COMMENTS OF AES PUERTO RICO SUBMITTED TO THE HOUSE NATURAL RESOURCES COMMITTEE
October 6, 2021

AES Puerto Rico, L.P. (AES-PR) appreciates the opportunity to provide an update on significant developments since the Oversight and Investigations Subcommittee's June 30, 2021 hearing and to once again share with the House Committee on Natural Resources ("Committee") that it supports a responsible transition to renewable energy in Puerto Rico.[1]

To be clear: AES-PR is committed to a responsible and orderly transition from baseload coal-fueled power to renewable energy. This transition can be achieved with state-of-the-art solar power and battery storage before the coal-powered plant is scheduled to close at the end of 2027, while ensuring the reliability of the grid and respecting AES-PR's contract rights. Indeed, as recent power outages across Puerto Rico have shown again,[2] Puerto Rico must have sufficient, reliable baseload electricity generating resources to provide electricity or risk continuously disrupted life across the island.

The AES Corporation. AES-PR is an affiliate of The AES Corporation ("AES"), a global company that provides reliable, affordable, and sustainable energy in 14 countries in the Americas, Asia, and Europe. AES' portfolio includes solar, wind, hydro, natural gas, and coal, as well as energy solutions such as smart distribution networks and battery energy storage systems. AES operates more than 30,000 MW and is the global leader in utility scale energy storage.

AES is taking real steps to accelerate a more sustainable energy future. In the past five years, AES has added tens of thousands of megawatts of renewable capacity and reduced by more than 10,500 MW its oil and coal capacity. In 2020, AES achieved (early) its goal to reduce

[1] *See* Comments of AES Puerto Rico Submitted to the House Natural Resources Committee (June 30, 2021).
[2] *E.g.*, *The Weekly Journal,* "PREPA Assessing Damages to Unit 6 in Costa Sur," (Sept. 27, 2021) (available here).

electricity generation from coal in its portfolio to less than 25% and has set a new goal to reduce that to 10% by 2025 and achieve net zero-carbon emissions from electricity globally by 2040.

AES Puerto Rico. AES-PR was selected by the government of Puerto Rico in 1994 to build a new coal-fueled power plant to modernize the island's ailing fleet. AES-PR invested $800 million to construct a 510 MW plant, including state-of-the art emission controls approved by the U.S. Environmental Protection Agency. In operation since 2002, AES-PR's thermal power plant reliably supplies up to 25% of the island's electricity every day.

Under AES-PR's Power Purchase and Operating Agreement (PPOA) with the Puerto Rico Electric Power Authority (PREPA), AES-PR is Puerto Rico's lowest cost baseload power provider and has saved consumers billions of dollars in energy costs over the past two decades. AES-PR has also funded, designed, developed, and now operates AES Ilumina, a 20 MW utility-scale solar generation facility. Launched in 2012, AES Ilumina was at the time the largest Caribbean solar energy project, and the first large-scale solar power plant connected to PREPA. Today, AES-PR provides direct and indirect employment to more than 700 people.

1. **AES-PR is committed to a responsible, orderly transition from baseload coal-fueled power to renewable energy before 2027.**

AES-PR supports Puerto Rico's goal to achieve 100% renewable power generation by 2050, as well as responsible efforts to accelerate that transition before 2027 through investments in renewable energy. AES-PR has already outlined to Puerto Rico officials concrete solutions that would achieve a responsible transition of the 500+ MW of baseload energy produced from coal to renewable energy and battery storage, without interrupting the reliable electricity that AES-PR provides today. AES-PR has proposed to replace the energy from coal-fueled generation with brand new, state-of-the-art solar facilities with battery storage. The new

facilities would include the Maverick 5B technology,[3] which uses 50% less land than a traditional solar project and can be built three times faster than other solar resources. This is a resilient and proven technology, able to withstand Category 4 hurricanes. As the renewable resources come online, electricity produced from coal would be systematically reduced, while the plant would remain available to ensure grid reliability during emergencies.

AES can help Puerto Rico achieve this transition by working together with PREPA and Puerto Rico to enter into a revised agreement that is in accordance with the existing contractual rights and responsibilities under the current PPOA. PREPA's previous leadership had raised concerns about entering into a revised PPOA, but Puerto Rico Law 17-2019, Article 4.11 expressly promotes an early transition of AES-PR's coal-fueled power to new generating assets through a revised PPOA. Moreover, there is increasing support for this sensible approach.

