

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

**NEPR**

**Received:**

**Jul 8, 2022**

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**IN RE:**

**PUERTO RICO TEST FOR DEMAND  
RESPONSE AND ENERGY EFFICIENCY**

**CASE NO.: NEPR-MI-2021-0009**

**SUBJECT: Submittal of Comments in Response to Discussion Questions Presented during the Technical Conference Held on June 22, 2022, and in Compliance with the Energy Bureau's Bench Order of That Date.**

**MOTION TO SUBMIT COMMENTS IN RESPONSE TO DISCUSSION QUESTIONS  
PRESENTED DURING THE TECHNICAL CONFERENCE OF JUNE 22, 2022, AND IN  
COMPLIANCE WITH THE ENERGY BUREAU'S  
BENCH ORDER OF THAT DATE**

**TO THE PUERTO RICO ENERGY BUREAU:**

**COME NOW LUMA Energy, LLC<sup>1</sup>, and LUMA Energy ServCo, LLC<sup>2</sup>** (jointly referred to as "LUMA") and respectfully state, submit and request the following:

1. On May 14, 2021, this Puerto Rico Energy Bureau ("Energy Bureau") issued a Resolution and Order initiating the referenced proceeding to develop the Puerto Rico Benefit Cost Test ("PR Test") as required by the Energy Bureau's Regulation for Demand Response of December 21, 2020, Regulation 9246, and under the then Proposed Energy Efficiency Regulation issued by the Energy Bureau on April 22, 2021.<sup>3</sup>

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<sup>1</sup> Register No. 439372.

<sup>2</sup> Register No. 439373.

<sup>3</sup> On January 21, 2022, the Energy Bureau published the final version of the Regulation for Energy Efficiency, which was at the time assigned the number 9354 by the Puerto Rico State Department. Regulation number 9354 was subsequently annulled and thereafter resubmitted to the Puerto Rico State Department, being subsequently approved by them on March 25, 2022 and assigned number 9367 (hereinafter, the then effective regulation, the "EE Regulation").

2. After other procedural events,<sup>4</sup> on August 13, 2021, the Energy Bureau issued a Resolution and Order informing that it was developing an avoided cost study to be used to develop values for the PR Test (“Avoided Cost Study”). The Energy Bureau reiterated this determination in a subsequent Resolution and Order issued on December 14, 2021, wherein it scheduled a virtual Technical Conference for February 8, 2022, to discuss the initial results of the Avoided Cost Study.<sup>5</sup>

3. On February 7, 2022, the Energy Bureau issued a Resolution and Order (the “February 7<sup>th</sup> Order”) proposing to adopt a PR Test framework and a list of prioritized impacts, included in documents attached therein, to be included in the application of the PR Test for the Potential Study and the first Three-Year Plan required under Sections 3.02(B) and 4.02 of the EE Regulation, respectively (*see* February 7<sup>th</sup> Order at pages 2-4 and Attachments A and B) and ordered LUMA to file comments on these documents on or before March 7, 2022 (*see id.* at page 4).

4. On February 8, 2022, the Energy Bureau held a Technical Conference in which the Energy Bureau consultants provided a presentation on the initial results of the Avoided Cost Study (the “February 8<sup>th</sup> Presentation”).

5. On March 7, 2022, LUMA submitted its comments to the PR Test framework and list of prioritized impacts included in the February 7<sup>th</sup> Order, as well as comments to the February

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<sup>4</sup> On June 16, 2021, the Energy Bureau issued a Resolution and Order scheduling four Technical Workshops to obtain stakeholder feedback. These workshops were held on June 30, 2021, July 21, 2021, August 25, 2021, and September 22, 2021.

<sup>5</sup> This, following two LUMA requests regarding the Avoided Cost Study (*see LUMA’s Motion Requesting Energy Bureau to Stay Resolution and Order of August 13, 2021 and Schedule Technical Workshop of August 12, 2021 and LUMA’s Motion Submitting LUMA’s Comments and Suggestions of December 13, 2021*) and a Technical Conference held on November 18, 2021.

