

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

IN RE: REVIEW OF THE PUERTO RICO
ELECTRIC POWER AUTHORITY'S 10-YEAR
INFRASTRUCTURE PLAN – DECEMBER
2020

CASE NO.: NEPR-MI-2021-0002

SUBJECT: Resolution and Order on PREPA's
June 24 Motion.

RESOLUTION AND ORDER

I. Relevant Factual Background

As requested by the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau"), on June 7, 2019, the Puerto Rico Electric Power Authority's ("PREPA") submitted to the Energy Bureau an updated proposed integrated resources plan ("IRP").¹ The Proposed IRP was evaluated by the Energy Bureau in a comprehensive adjudicative proceeding under Case No.: CEPR-AP-2018-0001. On August 24, 2020, the Energy Bureau issued a final resolution and order, approving in part the Proposed IRP.² The Approved IRP includes a Modified Preferred Resource Plan ("Action Plan") considering, among others, specific planning parameters for the power generation capacity additions³ and retirements.⁴

As part of the captioned case, the Energy Bureau evaluates capital investment projects proposed by PREPA for consistency with the Approved IRP. On June 4, 2022, the Energy Bureau issued a Resolution and Order ("June 4 Resolution") to address certain proposed projects previously classified as Deferred Generation Projects.⁵ Through the June 4 Resolution, the Energy Bureau determined not to approve eight (8) projects under Scope of Works ("SOWs") No. 1016, 1021, 1022, 1027, 1028, 2029, 4070 and 6088 (the "Denied Generation Projects").⁶ The Denied Generation Projects involved proposed works at the San Juan, Palo Seco, Aguirre, and Cambalache power plants. The Energy Bureau addressed the Denied Generation Projects considering the extent of the proposed works in their corresponding power plants, in relation to the Approved IRP.

On June 24, 2022, PREPA filed an *Urgent Motion for Reconsideration of the June 4 Order* ("June 24 Motion") requesting the Energy Bureau to: (i) stay its decision in relation to the Denied Generation Projects; (ii) schedule a technical conference to further discuss each of those proposed projects; (iii) reconsider its decision to deny such projects and approve them.

Through Resolution and Order dated July 21, 2022 ("July 21 Resolution"), the Energy Bureau reevaluated certain portions of the June 4 Resolution, particularly its determination about the proposed projects in the Aguirre Power Plant and the Palo Seco Power Plant under SOWs No. 2029, 4069 and 4070 ("Aguirre and Palo Seco Power Plants Deferred Projects"). After

¹ PREPA's *Motion to Leave File IRP Main Report "ERRATA" Version*, dated June 14, 2019, which included a corrected version of the Main IRP Report submitted on June 7, 2019, and is titled *Integrated Resource Plan 2018-2019, Draft for the Review of the Puerto Rico Energy Bureau, Prepared for the Puerto Rico Electric Power Authority, June 7, 2019 (Rev. 2.1)*, *In re. Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*, Case No. CEPR-AP-2018-0001 ("Proposed IRP").

² *Final Resolution and Order on the Puerto Rico Electric Power Authority's Integrated Resource Plan, In re. Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*, Case No. CEPR-AP-2018-0001, August 24, 2020 ("Approved IRP"). Minor modifications and/or clarifications to the Approved IRP were introduced through a *Resolution and Order on Reconsiderations* issued by the Energy Bureau on December 2, 2020, in case: *In re. Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*, Case No. CEPR-AP-2018-0001.

³ *Id.*, ¶¶847-867, pp. 263-269.

⁴ *Id.*, ¶¶869-873, pp. 270-271.

⁵ *In re: Review of the Puerto Rico Electric Power Authority's 10-Year Infrastructure Plan - December 2020*, Resolution and Order, June 4, 2022.

