

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

2020 OCT 15 PM 3:27

RSP - SECRETARIA
NEGOCIADO DE ENERGIA
DE PUERTO RICO

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

CASE NO.: NEPR-AP-2018-0004

SUBJECT: Report on Cost Allocation
Methods and Unbundling; Requirements
for Information and Production of
Documents

INSTITUTO DE COMPETITIVIDAD Y SOSTENIBILIDAD ECONOMICA DE PUERTO
RICO (ICSE) RESPONSE TO SEPTEMBER 4, 2020 ORDER CONCERNING
UNBUNDLING REPORT

TO THE BUREAU:

Now comes ICSE) represented by appearing counsel and respectfully alleges and
prays:

1. On September 4, 2020 the Bureau requested from stake holders, comments
on the Unbundling Report.
2. ICSE presents the following comments using Appendix B as a guide, and
Act 17, the need for electrical grid as well as economic rebuilding of Puerto Rico and
electrical system rate payers as an overarching policy framework:

APPENDIX B

Introduction

ICSE is pleased to answer the questions posed in Appendix B as part of the
comments requested for the evaluation of *Report on Cost Allocation
Methods and Unbundling; Requirements for Information and Production of
Documents*. We believe that non-discriminatory access to transmission and
distribution is key to the successful restructuring of the grid as well as the
economic development opportunity that will bring added ratepayer and
PREPA sustainable revenue in Puerto Rico.

**Such access should be implemented through a public proceeding that
is transparent and not limited by artificial scheduling constraints. In**

addition to the questions posed below, the Bureau should also consider the merits of a truly independent system operator (ISO). While an ISO would entail new costs, these might be justified by the prospect of operating independence, that secures the success of an open non-discriminatory system in Puerto Rico, through trust in the establishment and implementation of competitive Wheeling Tariffs, and the reliability of the systems data.

Questions for Stakeholders

General Issues

1. 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 customer load data would not be representative of reasonably normal conditions?

Answer –

It cannot be questioned that nearly a year after Hurricane Maria, and due to delays in reestablishing the transmission and distribution system, all customers were not connected to the grid, and therefore customer load data was not representative. However, given the deficiencies in PREPA's cost and load data, it may not be feasible to adjust data for abnormal events. It may make more sense to work with multi-year averages, while implementing a strategy for improving data so that subsequent cost of service studies will be more accurate.

2. 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?

Answer –

a) Update to account for the \$10.5 billion in federal assistance for electric system reconstruction funding that was recently released. Especially capital improvements that result as consequence of reconstruction funds. This is vital to ensure that customers are not asked to pay for assets that are being funded through federal assistance.

b) Update T&D PREPA's cost projections after the optimization of mini grids is accomplished, pursuant to **the Energy Bureaus' August 24th IRP Order¹. The Energy Bureau agreed with ICSE's submitted testimony that the \$5.6 billion of Mini-grid-related transmission spending proposed in PREPA's June 7th IRP looks excessive and**

¹ Review of The Puerto Rico Electric Power Authority Integrated Resource Plan. CEPR-AP-2018-0001.

should be reconsidered with the benefit of advanced grid planning methods. The projection of T&D costs should be updated to take advantage of any savings realized through the New Optimization Process.

c) Ascertain that PREPA legacy debt restructuring and securitization transaction costs are optimized for sustainable ratepayer capacity to pay for the reorganized utility services in the future, as well as new investments that grid optimization plan will require.

Cost Allocation and General Ratemaking Issues

1. Should the Energy Bureau consider adjusting certain customer class definitions, consolidating classes, or creating new classes?

Answer –

The Energy Bureau should consider creating new customer classes for:

- a. Customers that counts with generation and storage capabilities, considering Virtual Power Plants (VPP) usage.
- b. Customers with generation capacities and disconnection capabilities as part of Demand Response (DR) programs.
- c. Customers within wide microgrids.
- d. And customers like large municipalities or public corporations that can create wide microgrids or wheeling programs in collaboration with PREPA to benefit essential services resiliency and reliability.
- e. Customers supplied by Independent Power Producers through Wheeling Tariffs and need to use PREPA as Provider of Last Resource for standby service.

