Eng. Josué A. Colón Ortiz I Executive Director

July 24, 2025

BY ELECTRONIC MAIL
Robert.mujica@promesa.gov

Mr. Robert F. Mujica, Jr.
Executive Director
Financial Oversight and Management
Board for Puerto Rico
PO Box 192018
San Juan, Puerto Rico 00919-2018

Dear Mr. Mujica:

Initial
JCO

Re.: Response to FOMB's July 22, 2025 RFI

I write in my dual capacity as Energy Czar and as Executive Director of the Puerto Rico Public-Private Partnerships Authority ("P3A"), in response to your July 22, 2025 letter concerning the proposed fuel supply agreement with NFEnergía LLC ("NFE"). Your letter raises several questions and concerns, to wit: the negotiation of the contract, the roles of the entities involved, the structure of the procurement process, and the broader legal and commercial context under which it occurred. As such, and in order to adequately and responsibly respond to your letter, it is important to clearly explain the responsibilities of the Third-Party Procurement Office ("3PPO"), the role of P3A, and my position within this framework. These clarifications are necessary to dispel speculation, correct the record, and provide a fact-based understanding of the process.

The 3PPO is a specialized independent unit established to identify, avoid, mitigate, and/or neutralize actual or apparent conflicts of interest that may arise, particularly those involving Genera PR, LLC ("Genera") and its holding company NFE. Its operations are primarily governed by a direct Professional Services Agreement with the P3A and, pursuant to the terms and conditions contained therein, the 3PPO is specifically responsible for independently managing or leading competitive procurement processes, including those for fuel, that are required when Genera's Procurement Manual mandates its intervention due to a potential organizational conflict of interest.

At the outset of each procurement under the Generation Facilities O&M Agreement ("GOMA"), P3A establishes the RFP framework by defining key parameters, anchored in cost principles, comprehensive price analysis, prevailing market rates, and Government Acquisition best practices. Once these parameters are set, the Third-Party Procurement Office ("3PPO") independently manages the competitive process: it drafts and issues the RFP, coordinates all proposer communications, conducts technical and financial evaluations, leads negotiations, and decides whether to recommend award or defer execution. The 3PPO's mandate is to act autonomously and exclusively in the best interest of the Government of Puerto Rico.

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While P3A, as GOMA administrator, provides oversight to ensure strict compliance with the procedural and structural requirements of Act 29-2009 and Act 120-2018, it does not draft procurement documents, evaluate proposals, negotiate terms, or influence the final contract that the 3PPO presents. P3A's role is strictly to safeguard the integrity of the public-private partnership framework, not to direct or participate in the procurement outcome.

Accordingly, and contrary to representations made by NFE in its July 17th letter, I did not participate in the negotiation in the manner suggested. I did attend a meeting convened at the request of the 3PPO following an impasse with NFE - where the company made clear that key terms such as the take-or-pay provision, the contract's 15-year duration, and the 40% cap on liability for delivery shortfalls were not subject to negotiation. That confirmation led to the conclusion that the terms were effectively imposed and ultimately resulted in the draft agreement being submitted to the Financial Oversight and Management Board for Puerto Rico ("FOMB") as a non-negotiable proposal. Occasional technical discussions related to the Request for Proposal ("RFP") also occurred, but these were limited, situational, and fully consistent with my responsibilities as Energy Czar and Executive Director of the P3A. At no point did I participate in the commercial or legal negotiations that shaped the terms of the draft agreement submitted to the FOMB. Communications from the 3PPO to clarify technical or procedural questions with relevant government entities are routine and should not be conflated with participation in the contract negotiation process.

The aforementioned paragraph underscores the importance of distinguishing between policy oversight and contractual negotiation, and why any assertion or insinuation by NFE to the contrary is incorrect and must be categorically rejected. In fact, the very July 17th 2025 letter from NFE - which details back-and-forth discussions with the FOMB regarding contract terms - could lead a person unrelated to the process to conclude that it was the FOMB, not the 3PPO, that was engaged in substantive negotiations with NFE. That impression could be further reinforced by the fact that, as recently as today, the FOMB contacted the 3PPO to inquire about the status of negotiations with NFE and conveyed a willingness to revisit and accept certain terms it had previously opposed. Once again, a reasonable and unrelated party could likewise interpret that outreach as evidence of active participation in the negotiation process, though we all know this is not true.

This context is especially relevant given that, as of July 8, 2025, there is no proposed contract currently before the FOMB for evaluation. On that date, the 3PPO formally withdrew the draft agreement from consideration via a communication requesting to "defer any further review or analysis of the proposed contract under the Multi-Site LNG Acquisition RFP…"[1]. As such, any attempt by the FOMB to evaluate or comment on a contract that is no longer under review is premature and speculative.

