

**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 on Motion
to Inform Compliance with Conditional
Approval and to Request Authorization for
FEMA Project Formulation for Fuel
Swapping Conversion at Cambalache

RESOLUTION AND ORDER

I. Relevant Procedural Background

Genera PR, LLC (“Genera”) requested the Energy Bureau of the Puerto Rico Public Service Regulatory Board (“Energy Bureau”) to approve the conversion of Combustion Units 2 and 3 at the Cambalache Power Plant, located in Arecibo, Puerto Rico (these two units only, collectively referred to as the “Cambalache Units 2 and 3”), to enable dual-fuel operation using natural gas (“NG”) and ultra-low sulfur diesel (“ULSD”). After several procedural steps, on July 4, 2025, the Energy Bureau issued a Resolution and Order (the “July 4 Resolution”), conditionally approving the fuel conversion of the Cambalache Units 2 and 3.

The conditions imposed as part of the approval of the Cambalache Units 2 and 3’s conversion were intended to address and mitigate foreseeable risks, including the potential monopolization of Puerto Rico Electric Power Authority (“PREPA”) natural gas supply by the proposed supplier (NFEnergía, LLC (“NFE”), an affiliate of Genera); the possible imposition of onerous terms on PREPA for the sale of natural gas, as reflected in the information and the administrative record; and the need to ensure that ratepayers would not bear conversion-related costs in a manner that could ultimately increase the rates they pay. At all relevant times, the Energy Bureau has sought to safeguard the public interest throughout the natural gas conversion process by ensuring that the intended outcome achieving real and measurable savings for ratepayers, is pursued, while avoiding, to the extent possible, competition concerns and market monopolization in the supply of natural gas used for PREPA’s generation units.

On March 20, 2026, more than two hundred fifty (250) days after the July 4 Resolution approval, Genera filed a motion asserting that it had complied with the conditions set forth in the July 4 Resolution for the Cambalache Units 2 and 3 and requesting authorization to initiate the project formulation with FEMA, commence the design work, and later the fuel swap and units conversion .¹ As part of the March 20 Motion, Genera included the following attachments:

- Attachment A: Cambalache Gasification Project SOW (“Scope of Work”);
- Attachment B: Cambalache Technical Data Submission, which included the following:
 - Attachment B.1 – PREB Request for Cambalache 2 & 3 CF, Heat Rate, SH Fiscal Years Data
 - Attachment B.2 – KPIs FY 23-24 (RFI-PREB) 03032026
 - Attachment B.3 – KPIs FY 24-25 (RFI-PREB) 03032026
 - Attachment B.4 – KPIs FY 25-26 (RFI-PREB) 03032026

¹ See Motion to Inform Compliance with Conditional Approval and to Request Authorization for FEMA Project Formulation for Fuel Swapping Conversion at Cambalache (“March 20 Motion”), p. 2.



Attachment C: Cambalache Title V Permit No. PFE-TV-4911-07-0897-0043, issued by the Puerto Rico Environmental Quality Board ("Title V Permit")

Attachment D: Cambalache Netting Analysis, which included the PSD Applicability Analysis for Cambalache Gas Turbine Plant Fuel Conversion Project ("PSD Applicability Analysis"), submitted to the United States Environmental Protection Agency ("USEPA") on December 30, 2025;

II. Summary of Cambalache Units 2 and 3 Conversion Approval

Through the July 4 Resolution, the Energy Bureau granted conditional approval for Genera to convert the Cambalache Units 2 and 3 to dual-fuel operation using natural gas and ULSD, subject to strict safeguards to protect PREPA, the ratepayers, and market competition. The Energy Bureau stressed that the primary objective of the conversion is to use the most economical fuel available and to achieve real and verifiable savings for customers. The Energy Bureau emphasized that ownership, funding, and allocation of these costs were not clearly defined, particularly regarding whether Genera or its affiliates would fund the improvements and how this would align with PREPA's ownership rights and regulatory requirements. This lack of clarity justified the imposition of conditions on ownership and contractual arrangements.

A key condition required that PREPA remain the sole owner of all improvements and infrastructure related to the conversion. Genera was required to submit draft legal documents demonstrating that ownership of all assets would be transferred to and retained by PREPA before any work could commence, ensuring that public assets remained under public ownership and protecting ratepayers from potential private claims.

The July 4 Resolution also addressed competition in the natural gas market. Any regasification facilities installed were required either to be provided to other suppliers at no cost or to be removable within a reasonable timeframe, preventing Genera or its affiliates from controlling essential infrastructure in a way that could restrict competition or distort the natural gas supply market in Puerto Rico.

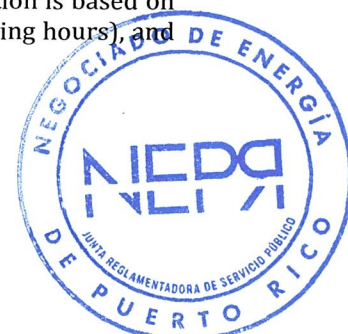
Another significant consideration was the units' capacity factor.² Historically, the Cambalache Units 2 and 3 operated as peaking units with capacity factors typically below 19%, and in some years below 10%. Genera's projected fuel savings were premised on an assumed capacity factor of approximately 26%, a level more typical of intermediate-load operation. While this 26% figure underpinned the primary analysis, Genera also presented alternative calculations in other instances using capacity factors of up to 40%.³ The Energy Bureau found this assumption problematic, as actual operation at traditional peaking levels would result in substantially lower savings, potentially nearly half of the projected amount.

The Energy Bureau also noted that higher utilization would increase maintenance and operational costs, accelerating wear and tear and generating additional expenses for repairs, parts replacement, and long-term upkeep, which could offset much of the projected fuel savings. The Cambalache Units 2 and 3 were required to continue operating solely as peaking units, with Genera maintaining detailed records of operating and maintenance costs for regulatory review, particularly where the units operate at elevated capacity factors.

Also, the Energy Bureau specified that Genera must ensure that PREPA, the Third-Party Procurement Office ("3PPO"), or the Public-Private Partnerships Authority ("P3 Authority")

² For purposes of the condition imposed, the capacity factor considered for the units refers to their operational usage, i.e., the number of hours the units are run, rather than the conventional electrical capacity factor used to measure actual electricity generation relative to installed capacity. In other words, the limitation is based on how frequently the units are dispatched (for example, as peaking units with restricted operating hours), and not on their energy output or thermal efficiency.

³ See July 4 Resolution, pp. 8-10.



conducts a competitive procurement process for the natural gas supply, promoting multiple participants, transparency, long-term cost-effectiveness, operational reliability, and benefits for ratepayers, with the conversion proceeding only after this process is completed. The project must include all necessary modifications to convert the units to dual-fuel operation, including combustion systems, fuel handling, control systems, and regasification infrastructure, while complying with all requirements to maintain the Federal Emergency Management Agency (“FEMA”) funding eligibility. Upon completion, all agreements must confirm PREPA’s exclusive ownership of the improvements. If PREPA is not designated as the owner of the regasification units at the end of the supply term, a reasonable removal process must be established to allow other suppliers to install facilities without undue restrictions.

