RESOLUTION AND ORDER DATED JULY 4, 2025

Background and Purpose:

- Following recurring major outages and grid instability events in June 2024, the Energy Bureau initiated efforts to stabilize the electric system.
- An October 2024 Adequacy Report identified an 800 MW generation shortfall, further aggravated by a catastrophic failure at Aguirre Unit #1.
- On March 19, 2025, the Energy Bureau ordered PREPA to expedite the acquisition of up to 800 MW of temporary generation.
- On June 20, 2025, PREPA submitted a proposed contract resulting from the procurement process for the Energy Bureau's review and approval.

Proposed Contract Details:

- The contract proposes 800 MW of temporary power generation, with 200 MW at PREPA's Costa Sur Facility and 600 MW at PREPA's Aguirre Facility.
- The initial term is two (2) years, with the possibility of two (2) additional one (1) year extensions.
- The proposed all-inclusive energy fixed rate is $0.2450 per kWh for the initial two years and the first extension, and $0.2435 per kWh for the second extension. This rate covers all associated costs, including design, installation, operation, fuel, maintenance, and administrative expenses.
- The plan intends to utilize existing interconnection infrastructure at both sites to minimize work and costs.

Energy Bureau's Analysis and Evaluation:

- Due to the critical shortage of generation resources and potential worsening during peak demand, an expedited evaluation was warranted and conducted.
- Although temporary generation is not typically part of the Integrated Resource Plan (IRP), the Energy Bureau concluded that the Proposed Contract is consistent with the Approved IRP given its temporary, emergency nature and purpose to address unforeseen shortfalls.
- Recent legislative changes under Act 1-2025 extended the lawful use of coal-based power generation through 2032 and eliminated interim renewable energy targets (while retaining the 2050 goal of 100% renewable energy). This allows for the integration of other generation resources, provided they are competitively priced.
- While the procurement process generally followed standard procedures, the Energy Bureau found that the proposed rates of $0.2450/$0.2435 per kWh were not the most favorable for ratepayers.
    - Documentation revealed a proponent offered a ten (10) year term with an all-inclusive fixed energy rate of $0.189 per kWh for Aguirre and $0.203 per kWh for Costa Sur. The Energy Bureau believes this longer-term option offers greater benefits for ratepayers.

- Despite the initial 18-month emergency plan, the Energy Bureau found that extending the contract term up to ten (10) years is consistent with Puerto Rico's energy public policy (especially under Act 1-2025) and beneficial, particularly as these generation units support renewable energy integration by providing power during intermittency.
- The Energy Bureau recommended more precise language to ensure the Provider is solely responsible for all project costs, including generation units, infrastructure, interconnection, and fuel, with PREPA only paying for energy delivered.

Conclusion and Order:

- The Energy Bureau approves the Proposed Contract, but subject to the parties agreeing to modify it for a longer term and reduced price.
- Specifically, the Energy Bureau mandates a ten (10) year term with an all-inclusive fixed energy rate of $0.189 per kWh for the Aguirre site and $0.203 per kWh for the Costa Sur site.
- PREPA must inform the Energy Bureau by Wednesday, July 9, 2025, whether these more favorable conditions have been agreed upon, or explain why such a modification is not feasible.