COMMONWEALTH OF PUERTO RICO
PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU

IN RE: ENERGY EFFICIENCY AND DEMAND RESPONSE TRANSITION PERIOD PLAN	**CASE NO.:** NEPR-MI-2022-0001 **SUBJECT:** Submittal of Responses to Requests for Information in Appendix A of Resolution and Order of October 12, 2022

MOTION TO SUBMIT RESPONSES TO REQUESTS FOR INFORMATION IN APPENDIX A OF RESOLUTION AND ORDER OF OCTOBER 12, 2022

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COME now **LUMA Energy, LLC** ("ManagementCo"), and **LUMA Energy ServCo, LLC** ("ServCo"), (jointly referred to as "LUMA"), and respectfully state and request the following:

1. On June 21, 2022, LUMA, filed with the Puerto Rico Energy Bureau ("Energy Bureau"), in the proceeding NEPR-MI-2021-0006, *In Re: Demand Response Plan Review, Implementation, and Monitoring*, a proposed Energy Efficiency ("EE") and Demand Response ("DR") Transition Period Plan for the launch of quick-start EE and DR programs ("Proposed EE and DR TPP") in attention to the Energy Bureau's requirements and the provisions of the Energy Bureau's Regulation for Demand Response ("DR Regulation")[1] and Regulation for Energy Efficiency ("EE Regulation")[2].

2. On June 28, 2022, the Energy Bureau issued a Resolution and Order initiating the instant proceeding for the review of LUMA's Proposed EE and DR TPP, confirming that a

[1] Regulation Number 9246, effective December 21, 2020.
[2] Regulation Number 9367, effective March 25, 2022.

previously scheduled Workshop would be held on June 29, 2022, and providing until July 13, 2022 for the public to provide comments to the Proposed EE and DR TPP.

3. On June 29, 2022, the Energy Bureau held a Workshop at which LUMA presented a summary of the Proposed EE and DR TPP.

4. On September 29, 2022, the Energy Bureau issued a Resolution and Order scheduling a Technical Conference for November 4, 2022, informing that it would be issuing questions to the public and LUMA regarding the Proposed EE and DR TPP, and establishing a deadline of November 14, 2022 to submit reply comments following the Technical Conference.

5. On October 12, 2022, the Energy Bureau issued a Resolution and Order ("October 12th Order") requesting responses by October 28, 2022 to two sets of requests for information- one directed to all stakeholders and LUMA, included in Appendix A to the October 12th Order, and the other directed only to LUMA, included in Appendix B to the October 12th Order.

6. After other procedural events, on November 2, 2022, the Energy Bureau issued a Resolution and Order ("November 2nd Order") extending the deadline to submit responses to Appendix B until November 4, 2022 and to submit responses to Appendix A until November 9, 2022, scheduling a Technical Conference for November 16, 2022, and establishing a new deadline to submit reply comments of November 30, 2022.[3] The Energy Bureau also determined to hold a workshop on November 4, 2022 to discuss the questions in Appendix A, which was held at the specified date and time.

[3] This extension was granted in response to the *Motion Requesting Extension to Submit Responses to Requests for Information in Resolution and Order of October 12, 2022, Rescheduling of Related Technical Conference and Extension of Attendant Reply Comment Period* filed by LUMA on October 27, 2022.

7. On November 4, 2022, LUMA submitted to the Energy Bureau its responses to Appendix B. *See* LUMA's *Motion to Submit Responses to Requests for Information in Appendix B of Resolution and Order of October 12, 2022* of that date.

8. LUMA now hereby submits to the Energy Bureau its responses to Appendix A. *See Exhibit 1*.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **take notice** of the aforementioned and accept LUMA's responses to Appendix A, attached herein as *Exhibit 1*, in compliance with the October 12th Order, as revised by the November 2nd Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 9th day of November 2022.

We hereby certify that we filed this Motion using the electronic filing system of this Energy Bureau and that we will send an electronic copy of this Motion to agraitfe@agraitlawpr.com; info@sesapr.org; elevin@veic.org; the attorneys for PREPA at jmarrero@diazvaz.law, kbolanos@diazvaz.law; and the Independent Office for Consumer Protection at hrivera@jrsp.pr.gov.

