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Overbuilding Fossil Fuel Generation Threatens Puerto Rico's Affordability and Climate Goals

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Key Findings

Puerto Rico is in danger of overbuilding its centralized electricity generation system.

Proposals to overbuild the system with plants relying on imported natural gas would place even greater burdens on ratepayers.

The island is unlikely to meet its 100% renewable energy target by 2050 if it relies on biodiesel and green hydrogen as future fuels.

Puerto Rico should expand its efforts to build out more affordable and realistic renewable energy sources rather than rely on volatile, unreliable, and expensive fossil fuels.

I. Introduction

Puerto Rico consistently has among the highest electric rates in the United States, exacerbated by the island's low median household incomes.[1] Decisions are likely to be made this year that will affect Puerto Rico's electric rates for decades.

In addition to the base rate case and the integrated resource planning (IRP) case currently before the Puerto Rico Energy Bureau (PREB), the future cost of electricity will also be heavily influenced by ongoing procurement decisions, including a process for 3,000 megawatts (MW) of new power generation.

Conducting major generation procurement decisions outside the IRP process means there is neither an analysis of the impact of these resources on the rest of the system (and therefore on total system costs or rates) nor an analysis of alternative pathways, such as greater reliance on distributed generation.

The omission of alternative pathways is particularly striking given the high level of public interest in distributed renewable energy, as shown by the accelerating investment in rooftop solar and storage, largely driven by the grid's unreliability. Distributed generation, which does not depend on long-distance transmission to provide power to loads, offers a much higher degree of resilience for homes and businesses. Renewables are also not subject to the same volatility caused by geopolitical events as fossil fuels.

This report warns of the potential overbuild of Puerto Rico's centralized generation system and of its continued dependence on imported natural gas. The financial risks to ratepayers of overreliance on natural gas are heightened by the conflicts of interest posed by New Fortress Energy, the natural gas supplier to the north coast of the island, and the operator of the Puerto Rico Electric Power Authority (PREPA) thermal power plants.

Continued ad hoc contracting for new generation capacity, outside of the integrated resource planning process and with no publicly available modeling of electric rate impacts, undermines the effectiveness of sound energy planning in Puerto Rico and puts ratepayers at risk of even higher rates.

[1] As of October 2025, Puerto Rico's residential electric rate of 23.5 cents/kWh was exceeded by 10 states (Alaska, Hawaii, California, New York and the New England states), each of which has a median household income more than three times Puerto Rico's figure. (Sources: LUMA Energy. Tarifas Vigentes del Servicio Eléctrico en Puerto Rico. Also see: Energy Information Administration. Electric Power Monthly, Table 5.6.A. December 23, 2025. Also see: Federal Reserve Bank of St. Louis. Real Median Household Income by State. Accessed January 21, 2026. Also see: U.S. Census Bureau. Puerto Rico. Accessed 1/21/26.)

II. Puerto Rico faces a significant overbuilding of centralized generation, which will lead to excess costs for consumers

In October 2025, LUMA Energy, the private company that manages Puerto Rico's electrical grid, filed its proposed integrated resource plan (IRP) with the energy bureau. The IRP is a planning document that models various scenarios for the build-out of the island's generation infrastructure over the next 20 years, including both supply-side and demand-side resources. The energy bureau currently has an open proceeding to evaluate the IRP.[2]

An IRP in Puerto Rico is legally required to be reviewed and updated every three years,[3] although the timeline has never been followed. The island's first IRP was filed in August 2015, the second in June 2019, and the third in October 2025. The lack of timeliness of the IRP process has been used as justification for making major generation decisions outside the IRP, without modeling their effects on the rest of the generation system and on consumer rates. In addition, evaluations were often not made public in cases where more limited economic analyses were used to justify projects.[4]

Although LUMA filed the most recent IRP in October 2025, it appears this proceeding has been effectively preempted by the Puerto Rican government's decision to initiate a contracting process for 3,000 MW of new generation, announced after LUMA had conducted the IRP modeling. The decision was made outside the IRP process, i.e., without conducting any modeling to determine whether the new generation capacity is truly needed or whether alternative pathways (including increased investment in distributed generation and decentralized grid infrastructure) could be more cost-effective or reliably serve future load. When combined with other generation procurement decisions made in the last several years—many of which also occurred outside the IRP process—[5] these planned procurements would significantly overbuild the generation system over the next two decades.