III. Discussion and Analysis

A. Genera’s March 20 Motion

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In the March 20 Motion, Genera alleged PREPA owns three (3) dual-fuel peakers units at the Cambalache Power Plant, identified as Cambalache Unit 1, Cambalache Unit 2 and Cambalache Unit 3.⁴ It further represents that Cambalache Unit 1 is out of service.⁵ Genera further alleged compliance with the conditions in the July 4 Motion. Genera asserts that the requirements imposed by the Energy Bureau have been satisfied through the execution of the Multisite Natural Gas Supply Agreement (“NG Agreement”). Genera contends that FEMA funds will cover the entirety of the work and, consequently, all equipment will be owned by PREPA, as FEMA funding will be used to pay for all work. Genera requests that the Energy Bureau authorize the submission to FEMA of the SOW and cost estimate and approve the commencement of technical design to expedite the fuel conversion works.⁶

Genera states that the Cambalache Units 2 and 3 are currently operating on ULSD, although they will be capable of operating on natural gas once the fuel conversion works are completed,⁷ without additional investment from PREPA or the ratepayers.⁸ Genera notes that regasification infrastructure is required but can be funded using FEMA resources.⁹ Genera also notes that the forecasted fuel prices for FY2026 indicate conservative savings of \$5.28/MMBtu, with historical operations suggesting average annual savings of approximately \$33,470,627.76 for the two units.¹⁰ Genera further asserts that the proposed conversion will not use funds from its operational budget.¹¹

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Genera states that the Fiscal Oversight and Management Board (“FOMB”) approved the execution of the NG Agreement on December 4, 2025.¹² Genera alleges that, the approved NG Agreement addresses the conditions set forth by the Energy Bureau in the July 4 Resolution.¹³

⁴ See March 20 Motion, p. 2.

⁵ See *Id.*

⁶ See March 20 Motion, p. 5-6.

⁷ See March 20 Motion, p. 3.

⁸ See *Id.*, p. 3, ¶10.

⁹ See March 20 Motion, p. 3.

¹⁰ See *Id.*, p. 5, ¶22.

¹¹ See *Id.*, p. 6, ¶25.

¹² See *Id.*, p. 5, ¶21.

¹³ See *Id.* p. 3, ¶13.



B. Only Cambalache Units 2 and 3 are within the scope of the requested conversion and of this Resolution and Order

The July 4 Resolution approved only the dual-fuel conversion of Cambalache Units 2 and 3 of the PREPA Cambalache Power Plant. Cambalache Unit 1, having been out of service since approximately 2011, was not included by Genera in the request submitted on March 6, 2025,¹⁴ nor in the approval granted by the Energy Bureau under such request, and no detailed information regarding that unit was provided for the Energy Bureau's consideration in this case.¹⁵ Accordingly, there is currently no approval for the conversion of Cambalache Unit 1 for dual-fuel use. Notwithstanding the foregoing, the March 20 Motion and its supporting materials present ambiguity as to whether Cambalache Unit 1 is intended to be included within the scope of the requested approval. General descriptions of the project set forth in the March 20 Motion could be construed as suggesting a broader conversion scope encompassing all Cambalache units, including Cambalache Unit 1.¹⁶ However, a comprehensive review of the record demonstrates that such ambiguity does not withstand closer scrutiny. Therefore, as further discussed below, the March 20 Motion should be understood as a compliance filing through which Genera seeks to satisfy the conditions imposed in the July 4 Resolution regarding the conversion of only Cambalache Units 2 and 3.

The *Project Description* included in the Scope of Work references Cambalache Unit 1 in a manner suggesting that such unit would be subject to conversion.¹⁷ By contrast, the *Cost Estimate*, also included in the Scope of Work, reflects only Cambalache Units 2 and 3 and excludes Cambalache Unit 1.¹⁸ Thus, while the narrative description suggests a three-unit scope of work, the project's cost estimate reflects only two units.¹⁹

As part of the permitting process under the Prevention of Significant Deterioration ("PSD") program, the project proponent is responsible for preparing and submitting a PSD Applicability Analysis to the USEPA for review and determination. That analysis allows USEPA to evaluate whether the proposed project would result in emissions increases sufficient to trigger PSD permitting requirements. Following USEPA's determination on PSD applicability, the project proponent may proceed with the processing of the corresponding air permits before the Puerto Rico Department of Natural and Environmental Resources. In this case, the PSD Applicability Analysis submitted does not include Cambalache Unit 1, nor does it provide information that would allow the relevant regulatory authorities to evaluate the inclusion of that unit within the proposed project.²⁰ Accordingly, the environmental review underlying the permitting process is limited to Cambalache Units 2 and 3, further supporting the conclusion that Cambalache²¹ This conclusion is further reinforced by

¹⁴ See *Motion to Submit Response to Resolution and Order dated November 20, 2024, for the Reevaluation of the Cambalache Fuel Swap Request* dated March 6, 2025.

¹⁵ See July 4 Resolution.

¹⁶ [...*The Cambalache Units may be converted to burn both natural gas and diesel...*]. See March 20 Motion, p. 2. Through the March 20 Motion, Genera refers to the *Cambalache Units* without expressly stating that its request is limited to Cambalache Units 2 and 3.

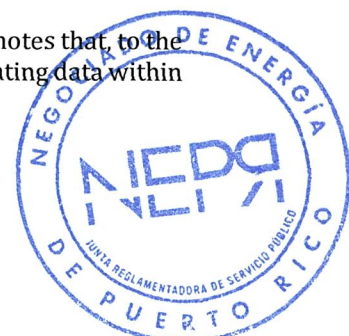
¹⁷ [...*This project covers the conversion and commissioning of three (3) GE Alstom GT11N1 gas turbine units (1, 2, and 3) at the Cambalache Power Plant for dual-fuel operation using natural gas, diesel and the construction and installation of infrastructure and systems associated with the Liquefied Natural Gas (LNG) Facility in Cambalache...*]. See Scope of Work, p. 4.

¹⁸ [...*VI. Cost Estimate... 1. Cambalache General Electric GTN11 (2&3) Dual Fuel Conversion - \$26,000,000.00...*]. See Scope of Work, p. 10.

¹⁹ See Scope of Work, pp. 3-4 and 10.

²⁰ [...(*PREPA*) is proposing to modify two of the combustion turbines, Units 2 and 3, to add natural gas natural gas capability ("the Project") ... Unit 1 has not operated since 2011 and is outside the scope of this Project...]. See PSD Applicability Analysis, p. 1.

²¹ Without undertaking a comprehensive analysis of this issue at this time, the Energy Bureau notes that, to the extent Cambalache Unit 1 has been out of service for more than ten years and lacks actual operating data within



Genera's own statements in the March 20 Motion, in which it indicates that Cambalache Unit 1 has been out of service since 2011 and that a separate request about ²²□.

The broader regulatory record provides additional support for excluding Cambalache Unit 1 from the scope of the present request, including prior proceedings in which the repair of that unit was not authorized²³ because Cambalache Unit 1 is not recognized as an available generation resource under the Approved IRP.²⁴ The rate case record²⁵ further reflects that Genera requested approximately \$30 million in funding to be allocated across Fiscal Years 2026, 2027, and 2028 for the repair of Cambalache Unit 1, with proposed distributions of \$9 million, \$13 million, and \$8 million, respectively. The Energy Bureau evaluated this request and declined to approve the proposed funding. In reaching that determination, the Energy Bureau considered that Cambalache Unit 1 had sustained significant damage, including a catastrophic combustion failure in 2011 and additional damage to the gas turbine enclosure and filter house during Hurricane Maria. Based on the information in the record, the Energy Bureau further determined that the proposed repair had not been demonstrated to be cost-effective.²⁶ Finally, the record shows that Cambalache Unit 1 is not included as an available generation resource in the 2025 proposed Integrated Resource Plan.²⁷

Notwithstanding generalized references in certain portions of the record, the Energy Bureau **DETERMINES** that Cambalache Unit 1 is not included within the scope of the March 20 Motion. Consistent with this determination, Genera **SHALL MAKE** any modifications to the Scope of Work and to the Cost Estimate to ensure that only Cambalache Units 2 and 3 are included in any submission made to FEMA. In addition, within the scope of this proceeding, Genera is not authorized to undertake any repairs to Cambalache Unit 1, nor to carry out any activities associated with the development of dual-fuel capability, including, without limitation, design, engineering, permitting, construction, or operation involving the use of natural gas.