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EXHIBIT 1

LUMA's responses to Appendix A of the October 12th Order

LUMA's Responses to the Energy Bureau's RFI – Appendix A

NEPR-MI-2022-0001

November 9, 2022

1.0 Introduction

LUMA restates its appreciation to the Energy Bureau for scheduling the Energy Efficiency and Demand Response Transition Period Plan (TPP) Technical Workshop and to stakeholders for sharing their questions and thoughts on the Energy Bureau's posed requests for information in Appendix A regarding the filed TPP. The progress of the programs in the transition period is a collaborative effort between stakeholders and intervenors who understand that collaboration and public education are an important and critical part of the planning process. LUMA plans to work collaboratively with various stakeholders to achieve the overarching goals of the TPP as we also strive to build a more reliable and more resilient energy system.

In compliance with the October 12th Order as revised by the November 2nd Order, LUMA filed the responses to Appendix B on November 4th, 2022. LUMA's responses to Appendix A reflect the engagement and inputs received from stakeholders and feasibility considerations. LUMA looks forward to further discussions on the scheduled Technical Conference regarding the responses filed in Appendices A and B on November 16, 2022.

2.0 Questions from PREB – Appendix A: Requests for Information for all Stakeholders

QUESTION 1: What aspects of the Proposed TPP do you like? What about these aspects appeal to you and why?

LUMA was not ordered by the Energy Bureau to respond to this question.

QUESTION 2: What aspects of the Proposed TPP do you have concerns about? What are your concerns?

LUMA was not ordered by the Energy Bureau to respond to this question.

QUESTION 3: Regarding the education and outreach program, outreach efforts could be expanded to reach the local workforce so that contractors are aware of both the benefits of efficient technologies and upcoming incentive opportunities and can convey them to customers. Demonstration projects could focus on conveying benefits to contractors and potential participants.

a. What specific barriers or workforce knowledge gaps should LUMA focus on addressing in outreach efforts to contractors, suppliers, etc.?

RESPONSE

LUMA envisions the Education and Outreach program covering both customers and stakeholders (including contractors and suppliers) as noted in the Program Summary section of Section 4.2 of the TPP. Table 4-3 in Section 4.2 provides an initial analysis of the barriers and risks associated with the program and how the program will address them.

The focus of LUMA's education and outreach for contractors and suppliers would be on increasing awareness of efficient technologies and program incentive opportunities. The specific barriers and workforce knowledge gaps to address will vary by technology type. In general, based on experience in other jurisdictions, gap filling will likely focus on increasing understanding and in calculating the benefits to the participant of implementing a particular technology, for technologies that are currently in market. For new technologies not in market or with low local adoption, gaps could also include knowledge of which technologies are best suited to particular applications/use cases and appropriate installation techniques.

With respect to demonstration projects, LUMA's outreach and education efforts may include technical support for community demonstration projects as noted in the Services Provided section of Section 4.2 of the TPP. In addition to proving out technologies, demonstration projects can contribute to increased public awareness and interest in adopting more efficient technologies.

The specific barriers and workforce gaps to be addressed and the services to be provided through the education and outreach program will be finalized based on feedback from stakeholders and input from the implementation contractor selected to deliver the program. The implementation contractor selected will be an expert in these programs and may offer innovative ideas or other considerations that will change the final program design details.

QUESTION 4 As for the education and outreach program, LUMA should ensure marketing efforts resonate with customers. The Energy Bureau is considering requiring LUMA to frame programs as increasing affordability, resiliency, and job creation. In addition, LUMA could consider developing marketing materials in Spanish and translating to English, rather than the reverse. Further, LUMA could consider additional ways to best maximize participation and by-in, such as developing a separate brand for EE programs distinct from LUMA and partnering with community organizations.

a. How should programs be branded? (e.g., LUMA, Energy Bureau, or new EE- specific brand?)

b. What community organizations could be good partners to help maximize customer participation and buy-in?

RESPONSE

LUMA agrees that LUMA's EE/DR efforts will increase affordability, resiliency and job creation and intends to communicate these benefits to customers as broader "themes" or societal outcomes. LUMA also recognizes that these benefits may or may not be sufficiently tangible and compelling to convince customers to purchase the efficient technologies being promoted through LUMA's EE/DR programs. For this reason, the marketing messages for each program and measure will vary to address the unique and specific barriers to uptake of each. LUMA is confident that such "targeted messaging" to address technology or approach-specific barriers will have the greatest impact on the uptake of efficient technologies. A typical technology barrier is upfront cost. To encourage residential customers to replace CFLs with LED lighting, for example, messaging could focus on the savings and quick payback that will be achieved from their installation, with specific additional messaging targeted to other benefits that might resonate with certain participants and not others, such as pointing out environmental benefits (e.g, GHG reductions, contribution to Puerto Rico sustainability targets) for those customers interested in sustainability, and how quick the installation is for those that value convenience as highly important.

