

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

NEPR

Received:

Aug 24, 2021

11:58 AM

IN RE:

IN RE: PUERTO RICO ELECTRIC POWER
AUTHORITY PERMANENT RATE

CASE NO. NEPR-MI-2020-0001

**SUBJECT: Submission of Documents in Compliance
with Order.**

**MOTION IN COMPLIANCE WITH ORDER OF AUGUST 23, 2021, SUBMITTING
DOCUMENTS**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COME NOW LUMA Energy, LLC (“ManagementCo”), and **LUMA Energy ServCo, LLC** (“ServCo”), (jointly referred to as the “Operator” or “LUMA”), through the undersigned counsel, and respectfully state and request the following:

1. On July 24, 2021, LUMA filed with this Puerto Rico Energy Bureau (“Energy Bureau”).
Confidential Submission of FCA and PPCA Reconciliations and Request for Confidential Treatment (“July 24th LUMA Submission”). Said submission included a procedural motion and was accompanied by a Confidential Exhibit A, that included four excel spreadsheets with formulae intact and a confidential Variance Analysis Summary.
2. In the July 14th LUMA Submission, LUMA requested confidential treatment of the procedural motion and of Confidential Exhibit A.
3. On August 10, 2021, this Energy Bureau issued a Resolution and Order that granted and denied in part, LUMA’s request for confidential treatment of the July 24th Submission (“August 10th Order”). Particularly, the Energy Bureau declined to designate the procedural motion as confidential but granted confidential treatment to the four excel spreadsheets with formulae

intact and the Variance Analysis Summary, included in Confidential Exhibit A to the July 24th Submission.

4. On August 12, 2021, LUMA filed public unredacted versions of Confidential Exhibit A, including the four excel spreadsheets that were filed with the July 24th Submission –but without formulae–.
5. On August 18, 2021, the Energy Bureau issued a Resolution and Order *Nunc Pro Tunc*, directing that the August 10th ruling on confidentiality did not extend to the Variance Analysis Summary.
6. Secondly, on August 13, 2021, LUMA filed with this Puerto Rico Energy Bureau (“Energy Bureau”), a motion styled *Submission of FCA and PPCA Reconciliations and Request for Confidential Treatment* (“August 13th LUMA Submission”). Said submission was accompanied by a Confidential Exhibit A, that included five excel spreadsheets with formulae intact and a confidential Variance Analysis Summary in pdf format identified as Exhibit 1 (“Exhibit 1 to the August 13th LUMA Submission”).
7. On August 23, 2021, the Energy Bureau issued a Resolution and Order granting confidential treatment to the five excel spreadsheets with formulae intact that were included with the August 13th LUMA Submission. (“August 23rd Order”). The Energy Bureau did not grant confidential treatment to Exhibit 1 to the August 13th LUMA Submission.
8. In the August 23rd order, the Energy Bureau directed that on or before August 24, 2021 at noon, LUMA shall file Exhibit 1 to the August 13th LUMA Submission eliminating the identification of CONFIDENTIAL. The Energy Bureau also directed that LUMA should file the Variance

Analysis Summary, included in Confidential Exhibit A to the July 24th Submission, removing the identification of CONFIDENTIAL.

9. In compliance with the August 23rd Order, LUMA hereby submits a public redacted version of Exhibit 1 to the August 13th LUMA Submission eliminating the identification of CONFIDENTIAL and of the Variance Analysis Summary, included in Confidential Exhibit A to the July 24th Submission, removing the identification of CONFIDENTIAL.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **take notice** of the aforementioned and **deem** that LUMA complied with the August 23rd Order.

RESPECTFULLY SUBMITTED.

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



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Public Version of Variance Analysis

Memo

August 13, 2021

July 2021 Fuel Variation Analysis

The reconciliation for July 2021 reflects an actual fuel cost expenditure of \$180.9M and an actual collection (per sales report) of \$149.7M, leading to an under-collected amount of \$31.2M. The total fuel cost includes \$164.6M for fuel for PREPA units and EcoElectrica, plus \$16.3M from prior period accounting adjustments. The under-collected amount of \$31.2M is thus comprised of a \$14.9M variance from expected fuel consumption, plus a \$16.3M amount from prior-period accounting adjustments.

The projected electric demand for the month of July which was used to perform the June PROMOD simulation was 1,722.2 GWh and the actual generation for July 2021 was 1,757.5 GWh. This represents an increase of 35.3 GWh (2.05%) versus forecasted demand for July.

A significant contributor to the variance between the forecasted and actual values is the re-dispatch of the generation units different from what was assumed in the June PROMOD analysis. PROMOD calculates an optimum economic dispatch of the available units that uses the least expensive plants first. Due to issues with generating plant availability, the actual dispatch for the month was different from what was forecast.

In July, the AES units were expected to generate 315.3 GWh during the month of July but the actual generation was only 263.8 GWh. AES unit 1 capacity was reduced during July by approximately 37 MW. In addition, AES unit 2 was expected to return to operation from a scheduled maintenance outage by July 5th, but did not actually return to service at full capacity until July 11th. Consequently the contribution from the AES facility, which has the two least expensive units in our system, was significantly lower than forecast.

Another contributor to variance was that EcoElectrica, which was expected to produce 366.2 GWh in July, only generated 285.6 GWh. During the month EcoElectrica was used more for system regulation role than planned because of operational limitations at other PREPA plants. The only PREPA plants that can provide regulation service are Costa Sur and Aguirre since regulation service requires communication capabilities using Automatic Generation Control (AGC) which had been installed, but is no longer functional at several other PREPA plants.

The reduced generation from AES and EcoElectrica was replaced by higher priced electric generation from other PREPA generation stations. Actual fuel unit costs were not significantly different than forecast for the period. The relative contribution from each of the fuel “cost drivers” is illustrated in the attached PowerPoint slides.