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Notwithstanding the aforementioned and given the implied and current narrative that the 3PPO was aligned with NFE's interests, it is imperative to further clarify the record. It is an undeniable fact that NFE has controlled - by contract and infrastructure - all meaningful access to LNG supply for the San Juan and Palo Seco complexes since 2018. That control has included exclusive leasehold rights over the San Juan terminal, long-term supply contracts, and infrastructure dependencies that have made the company a *de facto* monopoly supplier of LNG and the recipient of over $1 billion in LNG sales during the last five years.

These agreements - executed and approved in prior years and under prior administrations - are what created NFE's leverage in the present procurement. The Government did not grant NFE leverage in this process; it inherited it. The terms that were transmitted to the FOMB for review were not developed collaboratively or advocated by P3A. They were imposed by NFE, under threat of discontinuing supply to temporary generation units if new terms were not accepted. The 3PPO withdrew the proposed LNG contract once it became clear that the terms were not in Puerto Rico's best interest. To now express surprise at the existence of exclusivity provisions or at the market concentration NFE enjoys, after years of public discussion and contract

[1] See Annex 1

approvals that reinforced that exclusivity, is difficult to reconcile with the factual history. The record must reflect that context.

Finally, it bears noting that the majority of the factual and technical questions raised by the FOMB pertain directly to matters under the jurisdiction of the 3PPO. As such, attached to this letter as **Annex 2**, you will find a detailed report submitted by the 3PPO with responses to all questions submitted by FOMB. If the FOMB understands it necessary, we remain committed to proceed and supplement any of those responses.

Cordially,

Signed by:
Josué A. Colón Ortiz
ACAE19A8DEF549C

Josué A. Colón Ortiz
Energy Czar of Puerto Rico
Executive Director, P3A

Annexes

c. Francisco J. Domenech, Executive Director, AAFAF, fjdomenech@aaaf.pr.gov
Mary C. Zapata Acosta, Executive Director, PREPA, mary.zapata@prepa.pr.gov

Annex -1

From: Mariela Quinones <mquinones@recomspr.net>
Date: July 8, 2025 at 8:45:17 PM AST
To: Fausto J Hernández <fausto.hernandez@promesa.gov>, Amanda Bosch <amanda.bosch@promesa.gov>, Camelia Montilla <camelia.montilla@promesa.gov>, Carlos Micames <carlos.micames@promesa.gov>, Robert Mujica <robert.mujica@promesa.gov>
Cc: ocarlo <ocarlo@carlolaw.com>, Miguel Garcia <mgarcia@recomspr.net>, Procurement <Procurement@recomspr.net>, Francisco Amill <famill@recomspr.net>, "Lcdo. Juan González" <jgonzalez@gmlex.net>
Subject: Request to Defer Further Review of Multi-Site LNG Acquisition Contract

Dear FOMB Team:

I hope this message finds you well.

We would like to respectfully request that the Financial Oversight and Management Board (FOMB) defer any further review or analysis of the proposed contract under the Multi-Site LNG Acquisition RFP at this time.

We have been advised that amendments to the current draft contract are necessary in order to better serve Puerto Rico's best interests. These potential changes are under internal review, and additional discussions with the selected proponent will be required to finalize revised terms that more appropriately reflect the operational and policy objectives of the Government of Puerto Rico.

We will promptly inform the FOMB once a revised version is ready for your evaluation.

Thank you for your continued collaboration and understanding.

Best regards,
Mariela Quiñones

3PPO

3PPO
Third-Party Procurement Office

July 24, 2025

To: Eng. Josué Colón
Executive Director
Public Private Partnership Authority (P3A)

Subject: Response to FOMB Request for Information – NF Energía, LLC (LNG Supply Agreement)

Dear Eng. Colón:

Please find below the 3PPO's responses to the Financial Oversight and Management Board's (FOMB) Request for Information dated July 22, 2025, regarding the proposed contract with NF Energía, LLC for the supply of liquefied natural gas (LNG).

While we consider this inquiry to be largely academic at this stage, given that the Government of Puerto Rico is no longer pursuing a contract with NFE under the Multi-Site LNG Acquisition RFP, we are providing responses for the record and out of respect for the Board's request.

The FOMB's original questions are reproduced below in black text, with the 3PPO's responses incorporated in **red** for clarity.

Please let us know if you have any questions or require further clarification.

Respectfully,

Osvaldo Carlo

President

Third-Party Procurement Office (3PPO)

Regulatory Compliance Services

The following are the answers from the 3PPO regarding the questions presented by the FOMB:

Dear Mrs. Colon Ortiz and Carlo Linares,

The Financial Oversight and Management Board for Puerto Rico ("Oversight Board") has been evaluating for the past 25 days the proposed contract between Genera PR, LLC ("Genera"), as agent to the Puerto Rico Electric Power Authority ("PREPA"), and NF Energía, LLC[I] ("NFE") (the "Proposed Contract") for the provision of liquefied natural gas ("LNG"). As part of our comprehensive review, we thoroughly analyzed the contract terms, met with the parties involved in the contract negotiations, and held numerous meetings to gain a deeper understanding of the agreement.