C. Compliance with the conditions in the July 4 Resolution

1. July 4 Resolution - First Condition

Under the First Condition of the July 4 Resolution for the Cambalache Units 2 and 3, Genera was required to ensure that PREPA, P3A, or 3PPO conduct a competitive procurement

the applicable lookback period, its baseline actual emissions would likely be considered zero or effectively zero for purposes of a PSD applicability analysis. Under such circumstances, and based on the projected emissions levels associated with operating the unit under a different method of operation, namely, the use of natural gas, as reflected in the PSD Applicability Analysis for the Cambalache Units 2 and 3 (comparable units), the Energy Bureau observes that such a change could, in all likelihood, trigger PSD permitting requirements, which would entail a significantly more complex and lengthier permitting process.

²² See March 20 Motion, p. 2.

²³ See the *Resolution and Order* dated February 28, 2022, and *Resolution and Order* dated June 4, 2022, issued in the case *In Re: Review of the Puerto Rico Electric Power Authority's 10-Year Infrastructure Plan – December 2020*, Case No.: NEPR-MI-2021-0002.

²⁴ See *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"). Note that minor modifications and/or clarifications to the Approved IRP were introduced through a *Resolution and Order on Reconsiderations, In re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*, Case No. CEPR-AP-2018-0001, December 2, 2020.

²⁵ See in general, *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No.: NEPR-AP-2023-0003.

²⁶ See *Final Resolution and Order on Electric Rates* issued in case *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No.: NEPR-AP-2023-0003, Chapter Four, pp. 37-38.

²⁷ See *Memorandum of Law in Support of Request of Confidential Treatment of Revised 2025 IRP and Submission of Public Version and Confidential Version of Revised 2025 IRP*, filed by LUMA Energy, LLC and LUMA Energy ServCo, LLC on October 29, 2025 in case *In Re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*, Case No.: NEPR-AP-2023-0004 ("2025 Proposed IRP"), pp., 163-165, 176-184.



process for natural gas supply before proceeding with the conversion of Cambalache Units 2 and 3, to promote market competition, avoid undue entry barriers for alternative suppliers, ensure transparency, and secure the best economic and technical conditions for PREPA and its ratepayers. Additionally, under the competitive procurement process to be conducted, the scope of the project was required to encompass both the conversion of Cambalache Units 2 and 3 to dual-fuel operation and the installation of all equipment and regasification infrastructure to enable the reliable and efficient use of natural gas.

Regarding this First Condition, Genera alleges that 3PPO conducted a Request for Proposals which resulted in the execution of the NG Agreement, which was approved by the FOMB.²⁸ The NG Agreement solely provides for the supply of natural gas to certain units within PREPA's generating fleet, which may include Cambalache Units 2 and 3. Genera acknowledges that capital investments are required for the conversion of the units and to develop the necessary gas infrastructure, but asserts that such funding can be obtained through FEMA without resulting in costs to ratepayers.²⁹

As the Energy Bureau explained in its July 4 Resolution for the Cambalache Units 2 and 3, the purpose of requiring a competitive procurement process was to prevent monopolistic outcomes and to promote transparency and competition, objectives that are fully set forth in that determination and need not be restated herein.³⁰ The Energy Bureau further notes, however, that the procurement process ultimately implemented did not necessarily align with the underlying intent of the Energy Bureau's directives, which sought not only to secure more favorable natural gas pricing, but also to incentivize the natural gas supplier to assume the costs associated with the installation of regasification infrastructure and the conversion-related work, potentially in exchange for a longer-term supply arrangement comparable to prior agreements. The NG Agreement reflects that such an approach was not followed here, as it does not contemplate that the gas supplier will incur the costs associated with the conversion of the units themselves or install or fund the regasification infrastructure; rather, as discussed further below, it provides that PREPA is responsible for installing the required equipment and obtaining the permits at its own cost.

The Energy Bureau did not participate in the procurement or negotiation process that resulted in the NG Agreement and is therefore unaware of the reasons the process did not conform to the framework contemplated in its prior orders. Nevertheless, without prejudice to any determinations that may be made regarding the satisfaction of conditions applicable to other pending conversions, or to any future requests submitted before the Energy Bureau, the record reflects unique circumstances that warrant a finding this condition has been satisfied regarding the Cambalache Units 2 and 3. Specifically, Genera represents that both the costs associated with the conversion of the units to enable dual-fuel operation using natural gas and the regasification infrastructure, will be funded through FEMA funding, requiring no additional investment from PREPA or its ratepayers. This implies that, as represented by Genera, PREPA would be the owner of all the necessary improvements for the operation of the units on natural gas, including the equipment required for the conversion and the regasification infrastructure. Accordingly, although the NG Agreement covers a relatively extended term of approximately seven years, PREPA's ownership of the regasification infrastructure provides a measure of flexibility, in the event of noncompliance or undue pressure by the gas supplier, such supplier could be replaced in a more seamless manner.

Given these circumstances, the Energy Bureau concludes this condition is **SATISFIED** for the Cambalache Units 2 and 3 conversions. This determination shall not be construed as a finding that the same condition has been satisfied regarding any other conversion conditionally approved or pending before the Energy Bureau, nor as a precedent applicable

²⁸ See March 20 Motion, p. 5.

²⁹ See March 20 Motion, p. 3.

³⁰ See July 4 Resolution, p. 6.



to future conversion requests. Each case will be evaluated based on the circumstances applicable to it.

2. July 4 Resolution - Second Condition

The Second Condition required that the entity conducting the competitive procurement process, whether PREPA, P3 Authority, or 3PPO, design and implement such process in a manner that would ensure, and allow certification to the Energy Bureau, that the proposed conversion would result in verifiable fuel cost savings, would not rely on Genera's operational resources, would properly account for any increases in operation and maintenance costs, would preserve the units' operational flexibility and reliability, and would include any additional safeguards necessary to protect the public interest.

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The process was not carried out in that manner and instead resulted in the execution of an agreement limited to the supply of natural gas (NG Agreement). Nevertheless, under the circumstances of this case, namely, the conversion and associated regasification infrastructure will not result in costs to PREPA or its ratepayers, and that all improvements required for the conversion, including the regasification infrastructure, will be owned by PREPA, the Energy Bureau determines that the requirements of this condition have been **SATISFIED**. This determination is further subject to compliance with the submission of the annual cost savings reports required under Part III(D) of this Resolution and Order, which will, to a certain extent, allow for verification that the relevant aspects of this condition have been met.

3. July 4 Resolution - Third Condition

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The Third Condition required Genera to ensure that the project's structure and contracts comply with all FEMA requirements, preserving eligibility and access to FEMA funding.

At this stage, and solely to determine whether this condition has been satisfied, the Energy Bureau relies on Genera's representations that the equipment required for the conversions and the associated regasification infrastructure will be funded through FEMA and, as a result, owned by PREPA as sub-recipient. Based on such representations, the Energy Bureau finds no basis to conclude that the availability or eligibility of FEMA funding would be adversely affected. The Energy Bureau deems this condition **SATISFIED**.