Annexes





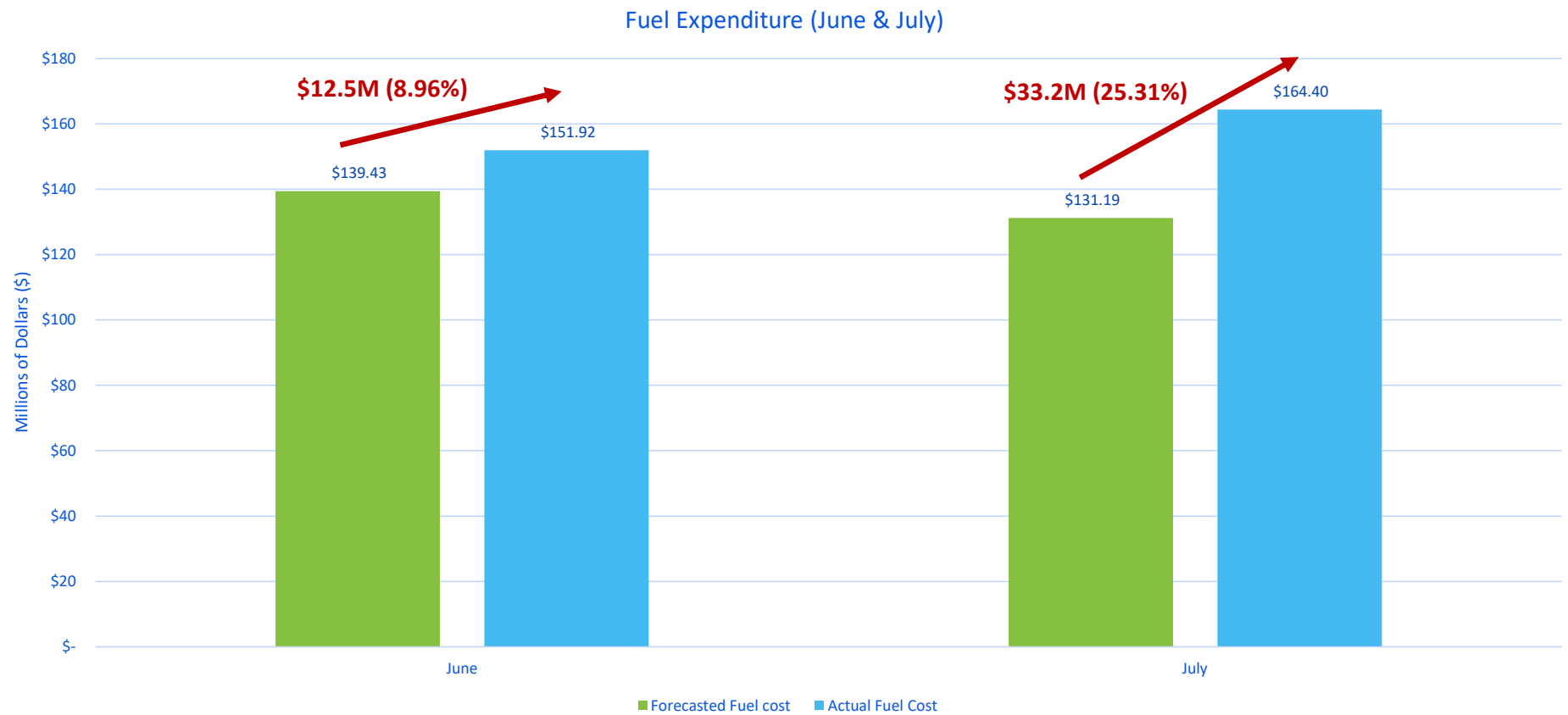
July 2021 Variance Analysis

August 12, 2021

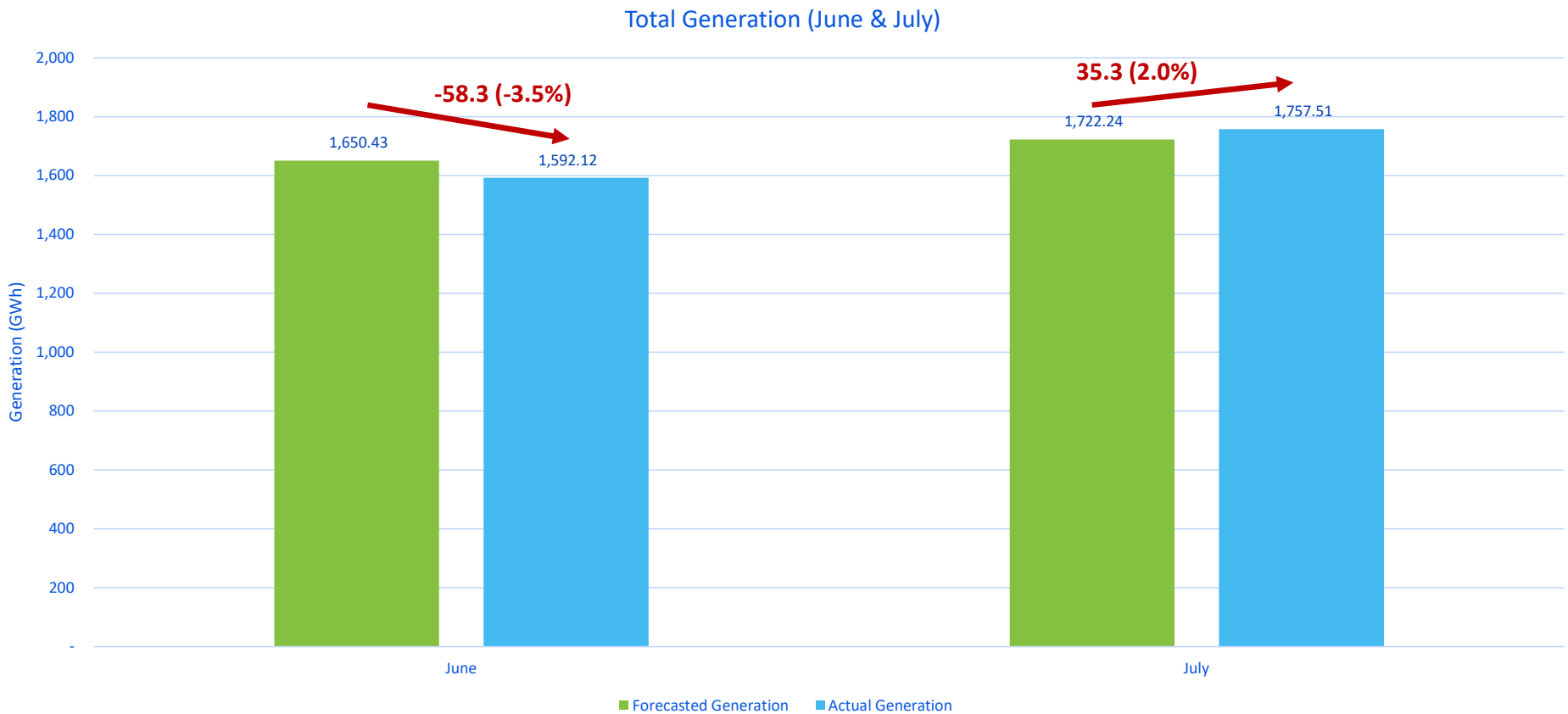
8/13/2021



Fuel Expenditures (Mil \$)

