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PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY
GOVERNMENT OF PUERTO RICO
Eng. Josué A. Colón Ortiz I Executive Director

November 17, 2025

BY ELECTRONIC MAIL
eavilesdeliz@jrsp.pr.gov

The Honorable Edison Avilés Deliz, Esq.
Chairman
Puerto Rico Energy Bureau
World Plaza Bldg.
268 Muñoz Rivera Ave.
San Juan, Puerto Rico 00918

Dear Chairman, Avilés Deliz:

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JCO

Re.: Formal Notification of Findings Resulting from LNG Supply Interruption Investigation; Initiation of Contractual Recovery Actions; Request for Tariff Treatment of Recovered Amounts

The Puerto Rico Public-Private Partnerships Authority ("P3A") submits this communication pursuant to its statutory authority under Act 120-2018, which designates the P3A as the entity responsible for overseeing and administering the transformation of the Puerto Rico Electric Power Authority ("PREPA"), including the negotiation, execution, and enforcement of all PREPA transactions. Additionally, Executive Order 2025-005 entrusts the Office of the Energy Czar with ensuring compliance with the public energy policy of the Government of Puerto Rico, including the oversight mechanisms required to safeguard system reliability, transparency, and fiscal responsibility. In exercising its duties as Administrator under Act 120-2018, the P3A conducts oversight of PREPA Transactions and may share relevant information with the appropriate governmental entities, including the Puerto Rico Energy Bureau ("PREB") and the Office of the Energy Czar, to facilitate the discharge of their respective statutory and regulatory responsibilities, ensure alignment with public-policy objectives, and support actions within their jurisdiction, aimed at protecting the public interest.

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In support of the PREB's regulatory authority under Act 57-2014 and Act 17-2019, the P3A, together with the Office of the Energy Czar, transmits this formal notification of the completed investigative findings regarding the liquefied natural gas ("LNG") supply shortfalls attributable to New Fortress Energy, LLC ("NFE"). This notification is issued following the independent technical and contractual evaluation performed by the Third-Party Independent Procurement Office ("3PPO"), which culminated in the ***Report on LNG Supply Shortfalls and Associated Costs Under the NGSPA, FSPA, and Exigency Contracts*** (November 17, 2025) (attached hereto as Annex A). These findings are being transmitted to the PREB to facilitate the Bureau's independent evaluation of fuel-supply deficiencies and their regulatory implications for system reliability, cost recovery, and ratepayer protections.

Based on the documented conclusions included in Annex A, the P3A formally informs the following:

1. **Loss of Ship-to-Ship Transfer Privileges:** Verified by the 3PPO through regulatory records and independent operational logs, NFE's ship-to-ship ("STS") LNG transfer privileges in San Juan were suspended due to failure to meet federal marine-safety and navigational requirements imposed by the U.S. Coast Guard under 33 U.S.C. § 409. This suspension constitutes a direct breach of operational obligations under the *Natural Gas Sales and Purchase Agreement* ("NGSPA") and the *Fuel Supply and Procurement Agreement* ("FSPA").

2. **Ship-Swap Modality:** Following loss of STS privileges, NFE adopted an unapproved "ship-swap" operational arrangement that introduced repeated delivery delays, volume variability, and load-stabilization risk.

3. **Unsupported Force Majeure Claim:** The 3PPO found no authoritative documentation, federal notice, or regulatory order substantiating NFE's claim of force majeure due to dredging activities. The absence of evidence invalidates the claim under Section XI of the NGSPA, which requires official confirmation from U.S. Army Corps of Engineers ("USACE") or other federal authorities.

4. **Material Impact to System Operations:** The shortfalls materially affected baseload dispatch, reserve margin stability, and fuel optimization planning as required under the Integrated Resource Plan ("IRP") framework approved by PREB.

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5. **Uncompensated LNG Shortfalls:** The investigation by the 3PPO quantified a total documented LNG supply shortfall of $55,326,573.90, representing avoidable incremental generation cost attributable solely to NFE's inability to deliver contracted volumes.

Pursuant to the Administrator's authority under Section 6.2(a)(xi) of the T&D OMA and the contractual recourse provisions in the NGSPA and FSPA, the P3A hereby notifies PREB that it will:

- Initiate formal demand for financial recovery of all documented shortfall costs and associated damages attributable to NFE;
- Direct the 3PPO to prepare, certify, and submit a complete package of evidence suitable for direct contractual enforcement;
- Coordinate recovery mechanisms with the PREB.

In accordance with PREB's statutory mandate to ensure just and reasonable rates, P3A formally requests that:

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NO

- All recovered amounts be credited directly to customers,
- PREB reserve tariff-adjustment space within the next applicable fuel-cost reconciliation proceeding, and
- PREB establish a procedural mechanism ensuring transparency of credits returned to ratepayers.

Attached to this formal notification are:

- Annex A — *Report on LNG Supply Shortfalls and Associated Costs Under the NGSPA, FSPA, and Exigency Contracts* (November 17, 2025)

This document forms an integral part of this submission and supports the Administrator's determinations.

In light of the foregoing, the P3A underscores its commitment to ensuring that LNG supply operations and contractual frameworks remain consistent with Puerto Rico's public energy policy, safeguarding the reliability and resilience of the Island's electric system, and mitigating undue cost impacts to ratepayers. The investigative record confirms the need for decisive corrective action and timely

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remedial measures to safeguard the public interest. In its capacity as Administrator under Act 120-2018 and the T&D OMA, the P3A will continue exercising its contractual and supervisory responsibilities, in close coordination with the Office of the Energy Czar, to ensure that all counterparties comply fully with their obligations and that any recoveries obtained are applied for the benefit of ratepayers. We respectfully request that the PREB take notice of this submission and remain available to coordinate the ratepayer-credit component once the recovery process produces reimbursable amounts.

Cordially,

Signed by:

Josué A. Colón Ortiz

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Josué A. Colón-Ortiz
Executive Director

Annexes

c Hon. Lillian Mateo Santos, Esq., Associate Commissioner, PREB: lmateo@jrsp.pr.gov
Hon. Ferdinand Ramos Soegaard, P.E., Associate Commissioner, PREB; framos@jrsp.pr.gov
Hon. Sylvia B. Ugarte Araujo, Esq., Associate Commissioner, PREB; sugarte@jrsp.pr.gov
Hon. Antonio Torres Miranda, Esq., Associate Commissioner, PREB; atorres@jrsp.pr.gov