Our analysis has deepened concerns regarding the terms of the Proposed Contract, market competition, inconsistencies with the Request for Proposal ("RFP") and other documentation, and inconsistencies with the PREPA Fiscal Plan. These discussions have generated more questions than answers.

Notably, we have yet to find any party on the Government side who can provide a compelling rationale for the terms of the Proposed Contract or advocate for its approval. This lack of defense raises serious questions about the soundness of the agreement and the need for further scrutiny.

[I] NF Energia, LLC and Genera PR, LLC are both subsidiaries of New Fortress Energy, Inc

Response:

The terms and conditions contained in the Proposed Contract reflect those that New Fortress Energy (NFE) was willing to accept, not those originally discussed by the 3PPO with the Public-Private

Partnerships Authority (P3A). As previously communicated to the FOMB, the Government submitted an initial contract incorporating terms and conditions it deemed appropriate and consistent with prior precedent and sound commercial standards. That version was intended to serve as a basis for negotiation.

However, after several attempts to engage in substantive discussions, NFE made clear that it would not accept any material revisions. In fact, its representatives explicitly stated that if topics such as take-or-pay provisions or pricing structures were raised, they were instructed to withdraw from the negotiations entirely. Accordingly, the Proposed Contract submitted to the FOMB reflects the terms unilaterally proposed by NFE, not terms developed through mutual negotiation.

The 3PPO submitted the Proposed Contract for review by the FOMB to preserve continuity of discussions, given the imminent expiration of the emergency contract for the temporary generation units and the critical need to maintain LNG supply and energy system stability. These terms were never endorsed as optimal or preferred by the 3PPO or P3A. Therefore, the absence of internal advocacy for the Proposed Contract should not be misinterpreted as indifference, but rather as acknowledgment that the terms reflect constraints imposed by NFE, not a policy or commercial judgment of the Government of Puerto Rico.

When the Proposed Contract was submitted to the Financial Oversight and Management Board (FOMB), it was the final day of negotiations. The 3PPO had been informed that no further extensions to the existing Natural Gas Supply Purchase Agreement (NGSPA) would be granted. During this period, the supplier's negotiation team employed tactics that signaled a willingness to walk away unless specific contractual terms were accepted. These pressure mechanisms were part of a broader strategy to impose non-negotiable conditions that the 3PPO viewed as inconsistent with the public interest. In that context, the submission of the Proposed Contract to the FOMB did not signify endorsement but rather served as the only remaining mechanism to compel a renewed negotiation process under independent oversight.

The period during which the evaluation of the Proposed Contract was pending at the FOMB, was used by the 3PPO to complete an exigency process that would avoid the interruption of the gas supply to San Juan and Palo Seco. It was clear, to the 3PPO, that the possibility that NFE would accept material changes, once confronted with the fact that the Proposed Contract was rejected by the FOMB, was extremely slim.

We are sending this Request for Information ("RFI") as part of our review of the Proposed Contract submitted to the Oversight Board for review and approval by the Third-Party Procurement Office ("3PPO") on June 26, 2025, in accordance with the Oversight Board's Contract Review Policy, established pursuant to Section 204(b)(2) of PROMESA (the "Policy").

Part of the Oversight Board's mandate under PROMESA is to ensure that proposed contracts and amendments promote market competition and are not inconsistent with the applicable certified fiscal plans. In our July 9, 2025 letter, we outlined substantial concerns about the Proposed Contract, particularly its exclusivity provisions, the volumes of LNG that PREPA would be required to purchase, and the price of the LNG.

Response:

The exclusivity provisions referenced in the Proposed Contract were not part of the original draft provided by the 3PPO. These provisions were inserted by NFE in a last-minute revision delivered approximately one hour before the model contract was submitted to the FOMB. This insertion occurred after a series of changes unilaterally made by NFE throughout the negotiation process, making it extremely difficult for the 3PPO to secure a stable and balanced agreement. These eleventh-hour revisions, including the exclusivity language, were among several red flags that the 3PPO anticipated could raise concern with the FOMB.

Throughout the discussions, NFE was inflexible and resistant to negotiation. Key provisions such as exclusivity, take-or-pay obligations, and pricing structures were deemed non-negotiable by NFE. Their representatives repeatedly stated that introducing changes to those terms would lead them to terminate negotiations. The LNG volumes that PREPA would be required to purchase under the Proposed Contract were based on certifications provided by Genera PR, not inflated or arbitrarily established by the Government.

Importantly, despite NFE's rigid posture, the price of LNG ultimately included in the Proposed Contract was lower than the pricing initially offered in NFE's original proposal. This was one of the few areas where limited progress could be made, though not through a conventional negotiation process.