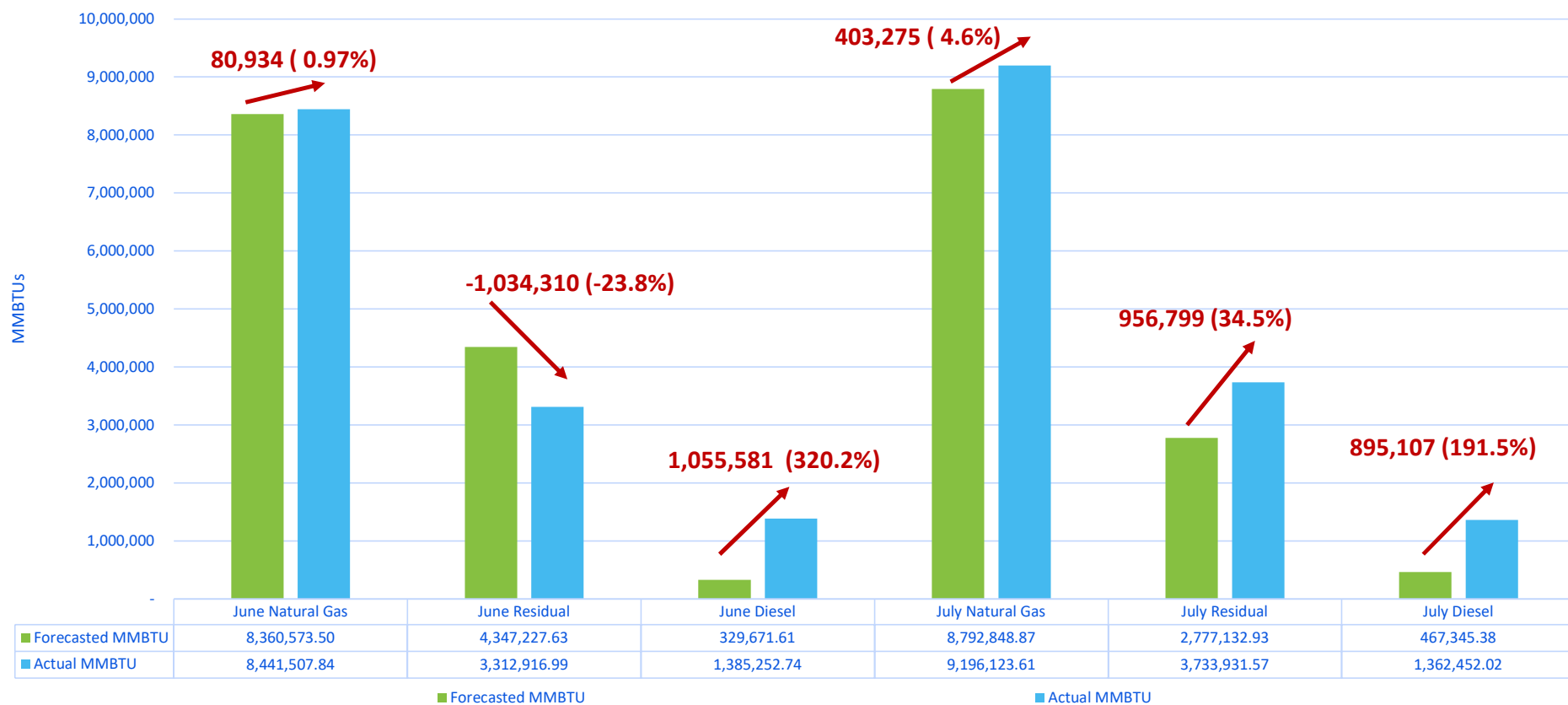


Generation (GWH)



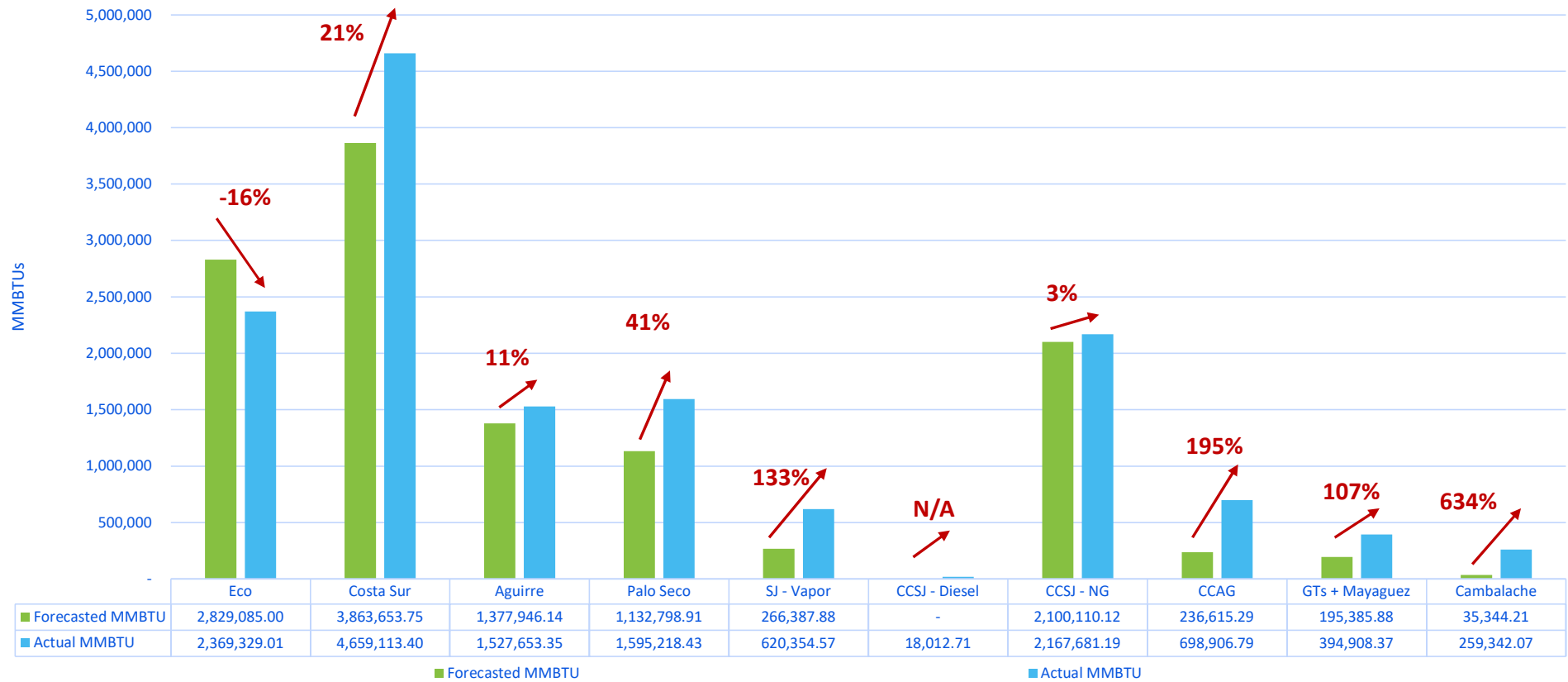
Fuel Consumption (by fuel type)

