

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: Renewable Energy Generation and Energy Storage Resource Procurement Plan – First Tranche Projects for Phase III Contract Negotiation and Final Interconnection Plan Approvals

RESOLUTION AND ORDER

I. Introduction

On August 24, 2020, the Energy Bureau issued the IRP Order, regarding the Integrated Resource Plan (“IRP”) of PREPA. The IRP Order approved a Modified Preferred Resource Plan that included a plan for six (6) tranches of procurement of renewable energy and battery storage resources.¹

On December 16, 2021, PREPA filed a document titled *Motion Submitting 733 MW of PV Renewable Energy Draft Power Purchase and Operating Agreements Offered in Tranche 1 of PREPA’s Renewable Generation and Energy Storage Resources RFP for Energy Bureau Evaluation and Approval* (“December 16 Motion”). In that December 16 Motion, PREPA identified fifteen (15) solar PV projects totaling 732.7 MW and submitted draft bespoke power purchase and operating agreements (“PPOAs”) contracts for those projects, for evaluation and approval by the Energy Bureau. In the December 16 Motion, PREPA also identified three (3) battery energy storage resource projects (4-hour duration) totaling 220 MW, for which PREPA indicated planned submission of bespoke energy storage services agreements (ESSAs) was intended by or before December 23, 2021. PREPA included in its December 16 Motion submission as Attachment A, a memorandum from PREPA’s Tranche 1 Evaluation Committee describing the detailed evaluation approach taken to arrive at its selection of project offerings for approval.

On December 23, 2021, PREPA filed a document titled *Supplemental Motion Submitting PV Renewable Energy Draft Power Purchase and Operating Agreements (PPOAs) As Well As Energy Storage Service Agreements (ESSAs) As Part of PREPA’s Tranche 1 Renewable Generation and Energy Storage Resources RFP For Energy Bureau Evaluation and Approval* (“December 23 Motion”). PREPA submitted three bespoke ESSA contracts totaling 220 MW reflecting the projects stated in the December 16 Motion and submitted three solar PV bespoke contracts totaling 112.1 MW, additional to the 732.72 MW of solar PV projects submitted for authorization in the December 16 Motion. The combined solar PV resource procurements for which authorization was sought by PREPA was 844.82 MW.

On February 2, 2022, the Energy Bureau issued a Resolution and Order authorizing eighteen (18) solar PV PPOA’s resource projects for PREPA to finalize its negotiations with those proponents.

On February 2, 2022, PREPA filed a document titled *Motion in Compliance with the January 28 Order Submitting Energy Storage Resources Information, the Next Two Projects Totaling 50MW of Solar PV Resources and Memorandum of Law Requesting Confidential Treatment*

¹ IRP Order, pp. 266-268, ¶ 860.

("February 2 Motion"). PREPA filed information regarding the six additional BESS projects and the two projects totaling 50 MW of solar PV resources.²

On March 1, 2022, PREPA filed a document titled *Memorandum of Law in Support of Request for Confidential Treatment of Attachment A* ("March 1 Memorandum"). The March 1 Memorandum included as Attachment A, filed under seal, a document titled *Informative Motion Regarding Status of VPP Contract Negotiations and Delays in Finalizing Form of Interconnection Agreement* ("March 1 Motion"). Through the March 1 Motion, PREPA provides an update on the status of PREPA's discussion regarding the VPP Proponents and with representatives of LUMA³ regarding a potential significant delay regarding the Interconnection Agreement. The March 1 Motion includes as Exhibit A, on a confidential basis, a Bespoke GSA as it stands with one of the VPP Proponents.⁴

On March 17, PREPA filed a document titled *Memorandum of Law in Support of Request for Confidential Treatment of Attachment A* ("March 17 Memorandum"). The March 17 Memorandum included as Attachment A, filed under seal, a document titled *Informative Motion Identifying Concerns Regarding Pricing and Certain Commercial Terms Offered by Tranche 1 VPP Project Proponents and Request for Confidential Meeting to Discuss Selection of Tranche 1 VPP Proposals* ("March 17 Motion"). The March 17 Motion provides an update on the status of the two VPP Proponents and the finalization of the GSA's.⁵

On April 11, 2022, the Energy Bureau issued a Resolution and Order ("April 11 Resolution") to obtain additional information from PREPA and LUMA concerning the status of Tranche 1 resource offerings and interconnection cost considerations. In the April 11 Resolution, the Energy Bureau issued questions 1-5 for PREPA to respond and issued questions 6-7 for LUMA to respond. Both PREPA and LUMA were to respond on or before April 19, 2022.