With respect to branding, LUMA believes that branding the overall portfolio of EE/DR programs under 1) the LUMA brand, or 2) a new EE-specific brand would be most effective. A common practice in other jurisdictions is to have a brand marketed through the utility, a central delivery agency or both, but using a separate brand for EE/DR portfolio such as "EmPOWER Maryland" or "Save on Energy" (Ontario, Canada). However, developing an effective brand requires market research and planning. LUMA recommends that any new branding should not be implemented during the Transition Period, where the focus is on quick launch. Instead, the foundation should be laid during the Transition Period for a brand that is released during the first 3-Year Plan Period.

LUMA recognizes that community organizations can help maximize customer participation and buy-in and are therefore valuable channel partners in program delivery. Given the valuable role that local organizations play in the EE/DR ecosystem, LUMA intends to work closely with a wide variety of local organizations in implementing the EE/DR programs. For example, LUMA has engaged with Tesla, Sunnova Energy and Grid Services, Sunrun Grid Services, Vermont Energy Investment Corporation (VEIC), Interstate Renewable Energy Council (IREC) Solar and Energy Storage Association (SESA), and other organizations that are committed to advancing customer knowledge and participation. Additionally, LUMA will also prioritize engagement with active stakeholders like Energy Justice, Independent Customer Protection Office (ICPO), Southern Alliance for Clean Energy (SACE), Institute for Competitiveness and Sustainable Economy (ICSE), and others.

QUESTION 5 As for the education and outreach program, the Energy Bureau is considering requiring LUMA to expand the technical assistance program given the passage of the Inflation Reduction Act (IRA) in the time since the Proposed TPP was prepared. This program helps customers maximize benefits from other funding sources, particularly those funded by the IRA and other recent Federal laws.

a. How much budget is appropriate to direct toward this program, both generally and for technical assistance?

RESPONSE

In order to answer this question, LUMA would first need to understand a) what types of technical assistance are needed, b) whether LUMA can help provide this, c) are there other actors better suited, and d) what resources and expertise this requires and what they cost. Additional research in these areas is needed to provide a solid basis for determining how much budget should be directed toward technical assistance (if it is appropriate to do so), identifying which IRA programs could support these efforts, and the requirements and timelines for accessing these types of funds.

QUESTION 6: Regarding residential demand response, Solar and Energy Storage Association of Puerto Rico (SESA-PR) indicates in its comments that there is a substantial untapped residential battery energy storage resource, and that the lack of a DR program is resulting in underutilization of this resource. Based on this finding, the Energy Bureau is considering requiring the replacement of the proposed residential battery demand response program with a scheduled dispatch program for both residential and commercial customers. For example, the batteries could charge during the solar peak between 10am and 2pm daily and discharge between 6pm and 10pm. No dispatch would be required or expected when a storm warning is issued. The Energy Bureau would particularly value answers to these questions from potential battery aggregators, such as the firms that have leased many of the distributed batteries deployed in Puerto Rico.

a. Should the program be open to both residential and commercial customers?

b. Should the program be open to individual battery owners, or only through aggregators?

c. Should the program provide a monthly payment (proportional to daily energy charge/discharge in kWh) instead of an upfront payment to better align payments with savings?

d. Should the payment amount be based on estimated system-level fuel cost savings from daily arbitrage?

e. Should the program provide a larger payment for batteries in critical facilities, or which serve more vulnerable customers?

f. How many years' commitment should be required to participate in the program?

RESPONSE

a. Should the program be open to both residential and commercial customers?

The program could be open to residential and commercial customers. The C&I Economic Demand Response program was designed for commercial customers that could utilize their batteries in that program, along with other devices. If this program were open to C&I customers, then the C&I Economic DR program would need to exclude batteries to prevent customers from enrolling the same battery in both programs.

B. Should the program be open to individual battery owners, or only through aggregators?

It may be beneficial for the program to be open to both individuals and aggregators. However, LUMA will not likely be able to enroll individual battery owners directly without a DERMS, therefore, the most viable solution in the near term is to work through aggregators.