The following graph shows IEEFA's projections of new firm power plant capacity vs. peak system demand in 2032 (assuming that new natural gas plants will not be constructed until the early 2030s) and 2044, the last year modeled in the IRP. These figures include the following resources:[6]

[2] Case No. NEPR-AP-2023-0004.
[3] Act 57-2014, Section 6.23 (d).
[4] See, for example, the Bureau order granting confidentiality for modeling workpapers and fuel cost assumptions underlying its approval of the Energiza gas plant: Puerto Rico Energy Bureau. Resolution and Order. Case No. NEPR-AP-2025-0003, September 17, 2025. No evaluation of rate impacts appears to have been conducted for the temporary generation contracts approved by the Puerto Rico Energy Bureau: Puerto Rico Energy Bureau. Resolution and Order, Case No. NEPR-MI-2024-0005. December 11, 2025.
[5] These include the recent contract for 800 MW of temporary power generation, the 528 MW Energiza gas plant, and various utility-scale battery storage programs.
[6] Planned utility-scale solar additions were not included because Puerto Rico's peak demand occurs during evening hours and therefore solar alone (if not paired with storage) does not contribute to meeting the system peak.

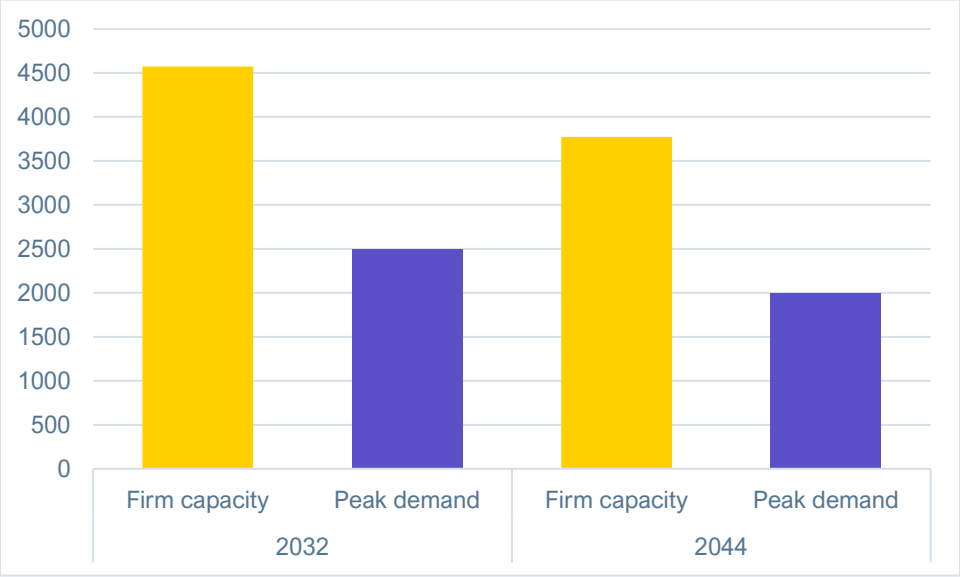
- 3,000 MW of new firm capacity that is expected to result from the procurement process currently underway, including a new natural gas combined-cycle plant with as much as 600 MW of capacity;[7]
- 800 MW of temporary power generation intended to be in place for 10 years;[8]
- The announced 528-MW Energiza natural gas plant; and
- 244 MW of new natural gas peaker plants that are currently in the preconstruction phase.[9]

Figure 1 conservatively does not include the proposed Project Hostos, which has received federal approval but has not yet applied to the Puerto Rico Energy Bureau for approval.[10] Project Hostos would involve the construction of 700 MW of natural gas power generation in the Dominican Republic and a submarine cable connecting that plant to the Puerto Rico grid at Mayagüez.[11]

Figure 1 conservatively assumes that *all* of Puerto Rico's existing generation is retired and uses the peak demand forecast provided in the IRP.[12] Even assuming that all existing generation is retired, Puerto Rico's generation system would be substantially overbuilt for the foreseeable future. It is reasonable to have a reserve margin of power plant capacity. But if the projects are all completed, Puerto Rico's reserve margin will be 80%-90% through 2044 and beyond.

[7] In February 2026, the Public-Private Partnerships Authority released a separate Request for Qualifications (RFQ) for a natural gas combined cycle power plant of up to 600 MW at the Costa Sur site, stating that this was to be understood as part of the total 3,000 MW procurement. (Puerto Rico Public-Private Partnerships Authority. Request for Qualifications. February 24, 2026).
[8] A procurement process is underway for 800 MW of temporary generation under 10-year contracts, with the Energy Bureau recently approving a contract for 400 MW (See: Puerto Rico Energy Bureau. Resolution and Order, Case No. NEPR-MI-2024-0005. December 11, 2025) and a second contract for 200 MW (See: Puerto Rico Energy Bureau. Resolution and Order, Case No. NEPR-MI-2024-0005. February 2, 2026. The first contract was subsequently challenged by another entity in the bidding process. (See: Javelin Global Commodities US Holdings. Motion to Vacate Resolution and Order of December 11, 2025, Case No. NEPR-MI-2024-0005. December 29, 2025.)
[9] LUMA Energy. Monthly Report on the Progress of the Electric System Priority Stabilization Plan, Case No. NEPR-MI-2024-0005. December 29, 2025, p. 16.
[10] Platea PR. Otorgan oficialmente permiso presidencial al Proyecto Hostos: ¿ahora qué? February 25, 2026.
[11] El Nuevo Dia. Proyecto Hostos: impulsan cambios mayores al propuesto cable eléctrico submarino desde la República Dominicana. September 11, 2025.
[12] LUMA Energy. 2025 IRP, Case No. NEPR-AP-2023-0004. October 2025, p. 159. (Hereafter "IRP")

Figure 1: Capacity vs. Demand, 2032 and 2044



Source: IEEFA.