Fuel Consumption (June & July)

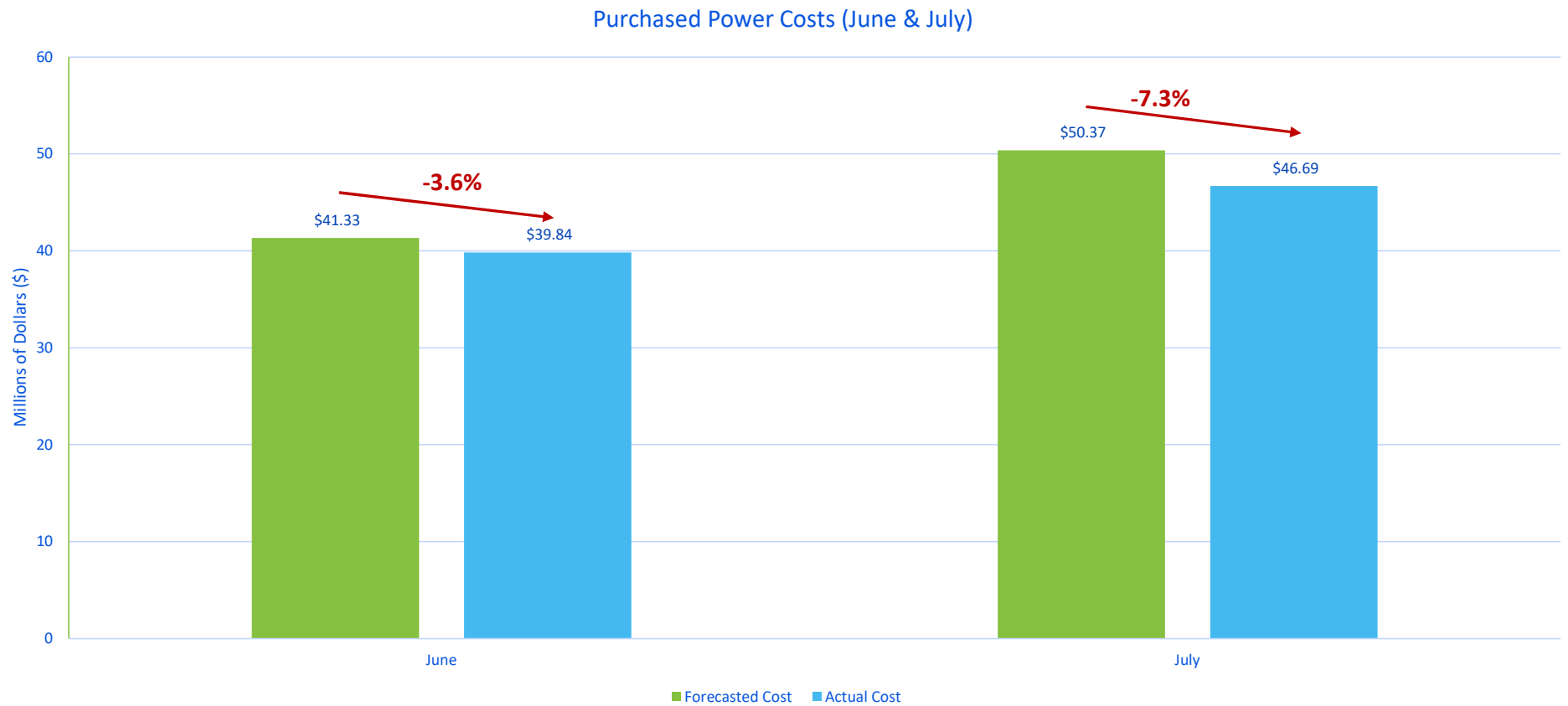


July 2021 Fuel Consumption (by plant)

Fuel Consumption by Plant (July)

