3PPO
Third-Party Procurement Office

September 9, 2025

Briefing: Evolution of the Island-Wide Gas Sales Agreement

Comparison between the June 28, 2025 NFE contract resulting from RFP Natural Gas Supply for Multiple Generation Sites3PPO-1125-17-MSIN submitted to the FOMB on 06.26.25 and the Recent contract from September 2025 (draft), that resulted from further negotiations.

By: The Third-Party Procurement Office (3PPO)

I. Context and Purpose

On June 28, 2025, NFE imposed what is referred to here as the June NFE Hard Terms Document. That agreement locked Puerto Rico into a fifteen-year commitment, inflated fixed gas prices, and imposed exclusivity provisions that risked granting NFE a de facto monopoly. It carried an estimated contract value of $20.1 billion, creating a heavy fiscal burden for Puerto Rico.

Through negotiations led by the 3PPO, in coordination with the stakeholders, a new Draft Agreement dated September 9, 2025, was achieved. This Draft introduces terms aligned with Puerto Rico's long-term public interest, fiscal sustainability, and energy security. It reduces the contract value to $4.0 billion, a savings of approximately $16 billion, narrows quantities to realistic levels certified by Genera and validated by the 3PPO's technical team, and removes exclusivity obligations.

II. Key Achievements of the Negotiated Draft

The September 2025 Draft represents a decisive shift in Puerto Rico's favor. It cuts the contract duration in half, lowers the fixed gas price components, reduces annual contract quantities (ACQ), and introduces certified and verified volume commitments. The Draft reduces take-or-pay obligations, eliminates exclusivity, and provides relief mechanisms in the event of material regulatory changes. Together, these achievements ensure affordability, operational flexibility, and compliance with federal procurement standards.

III. Side-by-Side Comparison of Terms

Category	June NFE Hard Terms Document (June 28, 2025)	Negotiated Draft (September 9, 2025)	Impact for Puerto Rico

Duration	15 years (2025–2040). Effective June 28, 2025.	7 years (2025–2032), with option for a 3–year extension.	Cuts lock-in period by half, preserving flexibility.
Price	TM Units: $8.25 (2025–2027) → $7.95 (2028+). SJ 5&6: $7.75. Total est. cost: $20.1B.	TM Units: $7.95. SJ 5&6: $6.50. Total est. cost: $4.0B.	Over $16B approx. savings; fairer, sustainable pricing.
Annual Contract Quantity (ACQ)	100M MMBtu/year ±5%.	75M MMBtu/year ±5%, certified by Genera and validated by 3PPO technical team.	Commitments tied to real demand; prevents inflated obligations.
Take-or-Pay	50M MMBtu/year until 2027; 70M thereafter (70% ACQ).	40M MMBtu/year initial; 50M if additional units added.	Reduces exposure by ~20M MMBtu/year post-2028.
Exclusivity	NFE sole supplier for all units (except Mayagüez).	No exclusivity clause; Buyer retains sourcing flexibility.	Preserves competition; avoids monopoly.
Material Changes	Strict thresholds; limited relief even under regulatory shifts.	Allows relief under Change in Law and portfolio changes.	Provides safeguards against unexpected shocks.
Shortfall	NFE only responsible up to 40% additional charge from change alternate fuel cost	NFE responsible for 100% of alternate fuel cost	Provides protection from shortfall

The June NFE Hard Terms Document reflected conditions imposed by NFE at a moment when, as the sole supplier, they left Puerto Rico with no other viable options. It must also be underscored that NFE was the only alternative available, as no other proponent at the time demonstrated full capacity to supply San Juan Units 5 and 6 along with the temporary units, which were the critical generation sites then in operation. Those terms were crafted to maximize the Seller’s advantage at Puerto Rico’s expense. Although serious concerns persist regarding the critical financial constraints NFE faces and their capacity to perform under the agreement, the September 9, 2025 Draft, achieved

sustained negotiations and technical review, nonetheless represents a framework that offers Puerto Rico improved protections. It reduces costs by over $16 billion, narrows obligations to certified and verified volumes, avoids exclusivity, and provides regulatory safeguards. This Draft should be recognized as the version that best positions Puerto Rico to balance energy affordability, fiscal prudence, and flexibility, while remaining mindful of the risks tied to NFE's financial condition.

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