

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

NEPR

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IN RE: THE PUERTO RICO ELECTRIC
POWER AUTHORITY THREE YEAR
DEMAND RESPONSE PLAN

CASE NO.: NEPR-____-2021-____

SUBJECT: Demand Response Requirements;
Request for Pre-Filing Technical Conference

**MOTION TO REQUEST A PRE-FILING TECHNICAL CONFERENCE
REGARDING PREPA'S THREE YEAR DEMAND RESPONSE PLAN**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW, the Puerto Rico Electric Power Authority, through its counsel of record and respectfully sets forth and prays:

1. On December 10, 2020, the Puerto Rico Energy Bureau of the Public Service Regulatory Board (the "Energy Bureau") entered *Resolution*¹ approving the *Regulation for Demand Response*².
2. The Regulation 9246 directs the Puerto Rico Power Authority (the "Authority") to, among other things, file a Three-Year Plan on Demand Response (the "Three Year DR Plan"). The Three-Year DR Plan should identify the proposed Demand Response (DR) programs goals for a three-year period with its associated budget and is subject to the review and approval of the Energy Bureau.

¹ *Resolution* entered on December 10, 2020, *In Re: Regulation for Energy Efficiency and Demand Response* case no. NEPR-MI-2019-0015.

² Energy Bureau, *Regulation for Demand Response*, No. 9246 (Dec 21 2020) ("Regulation 9246").

3. In accordance with Regulation 9246, the Three-Year DR Plan is to be filed within six-months of Regulation 9246's effective date.³ Currently, the six-month timeline set forth in Regulation 9246 to file the Three-Year DR Plan elapses on July 20, 2021.

4. On October 2020, the Authority started a process of a Request for Proposals (RFP) to execute a contract of professional services to retain an advisor that could provide expertise in cases related to rate and regulatory support, including demand response matters. The RFP process was awarded to Guidehouse Inc. ("Guidehouse"), and after complying with various procedural steps, the professional services contract was finally executed on January 29, 2021. The kick-off meeting was held on February 10, 2021.

5. Although Guidehouse has held several meetings with officials from the Authority and LUMA⁴ to align the requirements and approach needed to develop the Three-Year DR Plan, Guidehouse has advised the Authority that the delay in contracting affected the timeline to complete the Three-Year DR Plan. For example, the stakeholder engagement that should occur 90 days prior to the filing of the Three-Year DR Plan cannot begin on April 21, 2021, because it would require a draft Three-Year DR Plan that has not been done.

6. Further, Guidehouse understands that the Energy Bureau's envisions a Three-Year DR Plan that contains all standard components expected in a DR plan, including a portfolio of DR programs and their characteristics, capacity (MW), benefit cost-assessment, timeline and the additional items listed Regulation 9246.⁵ However, to meet this expectation, the Three-Year DR Plan should reference a DR baseline and potential studies and no such studies exist or are currently

³ *Id.* Section 3.02 (C-1-a) at page. 17; *Id.* Sec 1.16 at page 9. Regulation 9246 was registered by the Puerto Rico Department of State on December 21, 2020 making its date of effectivity January 21, 2021.

⁴ Luma Energy LLC. and Luma Energy Servco, LLC., collective known as "LUMA".

⁵ Regulation 9246 Section 3.02 (B) at page 16-17.

under-development. This is a significant scope of work, that is likely to extend the Three-Year DR Plan timeline into early 2022.

7. Based on the aforementioned assessment, Guidehouse has provided a demand response plan, which explains in detail their phased approach and proposed outline for the Three-Year DR Plan. Exhibit A.

8. The Authority respectfully requests the Energy Bureau to schedule a pre-filing technical conference to clarify questions regarding the filing of the Three-Year DR Plan, such as the contents of the filing, including the DR baseline and potential studies. A pre-filing technical conference would allow the Authority to determine a reasonable request of an extension of time to file the Three-Year DR Plan based on a set of clear expectations and agreed outline.

9. The Authority proposes the pre-filing technical conference be held as soon as April 5, 6 or 9, 2021, where the experts from Guidehouse would be prepared to discuss the strategic plan and proposed outline for the Three-Year DR Plan contained in Exhibit A.

WHEREFORE, the Authority herein requests the Energy Bureau to accept this Motion and to GRANT the request for a pre-filing technical conference.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 24th day of March 2021.