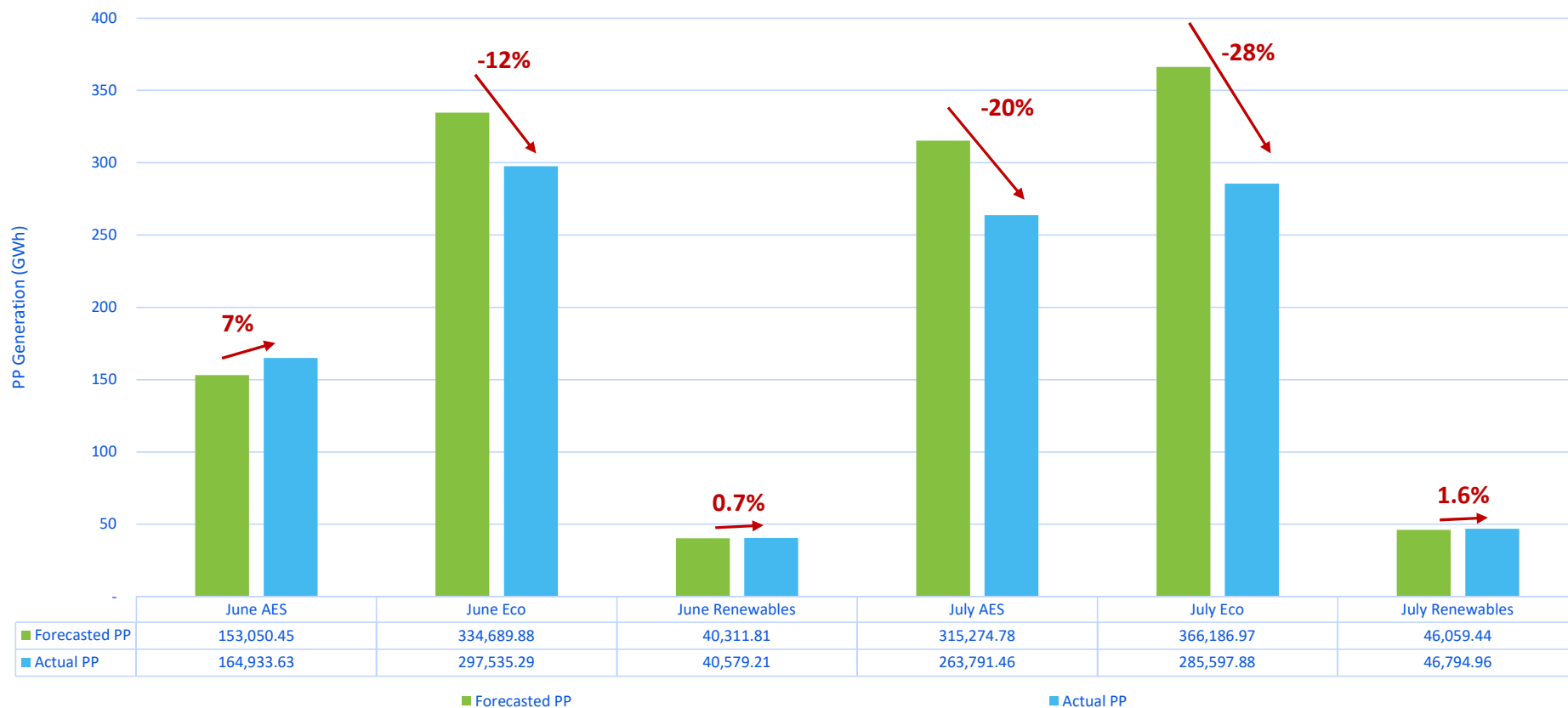


Purchased Power Costs



Purchased Power Generation

Purchased Power Generation (June & July)



June Reconciliation

July 23, 2021

June 2021 Fuel Variation Analysis

The adjustment factor for the fourth quarter of fiscal year 2021 was calculated in March 2021. At that time, the PROMOD simulation resulted in a forecasted generation dispatch cost of approximately \$139.4M. The realized fuel costs in June were \$151.9M. The difference between the forecasted and the actual values is \$12.5M.

Most of that variation is due to different units being dispatched to meet demand compared to the March 2021 PROMOD simulation. Palo Seco 3 steam unit was considered available within the simulation, but it was not available to generate energy during the month of June 2021. The modeled production assumed for the Palo Seco plant which burns residual fuel oil, was replaced by other less efficient units burning diesel fuel oil, such as the peaking units, Cambalache, and the Aguirre combined cycle.

The reconciliation file for June 2021 also considers a prior period adjustment of \$2.7M during this period, increasing the earlier \$12.5 million difference between forecasted and actual to a total of \$15.2M. However, the reconciliation is between fuel costs of \$154.6M (\$151.9 fuel + \$2.7M prior period adjustment) versus billed sales for fuel adjustment clause (per sales report), not against the forecasted generation in PROMOD. The billed sales for fuel adjustment clause (FCA) value is \$127.8M, resulting in an \$26.7M difference between recovered and costs in June 2021.

The billed sales for FCA includes prior period reconciliations, FEMA deferrals and other factors from Finance and Accounting that decreased the FCA versus the forecast and increased the difference between the recovered amount versus the realized costs.

The purchased power (AES, EcoEléctrica and renewable projects) simulation in PROMOD, estimated in March 2021, forecasted costs of \$ 41.3M. The realized costs in June 2021 were \$39.8M, resulting in a difference between forecast and actual values of -\$1.5M. The reconciliation file for June 2021 has a prior period adjustment of -\$6.3M which leads to a total Purchased Power Cost to be recovered of \$33.5M (\$39.8 - \$6.3M). This amount is then compared to the billed sales amount of \$39.6M for a total amount to be returned of -\$6.1M (\$39.6 - \$33.5M).

Please refer to following slides for additional detail.