However, this type of detailed program design decision should be made by the program administrator and/or the implementation contractor, based on careful consideration and expert judgement. Feedback and input from knowledgeable stakeholders are sought and can improve information available for decision-making. However, the program administrator must have discretion to select program design and delivery strategies and tactics to ensure the program's success.

c. Should the program provide a monthly payment (proportional to daily energy charge/discharge in kWh) instead of an upfront payment to better align payments with savings?

For an active dispatch program, current industry best practices suggest a pay-for-performance approach where the incentive payment is tied to the actual performance in terms of amount of energy discharged to the grid.

However, this type of detailed program design decision should be made by the program administrator and/or the implementation contractor, based on careful consideration and expert judgement. Feedback and input from knowledgeable stakeholders are sought and can improve information available for decision-making. However, the program administrator must have discretion to select program design and delivery strategies and tactics to ensure the program's success.

d. Should the payment amount be based on estimated system-level fuel cost savings from daily arbitrage?

The incentive payment to the customer should be based on the system avoided costs during the periods the energy is made available.

e. Should the program provide a larger payment for batteries in critical facilities, or which serve more vulnerable customers?

These and other design details should be assessed as part of the program design of an active dispatch program.

f. How many years' commitment should be required to participate in the program?

This and other design details should be assessed as part of the program design of an active dispatch program. It will also involve discussions with aggregators and aggregator contract period for the pilot/program offer.

As stated in the filed TPP, LUMA's goal is to launch and deliver new programs for Puerto Rico that will increase economic activity, help create jobs and grow local businesses, while improving the bottom line of industry, businesses, and households. These are ambitious goals that will take significant time and investment to achieve in Puerto Rico. The size and scope of Puerto Rico's Energy Efficiency programs will be limited by practical considerations of program implementation during the next few years. During the transition period, flexibility regarding the structure and management of the programs is key to enabling LUMA to estimate progress.

QUESTION 7: If funds are directed to a scheduled dispatch program and to additional technical support to harness federal efficiency funds, and assuming that the overall budget is fixed, that would require reductions in the budget for other programs.

a. Which budgets should be reduced, and by how much?

b. LUMA proposes a commercial economic demand response program that could utilize backup generators. The Regulation for Demand Response does not allow such a program; it only allows backup generators to be used for demand response in an emergency. How should the proposed budget for this program be reallocated?

RESPONSE

a. If budgets needed to be reduced, the Rebate programs could be the primary target for reduction as they are allocated the most budget. One way of reducing the spending on these programs would be to reduce the number of different measures that are eligible for incentive. For instance, instead of providing incentives for water heating, air conditioning, lighting and appliances, the measure list would be reduced to only one or two of these. However, the Rebate programs are the primary source of energy savings, so any reductions would mean LUMA is unable to meet the 0.1% planning target for energy savings.

b. It is correct that backup generators should not be eligible for this program, this was an oversight on LUMA's part. However, the solution is to simply remove backup generators from eligibility in the program. LUMA's Program Description states that "the curtailment method and the type of end-uses curtailed during DR events depend on the facility type; customers could shift load to backup generators if emissions regulations allow such operation. Customers could also shift load to any other storage device on site (e.g., thermal energy storage or batteries)." (Section 4.4.3). It has now been clarified that regulations do not allow shifting load to backup generators; however, customers may still choose other curtailment methods for participation in this program. LUMA's budget did not make specific assumptions about the number of participants who would curtail via backup generator. Therefore, there was no specific budget assigned to backup generator participants that should be reallocated, they should simply be removed from program eligibility rules.

QUESTION 8 Regarding the rebate program, the Energy Bureau agrees that the programs should serve existing residential and commercial customers and target specific end uses likely to comprise a significant portion of baseline energy use on the island such as lighting, water heating, refrigeration, and heating/ventilation/air conditioning (HVAC). The Energy Bureau is considering requiring several changes to the product list within the water heating end use.

a. Should rebates for tankless water heaters be removed from the program?

b. Should rebates for heat pump water heaters be added to the program?

c. Are there any other promising products and/or end-uses that are missing from the proposed program?

d. If so, is there any information on what proportion of energy consumption those products/end-uses currently account for?