Figure 1 does not include power capacity before 2032, recognizing the long lead time required to build natural gas plants under current market conditions. It currently takes five to six years to bring a new natural gas plant online because of a backlog of orders for natural gas turbines.[13] It is important to emphasize that new natural gas will not help address Puerto Rico's generation reliability crisis in the short term.

If all the proposed generation is built, it will be significantly underutilized. IEEFA considered a scenario in which the 3,000-MW RFP results in proposals for new combined-cycle natural gas generation, as Puerto Rico's energy czar, Josue Colon (who also heads the Public-Private Partnership Authority, which manages the procurement process), once indicated he favored.[14] These units are likely to operate less than 45% of the time.[15,]

[13] Reuters. Rush for US gas plants drives up costs, lead times. July 21, 2025. The time from the signing of the Energiza contract in December 2024 to its projected commercial operation date (October 2029) is also almost five years.
[14] El Nuevo Día. Vía libre para el gas natural en solicitud de propuestas para generación a largo plazo. May 5, 2025.
[15] This estimate assumes that the 244-MW peakers and the 800 MW of temporary generation both operate with a 10% capacity factor. It also assumes that 765 MW of utility-scale solar is built from the "tranche 0" and "tranche 1" processes, which operate at a 20% capacity factor. And it assumes the base load forecast provided in the IRP (as modified to account for energy efficiency, distributed generation and electric vehicles). Under these assumptions, in 2032 (the first year in which natural gas combined-cycle generation is assumed to be fully operational), the Energiza gas plant and the 3,000 MW of additional gas resulting from the RFP would have an average capacity factor of 45%. The capacity factor would decline to 37% by 2044, even accounting for the termination of the 800-MW temporary generation after 10 years.

If the rate of installation of rooftop solar is greater than LUMA's IRP forecast, as appears likely,[16] electricity sales will be lower than LUMA's predictions. In that scenario, the gas plants would be used even less.

Overbuilding infrastructure results in higher costs for ratepayers, as they bear both capital costs and the returns on investment. Customers pay the costs of privately built generation through power purchase agreements signed with those generators. Typically, those agreements include a fixed charge to recover capacity-related costs, as well as a per-megawatt-hour (MWh) charge to recover fuel and other variable costs, as has been the case with the contract for the 528-MW Energiza gas plant.

In other cases, an inability to guarantee a minimum level of unit utilization may lead the project developer to raise costs to ensure it can recover its capital costs. The 800 MW of temporary generation, for example, was initially promised to run 8,000 hours annually (91% of the time). But in final negotiations, the guarantee was removed, leading to price increases in the resulting power purchase agreements.[17] The final price of 22.4 cents/kWh in the contract with Power Expectations for 400 MW of emergency generation puts that project among the most expensive generation units on the system.[18]

Ratepayers may also face additional costs if new private generators enter into take-or-pay contracts for natural gas, provided those costs are passed on to ratepayers. Such contracts could result in unnecessary costs if the gas units are underutilized (as is likely), and ratepayers are locked into purchasing a fixed quantity of gas.

Finally, low utilization of natural gas combined-cycle units may result in violations of air emissions standards. All gas turbines have a "minimum emissions-compliant load," a minimum level at which they should be run to meet air emissions standards for nitrous oxides and carbon monoxide. This level varies by turbine technology but can reach 50%, higher than IEEFA's estimate of how often the gas plants would be run under an overbuilt, natural gas-fueled scenario.[19]

[16] IEEFA believes that LUMA's base load forecast in the IRP underestimates penetration of distributed solar, at least in the near term. LUMA projects adding 44 MW of distributed solar in 2026, 16 MW in 2027 and 20 MW in 2028. (LUMA Energy. Initial Technical Hearing Presentation, Case No. NEPR-AP-2023-0004. March 19, 2026, p. 65). This is substantially less than the 278 MW added in 2024 and the 406 MW added in 2025. (LUMA Energy. Motion Submitting Interconnections Progress Report for October-December 2025 and Requesting Order for Continuance of Hearing: Exhibit 2, Puerto Rico Energy Bureau Case No. NEPR-MI-2019-0006. February 13, 2026). This discrepancy has also been questioned by the energy bureau (See: Puerto Rico Energy Bureau. Resolution and Order, Case No. NEPR-AP-2023-0004. April 1, 2026).

