

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

NEPR

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IN RE:

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

CASE NO.: NEPR-MI-2021-0002

SUBJECT: Motion to Request Approval for
Rehabilitation Projects for the San Juan Plant
Units 8 And 10 and Cambalache 1

**MOTION TO REQUEST APPROVAL FOR REHABILITATION PROJECTS FOR THE
SAN JUAN PLANT UNITS 8 AND 10 AND CAMBALACHE 1**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW GENERA PR LLC (“Genera”), as agent of the Puerto Rico Electric Power Authority (“PREPA”), through its counsels of record, and respectfully submits and prays as follows:

1. On March 26, 2021, the Energy Bureau of the Puerto Rico Public Service Regulatory Board (“Energy Bureau”) issued a Resolution and Order in the instant case, through which it ordered PREPA to submit each specific capital investment project for approval to avoid potential noncompliance with the Approved Integrated Resource Plan (“IRP”) and Modified Action Plan. To streamline the process, the Energy Bureau requested PREPA to submit the specific projects to the Energy Bureau at least thirty (30) calendar days before their submittal to the Puerto Rico Central Office for Recovery, Reconstruction and Resiliency (“COR3”) and the Federal Emergency Management Agency (“FEMA”), and any other federal agency, and to continue reporting to the Energy Bureau and FEMA, within the next five (5) years, the progress of all ongoing efforts related to the final approval of the submitted projects not yet approved by the Energy Bureau.

2. On November 15, 2021, PREPA submitted a document titled *Motion to Submit Fourth Group of Generation Projects* (“November 15th Motion”) before the Energy Bureau. Through the November 15th Motion, PREPA presented one hundred four (104) work descriptions addressing a range of repair, retrofit, and maintenance needs across multiple facilities, including the San Juan Power Plant, Aguirre Power Plant and Combined Cycle, Costa Sur Power Plant, Palo Seco Steam Plant, Hydrogas Turbine Peakers, Cambalache, Mayagüez Gas Turbines, and a series of system-wide items. PREPA sought to obtain the Energy Bureau’s approval for these projects, originally filed with the intention of seeking funding from FEMA and related programs. Each work description, collectively referred to as the “Proposed Generation Projects,” outlined specific scopes aimed at bolstering unit reliability and mitigating forced outages.

3. On June 4, 2022, the Energy Bureau issued a Resolution and Order (“June 4th Resolution”), through which 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”).¹ 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.

4. On June 24, 2022, PREPA filed an *Urgent Motion for Reconsideration of the June 4 Order* (“June 24th 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.

¹ *In re: Review of the Puerto Rico Electric Power Authority’s 10-Year Infrastructure Plan – December 2020*, Resolution and Order, June 4, 2022, p. 7.

5. On October 21, 2022, the Energy Bureau issued a Resolution and Order titled *Resolution and Order on PREPA's June 24 Motion* (the “October 21st Resolution”) that revisited certain deferred generation projects at the San Juan, Palo Seco, Aguirre, and Cambalache power plants. It referenced its earlier June 4th Resolution, wherein it had denied eight (8) projects—SOWs Nos. 1016, 1021, 1022, 1027, 1028, 2029, 4070, and 6088—on grounds that these proposed works were not supported by the Approved IRP’s retirement schedule and resource portfolio targets. However, in the October 21st Resolution, the Energy Bureau ultimately approved two (2) of the previously deferred SOWs for repairs to San Juan Unit 7, acknowledging the unit’s ongoing role in supporting the overall generation fleet. The Energy Bureau, nonetheless, did not approve the remaining proposed projects for San Juan Units 8 and 10 or certain projects at Cambalache. These projects were thus left in a deferred or denied status, despite having been initially proposed to address persistent reliability concerns in an aging fleet.

6. On January 24, 2023, the Puerto Rico Public-Private Partnership Authority (“P3 Authority”), PREPA, and Genera entered into the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement (“LGA OMA”). Under the LGA OMA, Genera assumed full responsibility for the operation and maintenance of a collection of “Legacy Generation Assets,” encompassing baseload steam plants and combustion turbine peakers. Genera is now contractually obliged to ensure that these assets continue to meet reliability, safety, and environmental standards until Puerto Rico’s resource mix transitions to cleaner and more sustainable energy solutions. Since taking on these obligations, Genera has conducted extensive technical evaluations of the Legacy Generation Assets, concluding that repairs to certain San Juan units and the Cambalache facility remain critical to guaranteeing grid reliability.

7. Genera's technical assessments reveal that San Juan Unit 8 requires a replacement of boiler furnace wall piping, along with repairs to vital auxiliary components such as feed pumps, circulation pumps, deaerator pumps, and the induced- and forced-draft fan systems (including motors). The main power transformer also needs inspection and possible repairs, as does the generator. In a similar vein, San Juan Unit 10 demands the replacement of failed low-pressure turbine rotors, inspection and possible rehabilitation of the generator, boiler work on burners, an inspection of air preheaters, repairs of expansion joints, and additional restoration of auxiliary components including condensers, feed pumps, deaerator pumps, and other critical subsystems. Both units have been offline or in a state of disrepair for an extended period, thereby limiting the overall generation reserve margin and exposing the system to potential load-shedding events whenever another major unit is forced out of service.

