

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

IN RE: REVIEW OF THE PUERTO RICO
ELECTRIC POWER AUTHORITY'S PHYSICAL
SECURITY PLAN

CASE NO.: NEPR-MI-2021-0001

SUBJECT: Commencement of Proceeding for
Evaluation of the System Operation Principles
Plan under Section 4.1(h) of the Operation
and Maintenance Agreement.

RESOLUTION AND ORDER

[Handwritten initials: A, Jm, JAA, SBN, A]
Pursuant to the provisions of Act 57-2014,¹ the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") has jurisdiction over the Puerto Rico Electric Power Authority ("PREPA") and other electric service companies. Act 57-2014, clearly states it is public policy that all consumers have the right to a reliable and stable electric service.² In the aftermath of the destruction caused by Hurricanes Irma and Maria, it is of the utmost importance that PREPA transforms the power grid and its operations to provide a more reliable and stable service to its clients.

Act 17-2019³ broadened the Energy Bureau's authority and reinforced the foregoing public policy by declaring that, "(t)he electric power system should be reliable and accessible, promote industrial, commercial, and community development, improve the quality of life at just and reasonable cost, and promote the economic development of the Island."⁴ Act 17-2019 declared as public policy of the Government of Puerto Rico, among others, to maintain the electric power infrastructure in optimal conditions to ensure the reliability, resilience, and safety of the electric power service; electric power service providers shall have to submit annual energy assurance plans, asset standardization plans, spare part inventories, and the best system maintenance practices plans.⁵

As the regulator, the Energy Bureau has the authority to review and approve the plans for the operation of the electric infrastructure to ensure compliance with public policy.

¹ Known as the *Puerto Rico Energy Transformation and RELIEF Act*, as amended.

² *Id.*, Article 1.2(l).

³ Known as the *Puerto Rico Energy Public Policy Act*.

⁴ *Id.*, Statement of Motives, p.2.

⁵ *Id.* at Section 1.5(9) of Act 17-2019.



On June 22, 2020, PREPA, the Puerto Rico Public-Private Partnerships Authority, LUMA ENERGY, LLC⁶ as ManagementCo, and LUMA ENERGY SERVCO, LLC⁷ as ServCo (collectively, "LUMA") entered into a Operation and Maintenance Agreement ("OMA") under which LUMA will manage PREPA's transmission and distribution system ("T&D System").⁸

As a certified electric service company and the operator of the T&D, LUMA is subject to compliance with applicable statutory and regulatory requirements Regarding the preparation of a System Operation Principles Plan, Section 4.1(h) of the OMA, provides:

(h) System Operation Principles. Promptly (within sixty (60) days) following the Effective Date, the Parties shall establish a planning team composed of representatives of each of the Parties, and ManagementCo, with input from such team, shall (i) prepare principles related to the dispatch of Power and Electricity (such principles, the "System Operation Principles"), which principles shall generally follow those set forth in Schedule 1 (*System Operation Principles*) to Annex I (*Scope of Services*), and (ii) submit such proposed System Operation Principles to Administrator for its review and approval. Within thirty (30) days following its receipt of such proposed System Operation Principles, Administrator, acting reasonably, shall provide ManagementCo comments on the appropriateness of the proposed System Operation Principles and recommend any changes or modifications it believes are necessary or appropriate. If Administrator does not respond within such thirty (30) day period, Administrator shall be deemed to have no objection to such proposed System Operation Principles being submitted by ManagementCo to PREB. The Parties agree that, within thirty (30) days following receipt of Administrator's comments, if any, or the end of Administrator's review period described in the immediately preceding sentence, if Administrator has no comments, Operator shall submit for PREB's review the proposed System Operation Principles, incorporating or rejecting any of the modifications or changes suggested by Administrator, with an explanation of any of Administrator's comments, as ManagementCo shall reasonably deem appropriate in its sole discretion. PREB shall review and approve, deny or propose modifications to the proposed System Operation Principles. ManagementCo shall have to respond promptly to any changes or modifications from PREB to the proposed System Operation Principles and submit any updates to the proposed System Operation Principles to PREB for its approval. If PREB does not respond within ninety (90) days after receipt of the proposed System Operation Principles or any update thereto, ManagementCo may proceed for this Agreement as if PREB had approved such

⁶ See In re: Request for Certification LUMA ENERGY, LLC, Case No. NEPR-CT-2020-0008.

⁷ See In re: Request for Certification LUMA ENERGY SERVCO, LLC, Case No. NEPR-CT-2020-0007.