[17] Puerto Rico Energy Bureau. Resolution and Order, Case No. NEPR-MI-2024-0005. December 11, 2025, p. 6.

[18] Financial Oversight and Management Board. Letter to Alexis Rivera Medina, General Counsel, PREPA and Osvaldo Carlos Linares, President, Third-Party Procurement Office Re; RFP No. 3PPO-0314-20-TPG2 – Power Expectations, LLC. March 26, 2026, p. 4.

[19] National Energy Technology Laboratory. Cost and performance baseline for fossil energy plants, Volume 5: Natural gas electricity generating units for flexible operation, Exhibit 3-178. May 5, 2023.

It is important to emphasize that Puerto Rico is also planning to add significant battery storage capacity in the next few years (at least 1,600 MW).[20] If Puerto Rico overbuilds its generation system with other resources, these storage resources will largely become stranded costs also borne by ratepayers.

III. Overbuilding fossil fuel-based generation will make it prohibitively expensive to meet Puerto Rico's 100% by 2050 renewable energy goal

Natural gas plants that are built in the next several years will have a useful life that extends well beyond 2050, the year in which Puerto Rico is statutorily required to achieve 100% renewable electricity. Meeting this target would require either (a) retiring these plants before the end of their useful lives, or (b) converting them to run on a different, carbon-neutral fuel. In this section, we argue that the latter is not a feasible option, even though it is the option currently being pursued by the Puerto Rico government.

Two alternative fuels have been floated as possible replacements for natural gas to achieve the 100% target by 2050: green hydrogen and biodiesel. The energy bureau order that initiated the procurement for the Energiza gas plant stated that the plant should run on 100% green hydrogen by 2050.[21] And the IRP filed by LUMA in October 2025 calls for converting natural gas plants to run on biodiesel by 2050. We will explore each of these fuel options in turn.

A. Biodiesel is neither cost-effective nor environmentally effective in meeting renewable energy goals

The preferred plan presented in LUMA's October 2025 IRP calls for adding new natural gas plants that would transition to a blend of biodiesel and fossil-based diesel, with the biodiesel portion increasing annually until reaching 100% by 2049.[22]

While the IRP states that biodiesel is commonly used in the United States,[23] it is not widely used in power generation. Indeed, the electric power sector accounted for less than 1% of total U.S. biodiesel consumption in 2023, the last year for which Energy Information Administration data is

[20] This figure includes 430 MW from Genera's Battery Energy Storage System project, 594 MW from the first phase of LUMA's Accelerated Storage Addition Program, 100 MW from LUMA's battery substation project (four 25 MW planned installations), and at least 505 MW that resulted from competitive procurements. The 505 MW only includes projects that have issued a notice to proceed, namely Pattern Santa Isabel (100 MW), Pattern Barceloneta (120 MW), Clean Flexible Salinas (175 MW), and Clean Flexible Jobs (110 MW). See: LUMA Energy. Motion to Submit March 2026 Monthly Collaborative Report in Compliance with Resolutions and Orders of March 28, 2025 and February 18, 2026 and Request for Clarification. March 27, 2026. (Distributed storage additions were also not included in this total.)
[21] Puerto Rico Energy Bureau. Resolution and Order, Case No. NEPR-MI-2021-0003. August 3, 2022.
[22] IRP, p. 35.
[23] *Ibid.*

available. Almost all is used for power generation in Hawaii, where biodiesel accounted for approximately 1% of the state's generation.[24] In other words, the scale at which LUMA proposes using biodiesel in Puerto Rico is many times higher than the current use of biodiesel for power generation anywhere in the United States.[25]