4. July 4 Resolution - Fourth Condition

The Fourth Condition prohibited Genera using its operational budgets, NME funds, federally funded capital programs, or existing spare parts to cover any costs related to the fuel conversion of the Cambalache Units 2 and 3 and may only use resources specifically procured for that project.

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Regarding this condition, Genera asserts that the costs associated with the installation of the equipment required to convert the units for dual-fuel operation using natural gas and the necessary regasification infrastructure, will be funded through FEMA funds.³¹ Genera further represents that, as a result, and given PREPA's status as sub-recipient of such funding, all equipment installed in connection with the conversions, including the regasification infrastructure, will be owned by PREPA.³²

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³¹ See March 20 Motion, p. 5.

³² See March 20 Motion, p. 6.



The Energy Bureau finds that Genera's representations regarding compliance with this condition, and the mechanism Genera proposes to satisfy it are acceptable for this proceeding; the Energy Bureau deems this condition **SATISFIED**.³³

5. July 4 Resolution - Fifth Condition

The Fifth Condition requires that, after completing the fuel swap improvements at PREPA's facilities for the Cambalache Units 2 and 3, all necessary agreements and documents must be carried out to formally confirm PREPA's exclusive ownership of the improvements.

Regarding this condition, Genera asserts that the costs associated with the installation of the equipment required to convert the units for dual-fuel operation using natural gas and the necessary regasification infrastructure, will be funded through FEMA funds.³⁴ Genera further represents that, as a result, and given PREPA's status as sub-recipient of such funding, all equipment installed in connection with the conversions, including the regasification infrastructure, will be owned by PREPA.³⁵

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The Energy Bureau finds that Genera's representations regarding compliance with this condition, and the mechanism Genera proposes to satisfy it are acceptable for this proceeding; the Energy Bureau deems this condition **SATISFIED**.

6. July 4 Resolution - Sixth Condition

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The Sixth Condition requires that if PREPA is not designated as the owner of the regasification units at the end of the supply term, the agreements must establish a process for their timely removal, allowing other fuel suppliers to install their own facilities without undue restrictions or interference with the generation units.

Regarding this condition, Genera asserts that the costs associated with the installation of the equipment required to convert the units for dual-fuel operation using natural gas and the necessary regasification infrastructure, will be funded through FEMA funds.³⁶ Genera further represents that, as a result, and given PREPA's status as sub-recipient of such funding, all equipment installed in connection with the conversions, including the regasification infrastructure, will be owned by PREPA.³⁷

The Energy Bureau finds that Genera's representations regarding compliance with this condition, and the mechanism Genera proposes to satisfy it are acceptable for this proceeding; the Energy Bureau deems this condition **SATISFIED**.

7. July 4 Resolution - Seventh Condition

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As the Seventh Condition, the Energy Bureau requires that the Cambalache Units 2 and 3 continue to operate strictly as peaking units, and that Genera must maintain accurate records of all maintenance and operational costs if the units are operated above typical peaking capacity factors, making these records available to the Energy Bureau upon request for compliance review.

³³ The Energy Bureau reminds Genera that the use of funds from any Operational Budget, including, without limitation, NME, for purposes of carrying out any activities related to the conversion of Cambalache Units 2 and 3 is strictly prohibited and requires the express authorization of the Energy Bureau.

³⁴ See March 20 Motion, p. 5.

³⁵ See March 20 Motion, p. 6.

³⁶ See March 20 Motion, p. 5.

³⁷ See March 20 Motion, p. 6.



Genera represents that the units will continue to operate as peaking units and that the proposed fuel swap will not reduce operational limits, result in any de-rating, or otherwise constrain capacity factors.³⁸ Genera further represents that each unit is expected to continue operating at approximately 77 to 80 MW, consistent with current operations.³⁹

The Energy Bureau finds that Genera's representations regarding compliance with this condition are acceptable for this proceeding; the Energy Bureau deems this condition **SATISFIED**. This determination is subject to the limitations regarding the permitting process set forth in Part III(F).

8. July 4 Resolution - Eight Condition

As the Eighth Condition, the Energy Bureau requires Genera to certify, with detailed explanations and supporting documentation, that no funds from its Operational Budget or NME were used for any activities related to the Cambalache Units 2 and 3 gas conversions, including engineering, permitting, and equipment costs.

Genera represents that no funds from its Operational Budget will be used to carry out the fuel conversions or to install the regasification infrastructure. Genera further represents that all costs associated with the project, including design, engineering, permitting, construction, validation, and any related activities, will be covered through FEMA funding, encompassing both the conversion of the units and the associated regasification infrastructure.⁴⁰

The Energy Bureau finds that Genera's representations regarding compliance with this condition are acceptable for this proceeding; the Energy Bureau deems this condition **SATISFIED**.

D. Genera alleged fuel cost savings

In the March 20 Motion, Genera states that switching the primary fuel from ULSD to natural gas will benefit PREPA's customers through fuel cost savings.⁴¹ Genera also asserts that natural gas allows for increased operational hours relative to ULSD, which would result in additional savings in operation and maintenance ("O&M") costs.⁴² In support, Genera provides a numerical comparison indicating that ULSD is forecasted to cost \$18.93/MMBtu, while LNG is forecasted at \$7.95/MMBtu (plus Henry Hub adjustments), and concludes this represents savings of approximately \$5.28/MMBtu.⁴³

Based on the historical operation of Cambalache Units 2 and 3, Genera estimates average annual fuel savings of approximately \$33,470,627.76.⁴⁴ In support of this estimate, Genera includes as Attachment E a table illustrating the historical fuel consumption of the units.

In its July 4 Resolution, the Energy Bureau set forth its analysis of the savings Genera projected from the proposed use of natural gas at the Cambalache Units 2 and 3.⁴⁵ Based on the information then available in the record, including the natural gas costs under the

³⁸ See March 20 Motion, Technical Data Submission, p. 8.

³⁹ See *Id.*

⁴⁰ See March 20 Motion, p. 6.

⁴¹ See March 20 Motion, p. 3.

⁴² See March 20 Motion, p. 3.

⁴³ See March 20 Motion, p. 5.

⁴⁴ See *Id.*

⁴⁵ See July 4 Resolution, pp. 4-5 and 8-9.



contract in effect at that time and the ULSD costs under the contract then in effect, the Energy Bureau evaluated the projected savings using the historical capacity factors of the Cambalache Units 2 and 3. In doing so, the Energy Bureau noted that Genera's cost estimates appeared overstated, particularly because they relied on capacity factors that were not consistent with the operational profile of peaking units, which is the applicable operating profile for the Cambalache Units 2 and 3. Based on the information, the Energy Bureau estimated that the annual savings would be substantially less,⁴⁶ as compared to the higher savings initially projected by Genera. Nevertheless, the Energy Bureau conditionally approved the proposed conversions, recognizing that at least some measurable savings could be achieved.

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In its March 20 Motion Genera now recalculates projected savings using a different approach. The Energy Bureau finds this inconsistent and ultimately not representative of the savings that may reasonably be expected from the proposed natural gas operations. Genera relies on historical average cost data from approximately the last twenty-four (24) months to estimate annual savings, a methodology that is not reliable and does not accurately reflect future operating conditions.⁴⁷ Rather, any evaluation of savings associated with the operation of the Cambalache Units 2 and 3 on natural gas must be based on a reasonable capacity factor consistent with peaking units, which, in the Energy Bureau's view, should not exceed twenty percent (20%). In estimating the cost of natural gas on a forward-looking basis, the Energy Bureau notes that the Henry Hub indices published by the U.S. Energy Information Administration, Short Term Energy Outlook (STEO) provide an appropriate reference point. In the savings calculations, the ULSD price benchmark should reflect the current ULSD supply contract. Genera shall apply the methodology described to calculate the savings realized from the operation of the Cambalache Units 2 and 3 on natural gas and shall use that methodology in preparing the annual savings report ordered by the Energy Bureau in this Resolution and Order, as further discussed below.

