

GOVERNMENT OF PUERTO RICO
PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU



IN RE: REVIEW OF THE PUERTO RICO
ELECTRIC POWER AUTHORITY
INTEGRATED RESOURCE PLAN

CASE NO.: CEPR-AP-2018-0001

SUBJECT: Resolution on Comments from
National and Windmar regarding PREPA's
April 17, 2019 Informative Motion.

RESOLUTION

I. Introduction.

On April 26, 2019, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a Resolution and Order in the instant case ("April 26 Resolution and Order") through which it clarified the requirements for the refiling of the Puerto Rico Electric Power Authority's ("PREPA") Integrated Resource Plan ("IRP"). Furthermore, the Energy Bureau addressed PREPA's modeling assumptions proposals regarding issues such as high efficiency fossil generation, energy efficiency and renewable energy certificates ("RECs"). Lastly, the Energy Bureau ordered PREPA to evaluate the announced fuel conversion at the AES plant by the year 2020. The Energy Bureau also ordered PREPA to file the planned approach to assess a potential switch from coal to an alternative fuel and the results of the modeling runs, as required and detailed therein.

On the same date, National Public Finance Guarantee Corporation ("National") filed before the Energy Bureau a document titled *Informative Motion Regarding AES Assumptions* ("National's Motion") with the purpose of notifying the Energy Bureau of changed assumptions that materially affect the IRP process, regarding the fuel transition at the AES plant.

On May 7, 2019, Windmar Renewable Energy ("Windmar") filed before the Energy Bureau a document titled *Motion Regarding PREPA's Informative Motion of April 17, 2019 and Request* ("Windmar's Motion"), joining National on the claim concerning the conversion of the AES Plant and requesting the Energy Bureau to order PREPA to comply with Act 17-2019¹ regarding RECs associated with distributed generation.

Since the adjudicative process in the instant case has not commenced, no party may request intervention until a completeness determination on a filed IRP is issued by the Energy Bureau. Therefore, as of today, neither National nor Windmar are intervenors in this case. Although not required to do so, at this point the Energy Bureau deemed reasonable and pertinent to address the comments filed by National and Windmar.

¹ Known as *Puerto Rico Energy Public Policy Act*.



II. Concerns regarding the fuel transition at the AES plant.

In its Motion, National describes various public statements made in early April by the Governor, PREPA's Executive Director, and the leadership of AES regarding the shift of the AES plant from burning coal to another type of fuel. National expressed concerns that in its April 17, 2019 Informative Motion,² PREPA did not raise the issue of modeling fuel conversion at the AES the plant, despite the earlier public statements and the passage of Act 17-2019. National states that fuel conversion at AES would be have an impact on the IRP since the results shown in PREPA's February 13, 2019 IRP filing consider as fixed, the plant's retirement in 2028 (or test the sensitivity of operation after 2028) and its continued operation as a coal plant. National further states that fuel conversion itself would be a substantial undertaking that could have impact in costs and availability of power from the AES facility. National requests that "these new assumptions can be appropriately modeled and the exact effects of fully transitioning from coal in 2020 can be fairly assessed by all stakeholders and the people of Puerto Rico. . . . If PREPA does not model these material new assumptions, the next IRP submission will be facially inconsistent with the plans announced by the Governor and Executive Director Ortiz."³

As stated before, Windmar joined National in its concerns regarding the AES conversion.⁴

The IRP must consider any substantial changes in Puerto Rico's generation fleet that are being contemplated. It is important to note that, through the April 26 Resolution and Order in the instant case, the Energy Bureau has already address the concerns expressed by National and Windmar regarding the proposed AES fuel conversion. Said Resolution and Order requires PREPA to file its planned approach for the assessment of fuel conversion at the AES plant on or before May 17, 2019, and the results of the specified set of model runs on or before June 14, 2019.

III. Compliance with Act 17-2019, Distributed Generation and Renewable Energy Credits.

Windmar's Motion states that the assumptions regarding RECs expressed by PREPA in its April 17, 2019 Informative Motion are contrary to the legal mandate established in Act 17-2019. Furthermore, Windmar states that in order for PREPA to be in compliance with the law and the Renewable Portfolio Standard ("RPS"), it needs to buy the RECs associated with the distributed generation output.

² PREPA's Informative Motion, Proposal Regarding Compliance Schedule, and Update Question, April 17, 2019, Case No. CEPR-AP-2018-0001.

³ National's Motion at page 5.

⁴ Windmar's Motion at page 1-2.

The Energy Bureau requires and expects PREPA to adhere to all requirements of Act 17-2019. In addition, Regulation 9021⁵ requires PREPA to incorporate distributed generation in a number of specified sections. To that effect, Regulation 9021 requires PREPA to include in its analyses both, existing distributed generation⁶ and projections of distributed generation.⁷ PREPA must provide an analysis to form the basis for its projections, must use customer-sited distributed generation in its forecast assumptions⁸ and must use the projections as an expected reduction from the baseline load forecast.⁹ Furthermore, PREPA must include the effects of distributed generation when considering planned distribution facilities,¹⁰ and must include it in any demand-side resource status updates it makes.¹¹

In its February 13, 2019 IRP filing, PREPA included in its analysis the existing 172.75 MW of in-service distributed generation, which it categorizes as “distribution” (130 MW) and “transmission” (42.75 MW) level DG.¹² PREPA described the use of the US Energy Information Administration (“EIA”) forecasts from the Annual Energy Outlook (“AEO”) and the Short-term Energy Outlook (“STEO”) to form its basis for distributed generation projections, which rise to 524 MW by 2030 and 932 MW by 2038.¹³ PREPA separately described a projection for transmission level distributed generation which rises from the 2018 value of 42.75 MW to 89 MW by 2021, and thereafter remains at 89 MW.¹⁴ PREPA noted that it expects additional transmission level distributed generation in the future, which it characterizes as “similar [in scale and connection] to utility owned or contracted generation”.¹⁵

PREPA further stated that any additional transmission level DG will effectively be “modeled as taking part in supplying the local generation needs identified by the IRP”.¹⁶ The

⁵ Regulation on Integrated Resource Plan of the Puerto Rico Electric Power Authority, April 24, 2019.