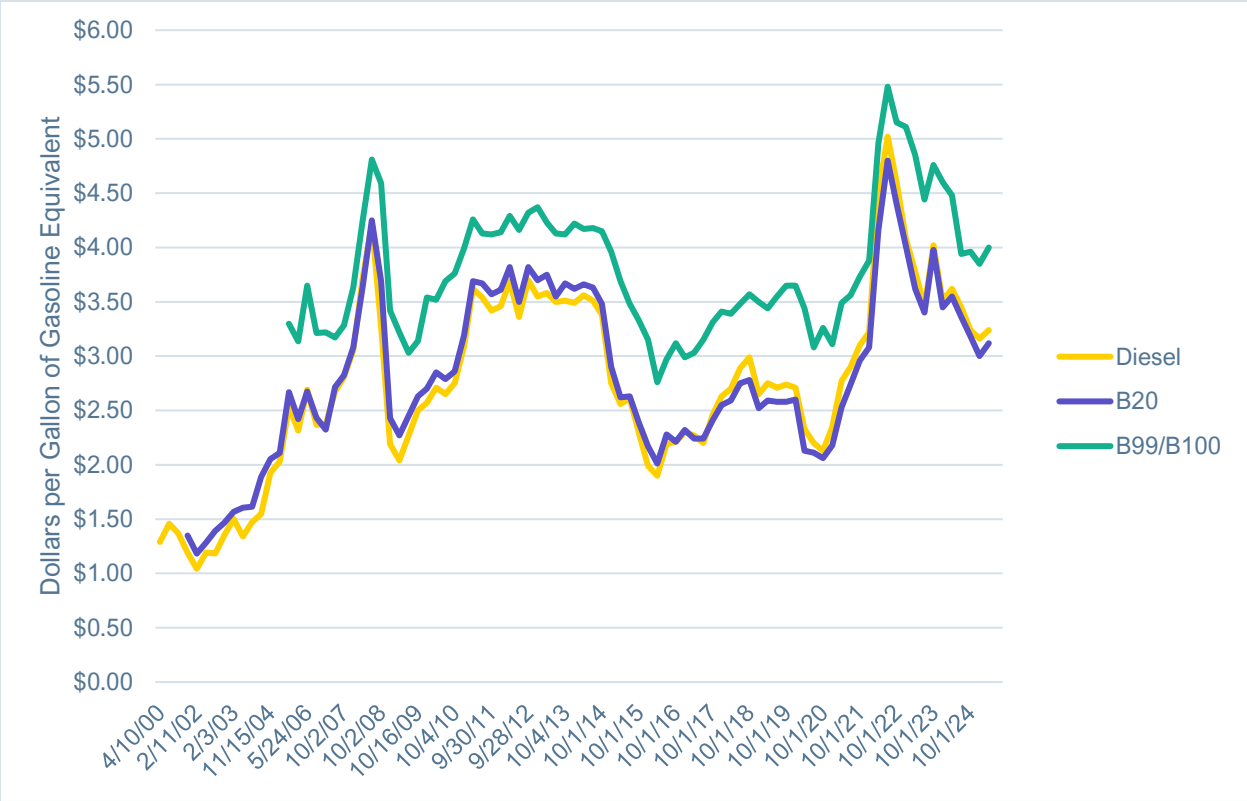
The feedstocks for biodiesel are vegetable oils (such as soybean, rapeseed, corn, and palm oils) and animal fats. LUMA acknowledges that Puerto Rico would not be capable of domestically producing biodiesel at the level demanded by the IRP,[26] so the island would have to import a substantial amount of biodiesel, putting it at the mercy of global market conditions. Biodiesel prices will likely increase in the future as more countries look to biodiesel and other biofuels with overlapping feedstocks as options for decarbonizing transportation fuels.

The International Energy Agency estimates a 25% increase in biofuel feedstock demand between 2024 and 2030, and warns that demand is increasing faster than supply.[27] Demand for biofuels would have to continue to increase sharply beyond 2030 to decarbonize aviation and shipping fuels, which have fewer low-carbon alternatives than the power sector. Currently, global biofuel production is only about half of the projected demand for aviation fuel alone in 2050.[28]

These pressures are likely to drive up costs, which are already not competitive. Biodiesel has historically sold at a significant premium to fossil diesel in the United States, as shown by Figure 2. LUMA's fuel workpapers for the IRP confirm that delivered biodiesel prices in Puerto Rico are expected to be more than 40% higher than delivered diesel prices.[29] Diesel fuel is already the most expensive fuel used in Puerto Rico's electrical system.

[24] U.S. Energy Information Administration. U.S. biodiesel use increases outside of the transportation sector. March 26, 2025.
[25] Hawaii consumed approximately 170,000 barrels of biodiesel for power generation in 2023 , or approximately 911,000 million BTU. (See: U.S. Energy Information Administration. U.S. biodiesel use increases outside of the transportation sector. March 26, 2025) The preferred scenario of the IRP would generate 3,000 gigawatt-hours (GWh) of electricity from biodiesel by 2044 (IRP, Figure 80) and more by 2050. Assuming a heat rate of 6.363 million BTU/MWh for the new F-class natural gas turbines that the IRP proposes to build, this level of electricity generation would require 1.9 trillion BTU.
[26] IRP, pp. 161-2.
[27] International Energy Agency. Renewables 2025: Analysis and forecasts to 2030. October 2025.
[28] Clean Air Task Force. Aviation could consume almost all available biofuel for decarbonization – maritime shipping needs to broaden its own strategy. April 4, 2025. For a discussion of the feedstock overlap between sustainable aviation fuel and biodiesel, see: D&W Alternative Energy. Renewable Diesel, Biodiesel, SAF: What's the difference?
[29] LUMA Energy. 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: Section 7 Assumptions and Other Forecasts. October 29, 2025.

Figure 2: Average Retail Prices, Biodiesel vs. Fossil Diesel



Source: IEEFA.

