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

IN RE:

THE PERFORMANCE OF THE PUERTO RICO ELECTRIC POWER AUTHORITY

CASE NO.: NEPR-MI-2019-0007

SUBJECT: LUMA's Sur-Reply to Comments on PREPA's Performance Baselines and Performance Metrics and Comments on the February 22nd Technical Conference.

MOTION SUBMITTING LUMA'S SUR-REPLY AND COMMENTS ON THE INFORMATION PRESENTED AT THE TECHNICAL CONFERENCE OF FEBRUARY 22, 2021

TO THE PUERTO RICO ENERGY BUREAU:

COME NOW, LUMA ENERGY, LLC, and **LUMA ENERGY SERVCO, LLC** (collectively, **LUMA**), through the undersigned legal counsel and respectfully state and request the following:

1. This honorable Puerto Rico Energy Bureau ("Energy Bureau" and/or "Bureau") initiated proceedings in this case to set performance baselines and compliance benchmarks for Puerto Rico's electric system. *See* Resolution and Order dated December 23, 2020. As established by the Bureau, those performance baselines and benchmarks will be used to "develop the corresponding targets to be applied to certified electric service companies such as LUMA." *Id*. at page 5.

2. The Bureau set a calendar of events in this case that included an initial pre-filing technical conference that was held on January 19, 2021, followed by the filling of written comments that were initially due on January 29, 2021 and were re-submitted on February 5, 2021,

the filing of reply comments by February 19, 2021, a subsequent technical conference to discuss the comments and replies that was held *via* video conference on February 22, 2021, and a final opportunity to file written comments on the information presented at the technical conference, which deadline expires on March 1, 2021. *See* Resolution and Order of December 23, 2020, and Resolutions and Orders amending the calendar dated February 1st and 11th, 2021, Case No. NEPR-MI-2019-007.

3. Pursuant to the procedural calendar originally set by the Bureau in its Resolution and Order of December 23, 2020, on January 29, 2021 LUMA submitted three filings whereby it addressed the Bureau's data on the Puerto Rico Electric Power Authority's ("PREPA") baselines, filed proposed performance baselines and performance metrics, and provided an initial assessment on compliance benchmarks. *See* LUMA's Motion filed on January 29, 2021.

4. On January 29, 2021, PREPA filed a document styled "Comments of the Puerto Rico Electric Power Authority on the Establishment of Performance Baseline and Compliance Benchmarks for Electric Service Companies" ("PREPA's Comments"). PREPA later requested leave from the Bureau to re-file the January 29th comments. The Independent Office of Consumer Protection (OIPC by its Spanish acronym) and the Solar and Energy Storage Association of Puerto Rico (SESA), also filed comments for consideration.

5. Per a Resolution and Order issued by the Bureau on February 1, 2021 that extended the deadline to file comments, on February 5, 2021, LUMA re-submitted its comments, as well as its proposed performance baselines and metrics. On even date, PREPA submitted supplemental comments ("PREPA's Supplemental Comments"). The record also shows that on February 5, 2021, the Rocky Mountains Institute (RMI) filed comments with recommendations on performance-based regulation proceedings.

6. On February 8, 2021, LUMA filed a motion requesting leave to file an amended Exhibit 2 to its February 5th comments. This motion is pending adjudication by the Bureau and has not been placed in the public docket.

7. On February 19, 2021, and in compliance with the Bureau's directives, LUMA filed a Reply to the comments that were filed for the record on performance baselines and compliance benchmarks ("LUMA's February 19th Reply). On even date, PREPA filed a document styled "Reply Comments of the Puerto Rico Electric Power Authority Regarding the Establishment of Performance Baseline and Compliance Benchmarks for Electric Service Companies."

8. As scheduled by this honorable Bureau, a Technical Conference was held *via* videoconference on February 22, 2021, to discuss the comments and replies that were filed on PREPA's baseline performance and performance metrics ("February 22nd Technical Conference").

9. During the February 22nd Technical Conference, PREPA's representatives provided a summary of the reply comments filed by PREPA in this proceeding and answered questions from the Bureau. PREPA consultant, Mr. Robert Laurie, also participated providing comments and answering questions from the Bureau.

