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

IN RE: COMPETITIVE PROCUREMENT FOR NEW GENERATION SOURCES	**CASE NO.:** NEPR-MI-2025-0001 **SUBJECT:** Resolution to further clarify the March 19, 2025 Resolution and Order addressing Act 1-2025 underscoring the need for new generation sources.

RESOLUTION

The *Puerto Rico Energy Transformation and RELIEF Act*, as amended ("Act 57-2014") was enacted to, amongst other things, create an independent regulatory entity to oversee the operations of the Puerto Rico Electric Power Authority ("PREPA") and all other certified electric service companies, and to establish strategic planning and information requirement to promote transparency and active public participation.[1]

Pursuant to the legal energy public policy, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") has the power and duty to oversee and ensure the execution and implementation of the public policy on the electric power service in Puerto Rico,[2] to establish the regulatory actions to guarantee the capacity, reliability, safety, efficiency, and reasonability of the rates of Puerto Rico's electrical system, and to establish the processes to be followed to purchase power, modernize power plants or electric power generation facilities.[3] The Energy Bureau has ample authority under Act 57-2014, Act 82-2010[4] and Act 17-2019[5] to oversee the acquisition of energy resources by PREPA to ensure that the energy public policy goals are met and that PREPA's ratepayers' interests are protected.

Act 1-2025 enacted on March 19, 2025, amended Act 17-2019 and Act 82-2010 by, among other things, eliminating the interim renewable energy targets of 40% by 2025 and 60% by 2040, while maintaining the goal of achieving 100% renewable energy by 2050. Act 1-2025 also includes provisions to enhance energy efficiency and promote the integration of renewable energy sources into the grid.

Also on March 19, 2025, the Energy Bureau issued a Resolution and Order in which it determined: (i) given the pattern of forced outages of PREPA's existing, aging, thermal generation fleet, the available generation capacity is extremely limited and may complicate needed maintenance and repairs to the existing fleet; (ii) there is a need to explore the costs and timeframe of availability of new, modern, generation sources that will allow Puerto Rico to reach the goals set in the new energy public policy and serve the electricity customers' best interests; and (iii) this procurement effort shall explore 2,500 to 3,000MW of new capacity ("March 19, Resolution").

In the March 19 Resolution the Energy Bureau ordered PREPA to notify the Puerto Rico Public-Private Partnership Authority ("P3 Authority") about the Energy Bureau's determination regarding the establishment of a P3 Authority Request for Proposal ("P3 RFP") for new generation sources at any location in Puerto Rico, especially in existing PREPA

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[1] Act 57-2014, Statement of Motives.

[2] *See* Article 6.3(a) of Act 57-2014.

[3] *Id.*, Article 6.3(c).

[4] *See Puerto Rico Energy Diversification Policy through Sustainable and Alternative Renewable Energy Act*, as amended.

[5] *See* Puerto Rico's Public Energy Policy Act.

generation sites, for the P3 Authority to take the steps for the commencement of a competitive procurement process in alignment with the Energy Bureau's determination.

As the specialized independent entity in charge of regulating, supervising and enforcing Puerto Rico's public energy policy, the Energy Bureau is tasked with the interpretation of such public policy including, but not limited to, the legal provisions pertaining to the transition to renewable energy.

The Energy Bureau clearly stated that preferably, the new units should not exceed 400MW and shall have a certain level of flexibility to further facilitate the integration of renewables to meet the 100% target by 2050 and that they should not be limited to gas plants but should include all types of generation, as long as they are considered baseload generation under the existing public policy. The P3 RFP should also promote that, to the extent possible, the location of these units be as close as possible to load centers.

To avoid any confusion or misinterpretation of the March 19 Resolution, the Energy Bureau **REITERATES** that the P3 RFP shall be technology agnostic. Therefore, the P3 RFP **SHALL** allow and invite all technologies to compete, as long as they can provide a firm supply of energy (*e.g.*, thermal generation, battery storage, and renewables coupled with batteries).

In the March 19 Resolution, the Energy Bureau included a reference indicating that the procurement process led by the P3 Authority pursuant to the P3 RFP should seek to procure "baseload capacity." However, the Energy Bureau has since observed that this reference may have led to confusion or a misinterpretation of the intended objective of the procurement process. Specifically, some parties appear to have concluded that the procurement must be limited to resources traditionally defined as baseload generation. This interpretation is incorrect.

While the inclusion of some baseload-type generation may be advisable to support the reliability of the electric grid, it has never been the Energy Bureau's intent to limit the procurement exclusively to baseload resources. The principal objective of the procurement process is to secure an additional 3,000 MW of firm capacity to stabilize the system and address the urgent generation shortfall that has contributed to load-shedding events in 2025. The concept of firm capacity -not baseload capacity-is the relevant standard in this context.

Baseload generation generally refers to resources that operate continuously to meet the minimum constant demand of the electric system. These units typically include nuclear, coal, or combined-cycle gas plants that provide steady, uninterrupted power. In contrast, firm capacity refers to the ability of a resource to reliably deliver electricity when needed, particularly during periods of high demand or grid stress. A resource providing firm capacity need not operate on a 24/7 basis, but it must be dispatchable and available during system peaks.