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On February 1 of each calendar year, beginning on the February 1 immediately following the calendar year in which each of the Cambalache Units 2 and 3 achieves the Commercial Operation Date, Genera shall file with the Energy Bureau an annual report detailing the savings realized as a result of operating the Cambalache Units 2 and 3 using natural gas. The annual report shall include, for each unit: (i) the number of hours the unit operated during the reporting year; (ii) the resulting capacity factor for that unit; (iii) the unit's total natural gas consumption and the corresponding cost of natural gas incurred; (iv) an estimate of the cost that would have been incurred to operate the unit on ULSD during the same period, based on the ULSD procurement contract in effect at the time; (v) a calculation of the savings attributable to operating the unit on natural gas as compared to ULSD; (vi) the amount by which the minimum take-or-pay obligations under the NG Agreement increased as a result of the inclusion of the Cambalache Units 2 and 3 as units served under that agreement; (vii) the amount incurred by PREPA during the applicable calendar year (January 1 through December 31) as a result of natural gas volumes not taken but paid for under the take-or-pay provisions of the NG Agreement; and (viii) a separate section identifying and supporting the maintenance costs attributable to each unit during the reporting year, as well as any capital expenditures incurred in connection with the operation of such units.

E. Cambalache Units 2 and 3 Conversion Costs

Regarding project costs, Genera initially indicated that the conversion of Cambalache Units 2 and 3 from their current fuels to natural gas would require no capital investment by PREPA, as such costs were expected to be funded by the gas supplier.⁴⁸ Genera further represented that the total cost of the fuel conversion project for Cambalache Units 2 and 3 would be

⁴⁶ See July 4 Resolution, p. 9.

⁴⁷ In addition, extending the comparison period initially used by Genera has the effect of incorporating more remote periods in which natural gas prices were lower and ULSD prices were higher, thereby overstating the potential savings associated with the use of natural gas.

⁴⁸ See Motion to Submit Request for Leave to Change Cambalache Units 2 & 3 Primary Fuel dated July 23, 2024, p. 3.



approximately \$32 million.⁴⁹ According to Genera, this total amount consists of (i) approximately \$5.4 million in costs associated with the conversion of the units for operation on natural gas, including the installation of new components and the replacement of damaged equipment,⁵⁰ and (ii) approximately \$26.6 million corresponding to the gas handling infrastructure required to support such operation, including the regasification units.⁵¹

Genera did not provide a breakdown of the estimated \$5.4 million associated with the conversion of the units. However, it did present a breakdown for the costs related to the regasification infrastructure:⁵²

Original Regasification Infrastructure Cost Breakdown

| | | |
|----|--------------------------|---------------------|
| 1. | Engineering | \$700,000 |
| 2. | Environmental Permitting | \$1,000,000 |
| 3. | Site Preparation | \$1,600,000 |
| 4. | Construction | \$15,300,000 |
| 5. | Commissioning | \$500,000 |
| 6. | Equipment | <u>\$7,500,000</u> |
| | Total | \$26,600,000 |

In its March 20 Motion, Genera now states that the total cost to convert the Cambalache Units 2 and 3, including all associated expenses, will be \$58 million.⁵³ Specifically, Genera provides the following cost breakdown:

Revised Total Project Cost

| | | |
|----|---|---------------------|
| 1. | A&E (PW 9510) | \$4,860,000 |
| 2. | Cambalache General Electric GTN11 (2&3) Dual Fuel Conversion | \$26,000,000 |
| 3. | Permitting | \$1,000,000 |
| 4. | Gasification Equipment | \$12,000,000 |
| 5. | Construction | \$12,240,000 |
| 6. | Construction Management Support | \$1,400,000 |
| 7. | Start-Up/Commissioning | <u>\$500,000.00</u> |
| | Total | \$58,000,000 |

Based on the representations made by Genera, the proposed conversion of the Cambalache Units 2 and 3 would not require capital expenditures to be borne by PREPA's customers, as the costs associated with the project are expected to be funded through federal programs. While the Energy Bureau is not conducting, as part of this proceeding, a specific cost-benefit analysis regarding the use of such federal funds for the proposed conversions, the record suggests that the project may provide certain potential benefits. These include the possibility of fuel cost savings, although potentially not to the magnitude asserted by Genera, as well as environmental and operational benefits.

However, the revised cost estimate reflects an increase of approximately 81% over the original estimate. This substantial increase in the cost, which has nearly doubled in less than a year since initially presented, raises significant concerns for the Energy Bureau. While the Energy Bureau does not determine the reasonableness of such costs, it notes that this increase must be evaluated given the ambiguities previously identified in the Scope of

⁴⁹ See March 6 Motion, Exhibit B, p. 4 and 11.

⁵⁰ See March 6 Motion, Exhibit B, p. 4.

⁵¹ See March 6 Motion, Exhibit B, p. 11.

⁵² See *Id.*

⁵³ See March 20 Motion, SOW, p. 10.



Work.⁵⁴ In particular, the *Project Description* suggested that three units were subject to conversion, whereas the cost estimates appear to reflect only the conversion of Cambalache Units 2 and 3, excluding Cambalache Unit 1. The Energy Bureau finds it necessary that the cost estimates be clarified. To the extent that the current estimates include any costs associated with the repair or conversion of Cambalache Unit 1, Genera shall revise such estimates to remove those components. The Energy Bureau further expects that, if such adjustments are required, the revised cost estimates will be more closely aligned with the previously submitted figures. As discussed in Part III(B) of this Resolution and Order, any necessary modifications to the Scope of Work and the cost estimates shall be timely submitted to the Energy Bureau to ensure that the record reflects the correct project scope of work and corresponding costs.

F. Cambalache Facility Permit Modifications

AM The Energy Bureau now addresses the nature of the permit modifications proposed by Genera in connection with the conversion of Cambalache Units 2 and 3. The record reflects that Cambalache Units 2 and 3 are peaking units, designed to operate flexibly in response to system needs. While Genera proposes that such units be operated with natural gas as the primary fuel and diesel as an alternate fuel, the Energy Bureau finds that the inherent operational characteristics of these units support a permitting structure that allows for the use of either fuel on an interchangeable basis, rather than establishing a rigid primary-versus-backup fuel hierarchy.

JM This distinction is relevant when compared to prior conversions approved for baseload units, including San Juan Units 7 and 9 and Palo Seco Units 3 and 4.⁵⁵ In those instances, the Energy Bureau authorized the pursuit of a permitting strategy shaped by environmental constraints, specifically the location of the units within a nonattainment area for the 1-hour National Ambient Air Quality Standards for sulfur dioxide ("SO₂ NAAQS"), as implemented through the applicable State Implementation Plan (SIP), pending approval by the USEPA. These constraints limited the ability to structure permits in a manner that allowed full interchangeability between fuels. Such permitting frameworks contemplated the establishment of natural gas as the primary fuel, with Fuel Oil No. 6 ("FO6") restricted to limited or emergency use. While such an approach was justified under the applicable environmental and regulatory requirements, it reduced the operational flexibility of those baseload units.

The Cambalache Units 2 and 3, however, are distinguishable. As peaking units in Arecibo, they are not subject to the same nonattainment-related permitting limitations. The Energy Bureau finds that the record does not demonstrate the existence of any environmental or regulatory constraint requiring that one fuel be designated as primary to the exclusion of meaningful use of the alternate fuel. On the contrary, the purpose of the proposed conversion is to provide operational flexibility, such that the units may operate on either natural gas or diesel, depending on system conditions.

