

**GOVERNMENT OF PUERTO RICO  
ENERGY COMMISSION  
SAN JUAN, PUERTO RICO**

IN RE: ENERGY COMMISSION INVESTIGATION REGARDING THE STATE OF PUERTO RICO'S ELECTRIC SYSTEM AFTER HURRICANE MARI7A	CASE NO.: CEPR-IN-2017-0002  Subject: Request for Public Comments. Issue: Implementation of regulatory actions to facilitate the tasks of restoring electric service and encourage the deployment of new technologies.
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**MOTION SUBMITTING POSITION AND COMMENTS**

TO THE HONORABLE COMMISSION:

COMES NOW THE PUERTO RICO MANUFACTURER'S ASSOCIATION ("PRMA") by  
its undersigned counsel and respectfully states and prays:

**I. INTRODUCTION**

1. The Puerto Rico Manufacturer's Association ("PRMA") is a private, voluntary, non-profit organization established in 1928 with the purpose of uniting all of Puerto Rico's manufacturers and service industries into a strong and effective body in order to further their mutual interests as they relate to the private and public sectors of the Commonwealth of Puerto Rico. The President of its Board of Directors is Rodrigo Masses y Artze, its address is Centro Internacional de Mercadeo, Torre II, Oficina 702; 90 carretera 165, Guaynabo, Puerto Rico 00968.

2. Pursuant to a Resolution issued on October 27, 2017, the Puerto Rico Energy Commission ("Commission") began an investigative proceeding into the state of the electric system existing within Puerto Rico as affected by the passage of Hurricane María. The Commission described four main objectives for the investigation: (i) accelerating the restoration of electric service; (ii) correcting vulnerabilities and strengthening the electric

system; (iii) elaborating and implementing a new energy model for Puerto Rico; and (iv) updating the Puerto Rico Electric Power Authority's ("PREPA") Integrated Resource Plan (IRP) in relation with the characteristics of the new energy model.

3. On November 10, 2017, the Commission asked all interested parties in Puerto Rico's electric system to submit comments and proposals in relation to the possible regulation of *micro-grids* or other distributed energy systems in Puerto Rico.

4. The PRMA supports the prompt re-establishment of PREPA'S grid as an essential component of the reconstruction efforts that will allow for the full recovery of Puerto Rico's economy after the passage of Hurricane Maria. We understand that the basic principles encoded in the Commission's Integrated Resources Plan ("IRP") approved on September 23, 2016 should not only be maintained but accelerated and adapted to the new economic and social reality existing in a post María environment. An immediate short term modification to the IRP should be commenced immediately; with full access and participation of all of the components of our economic system and society.

5. The existing micro-grid concept should be enhanced and its regulatory framework must be efficient and readily implemented. Such regulatory framework should include an expedite process for the immediate establishments of such microgrids. Furthermore, the ongoing efforts for the re-establishing of the existing grid should be fully informed to the general public and the business community; thus enabling for a rational short term planning process for all the components of the economy. This will require immediate action by the Commission as discussed in the next section.

## **II. APPENDIX II- URGENT RECOMENDATIONS**

1. We provide herein our comments and suggestions, as follows, on some selected items. All sections not specifically discussed should be considered on an ongoing basis by the Commission on the process to update the IRP. Due to time constraints and lack of some readily available information; we are not in a position to submit full comments at this

time. Because of its capital importance, we discuss those related to Appendix II first.

**Appendix II Distributed Resources to Augment Northern Supply Although these questions are primarily addressed to PREPA, the Commission welcomes comments from any other stakeholder .**

*1. What is the status of power restoration?*

*1.1. What areas currently have PREPA power supply? 1. What is the status of power restoration?*

We believe that this a critical question. Not only are industries and businesses but also individual consumers in dire need for a specific answer. **All economic sectors are waiting for complete reliable and honest information from PREPA to evaluate their future presence and interaction on a post-María Puerto Rican economy.** Otherwise industries, businesses and consumers are unable to make adequate projections relating to their short-term and future operations and investments. PREPA has been issuing reports based on the alleged percentage of generation as compared to the pre-María generation levels. It has stated that it intends to switch to the more reliable metric of clients served; but has consistently failed to do so.

On a press conference dated October 17, 2017, the Honorable Governor Ricardo Rosselló Nevarez, specifically established the following goals for the re-establishment of the electrical service in Puerto Rico: October 30, 2017, 30% of all PREPA clients, November 15, 50%, December 1, 80% and December 15, 95%. The Governor spoke clearly about percentage of clients served; not generation. He specifically stated: "We are talking **about clients served and not generation**, so that our people may have clear and established metrics" (*"Estamos hablando de clientes servidos y no de generacion para que nuestro pueblo pueda tener metricas claras establecidas"*.) [www.news.status.pr/2017/10/14/gobernador](http://www.news.status.pr/2017/10/14/gobernador).