The terms presented in the Proposed Contract were not the result of a competitive market negotiation nor a mutual agreement, but rather a reflection of NFE's imposed conditions, under significant time pressure and operational risk to the island's energy system. The 3PPO recognizes that such terms are not ideal from a policy standpoint and submitted the agreement to the FOMB strictly to preserve continuity of service and to prevent further deterioration of the grid during an ongoing energy crisis.

We have since continued our review and received correspondence from NFE in connection with the Proposed Contract.[2] The Oversight Board requests further information regarding our initial concerns outlined in the July 9, 2025 letter, the inconsistencies between the RFP and other documentation and the resulting Proposed Contract, the conflicting information the Oversight Board received regarding the negotiations that led to the Proposed Contract, and NFE's LNG shipment deviation. Further, the Oversight Board is asking for clarification about statements it received from relevant parties concerning the submission of the Proposed Contract.

Given that the Proposed Contract represents a long-term and extraordinary financial commitment with a single supplier, adequate market competition is paramount. Further, close attention to the management of fuel supply, logistic operations, and contracts is critical, such that the generation system can ensure a continued and uninterrupted supply of fuel. The recent LNG shortage, as well as other management and logistical issues identified over time highlights the need to review and assess internal management processes and contracting practices.

I. Inconsistencies

In our review of the Proposed Contract, we have identified certain inconsistencies between the unsolicited proposal submitted by NFE on April 4, 2025 ("April 4th Proposal") to the Puerto Rico Public-Private Partnerships Authority ("P3A") (*see attached*) prior to the issuance of an RFP, the specifications requested as part of the RFP issued by 3PPO on April II, 2025, and the resulting terms set forth in the Proposed Contract. For example, we note that the RFP requested bids with a stipulated term of five (5) years, with a five (5) extension option, or alternatively, a term of ten (I0) years, with a five (5) year extension option. However, the Proposed Contract contemplates a fixed I5-year term.[3]

[2] *See* letter from New Fortress Energy to the Oversight Board on July I7, 2025; *see also* letter from New Fortress Energy to the Puerto Rico Public-Private Partnerships Authority on April 4, 2025, which was provided to the Oversight Board by New Fortress Energy on April 5, 2025. Both letters are attached.

[3] Notably, the April 4th Proposal contemplated the provision of services for 20 years.

Response:

The RFP issued by the 3PPO on April 11, 2025, indeed requested proposals with either (i) a five-year base term with two optional five-year extensions, or (ii) a ten-year base term with a single five-year extension option. Additionally, the RFP required proponents to provide pricing both with and without take-or-pay provisions, across both term options.

However, NFE did not submit pricing for multiple structures as requested. Instead, NFE stated unequivocally that a 15-year fixed term was the minimum acceptable contract duration and submitted a single price proposal based on that term. No pricing was offered under the requested five- or ten-year term structures, nor did NFE include any price alternatives excluding take-or-pay obligations. NFE's representatives later confirmed that they would not entertain discussions regarding alternative durations or pricing mechanisms.

The Proposed Contract's 15-year fixed term therefore reflects the only structure NFE was willing to offer, despite the more flexible framework contemplated by the RFP. As such, the inconsistency identified is not due to a deviation by the Government or the 3PPO from the RFP, but rather the result of NFE's refusal to provide the requested options or engage in meaningful negotiation on those terms.

Further, the Proposed Contract presents a cardinal change when it eliminates a service procured under the RFP that required bidders to procure, permit, install, and operate liquefied natural gas regasification facilities ("Regasification Equipment")". Similarly, the RFP requested a payment bond of $I00,000,000 while the Proposed Contract requires one of only $I0,000,000. The Proposed Contract also contrasts with the April 4th Proposal and the RFP in that the Proposed Contract contemplates a "take-or-pay" structure,[4] includes expanded exclusivity provisions, and does not contemplate an option for the supplier to install and PREPA to acquire the terminals and the Regasification Equipment and associated infrastructure.

Response:

The original RFP required bidders to procure, permit, install, and operate permanent liquefied natural gas (LNG) regasification facilities. However, due to the activation of the energy emergency under Executive Order OE-2025-016 and the urgent need to maintain uninterrupted LNG supply to critical generation assets, the Government re-evaluated the scope of the Proposed Contract in light of available options.

At that moment, only one supplier had the logistical capacity and infrastructure access to guarantee near-term delivery of LNG. To avoid jeopardizing eligibility for federal funds associated with LNG conversion infrastructure—funds anticipated to be provided by FEMA and other federal agencies—the 3PPO strategically removed from the scope of the Proposed Contract the obligation to procure, install, and operate regasification terminals. This decision was based on procurement guidance related to federal compliance and aimed at avoiding red flags linked to bundling infrastructure with emergency fuel supply.