Notwithstanding the foregoing, the permitting approach proposed by Genera would impose a material restriction on the use of diesel fuel by limiting such use to approximately 400 hours per year. In practical terms, this limitation would require that the units operate almost exclusively on natural gas, thereby undermining the operational flexibility expected of peaking units and replicating, without demonstrated necessity, the same constraints applied to baseload units in nonattainment areas. While the Energy Bureau recognizes that, from an operational standpoint, natural gas may be expected to serve as the predominant fuel, such expectation does not justify structuring the permits in a manner that materially restricts the use of the alternate fuel absent a clear environmental or regulatory basis. This conclusion is

⁵⁴ See discussion in Part III(B) of this Resolution and Order.

⁵⁵ See *Resolution and Order* dated March 6, 2026, and *Resolution and Order* dated March 20, 2026, both issued in case *In Re: Review of the Puerto Rico Electric Power Authority's 10-Year Infrastructure Plan* – December 2020, Case No.: NEPR-MI-2021-0002.



further supported by the Energy Bureau's recognition that there exists only a single supplier with the capability to provide the natural gas required for the operation of the Cambalache Units 2 and 3, which, absent a competitive market, creates additional risks and potential commercial pressures that may not result in the most favorable conditions for PREPA, as evidenced by experience with the supply of natural gas for the temporary generation units ("TM2500s") at San Juan and Palo Seco.

Accordingly, the Energy Bureau hereby **REJECTS** the permitting approach reflected in the PSD Applicability Analysis. The permits for the Cambalache Units 2 and 3 shall be maintained or modified to preserve the full dual fuel capability of the units, such that both natural gas and diesel may be utilized on a genuinely alternative and interchangeable basis, consistent with their design and intended operation as peaking units. At a minimum, any permitting structure adopted shall maintain the existing permit conditions governing diesel operation, while incorporating the authorizations to enable the use of natural gas, thereby ensuring that the introduction of natural gas does not diminish the units' current operational capabilities. Any permitting approach inconsistent with these determinations shall not be pursued.

G. Federal Funds Use

Genera alleges that, under PREPA's FEMA Accelerated Award Strategy ("FAASt"), the conversion project would be eligible for FEMA funding under the Section 406 Hazard Mitigation Program.⁵⁶ Genera further alleges that it will initially proceed under FEMA Section 428 and later submit the project as a mitigation project under Section 406.⁵⁷ Genera maintains this approach provides greater flexibility, since Section 406 only allows one version of the project, thereby enabling adjustments once final costs are determined and the necessary documentation is available.⁵⁸

Upon evaluation of Genera's proposal regarding the funding of the conversion of Cambalache Units 2 and 3, the Energy Bureau supports that the funds for such conversions be pursued through the program contemplated under Section 406. This approach is intended to avoid any adverse impact on the Consolidated Project List,⁵⁹ which consists exclusively of projects to be funded under Section 428. This determination is further supported by the fact that the funds available under Section 428 are already committed to the projects comprising said list, whereas funds under Section 406 remain available to be obligated for other initiatives, such as the proposed conversion of Cambalache Units 2 and 3.

The Energy Bureau determines that, to the extent Genera's only option for funding the conversion of Cambalache Units 2 and 3 is through the Section 428 program, Genera shall not proceed with such modifications at the expense of projects already included in the Consolidated Project List for implementation by LUMA or PREPA. Where projects are pursued under Section 428, any necessary reconciliation or reallocation actions shall occur within Genera's existing 428 funding portfolio framework. In this context, if Section 428 funding ultimately constitutes the sole viable funding mechanism, Genera must identify and remove from its own portfolio those lower-priority projects, as determined by Genera, to enable the inclusion and implementation of the proposed conversions of Cambalache Units 2 and 3, without displacing projects included by PREPA and/or LUMA.

⁵⁶ See March 20 Motion, Technical Data, p. 8.

⁵⁷ See March 20 Motion, Technical Data, p. 10.

⁵⁸ See *Id.*

⁵⁹ See, in general, *In Re: Review of the Puerto Rico Electric Power Authority's 10 Year Infrastructure Plan-December 2020*, Case No.: NEPR-MI-2021-0002.



H. Natural Gas Supply Availability/Take-or-Pay Provisions

As previously discussed, in connection with the conversions of San Juan Units 7 and 9 and Palo Seco Units 3 and 4, Genera has provided conflicting information regarding the projected quantities of natural gas to be consumed. In prior resolutions addressing those conversions, the Energy Bureau has emphasized the need for matters related to natural gas usage, particularly under the NG Agreement, to be defined and, where appropriate, properly negotiated to safeguard the public interest by the entities responsible for administering such agreement.⁶⁰ The concerns identified in those prior cases are likewise present in this proceeding.

1. Take-or-Pay Provisions

Genera proposes to procure the natural gas required to supply Cambalache Units 2 and 3 through the NG Agreement. The NG Agreement establishes that the Annual Take-or-Pay for additional generation units shall be calculated based on the added unit's Net Dependable Capacity and the operating profile in the applicable "Required Permits".⁶¹ The calculations derived from the parameters in the NG Agreement and the PSD Applicability Analysis⁶² demonstrate that the Annual Take-or-Pay quantity implied by the contractual methodology may result in an operational requirement inconsistent with the expected dispatch profile of Cambalache Units 2 and 3.⁶³ Therefore, it is necessary to evaluate the relevant contractual provisions, as well as the circumstances and parameters presented by Genera, to ensure that any procurement under the referenced contract safeguards the public interest.

Although Genera did not respond to the specific question regarding the applicable Take-or-Pay obligations for the conversion of Cambalache 2 and 3 under the NG Agreement, it provided estimated quantities of natural gas to be used by the units.⁶⁴ These quantities likewise require evaluation by the Energy Bureau in this proceeding, as they may imply an operational profile for the units that differs from, and potentially reflects lower utilization than, the levels represented by Genera.

For this analysis, the Energy Bureau relies on the maximum heat input of 898 MMBtu/hr as stated in the PSD Applicability Analysis⁶⁵, which reflects an estimated annual natural gas consumption of approximately 7.0 TBtu per unit, or 14.0 TBtu in the aggregate for Cambalache Units 2 and 3.⁶⁶ The proposed consumption of 14 TBtu/yr of natural gas for the

⁶⁰ See the *Resolution and Order* dated March 6, 2026, issued in case *In Re: Review of the Puerto Rico Electric Power Authority's 10-Year Infrastructure Plan-December 2020*, Case No.: NEPR-MI-2021-0002, at pages 17-19; and *Resolution and Order* dated March 20, 2026, issued in the same case, at pages 18-21.

⁶¹ Section 4.3.3 of the NG Agreement provides that:

...For purposes of determining the increase to the Annual TOP Quantity, the maximum annual Gas consumption of the applicable Generation Unit shall be calculated on the basis of such Generation Unit's net dependable capacity and the operating profile set forth in the applicable Required Permits.

⁶² The PSD Applicability Analysis establishes the operational parameters intended to be incorporated into the Title V Permit for the operation of Cambalache Units 2 and 3 using natural gas. Accordingly, it is appropriate to evaluate, in this regard, not only the Title V Permit, but also the PSD Applicability Analysis.

⁶³ See in general, March 20 Motion: Attachment E, Attachment A, Attachment B, Attachment C and Attachment D.

⁶⁴ See March 20 Motion, *Attachment B Cambalache Technical Data Submission*, pp. 1-2.