RESPONSE

In identifying possible measures to include in the Residential Rebate Program, LUMA focused on efficient technologies that were currently readily available in the PR market. For example, both solar water heaters and tankless water heaters are readily available within PR, whereas heat pump water heaters are not readily available. Offering rebates for equipment that is not readily available in PR will cause frustration among customers and contractors.

Further, LUMA sought to provide relatively broad technology coverage and high levels of customer participation through the Residential Rebate Program within the constraints of a limited program budget. Hence, LUMA's focus was on readily available, lower cost and cost-effective efficient technologies that would require modest incentive levels to drive purchases.

As new technologies, such as heat pump water heaters, become commercially available in the PR market, LUMA will explore changes to the efficient technologies covered within the Residential Energy Efficiency Rebate Program as budgets permit.

QUESTION 9: Regarding the rebate program, the Energy Bureau agrees with LUMA that low-income customers should be eligible for higher incentives than non-low-income customers. However, the Energy Bureau notes that the incentive levels cover 30 to 50 of the incremental cost. The Energy Bureau is considering requiring that the planned incentive levels cover 100 percent of the total costs for low-income residents as this has been shown to be required for participation and this approach is similar to the approach adopted in other jurisdictions.

a. Should low-income incentives (after accounting for federal rebates, if available) be 100 percent of total costs to enable participation?

b. If not, should any increase in the proposed structure for low-income incentives be considered?

c. Are any other supports necessary to gain participation by low-income customers?

RESPONSE

While the incremental cost for efficient technologies, as compared to less efficient technologies, is a barrier to their adoption, it is not the only barrier. Lack of awareness and perceived performance risk are just two of the other barriers to adoption. LUMA's strategy for its EE/DR programs reflects holistic thinking with respect to addressing all of the barriers to a given efficient technology within a limited budget.

In developing the incentive levels for the Residential Rebate Program, LUMA sought to strike a reasonable balance between greater incentives for low-income customers and overall energy savings, relatively broad technology coverage and high levels of participation by customers of all types.

Increasing the incentives for low-income customers would likely increase take-up of efficient technologies by low-income customers but, all else equal, would also limit the budget available for other incentives and other types of customers. Ultimately, such a change within a fixed budget envelope would reduce the overall energy savings achieved through the EE/DR program.

If additional budget were made available, LUMA would be pleased to revisit the proposed incentive levels for low-income customers vis-à-vis other barriers and, based on this analysis, propose higher incentive levels, up to 100% of the incremental cost, where appropriate and cost-effective.

QUESTION 10: As for the rebate program, the Energy Bureau notes that LUMA has a concern with high participation levels and spending that exceeds budget. The Energy Bureau agrees that program continuity is important and does not want programs to ramp down or cease if interest exceeds budgets. The Energy Bureau is considering requiring a system of program overspending and underspending notifications and a mechanism for adjustments that would allow programs to continue operating. The Energy Bureau is considering a notification system that dovetails with the quarterly reporting process and is triggered based on one or more thresholds. The Energy Bureau is also considering a fully reconciling funding mechanism that allows for approved over and/or under spending to roll into the EE/DR budget for the subsequent year.

a. What timing for notification would best allow for discussion with the Energy Bureau and mid-course adjustments?

b. What threshold(s) for notification are important for program stability and will allow for mitigation of cost underruns or overruns?

RESPONSE

LUMA agrees with the need reconcile actual spending with forecasted spending. Similar to other Riders, such as SUBA-HH, SUBA-HNH and CILT, LUMA proposes performing an annual reconciliation when updating the rider for the next year's budget.

Given the variability in program spending expected throughout the first year and the benefits of consistent program offerings, LUMA proposes notifying PREB only when LUMA exceeds the annual aggregate budget. This is proposed for the first year of the TTP. Future years can contemplate notifications once program costs become more predictable. A mitigating mechanism already present in the TPP is the number of programs and measures being offered in the first year and the measured approach to program launch. Therefore, overruns or underruns of the budget are anticipated to be relatively small in absolute dollar amounts. LUMA would recover these budget overruns in the next year through the reconciliation process as stated above and similar to SUBA-HH, SUBA-HNH and CILT.

LUMA further proposes that only in extreme overspending or underspending cases are mitigating measures contemplated as consistency and predictability are key tenants developing a robust and long-term demand side management sector in Puerto Rico. Making multiple mitigating changes to programs, especially within the year of launch, could lead to customer and contractor dissatisfaction and lower participation in the programs.

