

**GOVERNMENT OF PUERTO RICO
PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU**

IN RE: IMPLEMENTATION OF THE PUERTO RICO ELECTRIC POWER AUTHORITY INTEGRATED RESOURCE PLAN AND MODIFIED ACTION PLAN

CASE NO.: NEPR-MI-2020-0012

SUBJECT: Funds for Transmission System Network Upgrades that contribute to raising system performance to industry standards

RESOLUTION AND ORDER

On February 2, 2022, the Energy Bureau of the Puerto Rico Public Service Regulatory Board (“Energy Bureau”) issued a Resolution and Order authorizing the Puerto Rico Electric Power Authority (“PREPA”) to finalize negotiations with eighteen (18) renewable energy projects as part of Tranche 1 of the renewable energy procurement contemplated in the Approved Integrated Resources Plan and Modified Action Plan¹.

Based on information provided by PREPA, the utility was waiting for the completion of certain technical studies by the transmission and distribution system operator, LUMA², to proceed with the execution of the Power Purchase Agreements (“PPOAs”) for the mentioned projects.³

On April 27, 2022, the Energy Bureau issued a Resolution and Order (“April 27 Order”) requiring: (i) LUMA to file with the Energy Bureau a copy of the results of the Tranche 1 technical studies, on or before May 30, 2022, at 12:00 pm; and (ii) PREPA to file with the Energy Bureau execution copies (i.e., signed copies) of the PPOAs, on or before June 30, 2022, at 12:00 pm.⁴

On May 31, 2022, LUMA filed a document titled *Motion Submitting Final Technical Interconnection Studies for Eighteen Tranche 1 Projects Required Under Energy Bureau’s Resolution and Order of April 27, 2022, and Request for Confidential Treatment* (“May 31 Motion”). According to LUMA, the Final Interconnection Study Report for each project includes an executive summary and the following appendices: (a) Interconnection Studies Summary Report (b) Facility Study POI Cost Estimates, (c) Facility Study Network Upgrade Cost Estimates, and (d) LUMA Interconnection Facility Works (“Technical Studies”). The executive summary presents an overview of the findings and a cost estimate for the facilities required at the points of interconnection and transmission system network upgrades (“Network Upgrades”) needed to safeguard system reliability (“Final Interconnection Study Report”). LUMA also provides a “System Impact & Facility Study Results” report that includes a summary and analytical detail for a “cluster study” of the system developed to determine the required transmission system network upgrades. This report also includes cost estimates and respective cost allocation by project, which in turn is used to inform the Final Interconnection Study Report for each project.

¹ Final Resolution and Order on the Puerto Rico Electric Power Authority’s Integrated Resource Plan, *In re: Review of the Integrated Resource Plan of the Puerto Rico Electric Power Authority*, Case No. CEPR-AP-2018-0001, August 24, 2020 (“IRP Order”).

² LUMA Energy, LLC and LUMA ServCo, LLC (collectively, “LUMA”).

³ See Informative Motion Regarding Status of BESS Proposal Evaluations, VPP Proposal Negotiations and Interconnection Study Timeline, *In re: Implementation of the Puerto Rico Electric Power Authority Integrated Resource Plan and Modified Action Plan*, Case No.: NEPR_MI-2020-0012, February 10, 2022, ¶¶ 7-8, pp. 3-4 (“February 10 Motion”). PREPA has requested confidential treatment to the February 10 Motion alleging that the deliberative process for RFP-Tranche 1 has not been completed.

⁴ See Resolution and Order, *In Re: Implementation Of The Puerto Rico Electric Power Authority Integrated Resource Plan And Modified Action Plan*, Case No. NEPR-MI-2020-0012, April 27, 2022.



Upon review of the System Impact & Facility Study Results, the Energy Bureau **DETERMINES** that (i) the transmission system network upgrades identified by LUMA as necessary to integrate the Tranche 1 projects shall be undertaken by LUMA; and (ii) LUMA shall investigate whether all or a portion of the transmission system network upgrade facilities can be procured employing federal funds obligated for the reconstruction of the electric grid, or by additionally available supplemental federal funding.

