
**COMMENTS OF AES PUERTO RICO SUBMITTED TO THE
HOUSE NATURAL RESOURCES COMMITTEE
JUNE 30, 2021**

AES Puerto Rico LP (AES-PR) appreciates the opportunity to express its support for a responsible transition to renewable energy in Puerto Rico. As the recent power outages across Puerto Rico have reaffirmed,¹ it is essential that the people of Puerto Rico have reliable baseload resources to provide electricity during the transition or risk continuously disrupted life across the island. As explained below, AES-PR is committed to a responsible and orderly transition from baseload coal-fueled power to renewable energy. This transition can be achieved before 2027 while ensuring the reliability of the grid and respecting AES-PR's contract rights.

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 has more than 30,000 MW in operation worldwide 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 ("MW") 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 electricity generation from coal in its portfolio to less than 25% and has set a new goal to reduce that to 10% by 2030 and achieve net zero-carbon emissions from electricity globally by 2040.

¹ See AP, New company, same woes: Puerto Rico suffers power outages (June 11, 2021) ([available here](#)); NPR, Power Outage In Puerto Rico Hits 337K Customers Amid Growing Outrage (June 17, 2021) ([available here](#)).

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—one of the largest private investments ever made on the Island—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 takes very seriously its commitment to compliance with all applicable federal, Commonwealth, and local laws, including the U.S. EPA's CCR Rule. The U.S. EPA encourages environmentally compliant beneficial use of coal ash, and AES-PR has beneficially used the coal ash from its thermal plant. Coal ash beneficial use has been widespread in the United States since the 1960s. In each of the past five years, more than half of the coal ash produced in the United States was beneficially used rather than disposed. Major uses of coal ash include concrete, gypsum wallboard, blasting grit, roofing granules, and a variety of geotechnical and agricultural applications. All U.S. states allow and many actively encourage – and even mandate - coal ash use for its positive environmental and product performance benefits.

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 the first and 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 over 700 people in Puerto Rico. As part of our commitment to the island, AES- PR and our people always act with the

highest ethical and safety standards, keeping the interests of the community in mind. For this reason, AES-PR has a robust corporate social responsibility program, through which it has implemented multiple social programs focused on education, the promotion of entrepreneurship, and the development of the local economy, all of which have had a positive impact on Guayama and other nearby municipalities.

1. AES-PR is committed to a responsible and orderly transition from baseload coal-fueled power to renewable energy

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 that take into account the current plans outlined by the electric sector authorities, such as Puerto Rico's Integrated Resource Plan, which lays out a roadmap with specific dates and goals adapted to the realities of the island. 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-fired generation with brand new, state-of-the-art solar facilities with battery storage. The new facilities would include the Maverick 5B technology,² 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.

This transition can be achieved by working together with PREPA and the Government of Puerto Rico to enter into an agreement that is in accordance with the existing contractual rights

² <https://www.aes.com/5b-and-aes-unfold-power-solar-energy>

and responsibilities under the current PPOA. Once an agreement is reached, a transition to renewable energy resources could be completed in less than two years. To facilitate this process, AES-PR would draw on AES' global experience in renewable energy transitions, as AES understands the importance of proper planning to ensure that reliable energy is available during these transitions.

2. Puerto Rico has a legal framework for a responsible orderly and accelerated transition from baseload coal-fueled power to a renewable energy source

Under current Puerto Rico law, there is a clear legal framework in place for an orderly and accelerated transition of AES-PR's coal-fueled power plant to renewable energy. Puerto Rico Law 17-2019, Article 4.11, expressly promotes a transition of AES-PR's coal-fueled power plant through new investments in renewable energy and streamlines the process of locating AES renewable energy resources in Guayama and other locations. This will retain jobs in Puerto Rico and maximize the beneficial use of existing infrastructure.

The existing legal framework also allows for an accelerated transition, without prejudicing AES-PR's legitimate contract rights in its investments in Puerto Rico by attempting to terminate the PPOA unilaterally. AES' experience has taught us the importance of executing transitions in an orderly and responsible manner, including making the necessary investments, not only in renewable energy, but also in other links in the electricity supply chain. An orderly transition at AES-PR will provide additional confidence to investors that future power purchase agreements will be honored – and avoid the risk of higher capital costs if potential investors in renewable resources were to see Puerto Rico renouncing its existing power purchase agreements.

3. AES-PR has been a reliable supplier of low-cost electricity—which Puerto Rico will continue to need as it transitions to renewable energy.

AES-PR has been and will remain an essential provider of reliable electricity while Puerto Rico transitions to renewable energy. 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 when it is needed. The two AES-PR coal-fueled units have a forced outage rate of just 3%, one of the lowest on the island. Comparable PREPA-owned units face forced outage rates of 18-20%.

Moreover, at times when Puerto Rico has most needed electricity, AES-PR has been available to provide reliable low-cost baseload power. AES-PR was available a few weeks 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. AES-PR was so critical to the grid in 2020 that PREPA asked the company to postpone scheduled maintenance of the coal fueled power plant and keep it online. Without AES-PR, many Puerto Ricans would have been without power, because PREPA had no alternative resource. The risk of future natural disasters cannot be ignored, making the resilience of AES-PR and the reliable electricity it provides critical to a responsible transition.

Hence, AES-PR would caution against an abrupt shutdown of approximately 25% of the baseload electricity used on the island every day. Such a decision would create unnecessary instability on the island's electricity grid affecting the daily lives of millions of Puerto Ricans and the essential economic activity on the island. Puerto Rico does not have adequate, reliable, resilient, inexpensive alternative baseload capacity in reserve. Without an orderly transition, we would expect the cost of electricity to rise, the local environment to suffer (when PREPA would have to turn to unreliable oil-fired power to try to meet demand), and Puerto Rico to face significant power outages, leaving many without electricity.

4. The Puerto Rico Energy Bureau considered the criticality of AES-PR’s coal fuel power plant, and after a comprehensive review process, decided it is an essential electricity generating resource during Puerto Rico’s transition to renewable energy.

An orderly transition would also align with the August 2020 decision of the Puerto Rico Energy Bureau (“PREB”), the agency entrusted with supervising Puerto Rico’s power supply.

After a multi-year review, PREB adopted an Integrated Resource Plan (“IRP”) for PREPA. The IRP is a recognized planning tool, which U.S. electric utilities use to identify and plan the resources needed to provide a reliable, resilient, and efficient supply of electricity to meet expected demand over a twenty-year period. The IRP: (i) evaluates existing generation, demand for electricity, and transmission and distribution facilities; (ii) projects future demand; and (iii) assesses the improvements needed to ensure the system can meet the demand efficiently and reliably. The IRP follows the best practices of the electric power industry, using complex computer models to assess a range of possible scenarios for Puerto Rico.

Upon completing this process, PREPA submitted its IRP to the PREB for approval. After an extensive review process, that included multiple submissions, information, hearings and public participation, the PREB approved the IRP with revisions. Most importantly, after considering all of the evidence—including objections made by parties opposed to AES-PR coal fueled power plant—PREB decided to retain AES-PR as part of the final approved IRP in order to meet the need for energy on the island.

AES-PR appreciates the Committee’s interest in attempting to accelerate the transition to renewable energy in Puerto Rico. As part of AES – one of the most important renewable energy developers in the world with over 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 transition that Puerto Rico is beginning. 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. AES-PR believes that all parties would welcome the constructive engagement of this Committee to help us achieve this goal in a way that serves the people of Puerto Rico through a responsible, orderly – and expeditious process. AES-PR looks forward to continuing to work productively with the Committee on this matter.