⁶⁵ This maximum heat input is consistent with, and reflected in, the currently effective Title V Permit.

⁶⁶ See PSD Applicability Analysis, pp. 1 and 7. This amount does not include the additional 0.3145 TBtu per year of natural gas that would be consumed by the vaporizers in the gas vaporization system; accordingly, the total annual consumption would be approximately 14.3145 TBtu per year.



two units, when considered in light of the units' maximum heat input specified implies that the units would be operating at approximately 7,795 hours per year.⁶⁷

This level of gas consumption, estimated based on the parameters established in the NG Agreement, would require Cambalache Units 2 and 3 to operate essentially at their capacity for virtually the entire year to avoid paying for gas that is not consumed. Such an operating requirement is inconsistent with the likely operational role of the unit and could effectively obligate the T&D Operator to dispatch the units for a substantially greater number of hours than would otherwise be economically or operationally justified. It would be reasonable for the parties to revisit the Annual Take-or-Pay quantity under the NG Agreement and consider using a different set of assumptions that more accurately reflects the expected operational profile of the units, thereby establishing a Take-or-Pay level that does not effectively require the unit to operate nearly year-round to avoid incurring payment obligations for unused fuel.

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The quantity resulting from the permit profile should not be used, by itself, to establish the Annual Take-or-Pay obligation, because it is based on a maximum theoretical operating scenario rather than on the unit's realistic expected dispatch. Specifically, the estimate of approximately 14 TBtu/yr reflects unit operation at the maximum permitted heat input for the full year and therefore represents a theoretical upper bound on fuel consumption, not a reasonable projection of expected annual usage. The units' historical heat rates of approximately 13,420 Btu/kWh (Cambalache Unit 2) and 13,450 Btu/kWh (Cambalache Unit 3) suggests that its actual operating characteristics do not fully align with the assumptions implicit in the permitting profile.⁶⁸ Accordingly, the Annual Take-or-Pay quantity should be based on a more reasonable and representative operational assumption, rather than solely on the maximum profile reflected in the "Required Permits".

Accordingly, it is important that the Annual Take-or-Pay quantity be established at a reasonable level that reflects the realistic operational expectations of the units over the remaining years of their useful life. Genera and/or the 3PPO must therefore ensure that the quantity ultimately negotiated adequately safeguards the public interest when establishing the Take-or-Pay obligation applicable to Cambalache Units 2 and 3. Failure to do so could expose ratepayers to unnecessary fuel payment obligations and raise questions regarding the prudence of committing to gas volumes that may ultimately become stranded as the system transitions toward the generation resource mix required to meet the renewable portfolio established in Act 82-2010.⁶⁹

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The Energy Bureau understands that the Cambalache Units 2 and 3 conversion project and the related gas supply arrangements do not necessarily require that the supply of natural gas for Cambalache Units 2 and 3 be provided on an exclusive basis by NFE.⁷⁰ The Energy Bureau does not interpret the NG Agreement as granting exclusivity, and it recognizes that another supplier could provide such natural gas. However, given the current circumstances, in which there is no alternative infrastructure capable of supplying natural gas directly from another source, the only viable option available is supply through NFE under the existing contractual framework.⁷¹ Under these circumstances, and in light of past experiences already known to the parties, it is also important that any additional Take-or-Pay quantities that may be incorporated into the contract as a result of converting Cambalache Units 2 and 3 to operate on natural gas, and supplying such gas through NFE, be determined in a manner that serves the best interests of the public.

⁶⁷ See *Id.*

⁶⁸ See 2025 Proposed IRP, p. 164.

⁶⁹ Known as Public Policy on Energy Diversification by Means of Sustainable and Alternative Renewable Energy in Puerto Rico Act, as amended ("Act 82-2010").

⁷⁰ See, 4.1(c) of the NG Agreement.

⁷¹ It should be noted that once Cambalache Units 2 and 3 are incorporated as additional Generation Units under the NG Agreement, they will generally remain subject to the terms of that agreement for the remainder of its contractual term, except under limited and narrowly defined circumstances.



2. Natural Gas Availability

Regarding the natural gas consumption of PREPA's generating units to be supplied under the NG Agreement, Genera has presented, across various proceedings before the Energy Bureau, including the conversion of Palo Seco Units 3 and 4, San Juan Units 7 and 9, and Cambalache Units 2 and 3, information that is inconsistent. However, a review of the data in the respective records indicates that, based on Genera's recognized quantities, the expected natural gas consumption will be as follows:

| Unit | Tbtu |
|------------------------|---------------------------------------|
| San Juan 5 & 6 | 27.2 ⁷² |
| San Juan TM2500 | 17.1 ⁷³ |
| Palo Seco TM2500 | 6.1 ⁷⁴ |
| Palo Seco Units 3 & 4 | 20.4 ⁷⁵ |
| San Juan Units 7 & 9 | 6.1 ⁷⁶ - 7.9 ⁷⁷ |
| Cambalache Units 2 & 3 | 3.3 ⁷⁸ |
| Total | 80.2-82.0 |

Genera initially represented that the total natural gas consumption for Palo Seco Units 3 and 4 would be 10.2 TBtu.⁷⁹ However, through a subsequent correction in response to a request for information, Genera clarified that such figure corresponded to each unit individually, resulting in a combined consumption of 20.4 TBtu for Palo Seco Units 3 and 4.⁸⁰ Notwithstanding this clarification, in subsequent filings about the conversion of San Juan Units 7 and 9,⁸¹ as well as Cambalache Units 2 and 3,⁸² Genera continued to rely on the original, uncorrected figure for Palo Seco Units 3 and 4. When aggregating consumption figures across these units, the resulting natural gas demand calculations are erroneous. In this instance, Genera asserts that, with the consumption associated with Cambalache Units

⁷² See March 20 Motion, Attachment B Cambalache Technical Data Submission, pp. 8-9.

⁷³ See *Id.*

⁷⁴ See *Id.*

⁷⁵ See Second Submission of Technical Responses for Palo Seco 3 & 4 Fuel Swap dated March 3, 2026, filed in case *In Re: Review of the Puerto Rico Electric Power Authority 10 Years Infrastructure Plan-December 2020*, Case No.: NEPR-MI-2021-0002, p. 4.

⁷⁶ See March 20 Motion, Attachment B Cambalache Technical Data Submission, pp. 8-9.

⁷⁷ See Second Submission of Technical Responses for San Juan 7 & 9 Fuel Swap dated March 9, 2026, filed in case *In Re: Review of the Puerto Rico Electric Power Authority 10 Years Infrastructure Plan-December 2020*, Case No.: NEPR-MI-2021-0002, pp. 3-4.

⁷⁸ See *Id.*

⁷⁹ See Submission of Technical Responses and Data for Palo Seco 3 & 4 Fuel Swap dated February 20, 2026, filed in case *In Re: Review of the Puerto Rico Electric Power Authority 10 Years Infrastructure Plan-December 2020*, Case No.: NEPR-MI-2021-0002, pp. 3-4.

⁸⁰ [...Based on this, we want to clarify for the record responses 6; 19(a); and 32 of Genera's February 20, 2026. Specifically, the 10.2 TBtu estimated consumption represented will be for each unit, not both. Therefore, the total estimated consumption, inclusive of Palo Seco Units 3 & 4, will be approximately 70.8 TBtu annually...]. See Second Submission of Technical Responses for Palo Seco 3 & 4 Fuel Swap dated March 3, 2026, filed in case *In Re: Review of the Puerto Rico Electric Power Authority 10 Years Infrastructure Plan-December 2020*, Case No.: NEPR-MI-2021-0002, p. 4.