1. Genera also deems it essential to rehabilitate Cambalache Unit 1, a gas turbine that has remained out of service after a severe electrical disturbance led to catastrophic equipment failure. During the unit assessment it was found a significant damage to the hot gas casing, combustor tiles, swirler fins, and compressor rotor. Genera's plan for restoring Cambalache Unit 1 involves a full inspection, repair of the exhaust gas housing and filter house, and replacement or refurbishment of the hot gas path components, turbo compressor, and blades. Restoring this facility to operational status would provide much-needed peaking or reserve capacity to offset unexpected outages at other plants. As with the San Juan units, the Cambalache Unit 1 project was part of the November 15th Motion seeking to bring an ailing generation fleet back to minimal acceptable reliability standards.

8. The Approved IRP anticipated a decline in generation load over its planning horizon, influenced by factors such as population changes, economic conditions, and energy

efficiency initiatives. However, these anticipated conditions have not fully materialized, and system load continues to pose significant challenges for existing generation resources. Genera respectfully notes that this misalignment between projected and actual load complicates the planned retirement timeline for older thermal units. While Genera strongly supports Puerto Rico's public policy favoring a transition to renewable energy, there remains a multi-year window before sufficient renewable capacity can be fully integrated into the grid. Therefore, Genera respectfully submits that the Energy Bureau should approve the projects for San Juan Units 8 and 10 and Cambalache Unit 1 in order to secure the necessary capacity during this transitional period.

2. Genera acknowledges that the Approved IRP calls for retiring many of the legacy generation assets, including those at San Juan, on or before 2025 or as soon as viable alternative capacity becomes available. These repairs are not intended to permanently extend the lifetime of the older assets in contradiction of the IRP. Instead, Genera seeks approval for essential refurbishments to ensure that San Juan Units 8 and 10 and Cambalache Unit 1 can operate safely and reliably in the near term, thereby providing a critical bridge of approximately 280MW until certain maintenance and repairs are conducted and Puerto Rico's renewable energy portfolio becomes sufficiently robust. Maintaining or restoring select legacy thermal units will help avert widespread load-shedding and allow additional time for renewable projects to achieve full commercial operation.

9. Genera further emphasizes that the frequency and severity of power outages across Puerto Rico's grid have markedly increased, underscoring the urgent need to restore additional generation capacity. Under current conditions, even brief or localized forced outages at a single generating unit can escalate into widespread load-shedding events due to insufficient reserve capacity. By approving the rehabilitation of San Juan Units 8 and 10 and Cambalache Unit 1, the

Energy Bureau would grant Genera the flexibility to conduct necessary overhauls and scheduled maintenance on other critical units without destabilizing the entire system. This comprehensive strategy not only bolsters the resilience of Puerto Rico's generation fleet but also mitigates the risk of prolonged service interruptions that disrupt homes, businesses, and essential services.

3. Further complicating the situation is President Donald T. Trump's new tariff policy,² which affects both the cost and availability of vital parts and materials for these major repair projects. Genera estimates that the rehabilitation of San Juan Unit 10 may now exceed forty-five million dollars (\$45 million), while that of Unit 8 might total around forty million dollars (\$40 million), and Cambalache Unit 1 could cost between thirty and thirty-five million dollars (\$30 million–\$35 million). Delaying these repairs risks additional cost escalations arising from market volatility and tariff-induced price increases. Prompt approval of these projects is therefore crucial to avoid unnecessary financial strain, preserve Puerto Rico's generation infrastructure, and reduce the likelihood of more severe service interruptions.

4. San Juan Units 8 and 10 will be interconnected to the existing regasification equipment at the San Juan Power Plant, thus, reducing the time for construction of a fuel supply infrastructure..

WHEREFORE, Genera respectfully requests that the Energy Bureau **take notice of the above** for all relevant purposes and approve the projects for San Juan Units 8 and 10 and Cambalache Unit 1.

² On February 1, 2025, he announced additional tariffs of 25% on imports from Canada and Mexico, and 10% on imports from China, citing concerns over illegal immigration and drug trafficking. Subsequently, on February 11, 2025, President Trump reinstated a full 25% tariff on steel imports and increased tariffs on aluminum imports to 25%, eliminating previous exemptions to strengthen domestic industries. Furthermore, on February 13, 2025, he signed an executive order implementing a reciprocal tariff policy, matching tariffs imposed by other countries on U.S. goods to promote fair trade practices. See, **The White House**, *Fact Sheet: President Donald J. Trump Restores Section 232 Tariffs*, (Feb. 11, 2025), <https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-restores-section-232-tariffs/>.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 21st day of February 2025.

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CERTIFICATE OF SERVICE

We hereby certify that a true and accurate copy of this motion was filed with the Office of the Clerk of the Energy Bureau using its Electronic Filing System and that we will send an electronic copy of this motion to the PREPA's counsel, Mirelis Valle Cancel, at mvalle@gmlex.net, and Alexis Rivera, at arivera@gmlex.net; and to LUMA's counsel, Margarita Mercado, at margarita.mercado@us.dlapiper.com, and Yahaira De La Rosa, at yahaira.delarosa@us.dlapiper.com.

In San Juan, Puerto Rico, this 21st day of February 2025.

/s/ Alejandro López-Rodríguez
Alejandro López-Rodríguez