2. Should cost allocation continue to make a distinction between transmission and sub-transmission? If so, why?

Answer –

a. Regardless of the distinction between Transmission and Sub-Transmission, the resulted Wheeling Tariff as part of this proceeding should be based **strictly on the cost that such customer class represents to the grid**. This is to avoid overcharging particular Wheeling clients. that want to wheel locally.

3. Should the Energy Bureau consider changing how certain subsidies (e.g., discounts from otherwise applicable residential or commercial rates) are recovered?

Answer –

a. The Energy Bureau already ordered and implemented a breakdown of subsidies, which is already included on customer invoices, including subsidies riders and other riders. However, **the Energy Bureau, in order to consider a more explicit bill, should include charges related to transmission and distribution**, eliminating the basic “service charge” consumption charge line. By doing this, the customer will see all charges **in direct relation to their cost** (by customer class) to the grid.

b. The Energy Bureau should consider eliminating or modifying subsidies that create market signal imbalances or inefficiencies and can add less than optimal costs to grid capital improvements and operating costs when energy efficiency, demand response, are not implemented optimally because of the subsidy.

4. Should the Energy Bureau reconsider the nature of or rate design for standby service in light of unbundling and other related developments?

Answer –

a. As described on answer 1.d. above, customers that are supplied by Independent Power Producers through Wheeling Tariffs, may need to use PREPA for standby service. as Provider of Last Resource. For this reason, the Energy Bureau should consider a standby service option for consumers, so they have: (1) the right to select or not select self-supply backup and standby, (2) and the rules for selection that optimize grid use and modernization as well as the less costly resiliency solution to the customer.

Unbundling Issues

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

Answer –

a. The Energy Bureau should allocate the costs of the transmission and distribution facilities accurately, so customers pay for the delivery capacity they use.

b. Standby service should also be priced accurately, so standby service do not become an obstacle to wheeling customers. The Energy Bureau can determine accurate pricing by analyzing the operating history

of distributed generators to determine their probability of failure, then applying such probabilities to the unit cost of PREPA generating capacity.

2. How should the Energy Bureau ensure that there is a level-playing field between supply service offered by PREPA and new competitive service provider options?

Answer –

a. The Energy Bureau, **by means of an open to the public and intervenors adjudicatory proceeding**, need to ensure that all customers pay their share of transition and stranded costs so third parties compete against PREPA's cost of supply.

b. As mentioned herein, the bureau must be particularly concerned that the PREPA bankruptcy reorganization does not produce unsustainable stranded costs that would make Wheeling tariffs and related grid services less than optimal to begin with.

3. Is the creation of a wholesale market and resource adequacy mechanisms necessary to evaluate stranded costs or otherwise set rates for unbundling?

Answer –

a. No, you can provide a true-up mechanism that compares revenue received to allocated asset costs and adjusts rates prospectively. The Energy Bureau should consider all costs, but no cost allocation should become or be perceived as bias towards PREPA.

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

Answer –

a. Yes, nondiscriminatory transmission access is most robustly required. The result of the proceeding must be just and reasonable tariffs for multiple kinds of transmission service.

3. ICSE acknowledges the unique PREPA and Puerto Rico public governance challenges and compliments the PREB for this initiative and the new optimization

procedures and for opening the same to participatory processes. We commit to strong intervention and participation by the ICSE and the growing group of non-profit allies that endeavor to re-build a sustainable modern electrical grid that underpins economic rebuilding of ratepayers.

WHEREFORE, the appearing party respectfully it is requested from PREB to receive ICSE's comments.

CERTIFY: I hereby certify a copy of this motion was notified by electronic mail to: astrid.rodriguez@prepa.com; jorge.ruiz@prepa.com; n-vazquez@aeep.com and c-aquino@prepa.com .

In San Juan, Puerto Rico, this day 15 of October 2020.

A handwritten signature in black ink, appearing to read 'F. Agrait', is positioned above the printed name and address.

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