Financial Oversight and Management Board for Puerto Rico

MEDIA RELEASE

OVERSIGHT BOARD APPROVED LNG CONTRACT FOR PUERTO RICO WITH CONDITION

Requires Bilateral Tolling Agreement with a Third-Party Supplier in Circumstances when NFE is Unable to Supply LNG; Nearly all Concerns by Oversight Board have been Addressed; Improved Terms from Original Contract Saves Puerto Ricans More Than $4 Billion in Fuel Costs; Government Must Assess the Ports Lease Agreement; Government Must Evaluate NFE Compensation to Puerto Rico for Expenses Incurred Because of Delivery Failures

San Juan, PR – November 28, 2025 – The Financial Oversight and Management Board for Puerto Rico announced that its members approved with a condition the proposed contract between the Puerto Rico Electric Power Authority (PREPA) and the Puerto Rico Public-Private Partnership Authority, and NF Energía LLC (NFE) to supply liquified natural gas (LNG) to the San Juan and Palo Seco power generation units, as well as to other units as they become operational on natural gas.

The proposed contract requires NFE to enter into an agreement with a third-party supplier in case NFE is unable to supply LNG or declares force majeure. The Oversight Board's approval of the proposed contract is conditioned upon the Government revising the current LNG Tolling Term Sheet for clarity**.** Further, the approval is on the basis that the Government's will undertake a prompt and thorough assessment of the lease agreement executed between the Puerto Rico Ports Authority and NFE and applicable law to develop competitive open port access to the generation facilities in San Juan as an alternative to an entry point under exclusive supplier control.

The critical issue for Puerto Rico's vital supply of fuel necessary to generate electricity is access to the San Juan port terminal equipped for LNG delivery. Given the ports lease agreement with NFE and the failed attempts to identify alternative LNG suppliers, a rejection of the proposed contract from the Oversight Board would leave the island with no LNG supply, and consequently, less available generation. The Oversight Board evaluated and determined to conditionally approve the proposed contract in recognition of these circumstances and the adequate resolution of previously disclosed contract deficiencies.

The Oversight Board's extensive review of the original contract between PREPA and NFE proposed in June 2025, and several interim drafts of the current proposed contract submitted thereafter,

substantially improved the terms to ensure it complies with the Oversight Board's mandate of achieving fiscal responsibility.

During its review of the original proposed contract, the Oversight Board identified concerns regarding lack of market competition, and several contractual provisions that were unfavorable to PREPA and its customers, the people and businesses of Puerto Rico, including

- **The ports lease agreement** with NFE, which grants NFE exclusive rights during a 20-year term (through 2038) over specific areas at the Puerto Nuevo Port in San Juan,
- The **15-year term of the original proposed contract**, which was inconsistent with the RFP
- The **exclusive supply rights** to NFE for all existing and future delivery points and generation units except Mayagüez
- The exclusion of any requirement to install the **regasification infrastructure** necessary for gas consumption at generation units
- The **annual contracted LNG quantity** was inconsistent with forecasted LNG demand
- The uneven **allocation of risk** that limited NFE's responsibility in key scenarios, including its intentional breach of supply obligations, exposing PREPA and ratepayers to significant financial and operational risks

No government party was able to justify or explain the rationale underlying the more problematic proposed terms, and though the new proposed contract submitted by the 3PPO in September 2025, addressed certain concerns, several remained unresolved, including

- The risk that the annual **LNG quantity could increase** because of a single unit-conversion event, triggering higher obligation immediately rather than through a gradual ramp-up aligned with system-planned conversions
- The continued **lack of open access to the San Juan terminal**
- The force majeure under NFE's existing gas supply agreements avoid payment of damages for non-delivery, resulting in significant unpaid amounts and raising concerns regarding enforceability under the proposed contract

During the contract review, the Oversight Board consulted the government, energy industry participants, and industry experts. The subsequent revisions resulted in changes that will save the people of Puerto Rico more than $4 billion in fuel costs and promote continuity of gas supply should NFE fail to meet its supply obligations during the proposed contract term.

The proposed contract requires NFE to allow third-party LNG delivery through its facilities when NFE is unable to supply, has a shorter duration, lowers minimum purchase volumes, mitigates concerns regarding conflicts of interest between NFE and Genera PR LLC, as PREPA's agent under the proposed contract, and revises limitations on NFE's 'deliver or pay' obligations, among other significant improvements.

Nearly all concerns raised in the original and new proposed contracts have now been addressed. The critical exception is the issue of port access. While the port access issue may under limited circumstances be mitigated by the required tolling agreement, it remains a barrier to open competition in Puerto Rico's fuel supply. This lack of competition impacts the energy system's reliability, prices, and Puerto Rico's overall economic competitiveness.

As long as the ports lease agreement remains in place without modification, the Government has limited options for introducing competing suppliers or guaranteeing access to LNG in the event of a disruption. As such, until the Government secures such access, competitive procurement processes for LNG will continue to yield limited participation and constrained market dynamics.

Further, the Oversight Board's approval is based on the Government completing the evaluation of the amounts that should be returned to the people of Puerto Rico to compensate for diesel expenses incurred because of NFE's delivery failures under existing contracts and formally enforcing collection of all outstanding liquidated damages owed by NFE.

Throughout its review of the Proposed Contract, the Oversight Board has strongly emphasized the need to ensure uninterrupted access to the San Juan Terminal in the event of NFE's failure to deliver LNG. Pursuant to the ports lease agreement, NFE holds exclusive rights over specific open areas, warehouses, berthing spaces, and operational zones at the Puerto Nuevo Port in San Juan, where it has constructed LNG import and handling facilities. This exclusivity has created an operational monopoly over LNG import and handling infrastructure for these facilities, resulting in a non-competitive, single-supplier market structure that leaves Puerto Rico dependent on NFE for LNG supply to the San Juan generation units. Because the Puerto Nuevo Port is the sole entry point for delivering LNG to these units, any disruption in access would pose a direct and immediate risk to the reliability of Puerto Rico's electric system.

Additional observations related to the proposed contract are set forth in the approval letter posted on the Oversight Board's website. These observations must be taken into consideration throughout the execution and implementation of the proposed contract to ensure the effective enforcement of NFE's performance obligations and to promote adequate market competition for the supply of fuel to Puerto Rico.

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About the Financial Oversight and Management Board for Puerto Rico:

The Financial Oversight and Management Board for Puerto Rico was created under the bipartisan Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) of 2016. The purpose of the Oversight Board is to provide a method for Puerto Rico to achieve fiscal responsibility and access to the capital markets.

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