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Exhibit A

Puerto Rico Demand Response Plan

Overview

In the final Regulation for Demand Response issued December 10, 2020 under regulatory case NEPR-MI-2019-0015, the Puerto Rico Energy Bureau directed PREPA to file a Three-Year DR Plan within 6 months of the effective date of the Regulation.¹ The effective date of the Regulation was January 20, 2021, or 30 days after the December 21, 2020 submission date to the Department of State.² This results in a filing deadline of July 20, 2021, 6 months from the effective date. PREPA engaged Guidehouse after a delay in the contracting process, which resulted in Guidehouse formally kicking off rate and regulatory support services with PREPA on February 10, 2021. Guidehouse and PREPA have worked to align on the requirements and approach to the Three-Year DR Plan, which was established as a high priority for Guidehouse; however, the delay in contracting affects the timeline for this filing.

In particular, under the Final DR Regulation stakeholder engagement must occur 90 days before filing the Plan, which would have required a draft Plan next month (April 21) to present to stakeholders. After the delay and considering the need to prepare sufficient draft materials for stakeholders to respond to, Guidehouse respectfully requests a filing deadline extension on behalf of PREPA. To determine a reasonable extension and set clear expectations, Guidehouse proposes a phased approach for Energy Bureau consideration, as described in this document.

Guidehouse's understanding is that the Three-Year DR Plan envisioned by the Energy Bureau should contain all of the standard components Guidehouse typically expects in a DR plan, including a portfolio of DR programs and their characteristics, capacity (MW), benefit-cost assessment, timeline, and the additional items listed in the Final Regulation. However, to fully meet these expectations, the Plan should reference DR baseline and potential studies. It is Guidehouse's understanding that at this time, no such studies exist or are under development to-date.

In this context, Guidehouse recommends PREPA and the Energy Bureau move forward with primary data collection for these studies in the near-term. While necessary to establishing demand response in Puerto Rico, this is a significant scope of work and will therefore extend the timeline into early 2022.

In parallel, Guidehouse proposes to prepare a DR Strategic Plan, which could be delivered more quickly, facilitate dialogue among stakeholders, and prepare the groundwork for the more detailed Plan. The DR Strategy is described below as Phase 1. The Three-Year DR Plan (meeting all Final Regulation requirements) is described below as Phase 2.

Guidehouse is prepared to discuss this approach, summarized above and described in more detail below, with the Energy Bureau. The Guidehouse team is available to participate in a conference on April 5, 6, or 9th, or another convenient time at a later date.

Phased Approach

Guidehouse proposes to develop the Three-Year DR Plan for Puerto Rico in two phases:

Phase 1:

Develop a DR Strategic Plan for PREPA that includes a suggested portfolio of DR programs that could help fulfill Puerto Rico's DR objectives. It will describe the different components of the Plan, per DR regulation requirements (listed in the outline below). The plan will provide top-down savings and

¹ Section 3.02 of the Final DR Regulation: "PREPA's first Three Year DR Plan shall be filed no later than six (6) months after the effective date of this Regulation."

² Section 1.16 of the Final DR Regulation: "Under Section 2.8 of the LPAU, this Regulation shall enter into effect thirty (30) days after its submission to the Department of State and the Legislative Library of the Office of Legislative Services."

cost estimates for the DR programs and indicative cost-effectiveness of these programs based on the Utility Cost Test. In preparation for Phase 2, Guidehouse will assess additional primary data collection needs to develop detailed bottom-up potential and cost estimates along with final cost-effectiveness calculations to fulfill Plan requirements. Note that the duration of Phase 1 may be longer or shorter depending on whether the DR Strategic Plan must include stakeholder engagement 90 days prior to filing. Guidehouse proposes that the Strategic Plan be filed with the Energy Bureau as an informational item, and then in Phase 2 be included as part of the final Three-Year DR Plan to be filed pursuant to the Final Regulation, for Energy Bureau approval.