10. On behalf of LUMA, during the February 22nd Technical Conference, Mr. Mario Hurtado, Vice President, Regulatory, offered a summary of LUMA's February 19th Reply, and addressed the comments that were filed by PREPA, OIPC, SESA and RMI in this proceeding. Mr. Hurtado and members of the LUMA team answered questions from the Bureau.

11. Representatives from the OIPC and SESA also attended the Technical Conference.

12. On February 25, 2021, PREPA filed for the record the Power Point ™ presentation that PREPA projected during the February 22nd Technical Conference and amended a portion of

the presentation to clarify that PREPA did receive a Request for Information from LUMA on Transmission and Distribution expenses.

13. Within the deadline set by the Energy Bureau, LUMA hereby submits, as Exhibit 1, its Sur-Reply to the comments that were filed for the record on performance baselines and performance metrics, and including comments on the information that was presented during the February 22nd Technical Conference ("LUMA's Sur-Reply and Comments"). *See* Exhibit 1.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **take notice** of this motion, **accept** LUMA's Sur-Reply Comments included as Exhibit 1 to this motion, and **deem** that LUMA complied with the Resolution and Order of February 11, 2021, directing that comments on the Technical Conference should be filed by March 1, 2021.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 1st day of March 2021.

I hereby certify that I filed this motion using the electronic filing system of this Energy Bureau and that I will send an electronic copy of this motion to the attorneys for PREPA, Joannely Marrero-Cruz, jmarrero@diazvaz.law; and Katiuska Bolaños-Lugo, kbolanos@diazvaz.lawl and to Mr. PJ Wilson, President SESA, pjcleanenergy@gmail.com. The case docket and comments filed by the OIPC and RMI do not include contact information to serve them a copy of this motion via electronic mail. LUMA understands that this motion will be part of the public docket and requests that the clerk's office sends OIPC and RMI a copy of this filing.

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Exhibit 1

LUMA's Sur-Reply Comments

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1. Introduction

As part of the Puerto Rico Energy Bureau's (Energy Bureau, Bureau or PREB) proceeding NEPR-MI-2019-0007 initiated to set performance metrics and baselines for Puerto Rico's electric system, and its Resolution and Orders dated December 23, 2020, and February 11, 2021, LUMA presents its sur-reply comments after reviewing the reply comments provided by PREPA and other stakeholders and reviewing information presented during the February 22, 2021 Technical Conference. In addition to comments made on February 22, 2021, written reply comments were received by the Puerto Rico Electric Power Authority (PREPA), Independent Consumer Protection Office (OIPC, for its Spanish acronym) and Solar and Energy Storage Association of Puerto Rico (SESA). LUMA appreciates the comments and recommendations from the multiple parties as part of a collaborative stakeholder process to produce a robust outcome for customers and the people of Puerto Rico.

During the February 22, 2021 Technical Conference there were very few questions regarding the evidence provided by LUMA in our comments submitted on February 5, 2021 or in the reply comments on February 19, 2021. There was some discussion on process, and some stakeholders posed questions about the addition of other metrics, the work that LUMA has conducted, methodology for calculation, or relevant data. We would be happy to answer any questions from the Bureau, its consultants and stakeholders. If the Bureau considers it needs further information, LUMA is available to participate in additional Technical Conferences to review such evidence. In that regard, both LUMA and PREPA agree that further conferences or working sessions are recommended and appropriate (See PREPA's presentation, page 8).

2. Metrics

2.1 General

A significant portion of the comments received in writing and during the February 22, 2021 Technical Conference were provided by PREPA. Below LUMA provides sur-reply comments in response to several of PREPA's written and verbal comments.

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In PREPA's reply comments and presentation during the February 22, 2021 PREB Technical Conference, PREPA and/or their consultant, Mr. Robert Laurie made several statements concerning Performance Metrics that LUMA requests be clarified for the record, particularly given LUMA's position that some statement may lead to confusion and incorrect perception by stakeholders.

"Don't let the perfect be the enemy of the good".