On April 19, 2022, LUMA filed a document titled *Motion Submitting Partial Response and Requesting Brief Extension to Submit LUMA's Full Answers to Questions 6 and 7 in the Energy Bureau's Resolution and Order of April 11, 2022* ("April 19 Motion"). In the April 19 Motion, LUMA addressed the lack of access to certain information that PREPA provided to LUMA on April 18, 2022. Due to the short period to respond, LUMA prepared partial responses to Questions 6 and 7 and requested an extension until April 29, 2022, to submit its complete answers.⁶

On the same day, PREPA filed a document titled *Motion for Extension of Time Until April 25, 2022, to Comply with Responses Required by the April 11, 2022, Resolution and Order* ("April 19 Request"), where PREPA requested an extension until April 25, 2022, to file its responses to the April 11 Resolution.

On April 22, 2022, the Energy Bureau issued a Resolution and Order granting both PREPA and LUMA to file their complete responses to the April 11 Resolution on or before April 28, 2022.

On April 27, 2022, the Energy Bureau issued a Resolution and Order ("April 27 Resolution") through which it ordered LUMA to file the results of the final Tranche 1 technical studies by May 30, 2022 and ordered PREPA to file the execution copies of the 18 authorized PPOAs by June 30, 2022.

² February 2 Motion, p. 5.

³ LUMA Energy, LLC ("Management Co") and LUMA ServCo, LLC (collectively, "LUMA").

⁴ March 1 Motion, pp. 2-3, ¶ 2.

⁵ March 17 Motion, p. 3, ¶ 5,

⁶ April 19, Motion, p. 3, ¶¶ 6-7.



On June 13, 2022, the Energy Bureau issued a Resolution and Order (“June 13 Resolution”) authorizing PREPA to finalize negotiations on nine (9), 4-hour duration utility-scale battery energy storage projects totaling 490 MW of capacity and one 17 MW Virtual Power Plant (“VPP”), and authorizing PREPA to finalize its contract negotiations with those Tranche 1 proponent offerings.

On June 30, 2022, PREPA filed a document titled *Motion to Submit Execution Copies of PPOAs in Compliance with the April 27 and June 13 Orders, Request for Additional Time to Submit Certain PPOAs and Memorandum of Law Requesting Confidential Treatment of PPOAs and Exhibits* (“June 30 Motion”). In its June 30 Motion PREPA described the status of the 18 PPOAs for solar PV energy approved by the Energy Bureau in its February 2, 2022 Resolution and Order.

On July 5, 2022, the Energy Bureau issued a Resolution and Order through which it granted confidential designation and treatment to Exhibits A, B, C, D, and E attached to the June 30 Motion. Additionally, the Energy Bureau ordered PREPA to show cause, on or before July 8, 2022, as to why the Energy Bureau should not issue an order requiring PREPA to file a redacted (public) version of the execution copies of PPOA’s included in Exhibit A of the June 30 Motion.

II. Discussion and Findings

In PREPA’s June 30 Motion, PREPA includes as Attachment A (filed under seal, requesting confidentiality)⁷ executed PPOAs for nine (9) solar PV resource projects totaling 430.1 MW. These projects are a subset of the eighteen (18) solar PV projects approved by the Energy Bureau in its February 2, 2022 Resolution and Order. In the June 30 Motion PREPA states it has revised its target Levelized Cost of Energy (LCOE) upward from 10.5 cents “by a non-material amount”⁸ to a level it considers consistent with Energy Bureau guidance on project prices.

