



June 28, 2021

Via e-mail: [comentarios@jrsp.pr.gov](mailto:comentarios@jrsp.pr.gov)

Sr. Edison Avilés Deliz, Chairman  
Sr. Ángel R. Rivera de la Cruz, Associate Commissioner  
Sra. Lillian Mateo Santos, Associate Commissioner  
Sr. Ferdinand A. Soegaard, Associate Commissioner  
Sra. Sylvia B. Ugarte Arango, Associate Commissioner  
Puerto Rico Energy Bureau

Re: Regulation for Energy Efficiency  
Case No.: NEPR-MI-2021-0005  
Subject: Public Comment of the Ceres Energy Optimization Workgroup

Dear Members of the Puerto Rico Energy Bureau:

On behalf of the Ceres Energy Optimization Workgroup, I would like to thank you for soliciting input on the Puerto Rico Energy Bureau's Proposed Regulation for Energy Efficiency and Demand Response.

Ceres is a nonprofit sustainability advocacy organization working with the country's most influential companies and investors to build a more sustainable global economy. As part of this work, Ceres manages the BICEP Network, a coalition of nearly 70 major employers, leading consumer brands, and Fortune 500s. It also manages the Energy Optimization Workgroup, a separate workgroup of more than two dozen companies focused on enhancing opportunities for energy efficiency investment at the local level.

Climate change poses a significant risk to the long-term economic success of our members and the larger business community. It threatens the health and livelihood of the communities in which businesses operate and disrupts the value chains on which they rely. Because of these risks, companies nationwide are making significant commitments to reduce their greenhouse gas (GHG) emissions.<sup>1</sup>

However, businesses are often constrained in how much they can do to drive down their total GHG emissions footprint. For example, their direct ability to optimize the sources of energy that power the economy is limited. Therefore, they have a significant interest in finding ways to systematically improve the emissions performance of our power system, including through the support of policies and programs that eliminate energy waste and reduce peak demand.

In addition to helping Puerto Rico mitigate the worst impacts of climate change and businesses manage their

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<sup>1</sup> Nearly half of all Fortune 500 companies have set goals to reduce GHG emissions, procure renewable energy, and invest in energy efficiency, see: Ceres. "Power Forward 3.0: How the largest U.S. companies are capturing business value while addressing climate change" April 15, 2017. <https://www.ceres.org/resources/reports/power-forward-3>

energy costs, energy efficiency investment can help Puerto Rico recover economically from the COVID-19 pandemic. Now, more than ever, Puerto Rico needs tested, proven investments that pay for themselves, create local jobs, help hard hit industries, protect vulnerable populations, build resilience, improve air quality and public health, and position it to recover as quickly as possible as the economy reopens. Energy efficiency is that investment, and Puerto Rico has a rare window of opportunity to accelerate its recovery by doubling down on it – all at a time when residents and businesses need it the most.

**Given the imperative to take immediate action to combat climate change, build resilience, and address the public health crisis, we respectfully recommend that the Bureau:**

**1. Ensure that energy efficiency programs are afforded robust, stable funding by establishing a consistent, stable funding source for the cost recovery of energy efficiency programs**

As a core resource meeting the real energy needs of customers at lowest cost, energy efficiency must be adequately funded and afforded stability. In general, utilities have three mechanisms available to them to recover the costs of utility energy efficiency programs. They can recover costs as:

- An operating expense through an adjuster mechanism or rider,
- An operating expense recovered through base rates; and/or
- A capitalized asset included as a component of the rate base recovered through base rates.

Any of these various cost recovery options can favorably support energy efficiency investment, so long as funding is sufficient and consistent so that energy efficiency programs run continuously without disruptive stops and starts.

Abrupt stops and starts of energy efficiency programs introduce uncertainties that make it harder for businesses to make long-term investment plans and workforce decisions and track and understand what programs and services are available. Additionally, any reduction in energy efficiency program investment means that Puerto Rico would forgo its least expensive energy option and instead pay for more expensive alternatives. As a result, *all* customers would pay more.