LUMA agrees with this comment. LUMA has made no claims that the data needs to be perfect. The fact of the matter is that LUMA's investigations into the available data show that there is very little good data from PREPA from which to develop meaningful performance metrics. Further, there is lack of robust methodology by which metric data are gathered and calculated. LUMA agrees that perfect is not required and not even a useful goal. At the same time LUMA strongly believes that reasonably accurate and precise data are required so that meaningful baselines (and subsequently in NEPR-AP-2020-0025, targets), can be established. LUMA's review of PREPA's processes and systems resulted in little confidence in the accuracy and precision of the data being presented. LUMA has not seen any other data presented that would provide confidence or change the conclusions of LUMA's assessment.

Recognizing the high level of uncertainty and unique initial period of operations for LUMA, LUMA recommended to the Bureau in our petition of February 25, in NEPR-MI-2020-0025, that six months post commencement, once LUMA has implemented its data collection practices, the data is reviewed that baseline and targets are calibrated if such action is warranted based on the review.

"Capturing all the available metrics now, even if imperfect, will allow better accountability and decision making".

The phrase "Capturing all available metrics now" does not present an accurate proposition in this context. Metrics are not "available or unavailable", they are developed based on the availability of accurate data having reasonable quality and the value of generating a metric as compared to the effort to do so. This is consistent with the Comments Filed by Rocky Mountain Institute on February 5, 2021, which highlighted how the Hawaii Commission 'balanced the desire for exhaustive data, with the knowledge that requiring the utility to furnish and update that data is a burden to be minimized'.

LUMA disagrees with the proposition that "even if imperfect, will allow better accountability and decision making". Applying Performance Metrics based on inaccurate and questionable data, or for metrics in which performance is not controlled by the entity subjected to the Performance Metric, provides no meaningful information from which to make decisions and could result in the wrong decisions being made and unintended consequences. Holding a utility accountable to meeting numerical targets based on bad data does not provide a basis for good decision-making or a reasonable basis for incentives is incompatible.

"Metrics will need to change as the system needs evolve"

"PREPA believes a phased approach to establish the Performance Metrics is warranted where the initial focus is (1) identifying the metrics, (2) establishing metric baselines, (3) conducting more robust benchmarking, and (4) establishing metric targets".

LUMA agrees with both statements and included the concept of evolution in our submittals and completed the described phased approach (with limited benchmarking) in the development of initial metric baselines and targets.

As stated in Exhibit 3 of LUMA's comments in compliance with Resolution and Order of December 23, 2020, on data published by the Energy Bureau and presentation made in Technical conference on January 19th, 2020 regarding PREPA's baseline performance and submitting proposed baselines and Performance Metrics, dated January 29, 2021, Case No. NEPR-MI-2019-0007:

> Statistical benchmarking can be used in utility regulation to provide information on performance. Use of competitive benchmarking or competitive standards is a tool to measure performance against both the typical or average utility and/or other utilities with similar characteristics and circumstances. Benchmarking is not a quick or simple process tool, but it provides a clear indication of what aspects of performance most need to be examined. It is important however to have a thorough understanding of the factors that drive the performance both within the utility and of comparable entities.
>
> PREPA's current performance is well below industry benchmarks in almost all the metrics measured. Further, PREPA is subject to different characteristics and circumstances than many US utilities, including geography, recent storm and earthquake damage and years of deferred maintenance. LUMA believes benchmarking is a relevant exercise and can yield useful insights. A studied approach to methods employed must be taken to ensure a robust analysis, particularly when benchmarking is used for setting rates and/or economic incentives to ensure that benchmarking results in benefits to customers.

LUMA supports robust benchmarking but current performance of the T&D System is so far from peers that the value of robust benchmarking at this time is questionable. LUMA suggests a robust benchmarking analysis is better once the T&D system performance improves to that reasonably in range with utility peers. Insights from benchmarking performed to date can be at a high level and show only that PREPA is very far away from any peers. The magnitude of improvement that needs to happen does not support a detailed benchmarking at this time.

The above topics are covered in detail in LUMA's Reply to Comments on PREPA's performance baselines, Performance Metrics, and compliance benchmarks filed February 19, 2021 in case no. NEPR-MI-2019-0007.