More than 30 days have passed and PREPA has consistently failed to provide any accurate information on the **EXACT NUMBER of PREPA customers with electric**

**power.** Instead, PREPA has been continuing issuing reports based on the alleged percentage of generation as compared to the pre-María generation levels. This method does not provide for sufficient accuracy to allow industries, businesses and consumers to make adequate projections relating to their short term future operations and investments. Furthermore, PREPA has not given specific, technical reasons that impede that such specific information be made public. No specific timeline for the re-establishment of the electric service have been devised as it relate to specific geographic sectors.

The economic recovery of Puerto Rico requires such knowledge; together with specific knowledge of the status of the damages to the grid as it relates to the approximate date in which all class of PREPA clients may expect to receive an adequate supply of electric power. Therefore, in order to immediately correct this situation, the PRMA suggest and request this Honorable Commission, to issue within 24 hours, an Emergency Order directed to PREPA requesting:

a. The immediate release by PREPA of the **EXACT NUMBER customers with electric power, by class of customer (commercial, industrial and residential) the exact number of PREPA customers by class and the percentage of customers with service versus the total number of clients, by class.** Should PREPA indicate that it is not capable of providing such information, then it should provide a sworn statement by its Executive Director including: a) a detailed description of each and every technical, managerial, personnel, computer software, communications, lack of electric power or other conditions that makes impossible the calculation of such information; together with an explanation in detail and b) the name and job description of each and every PREPA officer, employee or contractor who provided such information.

b. an immediate report on the condition of the grid for all sectors on the island of Puerto Rico who do not have 100% of its electric service in place. The report shall

include: i) a description of the conditions of each and every transmission line supplying the sector, ii) description of the conditions of each and every distribution line supplying the sector and all ancillary installations, iii) the status of any repairs or a timetable for the commencement of such repairs, iv) number of repair brigades assigned or to be assigned, v) status and availability of poles, lines or other supplies needed vi) a estimate date of completion of repairs and if applicable vii) a certification as to the availability of power to electrify the area once all repairs have been completed with an estimate date of availability of such power.

### **III. Appendix I.**

#### **1. Micro-grid Organization:**

*1.1. What legal authority does the Commission have to regulate actors and actions involved in micro grids?*

It is our understanding that Act 57 of May, 2014, as amended, provides a sufficiently broad regulatory framework that would allow the Commission to regulate the operation of micro-grids; particularly section 6.3 (b). We do believe that in order to have an immediate impact on the short term solution of our energy crisis, the Commission must establish a expedite and simplified procedure for the establishing and operation of micro grids. The Commission should rely on licensed professionals to certify all relevant grid installations and operations and could invoke the emergency regulations provision of the Uniform Administrative Procedure Act to immediately adopt such regulation. (Law 38-2017, Section 2.13)

*1.2. What are the advantages and disadvantages of alternative micro grid ownership structures (e.g., third-party, customer co-op, anchor load)?*

This concept would promote decentralization of the electric grid as it has been historically known in Puerto Rico and the empowerment of local communities in the management of their energy needs. Industrial and commercial high volume energy consumption users may

be incentivized to sell any excess capacity to small grids, in turn administered by local interests such as communities or co-ops.

The PRMA favors, in principle, the development of such concept as a way to promote a sustainable diversification of our energy delivery system, in a way and manner that allows and promotes local communities and organized groups to take control of their specific energy production needs. Once this model is implemented and proven in terms of reliability, the private financial sector should be able to offer financing alternatives that would allow for the multiplication of the concept throughout Puerto Rico.

*1.3. Are there legal or practical obstacles to any desirable ownership structures? If so, what are the solutions, within and outside the Commission's authority?*

The legal problems should be solved by the Commission by means of an open and objective rule making process. The practical problem in our point of view is a matter of lack of adequate public knowledge of the concept. Once the general public and relevant business communities are informed about the concept and its advantages; including a possible lower cost of energy, then organized communal groups, municipalities or co-ops will begin to conceptualize and to present specific proposals.

*1.4. What financing sources are available to support various ownership forms?*

Again, once the general public understands the concept, and local communities begin to generate the necessary support; all forms of public and financing should be considered and invited to participate. Federal government and private non-profits institutions grants should also be considered and invited to participate.

*1.5 What types of expertise (e.g., planning, engineering, customer education, other) are necessary to make the planning, development and operation of micro grids a success?*

The initial emphasis should be the prompt adoption of a regulatory framework to allow for immediate implementation on geographical area with the existing favorable conditions such as: a) anchor load and vigorous industrial clusters with entities already producing

energy for their own use with combined heat and power (CHP) systems, b) a high density urban development with modern electrical connections, and c) optimal transmission infrastructure, particularly underground lines.