The Energy Bureau’s review of the Attachment A contracts indicates minimal increased costs for the nine (9) executed PPOAs based primarily on including more refined estimates of interconnection costs after LUMA’s completion of its interconnection studies for the cluster of projects including the eighteen solar PV projects and two energy storage projects. The average increase in first year energy cost for these nine (9) projects is less than the upper end of the range estimated by PREPA when it assessed the potential price variance following the completion of the interconnection studies.⁹ The weighted average of the increased first year cost for these specific nine contracts is less than \$3/MWh.¹⁰

Based on a review of the Attachment A contracts for nine solar PV projects, the Energy Bureau **ACCEPTS** PREPA’s filing of these nine (9) executed PPOA contracts and **FINDS** that PREPA is in compliance with the April 27 and June 13 Resolutions for this portion of the solar PV portfolio. Therefore, the Energy Bureau **APPROVES** the executed contracts in Attachment A.

⁷ The Energy Bureau granted confidential designation and treatment to Attachment A. *See* Resolution and Order, Jul 5, 2022. The Energy Bureau also ordered PREPA to show cause on why a redacted (pubic) version of Attachment A should not be ordered.

⁸ PREPA, June 30 Motion, page 5.

⁹ PREPA, December 16 Motion, at page 16: “These proposals [15 of the 18] comprise a capacity of 732.72 MW. LCOE prices may vary approximately +/- 5/MWh after the required integration studies is concluded and the final interconnection cost estimates are determined by LUMA”.

¹⁰ Based on the Energy Bureau review of the increased first year costs for the nine contracts included in Attachment A.



In PREPA's June 30 Motion, PREPA requests a two-week extension, to July 15, 2022, for submitting additional PPOAs in anticipation of completing contract finalization for up to five projects, besides the nine (9) executed PPOAs filed for an additional 305.91 MW.¹¹ PREPA presents further information about these five projects in Attachments B through E to its filing, which were provided under seal per a request of Confidentiality.¹² PREPA notes that two of these five project proposals are associated with integrated storage resources.


PREPA's rationale for requesting an extension to potentially finalize contract terms for these five proposals is based primarily on the need for respondents to confirm certain details in the final PPOA's, including an understanding of the effect of interconnection costs on the PPOA.¹³

Based on the reasonableness of the request considering the issues described by PREPA the Energy Bureau **GRANTS** PREPA's request for an extension to file PPOAs for these five proposals, and **ORDERS** PREPA to file the PPOAs by July 22, 2022.

In PREPA's June 30 Motion, PREPA requests a three-week extension after it receives LUMA's final supplemental study information for 2 additional project proposals totaling 45.675 MW. This request is **DENIED**. At the outset of this procurement process, the Energy Bureau has emphasized the importance of resolving certain technical issues, including interconnection issues, in parallel with contracting processes associated with procuring renewable energy.¹⁴ This circumstance as presented here by PREPA represents the type of potential delay that the Energy Bureau aggressively seeks to avoid. The Energy Bureau hereby **DIRECTS** LUMA to complete the supplemental interconnection assessments and provide cost estimates sufficient to finalize an execution copy of the PPOAs for these proposals by July 22, 2022 and **DIRECTS** PREPA to work expeditiously with LUMA and the project proponents to file execution copies of these PPOAs by July 29, 2022.

The Energy Bureau **WARNS** PREPA that any proposed amendments or modifications to the PPOA's shall be submitted before the Energy Bureau for review and approval by the same.

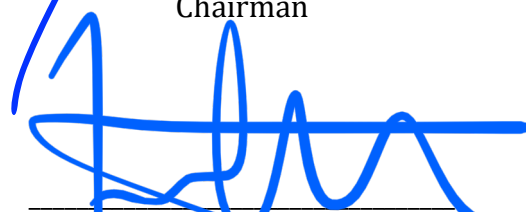
Be it notified and published.



Edison Avilés Deliz
Chairman



Lillian Mateo Santos
Associate Commissioner



Ferdinand A. Ramos Soegaard
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner

¹¹ PREPA June 30 Motion, Paragraph 23.

¹² The Energy Bureau granted confidential designation and treatment to Attachment B through E. See Resolution and Order, Jul 5, 2022.

¹³ PREPA June 30 Motion, at paragraphs 17 through 23, and information contained in the confidential attachments.

¹⁴ See, Energy Bureau Resolution and Order, NEPR-MI-2020-0012, December 8, 2020, "Interconnection", at pages 9-10, and Appendix B, pages 2-3, "Ongoing Technical Issues for Parallel Resolution".



CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on July 8, 2022. I also certify that on July 8, 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 July 8, 2022.



Wanda I. Cordero Morales
Interim Clerk