In PREPA's presentation during the February 22, 2021 PREB Technical Conference, PREPA and/or their consultant, Mr. Robert Laurie, recommended introducing a new metric, Load Not Served.

LUMA's position is a Load Not Served metric would be a redundant metric, as the LUMA proposed System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI) measures the performance of the T&D System and are prevalent and accepted T&D metrics throughout the electric utility industry. Load Not Served is not a common metric used to measure T&D System Performance (see the previously provided EPRI survey). Applying both types of metrics may also result in LUMA being measured twice for the same improvements experienced by customers.

2.2 Customer Service

In PREPA's reply comments and presentation during the February 22, 2021 PREB Technical Conference, PREPA, with respect to the J.D. Power survey "acknowledges that it has never used the services of this provider. As of today, PREPA has not received the results of the JD Power Customer Satisfaction Survey commissioned by LUMA".

To the best of LUMA's knowledge following many discussions with PREPA, indeed PREPA has never conducted a comprehensive, multifaceted Customer Satisfaction Survey, with or without vendor participation. Therefore, LUMA agrees with the above statement that PREPA has never used JD Power Customer Satisfaction Survey. This vendor has become the defacto standard measure of customer satisfaction in the US utility industry with over 140 utility clients. In addition,

In response to reply comments by the Independent Office of Consumer Protection (Spanish acronym OIPC) on February 19, 2021, concerning customer complaints, LUMA offers the following:

1) LUMA wants to avoid using different sources and, given the process, there could be double counting and/or conflicting numbers if two sources are combined to develop one metric. For instance, a customer under the current process can submit separate complaints to PREB and to OIPC for the same issue.

2) LUMA is interested in leveraging OIPC's complaint data for our Voice of the Customer (VoC) program and to inform process improvements.

3) Current Bill Review dockets are not included in the complaint rate as bill complaints are not always related to quality of service.

4) LUMA is using PREB complaints based on how they were included in the OMA Annex IX and on the data that LUMA has been able to review. LUMA is open to further discussions to determine if and how the data can be otherwise used, or to reviewing additional data.

LUMA would also like to clarify that the use of the number 100,000 in the customer complaints metric is intended to normalize the data. It is in the denominator of the rate in order to make the data comparable from period to period and over different total absolute number of customers. The number of customers will change over time but use of the 100,000 in the denominator allows for the rate to be comparable. LUMA filed a revision to Exhibit 2 of its February 5, 2021 filing on February 8, 2021, to reflect 100,000 customers throughout the Exhibit. LUMA notices that the revised Exhibit 2 has is not posted on the public docket record.

2.3 Technical

Inspections

In PREPA's reply comments and presentation during the February 22, 2021 PREB Technical Conference, PREPA states that:

> From a practical perspective, the time and manpower needed for such task were better served by addressing the projects intended to remediate the system from hurricanes Irma and María and the 2020 earthquakes, given that Federal Emergency Management Agency (FEMA) funds were made available to restore the system. Indeed, PREPA has not been able to program inspections for assets and properly document its findings for the last three to four years due to the compounding effect of employee attrition, lack of consistent employee attendance and a focus on working through the natural emergencies that have impacted the system.

> That said, implementing such action is not, in and of itself, a performance metric, it is simply a description of a task to be performed by an electric service company as part of its operation responsibilities.
>
> While an operator can report to the Energy Bureau the progress it makes, the actual performance metric is, in fact, the results of the inspections.

A full review of field assets is required to optimize the repair / replacement of the assets and to prioritize the improvements. The proposed Performance Metric includes both the inspection and the scheduling of repairs. Investing in this effort enables more cost-effective mitigation and remediation by targeting the highest risk areas and by understanding the scope of the required projects. The risk of not performing these inspections is that fundamental infrastructure work ultimately needed is not performed and will result in their failure, potentially leading to hazardous conditions. LUMA agrees that in a utility operating at a normal state, these would not be Performance Metrics. However, PREPA is not operating at a normal state.