⁶ *Id.*, p. 7.



reviewing SOWs No. 2029, 4069 and 4070, and all the information provided by PREPA, the Energy Bureau approved the Aguirre and Palo Seco Power Plants Deferred Projects. Nevertheless, the deferred projects proposed for the San Juan and Cambalache power plants were not addressed in the July 21 Resolution.

In this Resolution and Order the Energy Bureau will address projects proposed under SOWs No. 1022 and 1027, about the San Juan Power Plant Unit 7 (collectively, the "San Juan 7 Deferred Projects").

II. Analysis

As for the projects proposed under SOWs No. 1016, 1021, 1022, 1027, and 1028 San Juan Plant Deferred Projects (collectively, the "San Juan Plant Deferred Projects,") the Energy Bureau determined in the June 4 Resolution that they comprise major works at the San Juan Power Plant Units 7, 8, and 10. It also noted that some of those units were not even considered as available resources for the purposes of the Approved IRP, while others are within the retirement schedule for years 2021-2025.⁷ Since the San Juan Plant Deferred Projects were directed at extending the useful life beyond such schedule, the Energy Bureau determined that the San Juan Power Plant Deferred Projects are not supported by the Approved IRP.⁸

The Energy Bureau has reevaluated the San Juan 7 Deferred Projects considering the Approved IRP, as well as the prevailing operational conditions of PREPA. The Energy Bureau recognizes that in recent years the San Juan Units 7 and 9 have been supporting PREPA's generation fleet as limited-use units. Besides, the Energy Bureau recognizes that two (2) of the San Juan Steam Units were considered as available generation units in the Proposed IRP.⁹ Although PREPA modeled the San Juan Units 7 and 8 in the Proposed IRP, it was recognized that all the San Juan Steam Units are similar, and thus, they were modeled as interchangeable for purposes of the Proposed IRP. That is, any two (2) out of the four (4) San Juan steam units can be considered part of the Approved IRP. Besides, in accordance with the Approved IRP, the two (2) units that will be operating **must be retired between 2021 and 2025**.¹⁰ The San Juan units 7, 8, 9, and 10 shall be retired as soon as sufficient solar PV capacity and battery storage systems are integrated into the transmission and distribution grid

After reviewing SOWs No. 1022 and 1027, all the information provided by PREPA, and the prevailing operational condition of the generation fleet, the Energy Bureau **APPROVES** the San Juan 7 Deferred Projects. The SOWs pertaining to the San Juan 7 Deferred Projects include descriptions and justifications for the corresponding units, the type of project and the corresponding Codes and Standards affected. The San Juan 7 Deferred Projects are described in **Attachment A** of this Resolution and Order. The Energy Bureau notes this approval represents an investment of **\$18,000,000** based on the proposed works presented by PREPA through previous motions filed in this case.¹¹

The Energy Bureau **CLARIFIES** that the costs associated with the approved San Juan 7 Deferred Projects shall be included in PREPA's annual budget in the category of federally funded capital expenditures as well as any of the other federally funded projects approved by the Energy Bureau. PREPA shall not incur in any expenses related to the projects under SOWs No. 1022 and 1027, until the receipt of FEMA's approval for the execution of those projects.

⁷ *Id.*, p. 6.

⁸ *Id.*

⁹ Proposed IRP, Exhibit 4-5, p. 4-3, p. 4-19, p. 4-23, and p. 4-26.

¹⁰ *Id.*

¹¹ See, January 13 Motion, January 28 Motion and February 8 Motion.



Finally, the Energy Bureau emphasizes that the approval of the San Juan 7 Deferred Projects shall not be interpreted, deemed, or construed in any manner, as an extension, amendment or modification of the Approved IRP's determination concerning the retirement of the San Juan 7 steam unit. Such unit shall have been retired on or before 2025, as soon as the corresponding replacement capacity is online.

III. Conclusion

For the foregoing reasons, the Energy Bureau **APPROVES** the San Juan 7 Deferred Projects described in **Attachment A** of this Resolution and Order, which shall be presented to FEMA and COR3¹² to finalize the approval process. PREPA **SHALL** include in its budget the projects described in Attachment A as well as any of the other federally funded projects approved by the Energy Bureau as part of its federally funded capital expenditures.


