

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

NEPR

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IN RE:

ENERGY EFFICIENCY AND DEMAND
RESPONSE TRANSITION PERIOD
PLAN

CASE NO.: NEPR-MI-2022-0001

SUBJECT: First Quarterly Report on
Administrative Costs and Expenditures of
TPP DR Programs

**MOTION TO SUBMIT FIRST QUARTERLY REPORT ON ADMINISTRATIVE COSTS
AND EXPENDITURES OF TPP DR PROGRAMS**

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 of the Public Service Regulatory Board (“Energy Bureau”) in the DR Proceeding a proposed Energy Efficiency (“EE”) and Demand Response (“DR”) Transition Period Plan containing the description of various EE and DR Programs to be implemented by LUMA during the Transition Period and associated budgets for Fiscal Years (“FY”) 2023 and 2024 (“Proposed TPP”). *See Motion Submitting Proposed EE/DR Transition Period Plan* in Case No. NEPR-MI-2021-0006, *In Re: Demand Response Plan Review, Implementation and Monitoring* of that date and its *Exhibit 1*.

2. On February 16, 2023, the Energy Bureau issued a Resolution and Order (the “February 16th Resolution and Order”) in the instant proceeding in which it considered, amended, and approved the Proposed TPP (the Proposed TPP, as approved by the Energy Bureau, the “TPP”). In the February 16th Resolution and Order, the Energy Bureau ordered LUMA to

administer a lower budget for FY 2023 EE and DR programs and fund the FY2024 of the TPP using the EE Rider funding or funding obtained by other means. *See* February 16th Resolution and Order on page 27. In addition, the Energy Bureau established deadlines for various activities under the Proposed TPP, including for filing the EE Rider. *See id.* at page 21.

3. On March 8, 2023, LUMA filed a motion requesting reconsideration of certain requirements or determinations in the February 16th Resolution and Order relating to performance targets. *See Motion for Reconsideration of Resolution and Order of February 16, 2023, and Request to Vacate Deadlines* of that date (“March 8th Motion”).

4. On April 3, 2023, the Energy Bureau issued a Resolution and Order (“April 3rd Resolution and Order”) in which, among others, it vacated the performance target requirements in the February 16th Resolution and Order, made several determinations regarding LUMA’s March 8th Motion, and ordered LUMA to file a petition for approval of the EE Rider on or before April 11, 2023. *See* April 3rd Resolution and Order on page 5.

5. On April 11, 2023, LUMA submitted a petition for approval of the EE Rider (“EE Rider Petition”). *See Motion to Submit EE Rider* filed on that date. In the EE Rider Petition, LUMA provided a budget for the EE and DR Programs for FY2024. *See id.* Exhibit 1 at page 7.

6. On May 19, 2023, in compliance with an Energy Bureau bench order of May 5, 2023, LUMA filed a revised EE Rider Petition (“Revised EE Rider”). *See Motion to Submit Revised Exhibit 1 to EE Rider Petition and Translation Thereof, in Compliance with Bench Order of May 5, 2023* of that date. The Revised EE Rider Petition contemplated that the entire budget for the FY2024 programs would be fully funded by the EE Rider.

7. On June 29, 2023, LUMA filed with the Energy Bureau a motion expressing concerns regarding the lack of funding to implement the TPP and requesting the Energy Bureau

urgently issue a determination regarding the Revised EE Rider Petition. *See Urgent Motion Requesting Determination Regarding the Revised EE Rider Petition and Clarifying the Calculated Factor in the Revised EE Rider Petition and Clarifying the Calculated Factor in the Revised EE Rider Petition Submitted on May 19, 2023.*

8. On June 30, 2023, the Energy Bureau issued a Resolution and Order in Case No NEPR-MI-2020-0001, *In Re: Permanent Rate of the Puerto Rico Electric Power Authority* (“Permanent Rate Case”) (“June 30th Resolution and Order”) wherein it determined, among others, to suspend the EE Charge [EE Rider] for the month of July 2023 given the “great probability that the costs associated with [EE] programs will be paid with funds not associated with the EE Charge [EE Rider].” *See June 30th Resolution and Order*, page 11.

9. On July 31, 2023, the Energy Bureau issued a Resolution and Order in Case No. NEPR-MI-2020-0001, *In Re: Permanent Rate of the Puerto Rico Electric Power Authority*, (“July 31st Order”), in which it determined, in pertinent part, that the cost of DR programs will not form part of the EE rider and ordered LUMA to contemplate the DR programs as part of the proposal of factors corresponding to the purchase power charge adjustment (“PPCA”) mechanism. *See July 31st Order* on pages 8 and 10.