When the state of a utility is so poor, data is of such poor quality or nonexistent, and operations so deteriorated, the most critical first step is data collection to enable determination and tracking of more mature performance metrics. Documenting the health of the assets and prioritizing the work to minimize risk is extremely important in providing customers reliable service and performing these assessments correctly, properly documenting and correcting issues is challenging and requires a significant investment of resources. These factors strongly support LUMA's proposal of inspections as incentive metrics.

Further, as PREPA has stated, program inspections have not, to date, been a priority as other priorities have taken precedence. The proposed Performance Metrics related to inspections are intended to incentivize the earlier completion of these foundational inspections and the earlier use of the data collected. Inspections metrics are leading indicator metrics until such time as LUMA has completed inspections of the system in line with mature utilities. Further, LUMA does not propose inspections to continue as Performance Metrics after completion of the inspections described in the metrics.

SAIDI and SAIFI

In response to PREPA's statements concerning the measurement of SAIDI and SAIFI:

LUMA is fully aware of the PREPA processes for managing customer interruptions and PREPA's interruptions database. LUMA worked closely with PREPA for several months to understand and document PREPA's outage management, reliability metrics calculations and reporting processes as well as the structure and content of the PREPA interruption database. No such documentation existed and could not be provided to LUMA. The results of this work is the basis for LUMA's comments under the Technical subheading in Section 2.3 Technical, Safety and Regulatory of LUMA's filing in case number NEPR-MI-2019-0007 dated February 5, 2021 also filed with the Motion for leave to file revised Exhibit 2 to LUMA's submission of February 8, 2021, on proposed performance metrics and baselines and submitting revised Exhibit 2.

As explained in LUMA's filing, PREPA's interruptions database does include interruptions related to substation, transmission and generation outages and is the source for LUMA's calculations. PREB's advisors recommended that LUMA include substation and transmission related interruptions in its proposed metrics. LUMA understands that PREPA's reported reliability performance metrics do not

include interruptions related to substation, transmission or generation outages but PREPA also does not include distribution interruptions related to several causes that are directly related to operation of the distribution system and are commonly included as industry practice. The record does not show the reason for these exclusions. This would result in reporting of misleading reliability performance metrics.

PREPA also indicated that "their Distribution Indices are intended to apply to Distribution System as specified in IEEE 1366 IEEE Guide for Electric Power Distribution Reliability Indices. Accordingly, that is the reason why the transmission and substation events, along with the codes for these events, are not included as part of the metrics used." This statement and the exclusion of distribution interruptions related to several causes that are directly related to operation of the distribution system are contrary the IEEE standard, IEEE Reliability Benchmarking, and industry practice. The focus of the standard is customer experience regardless of where in the T&D system an outage occurred, leaving the decision of which category of interruptions to exclude, if any, to the utility and its regulatory authority. Refer to the previously mentioned filing for the appropriate understanding of the IEEE standard and industry practice.

2.4 Safety Metrics

Benchmarks

In PREPA's reply comments and presentation during the February 22, 2021 PREB Technical Conference, PREPA states that:

> As for the metrics related to occupational health and safety indicators (such as the Incidence Rate (IR), Long Term Care (LTC), DART and "Severity Rate" incidents rate), these are based on the formulas provided by OSHA. PREPA understand that the Energy Bureau considers incidents that have recently occurred in the electrical system and within the corporation after the hurricanes, earthquakes, and the current COVID-19 pandemic, which directly affects these metrics. During the presentation made by consultants from the Energy Bureau on this issue, PREPA's performance was compared with industry standards and the performance of Hawaii Electric Company (HECO). In turn LUMA, is recommending the comparison of its possible performance with the Edison Electric Institute (EEI) association, which represents the private electric utility companies in the Mainland. Notwithstanding, understanding that the American Public Power Authority (APPA) association metrics are more appropriate for PREPA, since it groups together the public electric utilities, PREPA disagrees with LUMA's recommendation on this front. A fair comparison requires a base with greater uniformity in terms of profits, scale and infrastructure; as in generation, transmission and distribution, number of employees, customers, hours worked, and megawatts produced. … PREPA believes that a fair comparison requires greater uniformity in terms of profits, scale, and infrastructure. PREPA deems more appropriate a comparison with the American Public Power Authority (APPA) association.