8<sup>th</sup> Presentation. *See Motion Submitting LUMA's Comments on Attachments A and B of Energy Bureau's Resolution and Order of February 7, 2022, and On Avoided Cost Modeling Presentation.*

6. On June 6, 2022, the Energy Bureau issued a Resolution and Order providing its responses to the questions and comments submitted by LUMA in its March 7<sup>th</sup> Motion and scheduled a Technical Conference to discuss the Avoided Cost Study for June 22, 2022, at 10:00 a.m.

7. On June 21, 2022, the Energy Bureau posted in the electronic docket of this proceeding copy of the presentation to be provided by its consultants during the Technical Conference to be held on June 22, 2022, titled "Puerto Rico Avoided Cost Study: Avoided Capacity Costs" (the "Avoided Cost Study Presentation").

8. On June 22, 2022, the Energy Bureau held a Technical Conference (the "June 22<sup>nd</sup> Technical Conference") wherein the Energy Bureau consultants provided the Avoided Cost Study Presentation which included a discussion of LUMA's Questions and Comments provided in the March 7<sup>th</sup> Motion, the consultants' Avoided Capacity Costs determination, and the Avoided Greenhouse Gas Emissions Costs. In addition, as part of their presentation, the Energy Bureau consultants set forth the following three discussion questions.

1. Lower peak load and lower energy needs leads to lower overall resource requirement and fuel consumption. Different capacity trajectory analyses could be considered, but all would give rise to roughly similar patterns as seen here. Is there value in continuing to "sensitivity test" capacity trajectories, given the purpose of this exercise?
2. The year over year values fluctuate significantly. Should we consider average values when computing actual benefits?
  - Use "no EE" case marginal energy costs / prices for avoided energy metric, applied on an annual basis
  - Use differential case assessment for the avoided capacity metric, but apply an average over the planning horizon

3. There is no explicit carbon price for greenhouse gas emissions cost savings in Puerto Rico. What is the best way to estimate the carbon savings benefit of EE implementation?

*See Avoided Cost Study Presentation at slide 25.*

9. During the Avoided Cost Study Presentation, LUMA made questions and comments regarding the Avoided Capacity Costs determination. Among others, LUMA mentioned that the energy costs discussed in the Avoided Cost Study Presentation were not reflective of the prices of the solar photovoltaic renewable energy generation projects (“PV Projects”) and battery energy storage system projects (“BESS Projects”) approved in the Tranche 1 procurement process, which are currently confidential.<sup>6</sup> LUMA also requested that it be provided time following the Technical Conference to submit its written responses to the discussion questions presented by the Energy Bureau’s consultants.

10. The Energy Bureau then issued a bench order directing LUMA to submit to the Energy Bureau, by June 29, 2022, the updated data on the pricing of the PV and BESS Projects approved in the Tranche 1 procurement process, and, by July 8, 2022, LUMA’s input on the discussion questions put forth by its consultants during the Technical Conference (the “June 22<sup>nd</sup> Bench Order”).

11. In compliance with the June 22<sup>nd</sup> Bench Order, on June 29, 2022, LUMA submitted, under seal of confidentiality, the updated pricing data of the PV and BESS Projects approved in the Tranche 1 procurement process to date. *See LUMA’s Motion to Submit Solar Energy*

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<sup>6</sup> This is the first procurement tranche for utility-scale renewable energy generation and storage resources to be conducted by the Puerto Rico Electric Power Authority (“PREPA”) contemplated under the Final Resolution and Order on the Puerto Rico Electric Power Authority’s Integrated Resource Plan, *In re: Review of the Integrated Resource Plan of the Puerto Rico Electric Power Authority*, Case No. CEPR-AP-2018-0001, of August 24, 2020.

*Generation and Storage Price Data in Compliance with Energy Bureau's Bench Order Issued During the Technical Conference Held on June 22, 2022*, filed on that date.

12. Now, also in compliance with the June 22<sup>nd</sup> Bench Order, LUMA hereby submits, as *Exhibit 1* to this Motion, LUMA's comments in response to the three discussion questions included the Avoided Cost Study Presentation provided by the Energy Bureau consultants during the June 22<sup>nd</sup> Technical Conference, which also includes high level comments on the Avoided Cost Study Presentation on subjects LUMA raised during the June 22<sup>nd</sup> Technical Conference.