The San Juan 7 Deferred Projects were approved based on the information provided by PREPA. Should the scope of the project change, PREPA **SHALL** immediately seek the Energy Bureau's approval of such changes.

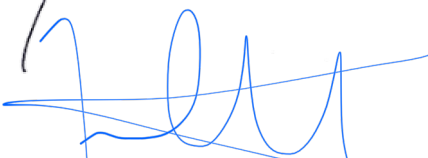
The Energy Bureau **WILL NOT** analyze further or consider in any way the remaining San Juan Plant Deferred Projects (*i.e.*, SOW No. 1016, 1021 and 1028 for units 8 and 10).

The Energy Bureau **ORDERS** PREPA to (i) submit to the Energy Bureau copy of the approval by COR3 and/or FEMA of the projects in **Attachment A** of this Resolution and Order, which shall contain the costs obligated for each project, **within ten (10) days of receipt of such approval**; (ii) provide the Energy Bureau the actual contracted cost to construct each project approved in such Attachment A, **within ten (10) days from the execution of the contract**; and (iii) inform the Energy Bureau once the projects are completed.

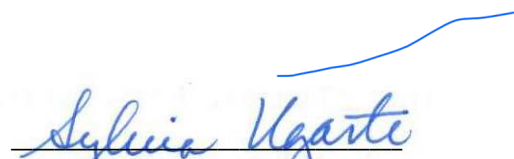
The Energy Bureau reiterates that the directive instated in the March 26 Resolution¹³ related to the submission of projects before the Energy Bureau at least thirty (30) calendar days before submitting such projects to FEMA and/or COR3 remains unaltered.

Be it notified and published.


Edison Avilés Deliz
Chairman


Ferdinand A. Ramos Soegaard
Associate Commissioner


Lillian Mateo Santos
Associate Commissioner


Sylvia B. Ugarte Araujo
Associate Commissioner



¹² Puerto Rico Central Office for Recovery, Reconstruction and Resiliency ("COR3").

¹³ See, *In re: Review of the Puerto Rico Electric Power Authority's 10-Year Infrastructure Plan – December 2020*, Resolution and Order issued on March 23, 2021 ("March 23 Resolution").

CERTIFICATION

I hereby certify that all the members of the Puerto Rico Energy Bureau have so agreed on October 21, 2022. I also certify that on October 21, 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; mvazquez@diazvaz.law. I also certify that today, October 21, 2022, 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 October 21 2022.


Sonia Seda Gaztambide
Clerk



Attachment A
Works Approved by the Energy Bureau for the Power Plants Permanent Repairs

SOW NO.	Facility	Project Name	Proposed Scope of Work	Original ¹⁴ Estimate	Presented ¹⁵ Estimate	Diff	Page
1022	San Juan Power Plant	Unit 7 Rehabilitation (Turbine)	Inspection and replacement of the High Pressure, Intermediate Pressure and Low-Pressure Rotors of the Turbine and perform all the testing and commissioning of the equipment.	\$10,000,000.00	\$10,000,000.00	\$0.00	February 8 Motion, Att. A, pp. 80- 125
1027	San Juan Power Plant	Unit 7 - Major Outage - Boiler Sections Replacement and Repairs & Auxiliary Equipment Inspection Work	Necessary Repairs of deteriorated Boiler Tubes and Assemblies, and Auxiliary Equipment.	\$8,000,000.00	\$8,000,000.00	\$0.00	February 8 Motion, Att. A, pp. 126- 142
TOTAL				<u>\$18,000,000.00</u>	<u>\$18,000,000.00</u>	<u>\$0.00</u>	



¹⁴ November 15 Motion.

¹⁵ Estimates presented through the February 2 Motion, February 8 Motion and February 14 Motion.