⁶ See Section 2.03 (D)(1)(a)(iv), Existing Resources, Regulation 9021.

⁷ See Section 2.03 (F)(2)(a) and (b), New Resource Options, Regulation 9021.

⁸ See Section 2.03 (G)(2)(a) (iv), Customer Sited Distributed Generation, Regulation 9021.

⁹ See Section 2.03 (C)(2)(g), Load Forecast Analysis, Regulation 9021.

¹⁰ See Section 2.03 (J)(e), Transmission and Distribution Planning, Regulation 9021.

¹¹ See Section 2.03 (N), Demand Side Resource Status Updates, Regulation 9021.

¹² See PREPA’s February 13, 2019 IRP filing, Appendix 4: Demand Side Resources, Exhibit 3-1, “Zone Level Distributed Generation in Service”, page 3-20.

¹³ *Id.*, pages 3-21 to 3-22, and Exhibits 3-3 and 3-7.

¹⁴ *Id.*, Exhibit 3-7, page 3-25.

¹⁵ *Id.*, page 3-23.

¹⁶ *Id.*

implication is that utility-scale resources resulting from the IRP's resource plan could include transmission level distributed generation (e.g., utility-scale solar connected at the customer level). The February 13, 2019 IRP filing resource plan projection for new resources does not further distinguish between truly utility-grid-connected, utility-scale resources such as solar PV, and customer-sited distributed generation regardless of whether it is customer connected at either the distribution or transmission level.

Because the Energy Bureau determined that the February 13, 2019 IRP filings not in compliance with Regulation 9021, it has not made a determination regarding PREPA's distributed generation forecast. In its revised IRP filing, PREPA will provide sufficient detail for the Energy Bureau and intervenors to comment on the appropriateness and reasonableness of its forecasted distributed generation.

As part of its April 17, 2019 Informative Motion PREPA proposed, and the Energy Bureau has approved,¹⁷ that the IRP will be modeled with sufficient resources to meet the RPS with utility-scale resources (modeled as supply) rather than depending on distributed generation (which is treated as a reduction to the load to be served). This is a conservative approach to RPS compliance planning, in that, some of the distributed generation might also be available to meet the RPS.

On the other hand, the cost of the distributed generation resources in the IRP does not directly enter into the equation for PREPA's resource buildout, since they are installed directly by customers. PREPA's resource offerings include utility scale solar PV buildout, which has been chosen as an economic resource in the results that have been presented so far by PREPA.

The procurement of RECs from existing distributed generation, and any possible purchase price for those RECs, is not part of the resource analysis being conducted as part of the IRP process. Neither such procurement, nor a possible REC price determination, is required under Regulation 9021. Solar PV offerings, for example, are included in the IRP assumption set based on total costs, and not unbundled to reflect a REC price component. The existing resource quantities are included directly in PREPA's analysis.

The appropriate forum to review the issue raised by Windmar would be in a separate proceeding on RPS compliance mechanisms, and the relationship between net-metered distributed energy resources and the RECs that correspond to such resource's output. Under Act 17-2019, the Energy Bureau has the responsibility to create a REC market system in order to ensure compliance with the RPS. It is the Energy Bureau's intention to establish such structure in due course.

¹⁷ April 26 Resolution and Order, Case No. CEPR-AP-2018-0001, at page 5.

For the benefit of all parties involved, the Energy Bureau publishes this Resolution and Order in both Spanish and English. Should any discrepancy arise between these two (2) versions, the provisions of the English version shall prevail.

Be it notified and published.



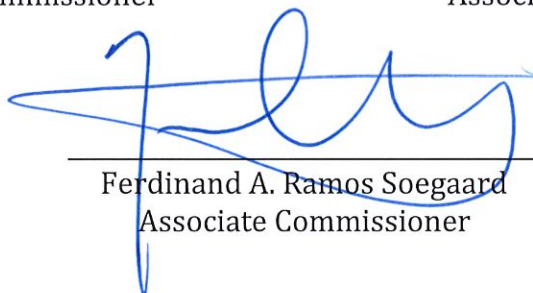
Edison Avilés Deliz
Chairman



Angel Rivera de la Cruz
Associate Commissioner



Lillian Mateo Santos
Associate Commissioner



Ferdinand A. Ramos Soegaard
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on May 22, 2019. I also certify that on this date a copy of this Resolution was notified by electronic mail to the following: n-vazquez@aepr.com, astrid.rodriguez@prepa.com, jorge.ruiz@prepa.com, agraitfe@agraitlawpr.com and epo@amgprlaw.com. I also certify that today, May 22, 2019, I have proceeded with the filing of the Resolution issued by the Puerto Rico Energy Bureau and I have sent a true and exact copy to the following:

Puerto Rico Electric Power Authority

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For the record, I sign this in San Juan, Puerto Rico, today May 22, 2019.

Wanda I. Cordero Morales
Clerk