The Energy Bureau emphasizes that neither PREPA's Proposed IRP[6] nor the Approved IRP[7] was premised on the assumption that system needs would be fulfilled entirely through baseload generation. Rather, the Approved IRP is grounded in a resource modeling framework that seeks to meet the electric system's firm capacity requirements through a portfolio of diversified and cost-effective resources. This includes the use of battery energy storage systems and renewable energy resources, such as solar photovoltaic systems

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[6] PREPA's Motion to Leave File IRP Main Report "ERRATA" Version, dated June 19, 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 ("PREPA's Proposed IRP").

[7] *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.

coupled with storage, all of which can provide firm capacity when properly designed and dispatched.[8] The Approved IRP also contemplated the potential development of a 300 MW natural gas-fired generation facility as part of a balanced portfolio to address near-term system reliability. Additionally, the Approved IRP included provisions for the future evaluation of an optimized Minigrid configuration, designed to enhance resilience across the island. This Minigrid structure was envisioned to be supported, in part, by strategically located natural gas-fueled peaking units capable of serving critical loads during system contingencies or widespread outages. These peakers were identified as transitional resources that could provide firm capacity and operational flexibility while supporting the broader transformation toward a modern, distributed, and renewable-based grid.

For the avoidance of doubt, when the Energy Bureau refers to renewable energy coupled with battery storage as a form of firm capacity, this should not be interpreted to mean that such systems must provide continuous coverage from daytime through the entire overnight period. Rather, the relevant requirement for firm capacity in the current context -given current load profiles- is to ensure availability during critical peak hours, such as from late afternoon through approximately 10:00 p.m., when net demand is highest. For instance, a solar PV system that operates during daylight hours, paired with a battery capable of discharging over a four- to six-hour window, may adequately satisfy firm capacity needs if it can reliably serve the load during the 6:00 p.m. to 10:00 p.m. peak period.

Accordingly, any reference by the Energy Bureau to the need to satisfy 3,000 MW of capacity must be interpreted as referring to firm capacity. This interpretation is consistent with the underlying structure and objectives of the Approved IRP and is necessary to ensure alignment with Puerto Rico's public energy policy, including the statutory Renewable Portfolio Standard ("RPS"), which mandates the achievement of one hundred percent (100%) renewable energy by the year 2050.

A procurement strategy focused solely on baseload fossil-fueled resources would significantly hinder the achievement of the RPS mandate. New generation facilities, whether fueled by natural gas or based on renewable technologies, require long-term financial commitments, typically extending twenty-five (25) to thirty (30) years. Satisfying all of the system's capacity needs exclusively with natural gas or other baseload fossil resources would likely result in infrastructure lock-in, thereby making compliance with the RPS target by 2050 impracticable.

Therefore, the Energy Bureau reiterates that the procurement of new generation capacity must be approached in a balanced manner that considers all technically feasible and economically reasonable options capable of providing firm capacity. This includes renewable energy paired with battery storage and standalone battery systems.[9] These resources should not be excluded from the procurement process on the basis that they are not continuously available or do not meet a traditional baseload profile. Such exclusion would not only disregard their value as firm capacity resources but would also eliminate options that may offer both economic benefits and alignment with Puerto Rico's long-term energy goals.

Finally, the Energy Bureau clarifies that this interpretation does not establish a preference for any specific type of resource at this stage of the procurement. All proposals must be evaluated on the basis of their ability to meet the system's firm capacity needs in a reliable, cost-effective, and policy-consistent manner. However, renewable energy resources coupled with battery storage, as well as standalone storage systems, must be given due consideration in the procurement process, without imposing artificial requirements for 24/7 availability. Doing otherwise would risk excluding viable solutions that are essential to ensuring both short-term reliability and long-term sustainability.

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[8] *See*, for example, Approved IRP ¶350, p. 96.

[9] The Energy Bureau recognizes that solar photovoltaic PV systems alone may be considered to contribute to firm capacity, particularly when their generation can be confidently expected to align with peak demand periods. However, under the specific circumstances of the Puerto Rico electric system -and taking into account the utility-scale solar PV projects already approved by the Energy Bureau, which are in advanced stages of development, are expected to be implemented in the coming years, and are considered crucial for the stabilization of the electric system- the Energy Bureau deems it advisable that any new solar PV projects (or other renewable sources) submitted under the P3 RFP be considered as coupled with battery energy storage systems.

The Energy Bureau **WARNS** PREPA that, in accordance Art. 6.36 of Act 57-2014:

(i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to $125,000 per day; and

(ii) for any recurrence of non-compliance or violation, the established penalty shall increase to a fine of not less than fifteen thousand dollars ($15,000) nor greater than two hundred and fifty thousand dollars ($250,000), 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

Antonio Torres Miranda
Associate Commissioner

CERTIFICATION

I certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on May 21, 2025. I also certify that on May 21, 2025 a copy of this Resolution and Order was notified by electronic mail to jmartinez@gmlex.net; arivera@gmlex.net; nzayas@gmlex.net. I also certify that today, May 21, 2025, I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

I sign this in San Juan, Puerto Rico, today May 21, 2025.

Sonia Seda Gaztambide
Clerk