

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

NEPR Received: Jun 23, 2022 9:43 AM
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IN RE:
IN RE: PUERTO RICO ELECTRIC POWER
AUTHORITY PERMANENT RATE

CASE NO. NEPR-MI-2020-0001

**SUBJECT: Motion in Compliance with
Resolution and Order of June 22, 2022**

MOTION IN COMPLIANCE WITH RESOLUTION AND ORDER OF JUNE 22, 2022

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 May 31, 2022, LUMA filed before the Puerto Rico Energy Bureau (“Energy Bureau”) a *Motion Submitting CILTA, SUBA-HH, and SUBA-NHH Proposed Factors and Request for Confidential Treatment* (“May 31st Submission”). LUMA submitted the annual proposed contributions in lieu of taxes cost adjustment (“CILTA”), help to human subsidies (“SUBA-HH”), and non-help to human subsidies (“SUBA-NHH”) factors reconciliations. It also presented the CILTA, SUBA-HH and SUBA-NHH proposed riders to be applied from July 2022 until June 2023. As part of the filing, LUMA included excel spreadsheets filed publicly and confidential excel spreadsheets with formulae intact.

2. On June 15, 2022, LUMA filed before the Energy Bureau a *Motion Submitting Quarterly Reconciliations and FCA, PPCA and FOS Calculated Factors and Request for Confidential Treatment* (“June 15th Submission”). LUMA submitted the quarterly reconciliations for the Fuel Charge Adjustment (“FCA”) and Purchased Power Charge Adjustment (“PPCA”)

riders for March through May 2022, and the factors for the FCA, PPCA, and Fuel Oil Subsidy (“FOS”) riders for the period from July 1 until September 30, 2022. As part of the filing, LUMA included excel spreadsheets filed publicly and confidential excel spreadsheets with formulae intact.

3. On June 17, 2022, the Energy Bureau entered a Resolution and Order in which it requested LUMA to provide or clarify certain information concerning the May 31st and June 15th Submissions, on or before June 22, 2022, at 10 a.m. (“June 17th Order”). Additionally, the Energy Bureau scheduled a Technical Conference on June 24, 2022, at 10 a.m. to discuss the May 31st and June 15th Submissions. It instructed LUMA and the Puerto Rico Electric Power Authority (“PREPA”) to bring any employees who worked the underlying data for those submissions as witnesses.

4. On June 22, 2022, LUMA filed a *Motion in Compliance with Resolution and Order of June 17, 2022*, whereby it submitted its responses and clarifications for the requests issued by the Energy Bureau in the June 17th Order, regarding the May 31st and June 15th Submissions, as reflected in Exhibit 1 to that Motion (“June 22nd Submission”). Later, LUMA filed a *Motion Supplementing Motion in Compliance with Resolution and Order of June 17, 2022*, including a series of Excel spreadsheets that supplemented the responses and clarifications for the requests issued by the Energy Bureau on the June 17th Order.

5. Also yesterday, the Energy Bureau entered a Resolution and Order in which it requested LUMA to provide on or before today, June 23, 2022, at 10:00 a.m. the following information (“June 22nd Order”):

- a. On page 10 of Exhibit 1 of the Motion in Compliance, LUMA presented an estimate of the incremental cost of residual fuel in the Costa Sur 5 and 6 units for the months

of March, April and May 2022. The methodology presented does not match the methodology used for the months of December 2021, and January and February 2022. LUMA should reconcile this difference and submit the necessary supporting documentation.

b. To the extent that the documents submitted include spreadsheets (e.g. the table contained in the referred page 10), they must be submitted in native format with the formulas intact.

6. In compliance with the June 22nd Order, LUMA hereby submits its response to the request issued by the Energy Bureau. The response is presented in **Exhibit 1** to this Motion. An Excel spreadsheet in native format with formulae intact is being submitted via email.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **take notice** of the aforementioned, **accept** the documents included as Exhibit 1 to this Motion, and **deem** LUMA complied with the Resolution and Order of June 22, 2022.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, on this 23rd day of June 2022.

I hereby certify that I filed this Motion using the electronic filing system of this Energy Bureau. I will send an electronic copy of this Motion to counsel for PREPA Katuska Bolaños-Lugo, kbolanos@diazvaz.law, and to the Independent Consumer Protection Office, through Director Hannia Rivera, hrivera@oipc.pr.com.



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Exhibit 1

Permanent Rate June 22, 2022 Resolution and Order Response

NEPR-MI-2020-0001

Response: RFI-LUMA-MI-2020-0001-20220622-PREB-01

SUBJECT

Permanent Rate

REQUEST

On page 10 of Exhibit 1 of the Motion in Compliance, LUMA presented an estimate of the incremental cost of residual fuel use at Costa Sur units 5 and 6 for the months of March, April and May 2022. The methodology presented does not agree with the methodology used for the months of December 2021, and January and February 2022. LUMA must reconcile this difference and submit the necessary supporting documentation.

RESPONSE

LUMA's table provided on page 10 of Exhibit 1 (Figure 2 below) was responsive to the PREB request, and the methodology to construct the table is consistent with how PREPA estimated the incremental cost to customers of using diesel instead of natural gas at San Juan. Based on LUMA's observations, PREPA's methodology for Costa Sur's incremental costs differs from the method used for San Juan and must defer to PREPA for confirmation.

LUMA's method for calculating the incremental costs to customers is based on the incremental cost of residual fuel consumed at Costa Sur as a result of Naturgy's failure to deliver nominated gas volumes. It seems that PREPA is calculating the amount that can be reimbursed from Naturgy due to the failure to deliver nominated natural gas, rather than the incremental costs to customer, however we must defer to PREPA for confirmation

It should also be noted, based on LUMA's past experience, it is typical in a take or pay fuel supply agreement that if the fuel supplier is not able to deliver gas volumes nominated under the contract, they would pay a penalty amount plus the differential cost of replacement fuel, but that does not appear to be the case in the Naturgy contract. LUMA cannot reconcile this but must defer to PREPA for more detailed explanation.