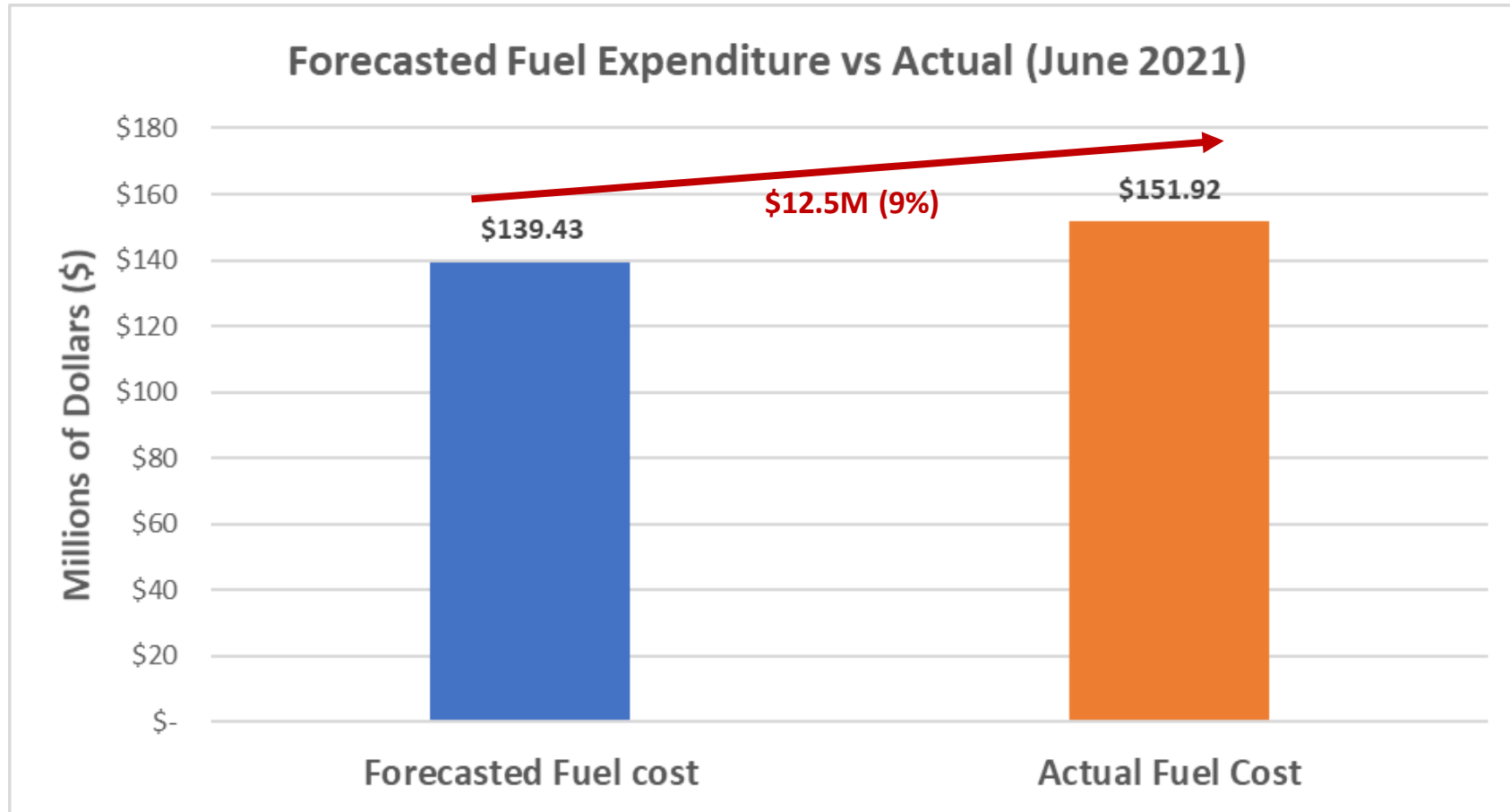


June 2021 Variance Analysis

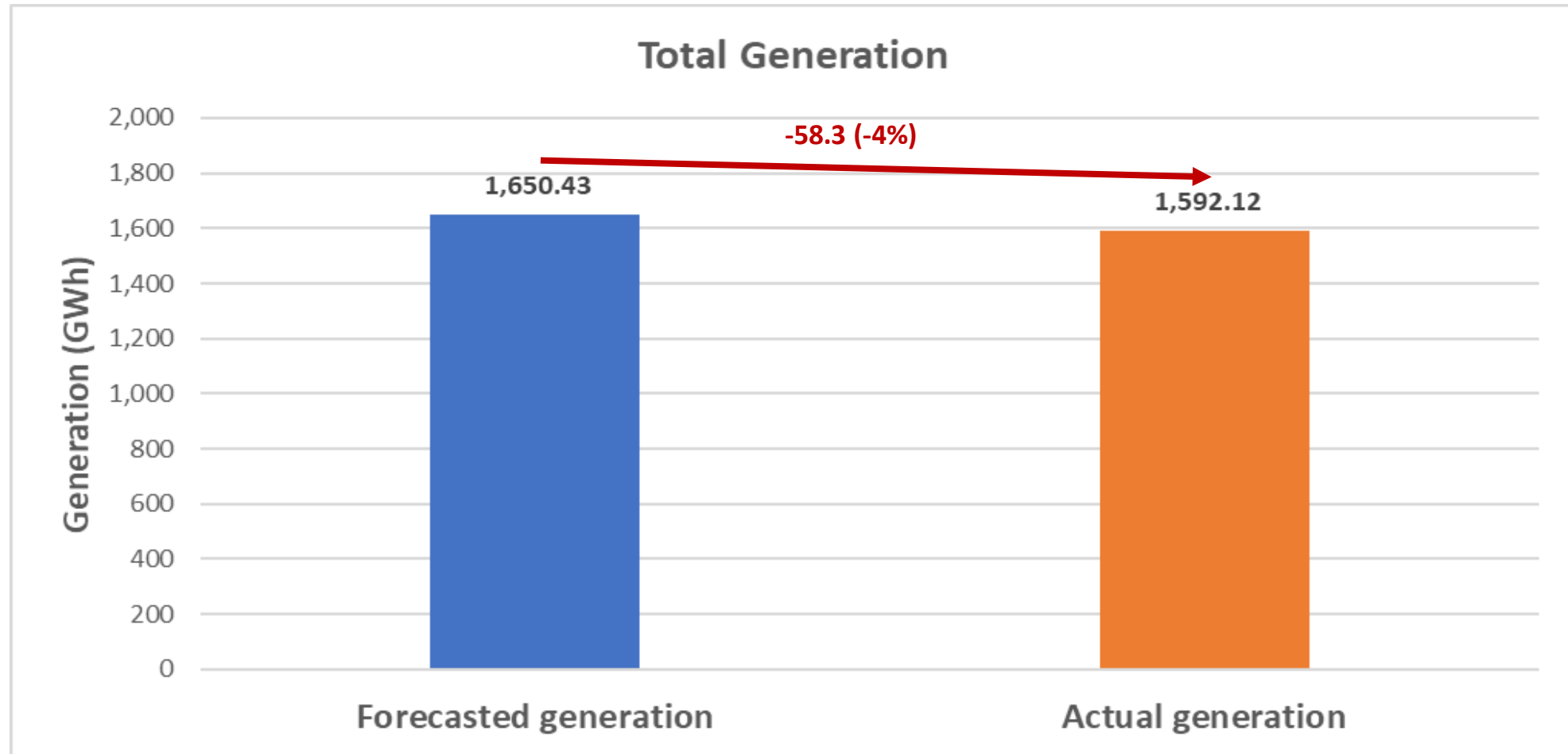
July 22, 2021



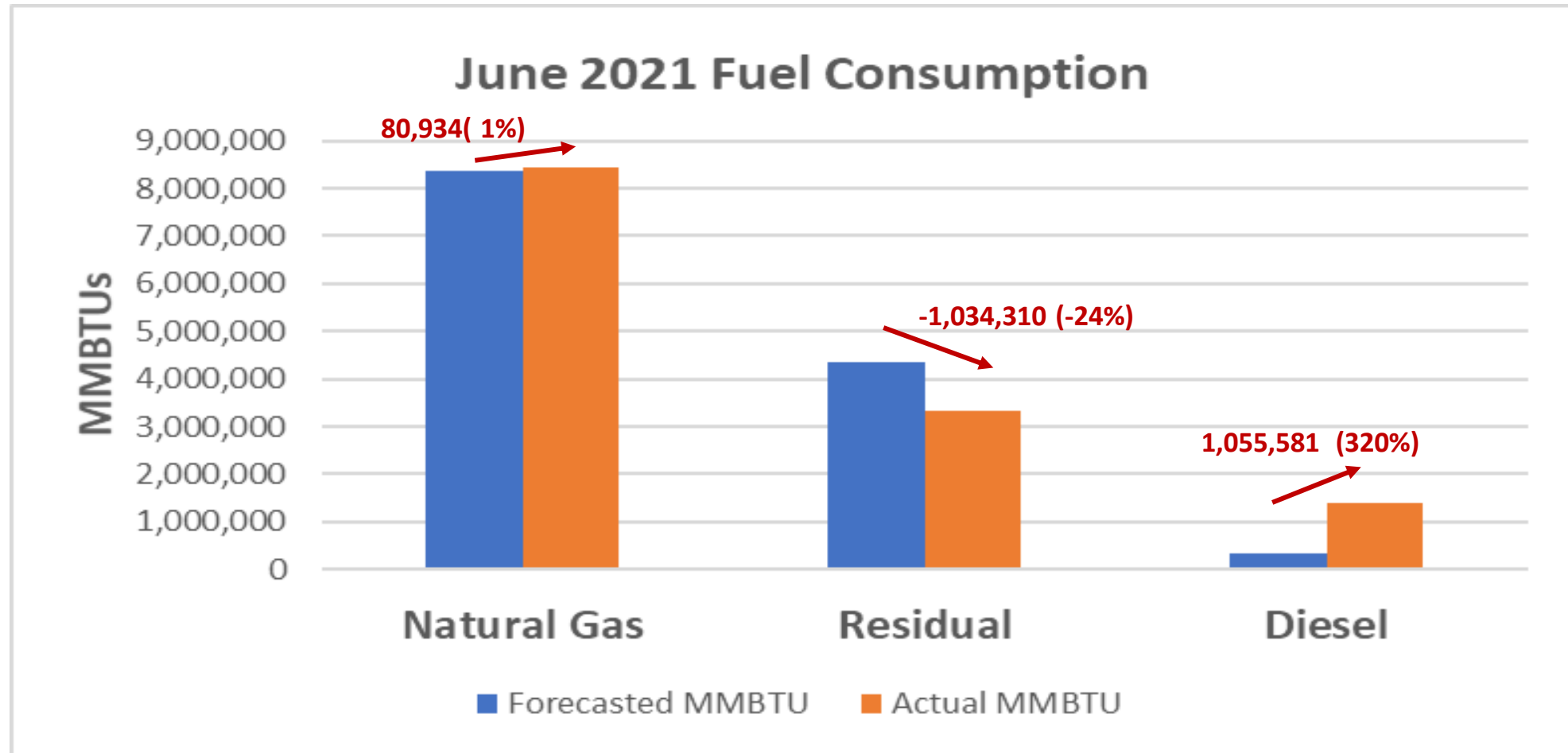
June 2021 Fuel Expenditures (Mil \$)