LUMA will file quarterly reports on spending versus budget throughout the year to allow the Energy Bureau, stakeholders, and customers to review and monitor progress and activities.

QUESTION 11: Regarding the rebate program, the Energy Bureau notes that IRA opportunities came about after the proposed TPP filing. The Energy Bureau is considering requiring an adjustment to TPP rebate programs to account for IRA funding. As mentioned in an earlier question, the Energy Bureau is also considering requiring the addition of technical assistance to enable customers to estimate and claim IRA incentives.

a. What opportunities exist to coordinate LUMA rebates with IRA rebates implemented by the Public Energy Policy Program (PEPP)?

b. What other entities should LUMA coordinate with when engaging to provide technical assistance to customers to access IRA funding?

RESPONSE

LUMA continues to engage with entities to identify and collaborate on opportunities. Currently, LUMA is coordinating efforts with Public Energy Policy Program (PEPP) on design of a potential Emergency Demand Response program. As LUMA deepens this coordination, it will expand on the potential opportunities to provide technical assistance to costumers. LUMA will also work with Vermont Energy Investment Corporation (VEIC), Interstate Renewable Energy Council (IREC) Solar, and other organizations that are committed to advancing customer knowledge and participation. Additionally, LUMA will also prioritize engagement with stakeholders with strong customer relationships, as for example Energy Justice, Independent Customer Protection Office (ICPO), and others.

QUESTION 12: As for financing, the Energy Bureau agrees with LUMA's approach to not offer financing in the first few years of the program given the complexity of this offering and lack of structures in place in Puerto Rico. However, financing can take time to develop and gain consumer trust. The Energy Bureau is considering requiring that LUMA begin developing a pay-as-you-save or similar program and design and implement an on-bill repayment process.

a. What other entities should be consulted or involved in this endeavor?

b. Please provide suggestions regarding the structure of such a program, and suggestions of potential sources of capital or reserve funds.

RESPONSE

LUMA agrees that financing can take time to develop and gain consumer trust. Care must be taken to research and determine financing offerings most appropriate to Puerto Rico. LUMA believes that the next step towards launching a financing program is to develop a research and road mapping process to design an effective financing program. The key activities within this development process would include, but not be limited to:

- Understanding the extent to which lack of financing is a barrier to more efficient technology adoption in the near term, and the extent to which customer adoption would increase if financing were available (especially relative to incentives, which are much easier to develop and administer).
- Discussions with stakeholders and local financial institutions.
- Understanding existing financing sources and structures available in Puerto Rico for business as well as residential customers.
- Identifying possible funding sources (e.g., third-parties, revolving credit fund, ratepayers, etc.).
- Understanding potential default and credit risks associated with the provision of financing, and which entity(ies) these risks would be borne by under the various possible financing program structures and mechanisms.
- Identifying possible financing program structures and mechanisms and understanding of implications for LUMA staff and systems (e.g., billing system, customer connection/reconnection policies) of these different structures and mechanisms.

Regardless of the overall structure and features of the financing program, LUMA strongly recommends that funds for any financing program should be provided by a third-party financial institution to mitigate risks to ratepayers. This approach will also leverage the institution’s existing financing tools, processes and mechanisms. On-bill financing can still be achieved with the use of third-party financing and providing third parties with access to the customer bill for loan recovery.

QUESTION 13: Regarding performance metrics, the Energy Bureau is considering requiring an expansion of the reported metrics to include estimates of (1) customer energy savings as a percent of usage, (2) bill savings, (3) participation rates by geography, and (4) GHG emission reductions.

a. Are there any concerns with these potential metrics?

b. Are there any metrics missing that need to be added?

c. Is there a resilience/reliability impact metric that LUMA should report?

RESPONSE

Stakeholders have recognized that during the transition period the focus should be to encourage the systems and the tracking of progress that will build capacity toward the full-scale programs and not on the expansion of metrics. As implemented, the programs will inform and drive the decisions on how to effectively measure the results.

As stated in the filed Transition Period Plan, LUMA will prepare detailed Annual Reports including achievements and lessons learned, progress towards implementation, final annual energy and demand savings by program and sector and program costs. If the decision is made to report progress on additional indicators at some point, LUMA suggests this is added to the Annual Report. The Transition Period Plan is an opportunity to learn more about EE and DR markets and program implementation and how to effectively overcome barriers to EE adoption in Puerto Rico. Through testing a range of programs across its customer base, LUMA will track program performance and learnings.