10. On August 11, 2023, the Energy Bureau issued a Resolution and Order (“August 11th Order”) in which, among others, ordered LUMA to file on or before August 23, 2023, for the Energy Bureau’s approval, the associated cost related to the compensation to be offered to the DR Aggregators and/or ratepayers that participate in the Emergency DR Program to be recovered through the PPCA. *See August 11th Order* on page 3.

11. In compliance with the August 11th Order, on August 23, 2023, LUMA submitted to the Energy Bureau the proposed estimated costs associated with the Emergency Battery DR

Program (“BEDRP”), including the cost related to the compensation to be offered to the DR Aggregators that participate in the BEDRP to be recovered through the PPCA. *See Motion to Submit Costs Associated with Emergency DR Program In Compliance with Resolution and Order of August 11, 2023, and Request for Confidential Treatment* filed August 23, 2023 (“August 23rd Motion”). LUMA indicated that the costs of the BEDRP to be recovered through the PPCA would be approximately \$5,060,938. *See* August 23rd Motion on page 10.

12. On August 29, 2023, the Energy Bureau issued a Resolution and Order (“August 29th Resolution and Order”) approving the compensation level proposed by LUMA in the August 23rd Motion and determining that the BEDRP budget proposed by LUMA “is aligned with the budget for the equivalent program as approved in the [TPP]” and determined such estimated budget was reasonable to launch the program. *See* August 29th Resolution and Order on page 2. The Energy Bureau also determined that administrative costs for DR Programs will be recovered through the PPCA. *See id.* at page 3. To ensure that expenditures are reasonable and strictly related to the DR Program, the Energy Bureau adopted reporting requirements pursuant to which, LUMA shall report quarterly, within forty-five days after each quarter of a fiscal year closes. *Id.*

13. Regarding these quarterly reports, in the August 29th Resolution and Order, the Energy Bureau directed LUMA to “conform to the quarterly and annual (year-end) financial reporting requirements in line with the requirements listed in NEPR-MI-2021-0004 (Re: LUMA Initial Budgets and Related Terms of Service)” with quarterly reports including an explanation for material variances (greater than 10%). *Id.* The Energy Bureau also required: (1) detailed quarterly and fiscal year-to-date fund actuals receipt as compared to budgeted in-flows from the PPCA and the to-date fund balance; (2) summarized quarterly and fiscal-year-to-date program information in line with and compared to the assumptions used to develop the cost estimate in the August 23

Filing (Table 1. BEDRP Cost Estimate), detailing any variances; (3) quarterly and fiscal-year-to-date spending amounts for the program, detailing any variances and other details to allow this Energy Bureau to assess funding, withdrawals, and outstanding balances. *See id.* Finally, the Energy Bureau required that the reports include a breakdown of program administrative costs among the following categories: (1) program management, (2) system operations, (3) customer service, (4) professional services, (5) program evaluation, and (6) other expenses, and include a summary of the primary purposes for which funds have been spent and how the funds have been attributed and allocated to the Emergency DR Program. *See id.* at page 4.

14. On September 20, 2023, LUMA filed a motion with the Energy Bureau submitting, among others, a proposed revised budget for the BEDRP reflecting reduced administrative costs for FY 2024 and proposing to shift this cost reduction to increase the budget for estimated annual DR events while maintaining a total budget slightly below the approved \$5,060,938. *See Informative Motion and Request for Extension of Deadline to File Proof of Execution of Aggregation Agreements and Approval of Revised Program Budget* of that date on pages 8-9.

15. In compliance with the August 29th Resolution and Order, LUMA submits herein its first quarterly report on administrative costs and expenditures for the Customer Battery Energy Sharing Initiative (previously named Battery Emergency Demand Response Program).

16. LUMA would like to note that during the first two months of Q1 FY2024, LUMA did not have regulatory guidance on approved administrative costs or applicable reporting requirements. Given that Q1 FY2024 was two-thirds over by the time the additional reporting requirements were imposed by the Energy Bureau, Q2 FY2024 will reflect a fuller scope of the administrative costs incurred by LUMA for the DR Programs.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **take notice** of the aforementioned and **accept** the first quarterly report on administrative costs and expenditures for DR Programs under the TPP in *Exhibit 1* in compliance with the August 29th Resolution and Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 14th day of November 2023.