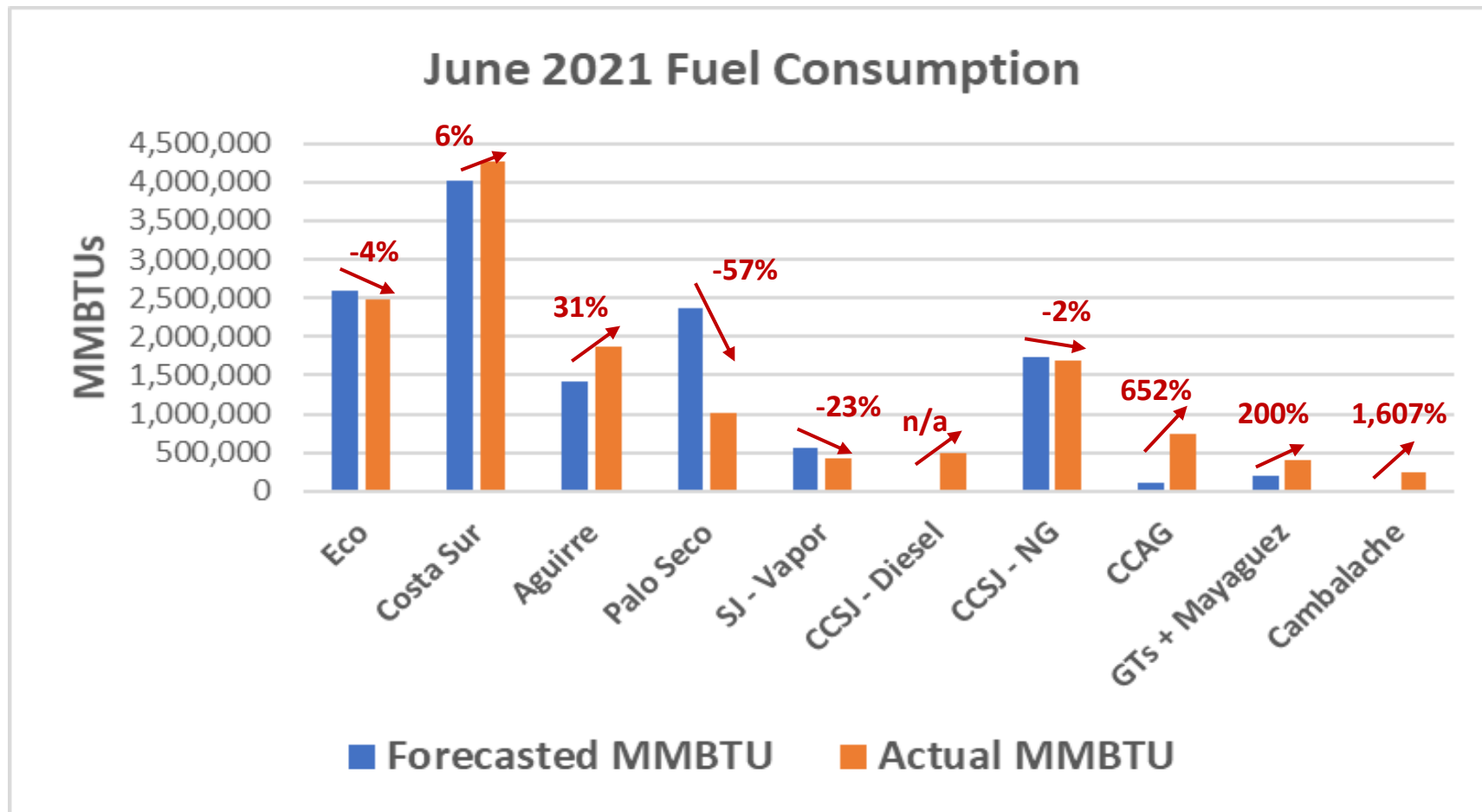
June 2021 Generation (GWh)