Even if Puerto Rico were to convert its natural gas plants to biodiesel by 2050, this move would not have the promised environmental benefit, because biodiesel is not truly a zero-carbon fuel. Many studies have highlighted the greenhouse gas implications of biofuels arising from both direct and indirect land-use change. Direct land use change involves the conversion of natural ecosystems for biofuel production; indirect land use change results when, for example, biofuels compete with food production for agricultural land, leading farmers to open new land for food production. The exact greenhouse gas implications are location-specific and highly dependent on the feedstock (for example, biodiesel derived from palm oil has a higher emissions intensity than biodiesel derived from most other feedstocks because of the destruction of rainforests for palm oil plantations). A survey of modeling results found that the greenhouse gas emissions from land-use change for biodiesel derived from rapeseed or soybean oil are between 30% and 60% of those of conventional diesel.[30]

[30] See: International Energy Agency. Bioenergy, Land Use Change and Climate Change Mitigation: Background Technical Report. 2013. Table 3 shows 35-45 gCO_2/MJ for rapeseed biodiesel and 40-63 gCO_2/MJ for soy biodiesel. The lifecycle emissions of ultra-low sulfur diesel are about 105 gCO2/MJ (See: California Air Resources Board. Lookup Table Pathways: Technical Support Document. 2023.) Also see: H. Xu, L. Ou, Y. Li, T. Hawkins and M. Wang. Life cycle greenhouse gas emissions of biodiesel and renewable diesel production in the United States, *Environmental Science and Technology*, 56(12): 7512-7521, May 2022.

Producing and burning biodiesel from palm oil grown on cleared former rainforest emits more greenhouse gases than petroleum-based diesel.[31]

In short, if the aim is to decarbonize Puerto Rico's electricity system by 2050,[32] conversion from natural gas to biodiesel will not achieve this goal.

B. Green hydrogen is also unlikely to be a viable alternative

Green hydrogen has also been proposed as a possible future fuel for natural gas plants in Puerto Rico. The energy bureau's order initiating a procurement process for a new natural gas plant (which ultimately led to the 528-MW Energiza gas plant contract) stated that the plant should be capable of burning hydrogen, restricted to green hydrogen—hydrogen produced by splitting water with renewable electricity—by 2050.[33]

The actual contract for the Energiza plant simply specifies that the plant must initially be "capable" of blending as much as 30% hydrogen. It then states that the parties to the contract can meet to discuss "whether the Green Hydrogen Fuel Implementation is technically and financially feasible" and, if so, proceed with it. There is no timeline for using hydrogen at the plant, and no penalty if hydrogen is never used.[34]

In its IRP, LUMA rejects green hydrogen as a likely future fuel for power generation in Puerto Rico, writing, "hydrogen is not yet in commercial use for utility-scale generation for a variety of reasons. Gas turbines are the most plausible generation technology for using hydrogen fuel, but turbines capable of burning 100% hydrogen are not yet commercially available. In addition to the technological challenges associated with burning 100% hydrogen fuel, the cost of both importing and producing the fuel, the latter of which is more likely for Puerto Rico, is significantly higher than the other options considered. Given the projected costs and technological hurdles that must be overcome for Puerto Rico to plan on using hydrogen as a renewable fuel, LUMA assessed hydrogen. Still, it did not include it in the modeling of resource options."[35]

IEEFA agrees with this assessment. Green hydrogen is unlikely to be a cost-effective option for power generation in Puerto Rico. Hydrogen is considered a more useful alternative fuel for aviation, shipping, and steel-making applications, not for power generation. It is far more efficient to use renewable electricity directly rather than produce hydrogen and then burn it in a power plant to generate electricity. An exception would be in locations with such high renewable energy penetration that hydrogen could be produced from otherwise curtailed renewable energy. That situation is

[31] A. Meijide et al. Measured greenhouse gas budgets challenge emission savings from palm-oil biodiesel, *Nature Communications*, 11, 2020.
[32] As mandated by Act 17-2019 and Act 1-2025.
[33] Puerto Rico Energy Bureau. Resolution and Order, Case No. NEPR-MI-2021-0003. August 3, 2022.
[34] Power Purchase and Operating Agreement between Energiza LLC and the Puerto Rico Electric Power Authority and San Juan Generation Assets LLC and Cratos Energy Holdings LLC. December 20, 2024.
[35] IRP, p. 35.

unlikely to apply in Puerto Rico, given the high levels of utility-scale storage proposed for installation over the next few years, as well as the ongoing deployment of almost 60 megawatt-hours (MWh) per month of distributed storage by Puerto Rico customers that could absorb future surpluses of renewable energy.[36] Given concerns about utility-scale renewable energy competing with other land uses in Puerto Rico, it is difficult to envision a situation in which Puerto Rico would have a surplus of utility-scale renewable energy to produce hydrogen.

If Puerto Rico were to use green hydrogen for power generation, it would likely be imported hydrogen. Because hydrogen is difficult to transport, it is more commonly converted to ammonia for shipping, and then reconverted back to hydrogen. As with hydrogen itself, green ammonia (i.e., ammonia produced from green hydrogen) is generally considered to have more useful applications in sectors that are more difficult to decarbonize, such as maritime shipping and fertilizer production.