Given that transmission system network upgrades are needed to improve critical infrastructure facilities and to interconnect new generation resources that will improve the resilience of the Puerto Rico power grid, these efforts are aligned with the Bipartisan Budget Act of 2018 ("BBA"). Section 20601 of the BBA authorizes FEMA to "provide assistance, pursuant to Section 428 of the Stafford Act for critical services as defined in Section 406. This authority allows FEMA to provide assistance to restore disaster-damaged facilities or systems that provide the specifically identified critical services to an industry standard without regard to pre-disaster condition. The Energy Bureau believes the system network upgrades may be eligible for BBA funding as critical facilities under Section 406 of the Stafford Act and under the BBA.⁵

The electric system in Puerto Rico currently does not meet NERC Transmission System Planning ("NERC TPL") requirements, an industry standard employed to operate the Bulk Electric System reliably over a broad spectrum of system conditions following a wide range of probable contingencies.⁶ A major reason for not complying with this standard, or comparable industry standards, resides in a pronounced resource adequacy shortfall. This shortfall can be cured with the integration of dependable generation. The currently installed generation in the Island suffers from sporadic forced outages and low availability that result in load shedding events, both automatic and manual, and have also resulted in widespread power outages. Renewable generation paired with energy storage of adequate duration provides the system operator with the dependable power supply that will facilitate compliance with these industry standards for transmission system planning, where an outage of a major facility will not impact system stability and will not result in customer interruptions.

Rebuilding the grid to support the reliable integration of dependable generation that leads to the phase-out of unreliable generation facilities in order to comply with industry standards that contribute to increasing the resilience of the electric system is aligned with recommendations made by the US DOE in its *Energy Resilience Solutions for the Puerto Rico Grid* report of June 2018. This report recommends that Commonwealth regulatory agencies adopt NERC reliability standards for system operation, management, and planning. As such, the Energy Bureau posits that the activities and needed transmission system network upgrades are required to restore the Puerto Rico power system and its critical service functions to an approved industry standard consistent with BBA requirements.

The Energy Bureau **DIRECTS** LUMA to file a plan with the Energy Bureau, within **45 days** of this Resolution and Order, laying out a roadmap for seeking and obtaining federal funding for the transmission system network upgrades identified in the "System Impact & Facility Study Results" report, and outlining the steps required in that process including expected timelines. While federal funding is being sought, the Energy Bureau **DIRECTS** LUMA to proceed with the transmission system network upgrade projects needed to support the Tranche 1 selected resource, and to fund these projects from the Non-Federally Funded Capital Budget as needed employing procurement processes that follow federal procurement guidelines, with such expenditures to be offset by federal funds as soon as such funds become available. LUMA **SHALL** reflect these costs in the annual budgets filed with the Energy Bureau pursuant to the *Determination on LUMA's Initial Budgets* Resolution and

⁵ See, Bipartisan Budget Act of 2018 ("BBA"), Section 20601.

⁶ LUMA performed steady-state power flow analysis to identify thermal and voltage violations on the grid using contingency scenarios defined by the NERC TPL standards.



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Order issued in *In re: Review of LUMA's Initial Budgets*, Case No. NEPR-MI-2021-0004 on May 31, 2021.⁷

Additionally, PREPA **SHALL** file with the Energy Bureau execution copies (*i.e.*, signed copies) of the PPOAs, on or before **June 30, 2022, at 12:00 pm.**⁸

The Energy Bureau **WARNS** PREPA and LUMA that noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to \$25,000.00 per day. The Energy Bureau **WARNS** LUMA and PREPA that any person who intentionally violates any provision of Act 57-2014, as amended, omits, disregards, or refuses to obey, observe, and comply with any rule or decision of the Energy Bureau shall be punished by a fine of not less than five hundred dollars (\$500) nor over five thousand dollars (\$5,000) at the discretion of the Energy Bureau and that if recurrence occurs, the established penalty shall increase to a fine of not less than ten thousand dollars (\$10,000) nor greater than twenty thousand dollars (\$20,000), at the discretion of the Energy Bureau.

Be it notified and published.



Edison Avilés Deliz
Chairman



Lillian Mateo Santos
Associate Commissioner



Ferdinand A. Ramos Soegaard
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on June 13, 2022. Associate Commissioner Ángel R. Rivera de la Cruz did not intervene. I also certify that on June 13, 2022 a copy of this Resolution and Order was notified by electronic mail to the following: laura.rozas@us.dlapiper.com; margarita.mercado@us.dlapiper.com, kbolanos@diazvaz.law; and mvazquez@diazvaz.law and I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, today June 13, 2022.



Sonia Seda Gaztambide
Clerk



⁷ The Energy Bureau commenced the annual budget examination process delineated in the 2017 Rate Order with Fiscal Year 2023,

⁸ To that effect PREPA shall ensure that all necessary arrangements and coordination are made on a timely fashion to obtain the additional approvals.