Currently, LUMA reports on progress regarding the performance of the T&D System as part of Docket NEPR-MI-2019-0007. There LUMA provides information and data on metrics established for the performance of PREPA generation and on the T&D System performance based on the Energy Bureau's established metrics for PREPA's performance.

Additionally, LUMA has proposed the approval of Performance Metrics to measure its performance under Docket NEPR-AP-2020-0025 which is still under consideration by the Energy Bureau and where no final decision on the metrics that will measure LUMA's performance has been made to date. On October 28, 2022, LUMA presented additional metrics as required by the PREB on their December 22, 2021 Resolution and Order which ordered LUMA to propose metrics on Distributed Energy Resources, Vegetation Management, Energy Efficiency and Demand Response.

QUESTION 14: As for performance targets, the Energy Bureau is considering developing a list of activities and associated timing. Rewards and penalties can be administered based on whether the activities were completed as described and on time.

a. What activities should be included? What timeframes are reasonable for each activity?

b. How much should each activity be worth (in terms of the reward/penalty)? If respondents choose not to recommend specific dollar values, recommendations on relative weights would be welcome.

c. How much should all activities be worth (in terms of the total pool of potential rewards/penalties)?

d. How should the total pool of potential rewards/penalties be established (as a fixed dollar amount, percent of total EE budget, percent of the available incentive funds in LUMA's contract, etc.)?

e. Should there be penalties as well as rewards?

f. Should a bonus incentive be offered for exceeding expectations? If so, how would the Energy Bureau establish that LUMA had exceeded expectations?

RESPONSE

The Energy Bureau poses the questions of penalties and rewards and how should they be established and administered. LUMA believes that as discussed in the EE/DR TPP Technical Workshop, this period is one of transition where learning and progress should be supported and is not the right time to implement penalties and rewards. In the referenced Technical Workshop and addressing this question, Emily Levin from VEIC encouraged the Energy Bureau to keep a focus on the fact that this is a transition period, and the main goal of that period is to get started and to support learning and that is going to mean inevitably things aren't going to move perfectly and that the point is to learn along the way and improve. Emily Levin informs that rewards and penalties are an appropriate part of the full-scale programs that will hopefully launch in a couple of years but not as a part of the transition period. LUMA echoes this statement and continues to be committed to learning and improving as the programs grow and the public's knowledge expands.

QUESTION 15: Regarding funding sources and mechanisms, the Energy Bureau is considering the following.

- For FY23: (1) LUMA budget funds support all activities, including marketing, outreach, and education program implementation, up through and including incentive program launch, (2) EE Rider collection starts after incentive program launch, at a level intended to recover the appropriate share of the budget for FY23, and (3) LUMA and EE Rider funds are not segregated in this year.
- For FY24 and subsequent years, the Energy Bureau is considering a structure in which: (1) LUMA uses its budget for planning and administration costs and (2) the EE Rider funds incentive costs only.

  a. Given uncertainty in incentive program launch date, how do we best set the EE Rider value to cover the remaining funds required in FY23? If the Energy Bureau fixed the EE Rider at a set value (e.g., 0.1 cents/kWh) would that be sufficient for program funding and certainty? What is an appropriate definition of "wide availability" of rebate programs that can be a trigger for the collection of the EE Rider?

  b. What is an appropriate definition of “wide availability” of rebate programs that can be used as a trigger for the collection of the EE Rider?

RESPONSE

LUMA has allocated funding within its FY23 Annual Budget for program planning, administration and startup costs. LUMA believes that this allocation was warranted in order to “kick-start” the EE/DR programs and cover one-time startup costs for program planning and administration. However, it was LUMA’s intention that this source of funding would be temporary and transitional until appropriate and predictable funding was available, including through an EE Rider.

While LUMA proposed a “split” funding arrangement solely for FY23 to kick-start the EE/DR programs in advance of the implementation of the proposed EE Rider, LUMA did not intend for such “split” funding to be permanent. LUMA is not aware of any other utilities operating their EE/DR programs under such a “split” arrangement. Use of additional funds from the operating budget would not be appropriate as that would negatively impact other existing and necessary utility programs.