LUMA's position is that PREPA's health and safety data is more appropriately compared to EEI's Benchmarking data rather than APPA or HECO. EEI represents the gold standard for US utilities and establishes a much higher performance baseline for health and safety. As such, LUMA will be held accountable to performance levels on par with the top US utilities rather than the lower performance levels listed by APPA. Further, and as shown in Table 1, the scale and scope of PREPA's T&D operations are much more in line with the large US investor owned utilities represented in EEI, rather than the APPA and HECO which have significantly less customers.

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Table 2. Utility Association Membership vs Number of Customers Served

Number of customers served	EEI	APPA	PREPA	HECO (EEI)	PSEG LILCO (EEI/APPA)
≤500,000	~50	~1,400		(~400,000)	
> 500,000	>50	6			
> 1,000,000	>30	4	(~1,400,000)		(~1,100,000)
>1,500,000	>20	0			
Total Utility Members	>100	~1,400			

In addition, APPA's data appears to include Generation, while the EEI benchmarking data provided by LUMA focuses specifically on T&D operations, making this much more of an "apples to apples" comparison with LUMA. However, our day to day activities will be aligned to improve the safety metrics in such a way that the agency (APPA, EEI or HECO) used for benchmarking will be irrelevant.

OSHA IR Baseline

In PREPA's reply comments and presentation during the February 22, 2021 PREB Technical Conference, PREPA states that:

> PREPA's Occupational Safety Office traditionally only uses the IR metric, while, in the O&M Agreement, the performance baseline for the IR is 11.3 with the target set to 6.28, for fatalities the goal is 0, for DART the goal is 4.0., while the "Severity Rate" is undetermined. As of 2014, DuPont Sustainable Solutions ("DuPont"), PREPA's advisor, provided the Occupational Safety Program Assessment Services, which included tools, training, and reports introducing the IR, LTC, DART and Severity Rate occupational safety performance indicators and others matters. Since then, PREPA has implemented DuPont's recommendations, as well as adopted leading indicators and best practices in the industry.

Based on LUMA's investigation, the historical safety data provided by PREPA is very inconsistent (numbers continuously change) and contain multiple errors that impact the accuracy of their reported rates. Therefore, LUMA has taken an approach to evaluate PREPA's safety performance data from a comprehensive perspective, rather than focusing on a single year. For example, PREPA's average incident rate (from their own data in the presentation) from 2010 through 2019 was 11.26. LUMA proposed utilizing a baseline of 8.76 for the incident rate, which is 22% lower than the 10-year average provided by PREPA and is based on 2019 PREPA data that LUMA was able to verify during the Front-End Transition (FET).

In PREPA's reply comments and presentation during the February 22, 2021 PREB Technical Conference, PREPA states that:

> Despite PREPA's implementation of Dupont's metrics, LUMA does not see PREPA's safety indicators as reliable. For example, LUMA shows concern with an indicator denominated "casi casi" ("near miss"). Nonetheless, near miss ("casi casi") is an acceptable indicator defined by OSHA as an incident in which no property was damaged and no personal injury was sustained, but where, given a slight shift in time or position, a damage or injury could have easily occurred. When the goal is to prevent accidents, getting a very high number of near misses instead of accidents is part of the goal towards prevention.

LUMA considers PREPA's 2020 data to be unreliable and may be contrary to the requirements in OSHA's Recordkeeping standard. While PREPA has not provided LUMA access to all of their 2020 data (previously requested via email; and recently via RFI 2/22/2021), the data they did provide shows a failure to record multiple injury cases in their 300 log. As previously mentioned, LUMA discovered that PREPA had created a "casi casi" log for certain injury events that would exclude these events from being recorded. The "casi casi" log is not a near miss log in accordance with OSHA guidelines as has been indicated to LUMA. Unfortunately, this has resulted in an artificially low incident rate reported for 2020.