Ammonia is unlikely to become a cost-competitive fuel for Puerto Rico in the coming decades. The International Energy Agency currently estimates that green ammonia is approximately three times more expensive than ammonia produced via conventional, fossil-based routes.[37] Currently, the lowest price for green ammonia worldwide is in India at $640/ton. By IEEFA's estimate, green ammonia at this price would result in a fuel cost for power generation of more than 24 cents per kilowatt-hour (kWh)—excluding other non-fuel operational costs—and would not be cost-competitive with current generation.[38]

For Puerto Rico to assume that green ammonia will be available as a fuel for power generation in the next 15 to 20 years would essentially be a bet that other countries will make major investments in green hydrogen and ammonia production, likely accompanied by significant subsidies to bring down the costs, and that costs will not be driven upward by demand for green ammonia for other uses such as shipping fuel. It would be a highly risky proposition to base the achievement of Puerto Rico's renewable energy targets on decisions so far outside of the island's control.

In short, IEEFA agrees with the conclusion of a 2023 energy bureau study that found using delivered hydrogen for power generation to be "logistically and economically not viable."[39]

[36] Average monthly storage additions (kWh) for calendar year 2025. See LUMA Energy. Motion Submitting Quarterly Report on System Data for October through December 2025, in Compliance with December 19, 2025, Resolution and Order, and Request for Confidential Treatment , Case No. NEPR-MI-2019-0007. January 27, 2026.
[37] International Energy Agency. The Breakthrough Agenda Report: Fertilizers. 2025.
[38] This calculation is based on a power plant heat rate of 6.36 MMBtu/MWh.
[39] B. Bradshaw, S. Thomas, C. Krueger and K. McKenna. Puerto Rico Electricity Bureau Hydrogen Study: Technical Workshop 4 Presentation. June 2, 2023.

IV. Overreliance on gas generation will perpetuate the conflicts of interest with New Fortress Energy

New Fortress Energy has become a major player in Puerto Rico's electrical system. The conflicting roles it currently holds as both a fuel supplier and operator of Puerto Rico's power plants continue to impose costs on ratepayers. Continuing or intensifying Puerto Rico's dependence on natural gas will only perpetuate this risk.

New Fortress Energy signed a contract in March 2019 to convert units 5 and 6 of the San Juan power plant to natural gas and to supply LNG to those units for five years. In 2023, New Fortress won contracts to install and supply LNG to temporary units installed at the Palo Seco and San Juan plants after Hurricane Fiona.[40] And in 2023, New Fortress subsidiary Genera signed a 10-year contract to operate and maintain PREPA's existing thermal generation fleet.

New Fortress has repeatedly emphasized to its investors the opportunity it sees to sell more natural gas to Puerto Rico, including most recently in a presentation to investors as part of its debt restructuring and bankruptcy.[41]

The conflict of interest between New Fortress's corporate interest in selling more natural gas in Puerto Rico vs. Genera's responsibility to operate the thermal power plants in the best interests of Puerto Rico's ratepayers has already become apparent.

This conflict of interest surfaced last year during the renegotiation of a gas supply contract with New Fortress Energy subsidiary NFEnergia. The renegotiation was occurring at the same time as the Puerto Rico government's renegotiation of incentive payments with Genera. In February 2025, the Third-Party Procurement Office sent a letter to the head of the Public-Private Partnerships Authority, which was responsible for renegotiating the Genera contract. The procurement office, which supervised the LNG supply contract negotiations, wrote:

"With 24 days remaining before the current LNG supply contract expires, NFEnergía has expressed reluctance to extend the agreement due to ongoing disputes regarding incentive payments. Should the contract not be renewed, the resulting fuel shortage will jeopardize 300 MW of power generation, critically affecting Puerto Rico's electrical grid, infrastructure, and essential services."[42]

[40] Weston Solutions. Weston wins $407M task order to provide temporary power generation at Palo Seco power plant in San Juan, PR. March 17, 2023. Also see: Weston Solutions. Weston wins $520M task order to provide temporary power generation at San Juan power plant in San Juan, PR. June 29, 2023.
[41] New Fortress Energy. Transaction Update. March 2026, p. 22.
[42] Puerto Rico Electric Power Authority. Motion in Compliance with Resolution and Order of July 22, 2025, Case No. NEPR-MI-2024-0004, Exhibit A. July 31, 2025.

In other words, New Fortress allegedly attempted to use its control over natural gas supply to the temporary power generation units at San Juan and Palo Seco as leverage in Genera's negotiations over its incentive payments.