Instead, the 3PPO committed to conducting a separate competitive procurement process for the conversion and regasification infrastructure. This approach ensured alignment with federal standards, mitigated compliance risks, and opened the process to broader vendor participation. It also preserved the integrity of the procurement framework while addressing the immediate operational needs through a limited emergency supply arrangement.

The original RFP had also included a requirement for a $100,000,000 payment and performance bond to safeguard the Government's interests. However, under the emergency structure, the supplier was only willing to offer a $10,000,000 bond. Despite multiple efforts to secure a higher amount, the supplier made clear this was the maximum they would provide as a condition for proceeding.

The Proposed Contract also departs from the April 4th Proposal and the original RFP in several substantive respects. These include the addition of a take-or-pay clause, expanded exclusivity provisions, and the removal of the supplier's option to install—and PREPA's option to acquire—the regasification infrastructure. These terms were presented as fixed and non-negotiable by the supplier, who consistently stated that any effort to amend them would result in withdrawal from discussions.

To ensure the reasonableness of the take-or-pay structure, which establishes thresholds of 50% and 70%, the 3PPO requested and received certification from Genera PR confirming that these volumes aligned with projected system demand.

As previously communicated, the terms reflected in the Proposed Contract were not ideal. Rather, they were advanced for external review because they represented the only viable path forward at that moment, within the constraints imposed by the declared emergency.

Lastly, in our July 9, 2025 letter, we expressed our concerns with the Proposed Contract's volume commitments, among other concerns. Importantly, the April 4th Proposal commits up to I50TBtu annually while the Proposed Contract provides that the annual contracted capacity will be I00 TBtu annually. The strict timing of the volume commitments in the Proposed Contract fail to provide optionality over the assumed conversion timelines as contemplated in the RFP.

Response:

The 100 TBtu annual volume reflected in the Proposed Contract was presented by NFE as the maximum quantity it was willing to commit to under the proposed terms.

Additionally, the conversions for the units included as Category II and III[5] in the RFP were subject to Genera's ability to present a plan approved by the Puerto Rico Energy Bureau ("PREB"), which has not yet occurred, and for the Regasification Equipment to be in place, which was ultimately excluded from this RFP and has not yet been procured or secured through any other means.

Response:

Correct. The conversions for Category II and III units were expressly conditioned in the RFP on Genera's ability to submit a conversion plan for approval by the Puerto Rico Energy Bureau (PREB), which has not yet occurred. Additionally, as explained previously, the regasification infrastructure necessary to support these conversions was removed from the scope of the RFP due to NFE's disqualification and to protect the eligibility of federal funding. The conversion infrastructure has not yet been procured and will instead be pursued through a separate competitive process to ensure compliance, competition, and fiscal integrity.

The risks associated with the committed to these volumes, including capping NFE's responsibility at 40% for any excess costs when it fails to deliver the agreed amount of LNG in any given month are also troubling. Accordingly, the Oversight Board requests the following information to understand how the final figures came to be and the rationale behind the proposed commitments.

Response:
The volume commitments and associated risk allocation—specifically the 40% cap on NFE's responsibility for excess costs—were presented by NFE as non-negotiable terms. These provisions were not aligned with the Government's preferred risk structure, but were accepted under exigent circumstances to preserve continuity of LNG supply while preventing disruption to critical generation assets.

Therefore, the Oversight Board requests the following information:

I. Explain why the terms from the April 4th Proposal, the RFP, and the Proposed Contract differ with regards to:
   a. Scope of services

   Original (RFP): Bidders were required to procure, permit, install, and operate permanent LNG regasification infrastructure.

   Proposed Contract: This scope was removed to avoid jeopardizing federal funding and to be procured separately; NFE refused to assume this responsibility

   b. Term of the contract

   Original (RFP): Required bids for either 5 years with two 5-year extensions or 10 years

with a 5-year extension.
Proposed Contract: NFE offered only a fixed 15-year term and refused to submit pricing under any alternative duration.

c. Volume commitments

Original (RFP): The RFP did not require specific annual or monthly volume commitments. Instead, it allowed for flexibility to accommodate varying demand based on the pace of unit conversions and operational needs. Proponents were expected to propose pricing structures accordingly, with and without take-or-pay provisions.
Proposed Contract: NFE imposed a fixed volume commitment of 100 TBtu annually, with no flexibility or optionality. This figure was presented by NFE as the maximum it was willing to commit to, regardless of the evolving conversion timeline or system demand.

d. Timing of the volume commitments

Original (RFP): Envisioned optionality and alignment with staged conversions of generation units.
Proposed Contract: Includes fixed monthly volume commitments without timing flexibility; NFE declined to align with conversion milestones.

e. Take-or-pay agreement structure

Original (RFP): Requested pricing both with and without take-or-pay provisions.
Proposed Contract: NFE insisted on a take-or-pay structure and stated it would not participate otherwise.

f. Exclusivity

Original (RFP): Did not contemplate exclusivity provisions.
Proposed Contract: NFE inserted broad exclusivity provisions one hour before submission to the FOMB; these were not requested or supported by the Government.

g. Infrastructure installation and ownership after the Proposed Contract's term

Original (RFP): Included the option for PREPA to acquire the regasification facilities at the end of the term.
Proposed Contract: No such option is included; NFE rejected any transfer or acquisition language.

h. Payment guarantee

Original (RFP): Required a payment and performance bond of $100 million.
Proposed Contract: NFE only agreed to a $10 million bond and refused to consider a higher amount.