*3.3. How should the location of micro-grids be determined?*

We believe that initial emphasis should be placed on the Northern part of the island near industrial clusters; in order to lessen the dependence on large PREPA generating units existing in the South.

*3.3.1. Should the Commission establish limits on the size of a micro grid?*

We do not believe that the Commission should limit the size of a micro grid. That would be tantamount to a limitation of the concepts of multi-providers of energy requirements as well as the principle of energy wheeling; both recognized and protected by Act 57.

*3.3.2. Should the Commission issue franchise rights for micro grids?*

We do not believe that the Commission should issue such franchise rights. This may limit competition and the availability of more energy generation options.

*3.4.1.1. Assuming (for purposes of this question) that micro grid owners can sell their output directly to retail customers, what are the advantages and disadvantages of different pricing methods (including traditional cost-based pricing, price caps based on reasonable projected cost, and allowing market forces to set prices)?*

Market forces should be the determining factor. If a micro-grid is able to produce reliable energy at a lower cost than the existing supplier (ie. PREPA) it will profit from such efficient offering. If not, retail consumers should not be obliged to connect to the micro-grid just because it is available.

*3.4.2.Contract terms. 3.4.2.1. What are the advantages and disadvantages of the Commission establishing standard contract terms for retail and wholesale (to PREPA) sales?*

We believe that the Commission should establish only certain basic terms by means of

regulation but leaving the micro-grid operators sufficient latitude to reach specific agreements with clients.

*3.4.2.7. Should the development of micro grids require unanimous approval of customers within the area to be served by micro grids?*

We do not believe this is a requirement to the extent it is technically possible for the client to choose freely.

#### **IV. OTHER CONSIDERATIONS**

1. General comments on other matters: updating the PREPA integrated resource plan in relation with the characteristics of the new energy model. Section 1.3(ee) of Act 57-2014, defines the Integrated Resources Plan (“IRP”) as “a plan that considers all reasonable resources to satisfy the demand for electric power services during a specific period of time, including those related to the offering of electric power, whether existing, traditional, and/or new resources, and those related to energy demand, such as energy conservation and efficiency or demand response and localized energy generation by the customer.” On September 23, 2016, the Commission approved the existing IRP.

2. The passage of Hurricane María on September 20, 2017 has made a significant impact on Puerto Rico's outlook and economic development plans. The massive damage caused by María to the electric grid has caused the local economy to come to a virtual standstill; awaiting for the full restoration of the electric system.

3. The Corps of Engineers of the United States Army has become a major player in the reconstruction of the grid; pledging in excess of a billion dollars in aid and contracting major electrical engineering firms for such purpose.

4. Therefore, the PRMA believes that an imminent review of the IRP is needed. The following suggestions are hereby presented. First, we suggest that the Corps of Engineers and their contractors be immediately notified of the existence of the IRP; in order for then to take into accounts the principles of the IRP, including micro-grids and energy wheeling,



to the extent possible in their own schedules for the repair of the electric grid in Puerto Rico. This should include, to the maximum extent possible, the use of underground lines serving key governmental, industrial and commercial installations, as well as extending those to residential areas that may in the future be integrated into the new array of mini-grids throughout Puerto Rico; taking into account such possible future interconnections.

5. Provisions should be made for the more rapid and accelerated integration of mini-grids within the system. During the intermediate to the long-term periods of time; the system should contemplate the existence of at least 8-10 integrated micro-grids. Furthermore, the location and operation of such future mini-grids should take into account the Northern part of the island's excessive dependence on existing installed plants actually located on the South. In a longer term, perhaps 10 years, the IRP should include the complete re-engineering of the electrical grid; taking into account physical resistance and endurance, as well as the existence of mini-grids and the presence of private energy providing entities.


6. We suggest that the Commission should commence immediately an administrative expedite process for the revision of the IRP and its short term implementation strategy in an open process with ample participation from all affected sectors. The Commission should strengthen its role as the prime regulator of the energy sector; taking into account that not only PREPA, but more private and community initiatives will be fulfilling Puerto Rico's energy needs in the near future.

THEREFORE, the PRMA respectfully request this Honorable Commission to take into account the suggestions and comments contained herein.

Respectfully submitted,

CERTIFICATE OF SERVICE: On this date I have sent via e mail courtesy copies of this motion to all parties notified by the Commission on November 10, 2017, including legal counsel for PREPA.

In San Juan, Puerto Rico, this 20 th. day of November, 2017



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