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 the attorney for PREPA at jmarrero@diazvaz.law; the Independent Office for Consumer Protection at hrivera@jrsp.pr.gov; and agraitfe@agraitlawpr.com, info@sesapr.org, bfrench@veic.org, shanson@veic.org, evand@sunrun.com, jordgraham@tesla.com, forest@cleanenergy.org, customerservice@sunnova.com, [javrua@sesapr.org](mailto:javrui@sesapr.org), pjcleanenergy@gmail.com, and mrios@arroyorioslaw.com.



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Exhibit 1

Q1 Report on Administrative Costs and Expenditures for DR Programs under the TPP

Customer Battery Energy Sharing (CBES) Initiative Administrative Costs Q1 FY2024 Report

Reporting Period – July – September 2023

Content

- Introduction
- Historic Progress Towards System Resiliency
- Regulatory Context
- Estimated Program Administrative Cost

Introduction

As operator of the electric transmission and distribution system, LUMA is responsible for helping to implement Puerto Rico's public energy policy, including important customer initiatives such as Energy Efficiency ("EE") and Demand Response ("DR") programs that are required by law and mandated by the Puerto Rico Energy Bureau (Energy Bureau).

LUMA is committed to working with the Energy Bureau to build a more reliable, more resilient, more customer-focused, and cleaner energy system that benefits everyone in Puerto Rico. To move toward this goal and to make it feasible for energy service customers to become prosumers as envisioned in Law 17, reliability solutions are being implemented to benefit all customers. Among these solutions is the incorporation of important energy-saving resources like DR programs that help reduce electricity usage during peak periods or when generation capacity is insufficient to meet customer demand.

BTM batteries have the potential to provide significant grid benefits. The Customer Battery Energy Sharing Initiative (CBES) is a DR program designed to leverage distributed batteries to reduce service interruptions. The pilot program will allow LUMA to develop procedures to leverage distributed batteries as a DR resource. The CBES is directed at residential and commercial LUMA customers with behind-the-meter ("BTM") batteries who are registered in the Net Energy Metering Program. Participants of the CBES receive compensation for operating their BTM batteries during Events.

Historic Progress Toward System Resiliency

Key milestones achieved during the administration and launch of the Customer Battery Energy Sharing (CBES) Initiative.

Customer Battery
Energy Sharing
Initiative Website
Launched

Customer Battery
Energy Sharing
Initiative Guidelines
Published

Five Master
Aggregation
Agreements
Executed

Customers
Enrolled

Educational
Messaging and
Dialogue with
Customers and
Industry Leaders

Regulatory Context

On August 29, 2023, the Energy Bureau issued a Resolution and Order, (“August 29th Resolution and Order”) approving the compensation level proposed by LUMA in the August 23rd Motion and determining that the CBES budget proposed by LUMA “is aligned with the budget for the equivalent program as approved in the [TPP] and determined such estimated budget was reasonable to launch the program.”

In the August 29th Resolution and Order, the Energy Bureau determined that costs for DR Programs will be recovered through the Purchase Power Charge Adjustment (PPCA) mechanism. To ensure that expenditures are reasonable and strictly related to the DR Program, the Energy Bureau adopted reporting requirements pursuant to which LUMA shall report quarterly, within forty-five days of the close of each quarter.

In compliance with the Energy Bureau’s orders, LUMA will conform to the quarterly and annual (year-end) financial reporting requirements in line with the reporting requirements listed in the Budgets Docket (NEPR-MI-2021-0004).



Estimated Program Administrative Costs

LUMA incurred \$97,221 in program management costs during the quarter. These program management costs were related to conducting regular meetings with potential aggregators and internal LUMA teams; technical sessions to develop operational aspects of the pilot; enrollment and reports development and the webpage development.

Professional services were related to external consulting support for program development and amounted to \$55,334.

Other expenses were related to procurement processes, regulatory filings, and legal support for developing and executing the Master Aggregation Agreements and amounted to \$42,693.

LUMA did not incur costs related to System Operations, Customer Service, and Program Evaluation, as the program had not yet begun operations in Q1.

Categories	Estimated Costs
Program Management	\$97,221
System Operations	\$0
Customer Service	\$0
Professional Services	\$55,334
Program Evaluation	\$0
Other Expenses	\$42,693
Total	\$195,248