1. Explain which terms should prevail in the Proposed Contract and why.

Response:

The terms that should prevail in the Proposed Contract are those that are reasonable, sustainable, and aligned with Puerto Rico's long-term energy needs and fiscal constraints. Specifically, any take-or-pay provisions must be directly tied to the pace and feasibility of unit conversions. Genera PR must certify the timing and scope of such conversions to avoid exposing the Government to financial liability for volumes of gas that are not needed or cannot be absorbed by the system.

While the Proposed Contract's terms may appear reasonable *if* analyzed under the assumption that all conversions proceed as envisioned by Genera, this is not yet the case. Therefore, the Government believes any commitment should follow a **ramp-up structure** that aligns with confirmed generation readiness, not projected or uncertain milestones. This approach would protect the Government from paying for LNG that it cannot use, ensuring fiscal prudence.

NFE has proposed a 15-year fixed-term fuel supply agreement, the 3PPO, after consultation with subject matter experts, market participants, and independent advisors, determined that such a long-term commitment under current market conditions could significantly undermine Puerto Rico's ability to secure competitive pricing over time. The consensus among the experts consulted is that LNG prices are expected to decline in the medium to long term. As a result, locking into a 15-year agreement without adequate price adjustment mechanisms could expose Puerto Rico to inflated costs relative to future market benchmarks.

In sum, the prevailing terms must reflect (1) certified demand based on actual conversion readiness, (2) a flexible take-or-pay structure with appropriate ramp-up protections, and (3) a contract term that does not unnecessarily expose Puerto Rico to long-term pricing risk.

2. Explain how the terms procured under the RFP were developed.

Response:

The terms included in the RFP were developed in consultation with the Energy Czar of the Government of Puerto Rico. During those discussions, he emphasized that the Government was seeking the most competitive pricing available for LNG supply and requested that the RFP be structured in a way that encouraged transparent and market-based proposals. Specifically, he directed that proponents submit pricing both with and without take-or-pay provisions, to allow the Government to evaluate the fiscal implications and flexibility of each structure.

This guidance was incorporated into the RFP, which explicitly called for comparative pricing options and requested that all proposals aim to improve upon existing LNG contracts in Puerto Rico, including the GSPA. The result was a procurement framework designed to foster competition, pricing transparency, and operational flexibility, in alignment with Puerto Rico's energy policy objectives.

3. Identify and explain the rationale for any deviation(s) from the terms included in the RFP to the ones contemplated under the Proposed Contract. Additionally, identify which statute, agreement, regulation and/or procurement manual permits such changes and deviations.

Response:

The deviations between the RFP and the Proposed Contract stem primarily from the fact that NFE did not agree to the terms set forth in the RFP and instead imposed non-negotiable conditions during post-disqualification discussions under exigent circumstances. These include changes to the contract term, take-or-pay structure, exclusivity provisions, volume commitments, and removal of regasification responsibilities.

The rationale behind advancing a Proposed Contract with these deviations was to preserve continuity of LNG supply and avoid service disruption, given the lack of alternative suppliers and the expiration of the temporary generation fuel contract. The 3PPO did not consider these terms to be optimal, but they were the only path forward at the time.

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[4] In a "take or pay" agreement structure, PREPA pays for a fixed amount of natural gas every year, whether it is used or not.

[5] Per RFP No. 3PPO-II25-I7-MSIN, Category II "conditionally approved by PREB for Conversion to Natural Gas" includes Mayagiiez; Category III "Not yet approved by PREB for Conversion to Natural Gas" include Cambalache, Aguirre, San Juan 7-I0, Palo Seco 3 and 4, and the Peakers.

II. Negotiations

The Oversight Board received conflicting information regarding the negotiations that led to the Proposed Contract. P3A expressed to the Oversight Board on multiple occasions that 3PPO negotiated the Proposed Contract. During a meeting held on July I4, 2025, 3PPO told the Oversight Board that they don't establish the terms and conditions of contracts but limits itself to evaluating and issuing a recommendation regarding its approval. On July I7, 2025, NFE sent the Oversight Board a letter indicating that "[t]he negotiation process spanned several weeks and involved direct participation from both 3PPO and Puerto Rico's Energy Czar" (*see attached*).