On October 4, 2021, Puerto Rico Governor Pedro Pierluisi publicly recognized that AES-PR is ready to convert its thermal plant to another source of energy, and he has directed PREPA's new leadership to carry out the negotiations needed to accelerate the transition of AES-PR before 2027. Likewise, the Financial Oversight and Management Board for Puerto Rico (FOMB) recently concluded—as already was clear from the plain text of Article 4.11—that PREPA has the discretion to enter into negotiations for a revised PPOA, and that FOMB would review any new agreement reached to ensure it is fiscally sound. The Governor's and FOMB's supportive statements spell good news for the people of Puerto Rico: once an agreement between PREPA and AES-PR is reached, AES-PR's transition to renewable energy resources can be completed in less than two years.

[3] https://www.aes.com/5b-and-aes-unfold-power-solar-energy

2. AES-PR has been a reliable supplier of low-cost electricity—and will continue to make its best efforts to support Puerto Rico during the current energy generation shortfall.

When Puerto Rico has most needed electricity, AES-PR has been available to provide reliable low-cost baseload power.[4] The same is true during today's energy crisis in Puerto Rico, during which AES-PR will make best efforts to ensure it continues to serve the island safely and reliably.

The current crisis is simply the result of a shortage of reliable electricity generation. Over the past several months, key units within the PREPA system have had technical failures. That has forced the units offline and compelled PREPA to interrupt service, because it lacked sufficient reliable generating capacity to step in for the out-of-service units.[5] Throughout this crisis, the AES-PR thermal power plant has continued to supply approximately 25% of the island's electricity. Just as importantly, it has provided power reliably, with one of the lowest forced outage rates on the island.[6] However, the current energy generation crisis on the island is stretching the thermal plant to its limits. Like any thermal power plant, AES-PR's two units and associated equipment require regular maintenance to ensure reliable service. As such, especially for larger units, maintenance outages are scheduled well in advance to allow personnel to safely inspect, repair, and replace equipment. AES-PR was due to begin a long-scheduled, maintenance outage on September 25, 2021, but upon LUMA/PREPA's urgent request,[7] AES-PR deferred that maintenance to ensure Puerto Ricans have power during the current crisis.

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[4] AES-PR was available shortly after Hurricane Maria, long before many other resources. Following the 2019/2020 earthquakes on the island, AES-PR was the first large-scale electricity generation resource to be 100% available. .

[5] *The Weekly Journal,* "More Selective Blackouts Over Low Energy Generation," (Sept. 30, 2021) (available here)

[6] The "forced outage rate" measures the percentage of time a unit suddenly stops working, and thus, a lower forced outage rate means a more reliable unit that is available to provide electricity. The two AES-PR thermal units have a forced outage rate of 3% -- comparable PREPA-owned units face forced outage rates of 18-20%.

[7] This is not the first time PREPA has asked AES-PR to defer maintenance. AES-PR was so critical to the grid in 2020 that PREPA asked the company to postpone scheduled maintenance and keep its thermal plant online. Without AES-PR, many Puerto Ricans would have been without power, because PREPA had no alternative resource.

LUMA/PREPA has asked AES-PR to delay the maintenance until at least January 2022. AES-PR is working with LUMA/PREPA to select an optimal time to perform the maintenance without compromising grid reliability and operational safety.

Yet, deferring maintenance is not a long-term solution to the energy crisis in Puerto Rico. Rather, these power outages across Puerto Rico have reaffirmed that it is essential that the people of Puerto Rico have reliable baseload resources over the long run to provide electricity, including while the island moves forward to meet the Puerto Rico legislature's direction to transition to renewable sources of energy, or risk continuously disrupted life across the island. Without such capacity and without an orderly transition, we would expect the cost of electricity to rise, environmental impacts to increase (when PREPA is compelled to turn to unreliable and higher emitting oil-fueled power to try to meet demand), and Puerto Rico to face even more significant power outages, leaving many without electricity.

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AES-PR appreciates the Committee's interest in attempting to accelerate Puerto Rico's transition to renewable energy and modernizing the electrical grid. As part of AES—one of the most important renewable energy developers in the world with more than 40 years of global experience developing, operating and innovating safe and reliable energy solutions—AES-PR is ready to contribute our expertise and knowledge to the energy transition in Puerto Rico. AES's experience supporting countries pursuing similar energy transitions, has taught the importance of ensuring that transitions are done in an orderly and responsible manner, and of having the necessary investments, not only in renewable energy, but also in other key links in the electricity supply chain.

AES-PR is confident that Puerto Rico is ready to accelerate this transition and that we can be a part of this process. Done responsibly, this transition could reduce the cost of electricity in Puerto Rico and contribute directly to the island's sustainability and climate change goals, while helping to drive economic growth. AES-PR believes that all parties would welcome the constructive engagement of this Committee to help us achieve this goal. AES-PR looks forward to continuing to work productively with the Committee on this matter.