⁸ The execution copy of the OMA is available at <https://aafaf.pr.gov/p3/wp-content/uploads/2020/06/executed-consolidated-om-agreement-td.pdf>



proposed System Operation Principles. The System Operation Principles shall be subject to further review and update under Section 5.13(c) (*Generation-Related Services – Review of System Operation Principles*).⁹

It is important to clarify that as expressed in the Energy Bureau's Resolution and Order of June 17, 2020, any language depriving or restricting Energy Bureau's jurisdiction is not binding to the Energy Bureau.¹⁰

The Energy Bureau **ORDERS** PREPA and LUMA to ensure that any filing to be executed before the Energy Bureau under Section 4.1(h) of the OMA is aligned with: (i) the public policy established in Act 57-2014 and Act 17-2019; and (ii) prudent utility practices, as applicable. While undertaking the preparation of this filing, PREPA and LUMA **SHALL** ensure that duplicity of efforts, which result in imprudent costs, is avoided.¹¹ Once the filing takes place, the Energy Bureau will issue a full procedural calendar.

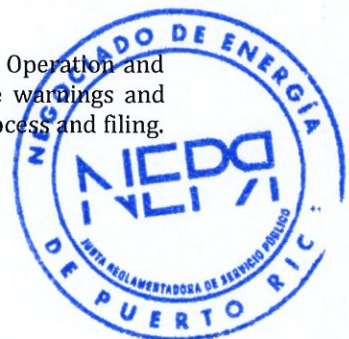
Notwithstanding the foregoing, and to ensure that the filing is aligned with the foregoing, the Energy Bureau **ORDERS** PREPA and LUMA representatives to attend a Pre-Filing Technical Conference to be held remotely on **January 29, 2021 at 2:00 pm**. During the mentioned Technical Conference, which will be streamed via the Energy Bureau's YouTube Channel, PREPA and LUMA may clarify their questions regarding the filing (*i.e.*, content that should be included in the filing).

The Energy Bureau **WARNS** PREPA and LUMA that, noncompliance with any provision of this Resolution and Order, may result in the imposition of fines under Act 57-2014 and the applicable Energy Bureau's regulations and/or any other appropriate administrative sanctions, as deemed appropriate by the Energy Bureau.

⁹ See Section 4.2(h) of the OMA.

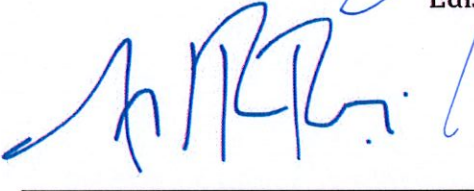
¹⁰ See *In re: Certificate of Energy Compliance*, Case No. NEPR-AP-2020-0002, Resolution and Order, June 17, 2020.


¹¹ See *In re: Coordination of System Planning Efforts – Front End Transition of T&D System Operation and Maintenance*, Case No. NEPR-MI-2020-0008, Resolution and Order, December 8, 2020. The warnings and orders included in the foregoing Resolution and Order are extensive and applicable to this process and filing. *Id.* at page 2.

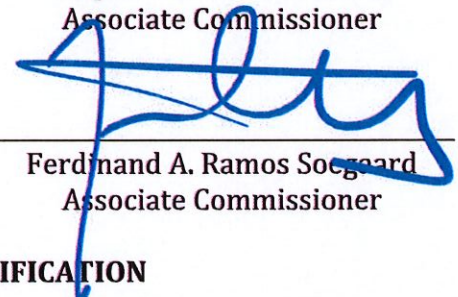


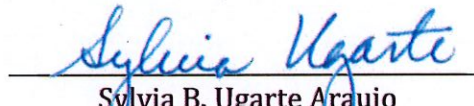
Be it notified and published.


Edison Avilés Deliz
Chairman


Ángel R. Rivera de la Cruz
Associate Commissioner


Lillian Mateo Santos
Associate Commissioner


Ferdinand A. Ramos Soegaard
Associate Commissioner


Sylvia B. Ugarte Araujo
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on January 15, 2021. I also certify that on January 15, 2021 a copy of this Resolution and Order was notified by electronic mail to the following: astrid.rodriguez@prepa.com, fabiola.rosa@prepa.com, marisol.pomales@prepa.com, vilmarie.fontanet@prepa.com, Legal@lumamc.com, wayne.stensby@lumamc.com, Ashley.engbloom@lumamc.com and mario.hurtado@lumamc.com. I also certify that today, January 15, 2021, I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, today January 15, 2021.


Sonia Seda Gaztambide
Clerk