Considering the inconsistencies in the parties' statements, the government's statements indicating their opposition to the contract terms, and the fact that Genera, the only party supporting the terms of the Proposed Contract, shares the same parent company as NFE, the Oversight Board requests clarification on these matters:

1. Who led the negotiation that resulted in the Proposed Contract?

Response:

The negotiation that resulted in the Proposed Contract was led by the Third-Party Procurement Office (3PPO), under the oversight of the Public-Private Partnerships Authority (P3A) and with the support of assigned legal and technical advisors. As discussions with NFE progressed, it became evident that there was limited room for negotiation. NFE maintained firm, non-negotiable positions on key terms, including contract duration, take-or-pay structure, exclusivity, and volume commitments.

In response to this impasse, the 3PPO consulted with P3A leadership and its legal and technical teams to reassess the Government's position and explore potential alternatives. Despite these efforts, NFE remained unwilling to modify its conditions. As a result, the Proposed Contract reflects terms unilaterally dictated by NFE, advanced under exigent circumstances solely to preserve continuity of LNG supply during a period of critical energy vulnerability.

2. Were there limitations to each party's involvement and/or faculties during the negotiation? If so, please explain.

Response:

Yes, there were significant limitations on each party's involvement and faculties during the negotiation.

On the Government's side, the 3PPO acted within the scope of its authority to manage procurement processes but did not have the authority to bind the Government or accept terms contrary to public policy or fiscal oversight requirements. All material terms remained subject to review and approval by the Public-Private Partnerships Authority (P3A), the Puerto Rico Energy Bureau (PREB), and the Financial Oversight and Management Board (FOMB). The 3PPO also relied on consultation with legal and technical advisors to assess the implications of the terms being proposed.

On NFE's side, its representatives made clear that they were operating under strict internal constraints and would not engage on certain key terms, including pricing flexibility, take-or-pay alternatives, or shorter contract durations. They explicitly stated that raising such topics would result in the termination of discussions.

These mutual limitations,combined with the emergency energy situation, shaped the contours of the Proposed Contract, which was not the result of a balanced negotiation, but rather the only terms NFE was willing to present under the circumstances.

3. What is the basis for the final approval for the Proposed Contract prior to its submission to the Oversight Board for review and approval?

Response:

The basis for submitting the Proposed Contract to the Oversight Board was the urgent need to avoid a lapse in LNG supply, as the contract for the temporary generation units was about to expire. NFE had already indicated that it would not agree to any further amendments or extensions beyond the current term. This placed the Government in a position where it needed either a new contract in place or, at minimum, a mechanism to continue conversations under an updated framework.

At the same time, the 3PPO was under considerable pressure to submit the Proposed Contract to the Oversight Board for review. Although the terms were not seen as optimal or in Puerto Rico's best long-term interest, the submission was made in the hope that the involvement of the Oversight Board and other stakeholders could help reopen discussions with NFE or prompt reconsideration of certain provisions that the 3PPO alone had not been able to modify.

The contract was therefore submitted not as a final endorsement by the Government, but as a necessary step to preserve continuity of service, maintain negotiating momentum, and allow broader oversight and input on the terms being imposed under very limited circumstances.

There appears to be no entity that is accountable to explain the negotiations or the rationale behind the proposed terms and conditions, its impact on ratepayers, and the future of Puerto Rico's energy system.

Response:

We recognize the concern, and it is important to clarify that while the 3PPO led the administrative process, the Proposed Contract does not reflect a policy decision or negotiated agreement endorsed by the Government of Puerto Rico. The terms and conditions were largely dictated by NFE under time-sensitive and constrained circumstances following their refusal to further extend or amend the temporary generation agreement.

The 3PPO's role was to facilitate the process and ensure compliance with procedural requirements, but it does not set energy policy, determine rate impacts, or control long-term infrastructure planning. Those responsibilities fall within the purview of entities such as the Puerto Rico Energy Bureau (PREB), P3A, and the relevant operating utilities.

The Proposed Contract was submitted to the Oversight Board precisely to ensure that a broader and more accountable review could take place, including consideration of fiscal impact, ratepayer implications, and alignment with Puerto Rico's long-term energy strategy.

III. NFE's Unilateral Shipment Deviation

The Oversight Board is aware that on July 12th, NFE diverted an LNG shipment originally scheduled to supply the San Juan Power Units 5 and 6, which operate under an active contract set to expire on July 31, 2026, as well as the Palo Seco and San Juan Temporary Generators, whose contract remained active through July 11, 2025.
It is important to clarify that this shipment was not the subject of the pressure tactic raised during the final stages of the Proposed Contract negotiations. The threat referenced in that context pertained to an entirely different scenario and preceded the events of July 12.

Given these alarming developments, the Oversight Board respectfully requests responses to the following questions:

1. Is 3PPO or P3A aware of the reasons for the deviation of the shipment of LNG? If so, please explain in detail.

   Response from the 3PPO: Deviation of shipment had been threatened during the negotiations of the Proposed Contract, but we believe it was not the shipment that was threatened by NFE.