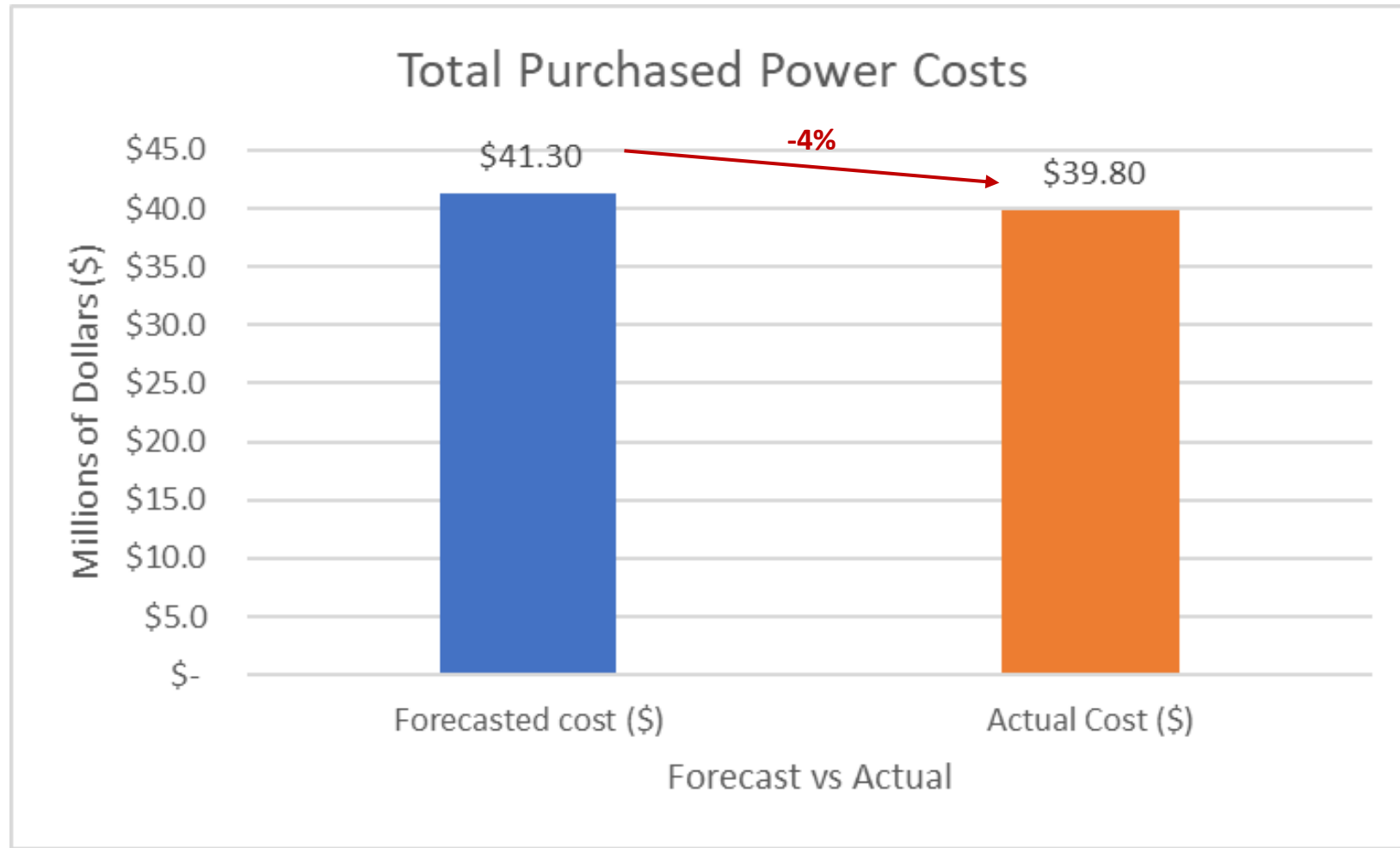
June 2021 Fuel Consumption (by fuel type)



June 2021 Fuel Consumption (by plant)



June 2021 Purchased Power Costs



June 2021 Purchased Power Generation

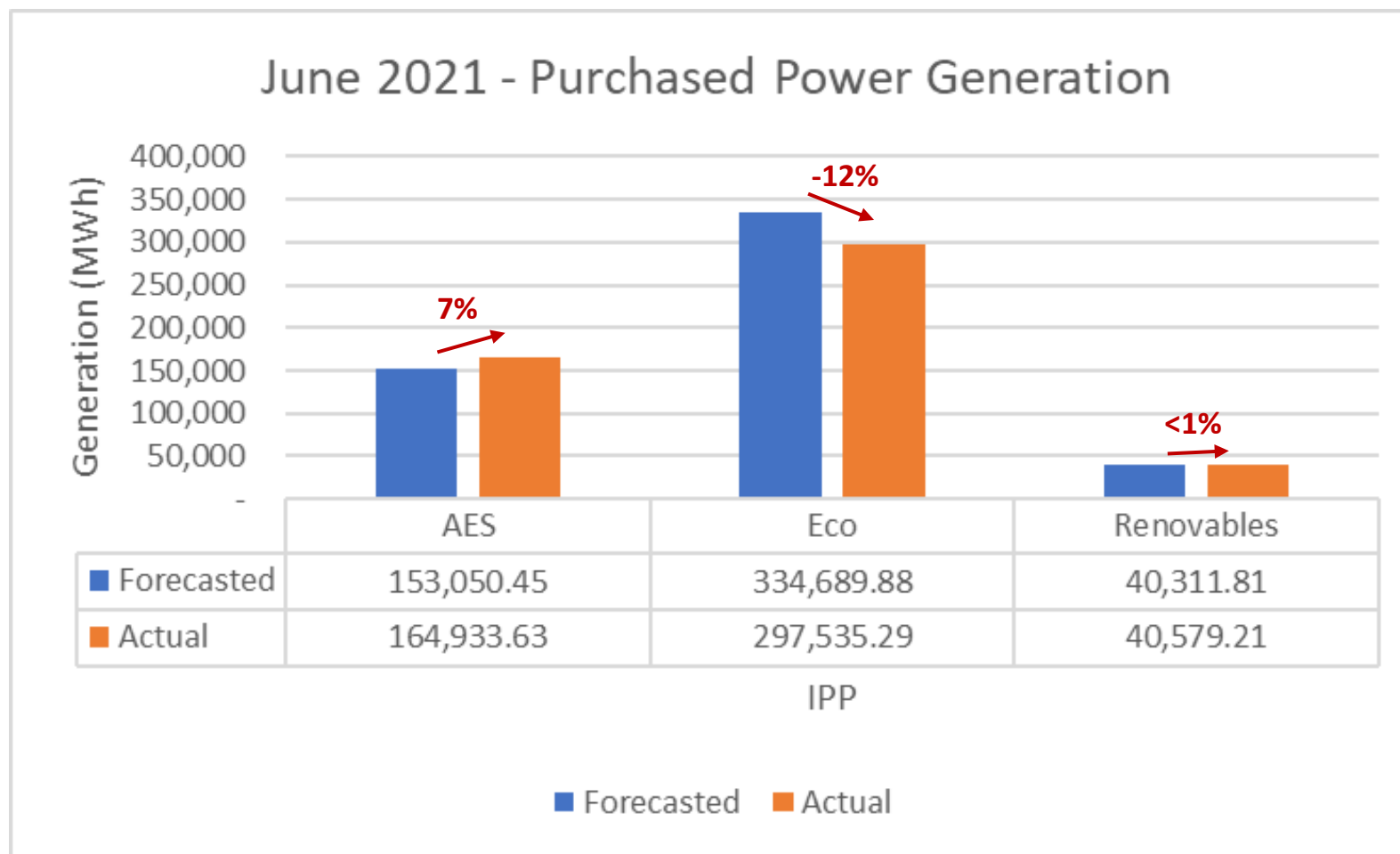


Exhibit A Values
Four Excel spreadsheets submitted via email