Phase 1 Timeline Option 1 (Including stakeholder engagement 90 days prior to filing):

- Outline Development: March 5 – April 2
- Data Collection: April 5 – April 23
- Draft Strategic Plan Development: April 12 – July 7
- Stakeholder Conference #1 (90 days before filing): July 8
- Final Strategic Plan Development (90 days): July 9 – October 9
- Informational Filing: October 9

Phase 1 Timeline Option 2 (Reduced stakeholder engagement prior to filing):

- Outline Development: March 5 – April 2
- Data Collection: April 5 – April 23
- Draft Strategic Plan Development: April 12 – July 7
- Stakeholder Conference #1: July 8
- Final Strategic Plan Development: July 9 – August 16
- Informational Filing: August 16

Phase 2:

Develop a DR potential study with primary research to address data needs required for a complete Three-Year DR Plan, as specified in the Final Regulation. Primary data collection will include:

- End-use data (e.g., electricity consumption by sector and type of technology)
- DR-enabling technology (e.g., electronic thermostats with two-way communication) saturation data (e.g., the extent to which the technology has been installed in customer sectors)
- Customer willingness to enroll in DR programs (e.g., customer surveys about willingness to adopt DR measures, willingness to pay, etc.)

This data will provide a baseline and help to create a reference case from which to forecast potential savings. Guidehouse will use the primary data to develop detailed bottom-up cost-effective achievable potential estimates along with itemized program budgets and cost-effectiveness results. Primary data collection and analysis may begin in parallel with Phase 1 work. The complete Plan will specifically include the following items required by the Final Regulation:

- 1) PREPA's **targets for acquiring cost-effective demand response resources.**
- 2) Justification for the program designs based on **cost-effectiveness to the Puerto Rico energy system.**
- 3) The **required budget, by year, for DR program expenditures** (including both administrative costs and compensation to participants).

4) The **anticipated reductions in peak demand that the PREPA programs will provide.**

8) An **analysis that demonstrates that the system savings from the DR programs will exceed the cost.**

Phase 2 Timeline:

Approximately 8-month development timeline with 5 months for primary research, which includes the collection of baseline information on end-use and equipment saturation plus customer willingness to enroll in DR programs, and 3 months to perform analysis. The following timeline estimates are approximate:

- Primary Research: April 12 - September 15, 2021
- Stakeholder Conference #2: September 22, 2021 – to share primary research results
- Stakeholder Conference #3 (90 days before filing): December 15, 2021– to share draft DR Plan
- Three-Year DR Plan Filing: March 15, 2022

Strategic Plan Outline

Phase 1 / PREPA Demand Response Strategic Plan (Proposed Outline)

1. Introduction
 - a. Background
 - b. DR Plan Objectives
 - c. Description of Phased Approach for DR Plan Development
 - i. Phase 1 scope and need for further research
 - ii. Phase 2 scope and fulfillment of Plan Requirements
 - d. Strategic Plan Outline
2. DR Drivers and Resource Characteristics
 - a. Objectives/Drivers for DR in Puerto Rico
 - b. Overview of DR Resource Characteristics and Suitability/Applicability for Puerto Rico's Objectives
 - c. DR Resource Characteristics mapped to Use Cases
3. Suggested DR Portfolio
 - a. Preliminary Portfolio of DR Programs over the 3-yr. Plan Period
 - i. Overview of different types of DR Options
 - ii. Mapping of DR Options to Puerto Rico's DR Drivers and Use Cases
 - iii. Best Practices from other Utility Experiences
 - b. Program Concepts
 - i. Brief Program Description
 - ii. Target Market and Value Proposition to the Customer
 - iii. Program Attributes Mapped to Puerto Rico's DR Needs
 - iv. Incentive Strategy
 - c. Program Implementation
 - i. Program Delivery Structure for DR
 - Definitions and roles of market actors
 - Possible roles and responsibilities w.r.t. DR
 - ii. Delivery approach: Outsourced vs. in-house
 - Roles/Responsibilities of Aggregators vs. PREPA
 - iii. Program Marketing, Customer Education and Outreach

- Outline of a customer journey map
 - iv. Program Operations
 - d. Preliminary Top Down Savings, Costs and Cost-Effectiveness of DR Options
 - i. MW Savings Estimates
 - ii. Cost Estimates
 - iii. Cost-effectiveness results (based on UCT)
 - e. Suggested Roadmap for DR Pilots/Programs
- 4. Reporting, Evaluation, Measurement and Verification Plan
 - a. Program Reporting Requirements
 - b. Program Evaluation
 - i. Impact and Process Evaluations
 - c. Measurement and Verification
 - i. Baseline determination
 - ii. Performance measurement
 - iii. Address double-counting concerns
 - iv. Testing of resources
- 5. Conclusions
 - a. Phase 1 Research Findings Summary
 - b. Need for Additional Research