3. Renewables / DER

In PREPA's presentation during the February 22, 2021 PREB Technical Conference, PREPA presented Additional Proposed Performance Metrics related to Interconnection Experience and other Distributed energy Resource (DER) related metrics. In response, LUMA offers the following:

As stated in Section 4.2 Potential New Metrics of LUMA's Reply to Comments on PREPA's performance baselines, performance metrics, and compliance benchmarks dated February 19, 2021, Case No. NEPR-MI-2019-0007:

> Consistent in the comments provided by all stakeholders and PREPA were proposed Performance Metrics related to the Sustainable Energy Transition. These included Performance Metrics related to Energy Efficiency (EE), Distributed Energy Resources (DER), interconnection processes, non-wires alternatives, net metering, compliance with Renewable Portfolio Standards (RPS), and integration of renewable energy sources, among others. LUMA recognizes the importance of these measures and they are included as part of LUMA's strategy under the goal of Sustainable Energy Transformation. LUMA's improvement programs and overall investment plan directly target tangible progress on the Sustainable Energy Transformation, including delivery of renewable energy programs, streamlining interconnection application processes, accelerated installation of LED streetlights, geospatial information system upgrades and IRP related technical research and planning (such as a Distribution Hosting Capacity Study). These programs are included in our upcoming Initial Budgets filing.
>
> LUMA recognizes that tracking progress on the Sustainable Energy Transformation is consistent with the importance that these processes have as part of public policy. LUMA is open to further discussion on strong Performance Metrics connected with the Sustainable Energy Transformation that have the characteristics enunciated in Section 2.3, [Performance Metrics Characteristics Section of LUMA's Reply Comments filed on February 19, 2021].
>
> Until a consistent funding source or cost-recovery mechanism is established for EE and DER customer incentive and/or financing programs, LUMA has very limited ability to directly affect and measure progress towards energy reduction targets. However, there are ongoing proceedings and activities regarding these programs, and there are potential alternative funding sources to customer rates. The Energy Bureau's proposed EE/DR Baseline and Potential Study will be a crucial first step in establishing achievable energy reduction targets that reflect market conditions in Puerto Rico. Given the technical nature of establishing these programs and associated performance metrics, and the wealth of readily available information from other jurisdictions with well-established programs, LUMA suggests that Performance Metrics be determined based on the results of those ongoing dockets.

The integration of large-scale renewables is currently a multi-party process, with LUMA playing one part of the overall process. In order to establish a Performance Metric that focuses on 'performance areas within reasonable control of affected Companies' (Reg. 9317), the process for identification, procurement and approval of renewable contracts must be determined. Once this process is determined, a Performance Metric related to LUMA's role in the process can be developed.

The net metering interconnection process offers one of the most promising opportunities to establish a Performance Metric related to the Sustainable Energy Transformation. PREPA's interconnection process is currently being examined by LUMA. The most feasible metric would relate to interconnection application processing efficiency, such as the average duration (days) from application receipt to completion. However, the application tracking system does not currently collect information to the level of granularity required to track this and there is currently a backlog of applications in the queue, which make it difficult to establish a baseline for this metric. LUMA is performing a root cause analysis to understand the causes of the backlog and LUMA's ability to reduce it. LUMA will continue to investigate the baseline and data tracking system configuration required to enable the development and monitoring of a Performance Metric related to this activity and would recommend that a Performance Metric be established once LUMA has provided the data for review by the Energy Bureau and stakeholders.

A Performance Metric related to the frequency and/or duration of curtailment of renewables was also suggested. LUMA is committed to supporting the growth of renewables and to managing the system to accommodate greater renewable penetration. Tracking of curtailments is currently conducted manually by PREPA. Consequently, LUMA is not aware of a reliable set of historical data on curtailments in Puerto Rico. Significantly, adherence to the System Operation Principles (SOP) of security constrained economic dispatch and non-discriminatory treatment of generators will support the maximum dispatch of zero or very low marginal cost renewables.[1] As renewables become a larger component of overall supply, it is likely that there will be times when curtailment is the most economic decision for utility customers. Furthermore, based on operating history in existing electric systems with high renewable generation penetration, it is likely that there will be periods of time when curtailment of specific generation sources (which could include renewable resources) will be necessary to maintain steady state power system stability.