⁸¹ See Motion to Submit Technical Data for Request for Approval to Submit to COR3 and FEMA the SOW to Convert San Juan Units 7 & 9 to Operate with Natural Gas as Primary Fuel dated February 26, 2026 filed in case *In Re: Review of the Puerto Rico Electric Power Authority 10 Years Infrastructure Plan-December 2020*, Case No.: NEPR-MI-2021-0002, Exhibit 2 Technical Data Submission, pp. 3 and 10.

⁸² See March 20 Motion, Attachment B Cambalache Technical Data Submission, pp. 2 and 9.



2 and 3, the total natural gas consumption would amount to **70 TBtu**,⁸³ however, the correct amount is between **80.2 and 82.0 TBtu**.

This raises a fundamental concern, namely, that there may not be sufficient contracted natural gas under the NG Agreement to support the operation of all units potentially included under such agreement. The concern is further compounded by inconsistencies in Genera's own representations. While the permitting materials indicate an annual natural gas consumption of approximately 14.0 TBtu, other representations suggest a projected usage of only 3.3 TBtu,⁸⁴ a significantly lower amount than would be required to operate these units as peaking resources. To the extent that Genera proposes permit conditions under which natural gas would be designated as the primary fuel, with diesel operation limited to approximately 400 hours per year, any insufficiency in contracted natural gas supply could materially constrain the dispatchability of these units.

A review of the figures suggests that the relatively low proposed quantity might be driven by the fact that even at such reduced levels, the total contracted natural gas volumes would exceed the maximum quantities guaranteed under the NG Agreement. The maximum annual quantity of natural gas available under the NG Agreement is 75 TBtu. However, even assuming a minimum incremental annual consumption of approximately 3.3 TBtu for the Cambalache units 2 and 3, as suggested by Genera, the total volume required to meet the needs of the units included under the NG Agreement would reach approximately 82 TBtu/yr, thereby resulting in a shortfall. This deficiency could be significantly greater if the additional quantities are determined under the contractual methodology, which could require up to approximately 14 TBtu/yr associated with Cambalache Units 2 and 3, thereby substantially exceeding the maximum contracted volume under the NG Agreement.⁸⁵ This situation is further exacerbated by the fact that the foregoing amounts do not include the portion attributable to the three Palo Seco TMPs (MegaGens),⁸⁶ whose approved conversion would likewise require natural gas supply under the NG Agreement.

The NG Agreement provides that any quantities consumed over the contracted volumes are not subject to the established pricing terms and must instead be negotiated by mutual agreement of the parties, and that the provision of such additional quantities remains at the discretion of the gas supplier, NFE. This creates an additional risk that the gas supplier, given the operational dependence of converted units on natural gas as their primary permitted fuel, could impose constraints or exert undue pressure, including the imposition of higher prices than those contemplated under the NG Agreement. This is a circumstance that must be considered when establishing Take-or-Pay quantities, not only for the Cambalache Units 2 and 3, but also for any other authorized conversions for which natural gas would be supplied under the NG Agreement.

As the Energy Bureau previously recognized, it is important that Take-or-Pay provisions be established in a manner that reflects the expected dispatch levels of Cambalache Units 2 and 3 over the term of the NG Agreement. This is necessary to avoid circumstances in which fuel must be paid for even if it is not consumed. However, the quantities of natural gas proposed for consumption by Genera, particularly at the lower bound of approximately 3.3 TBtu per year for both units (or approximately 1.65 TBtu/yr per unit), may have additional operational implications. When such fuel quantities are evaluated with the available capacity of each unit and the applicable maximum heat input, the resulting implied operating hours would be significantly lower than the levels historically represented by Genera. By way of

⁸³ See *Id.*, pp. 2 and 8-9.

⁸⁴ See *Id.*

⁸⁵ The addition of new units under the NG Agreement does not increase the maximum amount contracted volume of natural gas but may increase the aggregate Take-or-Pay obligations allocated among the units included under the agreement.

⁸⁶ See Resolution and Order dated January 23, 2026, issued in case *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.



illustration, the estimated consumption levels would correspond to approximately ⁸⁷ operating hours per year for each unit. Such reduced utilization levels may adversely affect system reliability to the extent that the units would be operated substantially less than in prior periods. While continuous operation at 7,795 hours per year, as suggested by the PSD Applicability Analysis data is not consistent with the current dispatch profile of these units, the substantially lower utilization implied by the proposed fuel quantities likewise raises concerns regarding the availability of reliable generation resources. This issue must also be considered in evaluating and establishing the appropriate natural gas quantities under the NG Agreement, including the Take-or-Pay quantities.

IV. Conclusion

Based on the foregoing discussion and the procedural history, the Energy Bureau has, since July 4, 2025, conditionally approved the conversion of Cambalache Units 2 and 3 for dual-fuel operation. On March 20, 2026, Genera filed a motion asserting compliance with the conditions imposed by the Energy Bureau and, to the extent any such condition could not be satisfied, provided explanations it deemed sufficient to justify any deviation therefrom. After evaluating Genera's filing and the evidence in the administrative record, the Energy Bureau determines as follows:

1. Subject to the limitations and requirements set forth in Part III (D)-(G), of this Resolution and Order, Genera is **DEEMED** to have complied with the conditions established in the July 4 Resolution. Genera may submit to FEMA a revised Scope of Work and corresponding cost estimates consistent with the foregoing requirements.
2. On February 1 of each calendar year, beginning on February 1 immediately following the calendar year in which each of the Cambalache Units 2 and 3 achieves the Commercial Operation Date, Genera shall file with the Energy Bureau the annual savings report required under Part III(D) of this Resolution and Order.

The Energy Bureau clarifies this approval is limited solely to the units in this proceeding the Cambalache Units 2 and 3, and shall not be construed as applicable to, or dispositive of, any other matters pending before the Energy Bureau, including, without limitation, other conversion requests for which Genera has not yet submitted the information or evidence necessary to demonstrate compliance with the applicable conditions.

The Energy Bureau **WARNS** Genera that, in accordance Art. 6.36 of Act 57-2014:

- (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.

⁸⁷ According to Genera, the Service Hours for Cambalache Unit 2 were 3,675 hours in FY23-24, 4,103 hours in FY24-25, and 1,188 hours during the first six months of FY25-26, while the Service Hours for Cambalache Unit 3 were 3,432 hours in FY23-24, and 3,508 hours in FY24-25. See March 20 Motion: Attachment B.1.






Edison Avilés Deliz
Chairman



Lillian Mateo Santos
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner

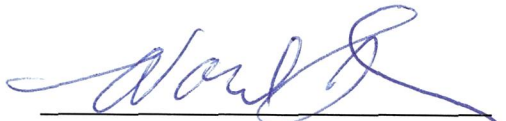


Antonio Torres Miranda
Associate Commissioner

CERTIFICATION

I certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on May 4, 2026. Associate Commissioner Ferdinand A. Ramos Soegaard dissents without a written opinion. I also certify that on May 4, 2026 a copy of this Resolution was notified by electronic mail to the following: alexis.rivera@prepa.pr.gov; rcruzfranqui@gmlex.net; mvalle@gmlex.net; nzayas@gmlex.net; jdiaz@ecija.com; jfr@ecija.com; legal@genera-pr.com; regulatory@genera-pr.com. I also certify that today, May 4, 2026, I have proceeded with the filing of the Resolution issued by the Puerto Rico Energy Bureau.

I sign this in San Juan, Puerto Rico, today May 4, 2026.



Wanda I. Cordero Morales
Interim Clerk