2. Is 3PPO or P3A aware of conversations between NFE and the U.S. Coast Guard of San Juan and/or any San Juan port authorized representative? If so, please provide the details.

   The 3PPO held a conversation with the Captain of the Port where it was informed that a) the vessel that arrived had an expired inspection and 2) that it had left the port due to a contract dispute.

3. Was the submission of the Proposed Contract to the Oversight Board for review and approval motivated by 3PPO's or P3A's belief that NFE would otherwise cut off supply of LNG? If so, please explain in detail.

   Response:

   The submission of the Proposed Contract to the Oversight Board was primarily driven by the time constraints related to the imminent expiration of the temporary generation contract, and the extreme difficulty encountered in negotiating with NFE.

   During one of the meetings with NFE, their representatives explicitly stated that if the Government of Puerto Rico insisted on negotiating the terms it had proposed—particularly regarding take-or-pay provisions, pricing, or exclusivity, they would immediately end discussions, leave the room, and redirect the LNG vessel that was en route to Puerto Rico. This threat underscored the urgent and fragile nature of the situation.

   While the 3PPO and P3A did not formally conclude that NFE would cut off supply, the message conveyed left little doubt that failure to advance the Proposed Contract, even under protest,could result in a disruption of service. The submission to the Oversight Board was, therefore, a necessary step to preserve optionality, maintain a pathway for continued supply, and invite broader oversight and stakeholder engagement under extremely constrained circumstances.

IV. Multiplicity of Submissions

In a meeting with NFE on July 9, 2025, the Oversight Board expressed concerns with the Proposed Contract. After the meeting NFE submitted to the Oversight Board a unilateral revised version of the Proposed Contract removing the exclusivity of the delivery points established in the Proposed Contract.[6] On July I0, 2025, 3PPO submitted to the Oversight Board another distinct, unilaterally revised version of the Proposed Contract, indicating that it had sent it to NFE for its review and continued negotiation. But NFE indicated to the Oversight Board that the version submitted by 3PPO was not agreed upon by NFE. Please clarify the following so the Oversight Board can be sure it is evaluating the final contract agreed to by all parties:

Is P3A aware of the revised versions of the Proposed Contract submitted to the Oversight Board?

Response:

Yes, the Public-Private Partnerships Authority (P3A) was aware of the revised version of the Proposed Contract submitted to the Oversight Board by the 3PPO. In fact, P3A clearly expressed its preference to return to the original terms and conditions set forth in the model contract provided in the RFP.

The contract was submitted to the Oversight Board to clarify the Government's intent to resume negotiations with NFE based on the original framework. The submission aimed to ensure transparency and document that the Government was seeking to reestablish dialogue with NFE using the RFP terms as the foundation ,terms that P3A believed to be more reasonable and aligned with Puerto Rico's best interests

1. Were any of the revised versions consulted with/to P3A or 3PPO?

   Response:

   Yes, the revised version submitted by the 3PPO "Proposed Contract" was discussed with P3A. The submission of the revised version to the Oversight Board was made to document the state of negotiations, preserve the ability to continue discussions with NFE, and invite broader oversight and stakeholder engagement under constrained and difficult circumstances.

2. Did P3A approve any of the revised versions?

3. Do any of the revised versions substitute the Proposed Contract submitted to the Oversight Board on June 26, 2025? If so, please identify the single document that the Oversight Board must review, and submit all necessary documents required under the Policy.

Response:

Yes. The original contract submitted to the Oversight Board on June 26, 2025 ,which the Board reviewed and determined did not represent the best interests of Puerto Rico,was formally withdrawn by the 3PPO.

Subsequently, the 3PPO submitted a revised version reflecting the original terms and conditions proposed by the Government of Puerto Rico and included in the model contract attached to the RFP. This version was submitted to restart negotiations with NFE based on terms the Government believed were more reasonable and consistent with Puerto Rico's public policy objectives.

However, NFE did not agree to those terms. They formally stated in writing that they would only accept the version previously submitted to the FOMB on June 26, 2025, and would not accept the revised version containing the original RFP terms.

Given the magnitude of the Proposed Contract and its direct impact on the people and business of Puerto Rico who ultimately pay the electricity rate resulting from the terms of this Proposed Contracts, these questions, and future ones that might arise are fundamental to the Oversight Board's review. Accordingly, the Oversight Board requests that P3A and 3PPO submit their responses on or before **July 24, 2025**.

Sincerely,

Robert F. Mujica, Jr.
Executive Director

CC: Hon. Jenniffer A. Gonzalez Colon
Mr. Francisco J. Domenech Fernandez
Mr. Edison Aviles
Mr. Winnie Irizarry

[6] The Oversight Board will only review official contract submissions by the contracting government entity and will not issue determinations based on third-party contractor submission