4. Federal Funding

In response to reply to supplemental comments of the Puerto Rico Electric Power Authority on the Establishment of Performance Baseline and Compliance Benchmarks for Electric Service Companies Case Number NEPR-MI-2019-0007 dated February 5, 2021, concerning recommended metrics related to FEMA compliance, LUMA offers the following:

The metrics recommended by PREPA related to FEMA compliance are subjective measurements used to report compliance. Therefore, these are not appropriate for the development of objective baselines and targets. PREPA has listed compliance reporting that LUMA will report to Puerto Rico Public Private

[1] Both of these broad principles for real-time dispatch are highlighted in LUMA's presentation for the January 29 Technical Conference in NEPR-MI-2021-0001. LUMA expects to soon file the proposed SOP.

Partnership Authority (P3A) and Central Office of Recovery, Reconstruction and Resiliency (COR3), the two entities charged with overseeing LUMA's compliance with federal funding requirements. Compliance reporting is made public through COR3 and federal agencies and LUMA will report to the Energy Bureau with respect to federal funding status.

Given that the suggested performance metrics are compliance reporting items, they are not set up in a way to measure performance and do not represent strong performance metrics as described in LUMA's reply comments dated February 19, 2021. Items such as 'total number of compliance issues currently open' only records compliance at a single point in time, and does not show trends, or aggregate performance over a certain period. Further, many of the reporting items are in absolute terms, such as 'number of determination memos' or number of 'FEMA Compliance Failure' or dollars of 'FEMA Reimbursements Denied' which do not reflect the significant change in activity that will soon occur as a result of 428 funds being obligated. LUMA anticipates deploying significantly more federally funded capital than PREPA has in the last two years, so 'baselines' suggested by PREPA based on its historical activities do not provide any reasonable basis on which to measure performance.

Further, compliance items by PREPA includes compliance data where a trend in one direction or another does not correlate with better outcomes or performance. For instance, 'amount expended against reimbursed' will vary by project depending on how much of the project is deemed federally funded. If a project is prioritized due to its positive impact on customer experience, but is not eligible for full federal funding, it will receive a higher percentage of expended funds against reimbursed funds but will deliver significant value to the customer. PREPA uses terms such as 'is indicative', 'can result' which describes a tenuous correlation to performance, but it does not discuss other factors that may affect the data that are not related to performance.

LUMA believes compliance reporting as required by COR3, P3A and federal agencies in accordance with the OMA, law and federal and Puerto Rico rules are appropriate, provide transparency and provide adequate information on these activities.

5. Scope of Docket

In the February 22, 2021 presentation, PREPA's consultant made certain statements about PREPA's responsibilities, stating that the T&D assets would "return to the people of Puerto Rico" at the conclusion of the contract term. LUMA was surprised to hear what seemed like a misunderstanding of the OMA. There is no transfer of assets back to PREPA because the ownership of assets never are transferred to LUMA. Ownership remains at PREPA and LUMA, as PREPA's agent, will perform the operation and maintenance services specified in the OMA.

It should also be clarified for the record that the claims made that LUMA has no responsibility to serve load or that there are no consequences if it fails to do so are incorrect. The OMA is clear that LUMA's O&M Services include providing electric service to customers on PREPA's behalf. LUMA is subject to these obligations under the OMA and to the Bureau's oversight.

The assertion that lack of adequate performance metrics was a cause of the change in operator by the Long Island Power Authority a number of years ago from National Grid to Public Service Enterprise Group

(PSEG) focused on the performance of PSEG recently (not National Grid) in storm response. LUMA concurs with the general statement that emergency management should be tracked and reported but disagrees with the initial assertion. LUMA included proposed Major Outage Event Performance Metrics in its February 19, 2021 reply comments. PREPA or its consultants have not commented or referenced these proposed metrics.

There are substantial and multiple clauses requiring oversight of LUMA's activities under the contract and under law, as LUMA detailed in our February 19 reply comments. LUMA requests that a serious review and discussion be performed as the Energy Bureau has requested on performance metrics and baselines and that all of LUMA's proposed metrics and rationale behind them be carefully evaluated.