**WHEREFORE**, LUMA respectfully requests the Energy Bureau to **take notice** of the aforementioned, **accept** LUMA's comments in response to the three discussion questions included the Avoided Cost Study Presentation provided by the Energy Bureau consultants during the June 22<sup>nd</sup> Technical Conference, and **deem** LUMA in compliance with the Energy Bureau's bench order issued during the June 22<sup>nd</sup> Technical Conference.

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 8<sup>th</sup> day of July 2022.

We certify that we filed this motion using the electronic filing system of the Puerto Rico Energy Bureau and that we will send an electronic copy of this motion to counsel of record for PREPA, Katuska Bolaños-Lugo, [kbolanos@diazvaz.law](mailto:kbolanos@diazvaz.law).



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## **Exhibit 1**

LUMA's Comments Related to  
Avoided Cost Study Presentation of June 22, 2022



# Comments on Draft Avoided Cost Study Results

NEPR-MI-2021-0009

July 8, 2022



## 1.0 Comments on Draft Avoided Cost Study Results

As discussed in the June 22, 2022, Technical Conference, LUMA recognizes and appreciates the revisions to the study made by Synapse. LUMA also recognizes that this model will be used in the upcoming Energy Efficiency (EE) Potential Study and acknowledges that approximate values are adequate at this stage of the process. More refined estimates will likely increase the avoided costs coming from the model and thereby result in greater potential savings.

LUMA notes that many of the capital costs used in the study appear low as compared to the costs that LUMA has seen through its other projects and activities. To help address this issue, LUMA has shared recent local generation cost data with the Energy Bureau on a confidential basis. LUMA would also be pleased to meet with Synapse to discuss this data and share its view on local cost drivers that may not be adequately reflected in the current analysis.

LUMA recognizes that the model used for the avoided cost study is not intended to be an operational model and encourages Synapse to acknowledge in final report that the results do not fully reflect the nuances of local operational and financial constraints in Puerto Rico's relatively small, island-based system. For instance, Synapse used an 8% discount rate, which is too low given that new resources will be based on investments by third parties who will require a higher return on capital than is reflected in this 8% discount rate. If Synapse uses the recent PPOA pricing provided by LUMA, rather than the estimated cost of new builds and an assumed discount rate, then the PPOA pricing should reflect the developers' actual cost of capital. In addition, many of the forced outage rates assumed in the model are optimistic, and some of the units are not currently in service and may ultimately be retired rather than restored to operations.

With regard to how the avoided costs will be used, LUMA understands that the avoided costs from this study will be used in the upcoming Energy Efficiency (EE) Potential Study. As discussed, LUMA is at the early stages of developing the 2024 Integrated Resource Plan (IRP). LUMA would expect that in the future, avoided costs would come from the 2024 Integrated Resource Plan (IRP) process and that the Energy Bureau would affirm that the avoided costs flowing from the approved 2024 Integrated Resource Plan (IRP) will supersede those from the current avoided cost study. With regard to the discussion questions posed on Slide 25 of the presentation used in the Technical Conference, LUMA offers the following responses:

1. Given the importance of fuel costs in the avoided energy costs and the recent volatility of fuel costs, LUMA expects that the most valuable sensitivity test would be using "high" and "low" fuel costs.
2. LUMA does not see any need to "smooth" the avoided energy or capacity costs across years. The Potential Study that the avoided costs will be used in will likely determine the present value of the various Energy Efficiency (EE) measures over their multi-year measure life. Accounting for the year by year savings with the associated year by year difference in avoided costs is a mathematically superior method to using a levelized or "smooth" avoided cost as the input to Energy Efficiency (EE) assessments.

3. LUMA does not currently have a recommended method to estimate the benefit of carbon emission reductions that result from Energy Efficiency (EE) measures in Puerto Rico. Many other jurisdictions treat the carbon emission benefits qualitatively in absence of solid data for monetizing these benefits. LUMA suggests that GHG benefits be treated qualitatively, or through an adder in the PR Cost Test, until a sound basis for quantifying them in the avoided costs can be developed and approved. However, should the Energy Bureau elect to monetize/quantify carbon benefits, the benefit calculation should account for Puerto Rico's planned transition to renewables and the corresponding reduction in carbon intensity of the generation portfolio and the carbon benefits from future Energy Efficiency (EE) savings.