LUMA, therefore, suggests that the proposed EE Rider for FY24 be set to recover all the required cost of the EE/DR programs for FY24. In subsequent years, the EE Rider would similarly be set to recover the budgeted cost of the EE/DR programs for the year. To the extent that federal government or other funding sources are available and actually obligated, the EE Rider could be adjusted. The applicability of federal funds for these programs in Puerto Rico at this stage is highly uncertain and speculative.

a. **Given uncertainty in incentive program launch date, how do we best set the EE Rider value to cover the remaining funds required in FY23? If the Energy Bureau fixed the EE Rider at a set value (e.g., 0.1 cents/kWh) would that be sufficient for program funding and certainty? What is an appropriate definition of "wide availability" of rebate programs that can be a trigger for the collection of the EE Rider?**

   It is fine to set an annual fixed value for program funding, as long as that fixed value is sufficient to cover all program costs for FY24, with a balancing account mechanism in place to avoid program closure if the programs become oversubscribed in FY24.

b. What is an appropriate definition of "wide availability" of rebate programs that can be used as a trigger for the collection of the EE Rider?

LUMA recognizes that activating the EE Rider is complex and requires careful coordination. The programs that will be most widely available are the mass-market Rebate Programs (both residential and commercial). These programs provide a rebate for customers who install qualifying efficient equipment like water heaters and air conditioners. In order for these programs to be made available, LUMA needs the following elements in place:

- **Application Intake Process**: Customers will submit an application for a rebate in a web portal (or email). LUMA's implementation contractor must prepare the application form and the web portal.

- **Application Validation Process**: Rebate applications provide key information about the equipment. Only equipment with certain efficiency levels are eligible (e.g. SEER 14 Air Conditioner). LUMA must validate applications to ensure they are complete, and that equipment meets minimum eligibility requirements.

- **Rebate Payment Process**: Once application has been validated, LUMA's implementation contractor will mail a check to the customer.

- **Marketing Campaign**: LUMA will develop marketing materials for a marketing campaign, to notify customers and contractors that the program is available and how to participate.

- **Funding for Incentives**: LUMA should not begin the rebate programs until there is confidence that a Rider will be in place to fund them in FY24. If LUMA begins these programs in FY23 but the Rider is not activated by FY24, LUMA will not have budget in place to continue and risks stopping the programs soon after they've begun.

LUMA proposes the following roadmap to implementing the elements above and working towards a coordinate launch of widely available programs concurrently with the Rider:

1. **PREB Approval and Order.** PREB approves TPP and orders LUMA to file an EE Rider factor under Permanent Rate. Prior to filing EE Rider factor, LUMA will be required to achieved pre-launch milestones 2a-2d below in order to demonstrate readiness to launch widely available programs.

2. **LUMA Pre-Launch Milestones.** LUMA completes the following key milestones to be ready for program launch:

    a. Contract in place with Implementation Contractor.

    b. Implementation contractor has Application Intake, Validation and Payment systems and processes in place to begin receiving customer applications and issuing rebate checks.

    c. Marketing materials are ready for advertising campaign announcing program launch (e.g. LUMA's EE programs will be receiving applications on X date).

d. LUMA Billing department is ready to introduce a line item for the Rider on the bill.

e. LUMA notifies PREB that activities A-D have been completed and submits EE Rate Rider filing to PREB for PREB approval.

f. Implementation contractor begins outreach to major local contractors (and other key stakeholders) to provide orientation of program (e.g. participation process, terms & conditions, incentive amounts, etc).

3. **PREB Rider Approvals.** PREB approves the EE Rider Factor within Permanent Rate docket to ensure funding is available when programs are ready to launch. If PREB does not approve the EE Rider Factor or other appropriate and predictable funding, then Step 4 does not occur.

4. **Program Launch**. Program launch strategy begins with marketing campaign:

a. Launch new LUMA webpage with information about program, measures, and participation process, with “coming soon!” messaging.

b. Announce the program through multiple channels (media release, news articles, etc.) to notify customers/contractors that LUMA will begin receiving applications in one month.

c. Once program officially opens, LUMA begins accepting and processing applications and mailing checks. LUMA media announcements of first checks approved, highlight projects.

The figure below presents an illustrative overview of the relationship between funding and program launch. As the savings targets and program funding increase over time, LUMA will introduce additional programs and measures to scale up the portfolio accordingly.