera seeks to include the costs associated with the gas conversions of the units it proposes to convert **as part of the tariff** to be directly borne by ratepayers. According to preliminary estimates, these costs amount to approximately \$125 million dollars (excluding the conversion of Mayaguez and Cambalache).⁷ In other words, these are costs that would be assumed directly by the ratepayer through the proposed tariff. That is, a direct increase in the rates paid by PREPA's customers is being proposed to cover the costs of the gas conversions. This approach stands in contrast to the provisions of the January 31 Resolution, which contemplated that such costs would be incorporated as part of the competitive procurement process.

Given the foregoing, within the same five-day term previously provided, PREPA is hereby **ORDERED** to explain in detail, supported by any documentation substantiating its position, the rationale for claiming that it is in the ratepayers' best interest to bypass the procedure established by the Energy Bureau and to allow recovery of the conversion costs through direct payments by the ratepayers as part of the tariff.

IV. Compliance with Regulation 8815

As previously stated, through its January 31 Resolution, the Energy Bureau ordered PREPA to initiate a competitive procurement process involving not only the acquisition of natural gas, but also the procurement of all other components necessary to enable the conversion of various generation units for dual-fuel operation using Natural Gas and ULSD, and the infrastructure necessary to enable the conversion of the units for dual-fuel use, as well as all infrastructure related to the regasification facilities required to supply such units.

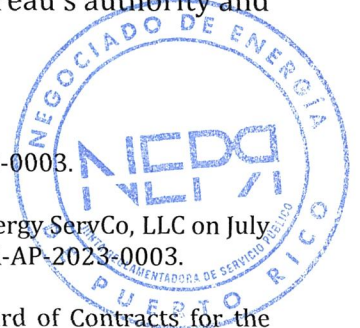
Although the January 31 Resolution did not expressly state so, it was evident that PREPA was required to comply to the fullest extent possible with Regulation 8815,⁸ which mandates that, prior to its issuance, a draft of the Request for Proposals ("RFP"), as well as the proposed contract to be included therein, must be submitted to the Energy Bureau for its evaluation and approval. This did not occur in the present case. As a result, the Energy Bureau did not have access to the RFP or the proposed contract and was not given the opportunity to issue the prior authorization required by Regulation 8815. Similarly, once the contract was approved, it was not submitted to the Energy Bureau for its evaluation, as also required under Regulation 8815. This failure not only undermines the Energy Bureau's authority and

⁵ See July 18 Motion, pp. 2-3, ¶6.

⁶ See *In re: Puerto Rico Electric Power Authority Rate Review*, Case No. NEPR-AP-2023-0003.

⁷ See *Motion Submitting Rate Review Petition* filed by LUMA Energy, LLC and LUMA Energy-SeryCo, LLC on July 3, 2025 in case *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No.: NEPR-AP-2023-0003.

⁸ Joint Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Contracts for the Purchase of Energy and for the Procurement, Evaluation, Selection, Negotiation and Award Process for the Modernization of the Generation Fleet, November 9, 2016 ("Regulation No. 8815").



delays regulatory proceedings, by placing the Energy Bureau in the position of learning about key aspects of the procurement only after they have already taken place, but it also prevents the Energy Bureau from exercising its authority under Regulation 8815 to determine whether the proposed contract is in the public interest.

Accordingly, PREPA is hereby **ORDERED** to **SHOW CAUSE**, within **five (5) days** of the notification of this Resolution and Order, as to why the proposed contract was not submitted to the Energy Bureau prior to the issuance of the RFP, and why, after the contract was negotiated, it still was not submitted for review. PREPA is hereby advised that, should it proceed to issue a new RFP in this matter, such RFP must be submitted to the Energy Bureau for prior evaluation and approval.

The Energy Bureau **WARNS** PREPA 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; and
- (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.

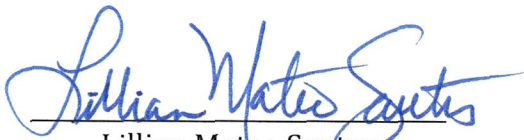
Be it notified and published.



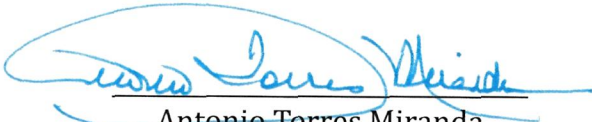
Edison Avilés Deliz
Chairman



Ferdinand A. Ramos Soegaard
Associate Commissioner



Lillian Mateo Santos
Associate Commissioner



Antonio Torres Miranda
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on July 22, 2025. Associate Commissioner Sylvia B. Ugarte Araujo did not intervene. I also certify that on July 22, 2025 a copy of this Resolution and Order was notified by electronic mail to arivera@gmlex.net; jdiaz@sbgblaw.com; jfr@sbgblaw.com; legal@genera-pr.com; regulato-ry@genera-pr.com, and I have proceeded with the filing of the Resolution and Order issued by Puerto Rico Energy Bureau.

I sign this in San Juan, Puerto Rico, July 22, 2025.





Sonia Seda Gaztambide
Clerk