

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

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**IN RE: THE UNBUNDLING OF THE
ASSETS OF THE PUERTO RICO
ELECTRIC POWER AUTHORITY**

CASE NO. NEPR-AP-2018-0004

**SUBJECT: STAKEHOLDER
COMMENTS ON THE APRIL 27,
2020 UNBUNDLING REPORT**

**LOCAL ENVIRONMENTAL ORGANIZATIONS' COMMENTS ON THE
APRIL 27, 2020 UNBUNDLING REPORT**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW, Comité Diálogo Ambiental, Inc., El Puente de Williamsburg, Inc. -Enlace Latino de Acción Climática, Comité Yabucoeño Pro-Calidad de Vida, Inc., Alianza Comunitaria Ambientalista del Sureste, Inc., Sierra Club and its Puerto Rico chapter, Mayagüezanos por la Salud y el Ambiente, Inc., Coalición de Organizaciones Anti-Incineración, Inc., Amigos del Río Guaynabo, Inc., Campamento Contra las Cenizas en Peñuelas, Inc., and CAMBIO Puerto Rico, Inc., (“Local Environmental Organizations”), to provide comments on the April 27, 2020 Unbundling Report.

The most important conclusion of the Unbundling Report is that PREPA must collect much more data in order to provide an accurate valuation of its resources. Until all of that data is collected and an accurate valuation has been compiled, any sell-off of PREPA’s resources is premature and could result in significant loss of value. The Unbundling Report fails to consider the value of

PREPA as a going concern, an operational public corporation that generates substantial income.

The Report's assumption that the EcoElectrica PPOA breaks even is wrong. Ecoeléctrica owns the only available liquefied natural gas ("LNG" or "methane gas") terminal in Southern Puerto Rico. As a result, PREPA was forced to purchase LNG from Naturgy, a 50% shareholder of Ecoeléctrica¹, which has exclusive control over Ecoeléctrica's LNG terminal based on a September 2019 tolling agreement between the two. The EcoElectrica PPOA and GSPA price tags are disproportionate, excessive and unreasonable. The record in the EcoElectrica PPOA case shows that the PPOA and the GSPA, taken together will cost Puerto Rico ratepayers hundreds of millions of dollars in excess of market rates.²

It is extremely important to keep in mind that PREPA's financial and infrastructure situation is the result of years of neglect, short-sighted vision and bad decision-making. Given that context it is also important that the regulator not apply methods, tools or guidelines without carefully considering if such approaches make sense for the realities of a debt-stricken jurisdiction, an incipient regulatory regime, and a general lack of expertise in key matters (for example, ratemaking, wheeling, power markets, among others).

Here are additional questions from Local Environmental Organizations:

¹ See History in Puerto Rico, Naturgy, <http://www.naturgy.com.pr/en/about+us/the+company/our+company/1297289606902/history+in+puerto+rico.html>

² See Dkt. No. NEPR-AP-2019-0001 In Re: Request For Approval Of Amended And Restated Power Purchase And Operation Agreement With Ecoeléctrica And Gas Sale And Purchase Agreement With Naturgy Aproveisionamientos, SA

- p.45 What are the anticipated effects of the debt restructuring on stranded costs-increase?
- What are the impacts of recovery efforts on COSS/stranded assets?
- How was the estimated value of the generation assets calculated? (\$1250.6)
- p.63 Is the \$0.0056 kWh of PREPA sales the increase in rates related to stranded assets?
- What are the estimated total stranded costs from PREPA generation -\$150M (\$88M fixed costs, \$36M renewables, \$30M AES)?
- What is the difference between allocation based on sales versus energy generation? Which increases the charges more for residential customers?

Here are Local Environmental Organizations' comments on the specific questions posed by the Energy Bureau.

General Issues.

What time periods (e.g. months) in the last 5 years have been disrupted by natural disasters or other significant events (including COVID-19) in Puerto Rico such that electric system and other customer load data would not be representative of reasonably normal conditions?

The conditions during and after storms, so far, has demonstrated that renewables and distributed renewables have been resilient, while centralized fossil generation has fared badly. The data from the hours and days after disasters will increasingly be “normal” as climate change intensifies.

Are there updates to the Cost Allocation and Unbundling Report that need to be made in light of the recently issued Integrated Resource Plan order or other developments?

The Unbundling Report's estimates of the value of fossil fuel resources, especially the AES coal plant, fail to incorporate the climate, environmental and health benefits from retiring these resources. The PREB Final Resolution and Order requires consideration of those factors, and also requires incorporation of a

carbon price into valuation of fossil fuel resources. Here are additional questions from Local Environmental Organizations concerning the valuation of fossil resources:

- What is the basis for calculation of the cost of transmission? How does it compare to the transmission costs detailed in the PREB Final Resolution and Order in the Integrated Resource Plan case, at pp. 204-209?
- p.20 Why is the adjustment cost for EcoElectrica about twice the cost of combustion turbines?
- Is the capacity charge split of 74% to demand and 26% to energy for EcoElectrica accurate?
- p.60 What is the basis for concluding that AES would break even and maybe rise after 2022?
- How was the net benefit of \$200 M and net cost of \$30M of AES calculated?
- p. 62 Is the fixed component of the PREPA steam plants the same as the fixed cost? ($\$1296M - \$145 = \$1151 = \text{stranded costs}$)
- Are the figures listed on page 62 the salvage values of the PREPA plants?
- Why doesn't the report indicate the value of PREPA as a going concern?

Unbundling Issues

How should the Energy Bureau ensure that wheeling customers contributed appropriately to overall resource adequacy and are not relying on other ratepayers unfairly?

The report states that the wheeling proposal will create fixed stranded costs of \$709M. The report proposes allocating those costs among customer classes evenly: but it does not appear that the classes would benefit from wheeling evenly. If only certain classes are burdened with stranded costs, grid defection may increase, starting a spiral that impacts resource adequacy. To understand this, PREB must ask:

- How much would the nonbypassable stranded costs be?
- How do they compare to the alleged wheeling benefits?

- Who would receive the benefits of wheeling and who would pay the stranded costs?

Does the unbundling proceeding need to include a nondiscriminatory transmission access tariff for new generation?

The Unbundling Report explains that the current transmission system is “sized, in large part, by the need to meet high hours with various combinations of generators, to allow for forced outages, maintenance, and units that are unavailable due to long start-ups.” The Unbundling Report does not mention the primary weakness of the transmission system: the vulnerable south-to-north transmission lines that were destroyed by Hurricane Maria. As the transformation of the grid lowers reliance on those lines, and retires the plants with high forced outage and start-up times, PREPA will be able to downsize the transmission system. As detailed in Local Environmental Organizations’ Motion For Reconsideration in the Integrated Resource Plan process, PREPA must discourage spending on transmission infrastructure that is vulnerable to storms, and generation reliant on vulnerable transmission.

In that same vein, the unbundling proceeding should discourage new generation that relies heavily on vulnerable transmission lines. All PREB proceedings should instead reward new resources that minimize transmission spending, like energy efficiency, demand response, and rooftop solar + storage.

In addition, Local Environmental Organization ask whether it is reasonable to classify all transmission and distribution plant as related to demand.

Respectfully submitted,

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CERTIFICATE OF SERVICE

We hereby certify that, on September 25, 2020, we have filed these Comments via the Energy Bureau's online filing system, and sent to the Puerto Rico Energy Bureau Clerk and legal counsel to: secretaria@energia.pr.gov, astrid.rodriguez@prepa.com, Jorge.ruiz@prepa.com, n-vazquez@aeep.com and c-aquino@prepa.com

Respectfully submitted on this day September, 25, 2020

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