A similar situation occurred later in 2025, as part of the same LNG supply contract negotiation process. When the Financial Oversight and Management Board (FOMB) rejected the proposed LNG supply contract in its original form in July 2025, New Fortress Energy turned around an LNG ship in the San Juan harbor, postponing a scheduled delivery. Although New Fortress stated that the maneuver was due to a dispute over a $12 million debt allegedly owed to the company from 2020, the move was widely interpreted in the local media as retaliation over the contract rejection.[43] This type of retaliation is possible because New Fortress has a lease agreement with the Puerto Rico Ports Authority through 2038 that gives it a monopoly on supplying natural gas to the San Juan power plant site, which the FOMB has also cited as a cause for concern. [44, 45]

The lack of coherent energy planning in Puerto Rico has also enabled Genera to pursue projects that favor its parent company, New Fortress. This includes pursuing regulatory approval for multiple conversions of existing power plants to natural gas, including two such projects (totaling more than 600 MW) for which it is unclear whether there will be long-term savings for ratepayers.[46] A technical consultant to the energy bureau had recommended against one of these conversion projects due to the units' age and physical deterioration.[47]

Genera has also been approved for Federal Emergency Management Agency (FEMA) funds to cover the capital costs of some of the conversion projects and the construction of a natural gas pipeline between the San Juan and Palo Seco power plants.[48] Given that FEMA funds allocated to Puerto Rico are finite, Genera's decision to pursue federal funding for these projects means that less federal funding is available for potential alternative projects to reduce Puerto Rico's dependence on fossil fuels (via renewable energy) and decentralize its grid. And because of the lack of coordinated energy planning, such alternative projects were not even identified or evaluated.

[43] WAPA. New Fortress suspende suplido de gas a la isla por presunta falta de pagos. July 13, 2025. Also see: Noticel. En medio de disputa por contrato monopolístico, New Fortress suspende suplido de gas a la isla. July 13, 2025; Aso see: Metro. Gobierno negocia contrato de emergencia con New Fortress para suplido de gas. July 16, 2025.
[44] Puerto Rico Ports Authority. Agreement. May 3, 2018.
[45] Financial Oversight and Management Board. Letter to Ms. Mary Zapata Acosta, Executive Director of the Puerto Rico Electric Power Authority, Mr. Winnie Irizarry Velazquez, CEO of Genera PR, LLC and Mr. Josue Colon Ortiz, Executive Director of the Puerto Rico Public Private Partnerships Authority. November 28, 2025.
[46] In its approval of both Palo Seco units 3 and 4 and San Juan units 7 and 9 from fuel oil #6 to natural gas, the Energy Bureau stated, "some level of [fuel] savings may exist, though not to the extent calculated by Genera." (See: Puerto Rico Energy Bureau. Resolution and Order, Case No. NEPR-MI-2021-0002. March 20, 2026, p. 8. Also see: Puerto Rico Energy Bureau. Resolution and Order, Case No. NEPR-MI-2021-0002. March 6, 2026, p. 8.) In the short term, savings are likely to occur due to the spike in oil prices caused by the war with Iran, but it is unlikely such conditions will persist over the long term.
[47] Puerto Rico Public Service Regulatory Board. Expert report of Justo Gonzalez. Case No. NEPR-AP-2023-0003. October 17, 2025, p. 37.
[48] Puerto Rico Energy Bureau. Resolution and Order, Case No. NEPR-MI-2021-0002. March 6, 2026, pp. 8 and 12. (Federal funds will cover the conversion of Cambalache, San Juan units 7 and 9, and Palo Seco units 3 and 4.)

The new gas generation projects identified in Section II of this report will only increase Puerto Rico's dependence on New Fortress Energy and further expose ratepayers to costs associated with its conflict of interest and its monopoly control of key gas supply infrastructure.

V. Conclusions

Puerto Rico ratepayers face significant risks from current plans to overbuild the generation system. These risks include:

- Excess capital costs for underutilized power plant capacity, which would be borne by ratepayers.
- Risks of higher fuel costs and fuel supply disruptions, related to NFE's ongoing conflicts of interest; these risks increase with the expansion of New Fortress's gas supply to the island.
- The risks of not meeting Puerto Rico's 100% by 2050 renewable energy target, because of the non-viability of biodiesel and green hydrogen as future fuels.

The Puerto Rico government also has not adequately justified the need to procure 3,000 MW of additional firm capacity, which would result in significant excess generation capacity for the foreseeable future and preclude the island from meeting its 2050 renewable energy mandate.

The Puerto Rico Energy Bureau should consider:

- Requiring that IRPs be filed on the three-year timetable established in 2014,[49] to minimize the use of ad hoc generation contracting outside of a rigorous resource planning process.
- Not approving any proposed contracts that would result in an overbuilding of centralized generation and a lock-in of natural gas beyond the 2050 deadline for achieving 100% renewable energy.
- Rejecting any future IRP that (a) depends on environmentally unsustainable biodiesel and/or economically uncompetitive fuels such as green hydrogen, and (b) would not put Puerto Rico on a path towards meeting its 100% renewable energy target.

[49] Act 57-2014.

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