As requested by the Bureau, LUMA has identified and reconciled differences with "Motion in Compliance with Order Notified March 16, 2022, March 18, 2022, file "Attachment 8 - File Estimated Penalties Naturgy - South Coast.xlsx", filed with the Authority and has our response in comments below. Comments and referenced line numbers are taken from the PREPA file "File Estimated Penalties Naturgy - South Coast.xlsx" (Figure 1 below):

Line D – “Energía no Suplida Gas Natural” – is calculated as the difference between the nominated gas volumes minus the delivered gas volumes. However, as provided in Annex B of the above cited motion, in an email from Jose Joaquin Amador dated May 3, 2022. “... the undelivered volume should be calculated as the difference between what is nominated by PREPA (NDS) and the maximum between what is made available (AVAILABILITY) and what is delivered by NASA (DELIVERIES)”. This suggests Line D is incorrect since Line D is based on deliveries and not availability. LUMA cannot reconcile this but must defer to PREPA for more detailed explanation.

Line E – “Bunker (\$/MMBtu)” – LUMA calculated this as the quotient of the price of Bunker Fuel Oil taken from the Quarter Reconciliation filed with the Energy Bureau and the MMBtus consumed based on PREPA’s Generation & Consumption Report” (Certified). From conversations with PREPA, it appears PREPA may be using the fuel cost in the Precio Ponderado report which does not include laboratory or storage costs, but LUMA will defer to PREPA for more detailed explanation.

Line H – “Ajuste Segun Contrato (Naturgy)” – PREPA has calculated the penalty due from Naturgy as 15% of the Prompt Contract Price adjusted for the Factor Regresion. As identified in comments to Line D above, it is not clear if this is correct, or the penalty should be applied to the “... difference between what is nominated by PREPA (NDS) and the maximum between what is made available (AVAILABILITY) and what is delivered by NASA (DELIVERIES)”. LUMA cannot reconcile this but must defer to PREPA for more detailed explanation.

Figure 1 Estimated Penalties Naturgy – Costa Sur.xlsx

Central Costa Sur	Dec-21	Jan-22	Feb-22	Acumulado
A. Nominación Trimestre - (MMBtu)	5,731,666.67	5,731,666.67	5,731,666.67	
B. EcoEléctrica Energy - Consumo Energía Consumed (MMBtu)	1,922,942.00	2,018,247.00	1,956,417.00	
C. Costa Sur Consumo Energía (MMBtu)	1,579,338.00	1,084,658.00	934,277.00	
D. Energía no Suplida Gas Natural	2,229,386.67	2,628,761.67	2,840,972.67	
E. Bunker (\$/MMBtu)	10.5865	13.5894	17.2412	
F. Factor Regresión	0.9637	0.9637	0.9637	
G. Búnker Ajustado (\$/MMBtu)	10.2022	13.0961	16.6154	
H. Ajuste Según Contrato (Naturgy)	15%	15%	15%	
I. Precio (\$/MMBtu) Según Contrato Naturgy (Ajustado)	1.5303	1.9644	2.4923	
J. Estimado Penalidades Según Contrato	\$3,411,698.10	\$5,163,979.53	\$7,080,563.52	\$15,656,241.15

Figure 2 Estimated Costa Sur 5 & 6 Incremental Cost Analysis.xlsx

Costa Sur 5 & 6 Incremental Cost Analysis

	March	April	May	Total /W. Avg ¹	Source
MWh Gen	319,940	183,010	272,830	775,780	PREPA Generation & Consumption Report (Certified)
MMBtus Consumed (N.G)	1,563,566	631,328	1,063,776	3,258,670	PREPA Generation & Consumption Report (Certified)
MMBtus Consumed (Residual)	1,982,777	1,459,289	2,007,100	5,449,166	PREPA Generation & Consumption Report (Certified)
N.G. \$/MMBtu	\$ 10.85	\$ 11.74	\$ 13.96	\$ 12.04	Calculated
Residual \$/MMBtu	\$ 17.95	\$ 19.07	\$ 20.50	\$ 19.19	Calculated
Differential \$/MMBtu of Residual over N.G.	\$ 7.09	\$ 7.34	\$ 6.54	\$ 6.95	Calculated
N.G. cost incurred	\$ 16,969,695	\$ 7,409,518	\$ 14,847,228	\$ 39,226,440	Fuel Reporte tab in Quarterly Reconciliation Excel Document
Residual cost incurred	\$ 35,581,595	\$ 27,835,837	\$ 41,139,329	\$ 104,556,761	Fuel Reporte tab in Quarterly Reconciliation Excel Document
Premium for using Residual ²	\$ 14,062,120	\$ 10,709,037	\$ 13,126,034	\$ 37,897,191	Calculated

¹Total provided for MWh, MMBtus, and cost incurred and residual; weighted averages for unit prices.

²Total Residual calculated as the sum of the Premium for using Residual for the three months

Permanent Rate June 22, 2022 Resolution and Order Response

NEPR-MI-2020-0001

Response: RFI-LUMA-MI-2020-0001-20220622-PREB-02

SUBJECT

Permanent Rate

REQUEST

To the extent that the documents submitted include spreadsheets (e.g. the table on page 10), they must be presented in native format with the formulas intact.

RESPONSE

Please find attached file Costa Sur 5 & 6 Incremental Cost Analysis.xlsx has all the formulas intact.