

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

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

case: NEPR-AP-2018-0004

NEPR

Received:

Jul 20, 2021

11:45 AM

Direct testimony Puerto

Rico Manufacturer's

Association

AMMENDED DIRECT TESTIMONY: PUERTO RICO MANUFACTURER'S ASSOCIATION, BY MR YANDIA PEREZ VICE-PRESIDENT:

Q. Please state your name.

A. Yandia Pérez

Q. Please indicate your relationship to the Puerto Rico Manufacturer's Association ("PRMA").

A. I am the Executive Vice-President of PRMA.

Q. What is the PRMA?

A. The Puerto Rico Manufacturer's Association —Spanish: Asociación de Industriales de Puerto Rico—"PRMA") is a private, non-profit, and voluntary trade association in Puerto Rico formed with the intent of joining the manufacturing and service industries of Puerto Rico in the same organization. The Association was established in 1928 before Operation Bootstrap and was the entity that suggested the creation of the Puerto Rico Industrial Development Company.

Q. What does the PRMA and the industrial sector of the economy expect from the unbundling process currently existing at the Puerto Rico Energy Bureau?

The PRMA and our industrial sector have been exploring new alternatives in order to help Puerto Rico achieve its public policy goal of having a modern, efficient and diversified power delivery system capable of generating electricity at competitive rates.

Currently some industries have been adding co-generation capabilities at their facilities; including solar panels and the acquisition of Combined Heat and Power ("CHP") units and electrical co-generation and electric generation applications. This will provide, on a combined basis, energy, steam, and cooling for industrial applications.

A more open operational framework, similar to modern independent system operators, but simplified for Puerto Rico purposes, can result in much needed transparency of energy input costs as well as facilitate proven business models in competitive markets. It can also help achieve a better, and more efficient, distribution of responsibilities between the public and private sectors and accelerate the development, financing, and construction of clean energy infrastructure. Competitive electric transmission or *wheeling* will further encourage such developments; enabling industries to produce substantial amounts of electricity at a site and transmitting it to other locations and users. By utilizing private funding to build capacity infrastructure and private consumption to finance it, human capital resources are released to work on other aspects of the energy framework such as resiliency, grid hardening, progressive policy-making and other.

Furthermore, a competitive electricity transmission or *wheeling* rate will enable industrial clients to consider purchasing electricity from third party producers, including private entities, cooperatives, or other industrial generators foregoing the need for public investment. This includes the possible acquisition of energy produced by non-fossil sources such as wind or solar.

Nevertheless, any such scenarios do require an unbundled, competitive wheeling and transmission tariff; otherwise, no incentives will be provided for the capital markets to invest in such technologies. A non-competitive tariff would be tantamount to establishing a barrier to the development of a modern, reliable, and efficient energy production and distribution infrastructure for Puerto Rico.



Q Have you considered the Unbundled Tariff Report presented by PREPA May 10, 2021?

A Yes.

Q What transmission tariff does PREPA suggest?

A Essentially, PREPA is suggesting that the tariff should be based on the current rates payable to PREPA less a *supplied credit* equal to the purchased energy and fuel adjustment riders. In practical terms, for a typical consumer in the year 2021 it would be approximately \$0.12.

Q Is this a competitive tariff according to the PRMA?

A Certainly not. If a current industrial user is paying approximately \$0.23 (See <https://www.eia.gov/state/print.php?sid=RQ>) per Kw/h it would need to purchase or generate electricity at a cost inferior to \$.09 in order to make such transaction a financially feasible one. Obviously, producing or acquiring electricity at such cost is virtually impossible in Puerto Rico. Therefore, such a tariff fails to promote the development of a competitive energy market.

For all practical purposes, the new tariff would be non-existent, since it could hardly be used. The energy policy objectives of Puerto Rico would be stalled; and wheeling would not be considered as a real alternative to electrical energy consumers in Puerto Rico.

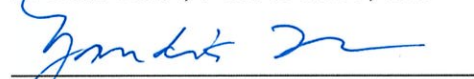
Q What does the PRMA suggest the Energy Bureau should do?

First, the whole record for the proceedings regarding wheeling from the 2010 time frame should be released and made public to understand why the Official Examiner at the time was of the opinion that the process was "*atropellado*" (steamrolled). Are there any insights from that process that could inform the current process on data, methodology, and process?

Second, the PREB should reject the proposed Unbundled Tariff Report, wait for the current unbundling process to conclude, inviting robust public participation and third party consulting opinions, and order PREPA to present a comprehensive and real transmission cost-based study, based solely on real cost factors that have been unbundled according to Generally Accepted Accounting Principles; in order to arrive at a truly cost based tariff that is rooted in truthful and applicable system costs that would encourage wheeling as an integral part of Puerto Rico's public policy to transform our energy generation and distribution system.

Yandia Perez, CERTIFIES that the contents of my testimony is the truth according to my best good faith and reasonable knowledge; being the same answers that I would provide in the direct testimony if the questions are posed at the time of submission.

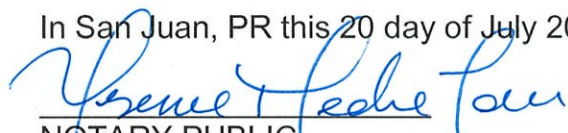
In San Juan, Puerto Rico, this 20 th day of July, 2021


Yandia Perez

Affidavit 1,167

Sworn and subscribed before me by Yandia Perez Casellas, of legal age, Executive Vice President, Married (legal status) and a resident of Carolina Puerto Rico, that I () personally know or (✓) have identified by means of ID P620-969-61-641-0 Driver License, Florida, USA.

In San Juan, PR this 20 day of July 2021.


NOTARY PUBLIC