Therefore, steps should be taken to ensure the continuity of energy saving programs from year-to-year through multi-year planning and the timely recovery of energy efficiency program costs. Finally, utility energy efficiency funding should be coordinated with funding from other sources, including but not limited to federal funding, in order to expand the reach and depth of energy-saving services available to customers.

**2. Ensure energy efficiency programs are implemented without delay by authorizing “quick-start” programs and pilots**

Energy-saving programs should be made available to consumers and businesses as soon as possible in order to reap the many benefits that energy efficiency provides. Accordingly, quick start programs and pilot offerings should be implemented as soon as feasibly possible. Such offerings would also support workforce development and enable the collection of critical data so that the Commission can better understand the opportunity for energy efficiency investment to save consumers money and build a more resilient power grid.

**3. Align utility financial interests with energy efficiency investment so that energy efficiency investment is prioritized and maximized**

In order to achieve its ambitious goals for clean energy investment, including 100% renewable energy by 2050, Puerto Rico must enact policies that align utility financial interests with energy efficiency investment. The national data on this point is clear: States that have implemented full, symmetrical revenue per customer decoupling and utility performance incentives outperform those without them by almost 1% energy savings per year.<sup>2</sup> Additionally, the nation's top performing utilities all operate in states with decoupling and performance incentive mechanisms in place.<sup>3</sup> As such, we recommend that utility financial interests be aligned with energy efficiency investment by: (1) Ensuring timely recovery of energy efficiency program costs; (2) Providing the utility with opportunities to earn financial incentives based on the effective management and performance of cost-effective programs; and (3) Reducing the risk of utility lost revenues through full revenue decoupling.

Notably, providing opportunities to earn financial incentives for the effective management and delivery of cost-effective programs is a proven method to ensure results. A majority of states offer performance incentives for energy efficiency program administrators, and leading states like Massachusetts and Rhode Island have developed multi-part incentives to target multiple outcomes.

As a general best practice, we recommend that performance incentives:

- Encourage the delivery of cost-effective energy efficiency;
- Be based on clearly-defined goals and activities that are sufficiently monitored, quantified, and verified;
- Be available only for those activities for which the recipient plays a distinct and clear role in bringing about the desired outcome;
- Avoid perverse incentives; and
- Be set at an amount that is effective yet reasonable, while balancing and meeting the aforementioned principles.

#### **4. Ensure energy efficiency programs are designed and implemented in collaboration with stakeholders**

Transparent, robust stakeholder boards or councils that enable diverse perspectives to provide input and direction on the design and implementation of utility energy efficiency programs and plans have proven effective in many states including among the nation's energy efficiency leaders: Massachusetts, Rhode Island, and Connecticut. Puerto Rico should establish a robust, inclusive stakeholder engagement process informed by these models. As part of any stakeholder collaborative that is instituted, we recommend that representatives from each ratepayer class be invited to participate (i.e. low-income, residential, commercial, and industrial customers). Finally, any collaborative that is instituted should be adequately funded, should be empowered to review draft and final plans prior to submission, and should have the responsibility to review performance reports at least quarterly as well as annually.

In closing, effective energy efficiency programs will benefit Puerto Rico's economy, its communities, and the health of its citizens and businesses. At this time of economic upheaval and climatic uncertainty, the timely approval of policies that support the implementation of comprehensive, fully funded energy efficiency programs

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<sup>2</sup> American Council for an Energy-Efficient Economy, A Models Comparison in Pennsylvania, February 19, 2019, ACEEE, page 10, available at <https://aceee.org/topic-brief/models-comparison-pa>

<sup>3</sup> Sanem Sergici and Nicole Irwin, Energy Efficiency Administrator Models: Relative Strengths and Impact on Energy Efficiency Program Success, page 28, The Brattle Group, November 2019.

would send a clear signal to businesses and residents that Puerto Rico is serious about addressing our dual public health and climate crises.

We appreciate the opportunity to provide these comments and share the perspectives of the private sector. Please do not hesitate to be in touch if we can provide additional information.

Sincerely,

Ellen Zuckerman  
Director, Energy Optimization Workgroup  
Ceres