

NEPR

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November 30, 2023

Eng. Edison Avilés-Deliz
President
Puerto Rico Energy Bureau

Lillian Mateo Santos, Esq.
Associate Commissioner

Eng. Ferdinand A. Ramos Soegaard
Associate Commissioner

Sylvia B. Ugarte Araujo, Esq.
Associate Commissioner

Antonio Torres Miranda, Esq.
Associate Commissioner

RE: DEVELOPMENT BY CODEFIN, INC. OF A COMBINED HEAT AND POWER
("CHP") SYSTEM IN THE HATO REY, PUERTO RICO DISTRICT COMMUNITY.

Dear Mr. President and Associated Commissioners:

We represent CODEFIN, Inc, in the referenced matter. Back on June 2, 2023, we submitted to the Bureau a request for guidance on certain regulatory aspects of our project. Copy enclosed, Exhibit "A".

Since then, we have continued to accrue substantial progress, and we would like to inform the Bureau and discuss those matters as soon as practicable. We, therefore, hereby request a meeting at your earliest convenience.

It is our understanding that such a meeting would have a constructive impact on the development of our project to advance common goals related to the ongoing diversification of our energy generation and distribution systems.

Sincerely,


Manuel Fernández Mejías, Esq.



NEPR

Received:

Jun 2, 2023

11:29 AM

May 31, 2023

Eng. Edison Avilés-Deliz
President
Puerto Rico Energy Bureau

Lillian Mateo Santos, Esq.
Associate Commissioner

Eng. Ferdinand A. Ramos Soegaard
Associate Commissioner

Sylvia B. Ugarte Araujo, Esq.
Associate Commissioner

Antonio Torres Miranda, Esq.
Associate Commissioner

RE: REQUEST FOR GUIDANCE RELATING TO LEGAL AND REGULATORY MATTERS WITH RESPECT TO THE DEVELOPMENT OF A COMBINED HEAT AND POWER ("CHP") SYSTEM IN THE HATO REY, PUERTO RICO DISTRICT COMMUNITY.

Dear Mr. President and Associated Commissioners:

I. INTRODUCTION

CODEFIN, Inc. ([CODEFIN – Hato Rey \(codefinpr.org\)](http://CODEFIN - Hato Rey (codefinpr.org))) is a registered U.S. Internal Revenue Code Section 501 (c)(3) and Puerto Rico Department of Treasury Regulation's, non-profit entity; currently contemplating the development of a resilient, hardened and environmentally compliant CHP power station and limited microgrid enhancement(s) ("Project").

The Project, with an estimate cost in excess of One Hundred Million Dollars, intends to generate efficient energy for the Hato Rey District community, (the "District") with a limited carbon footprint; at a lower cost and with an enhanced level of reliability.

As part of the Project, parcel locations are currently committed. The Project and its operations would be physically located in such parcels; residing within the Hato Rey Ward proper and includes utility-grade infrastructure enhancements.

The objective of the Project is to generate chilled water and electric power, safely and resiliently, for Hato Rey's denser residential, industrial, and commercial cluster. Namely, its *Norte* and *Oriente* sub-wards including three in-ward mass transit service stops commonly known as the *Tren Urbano* or *ATI*.



II. THE DISTRICT

The District includes a readily accessible site at the northwest corner of Hato Rey, near an elevated portion of State Highway One. The District incorporates innovative architectural features that also serve as a gateway to the central downtown area to the north, in conjunction with the elevated Sagrado Corazón Metro Rail station on the west.

The area is currently undergoing considerable office and commercial expansion projects which will benefit from the addition of the Project. In equal measure it is the beneficiary of its community robust efforts to develop, fund and implement new pedestrian, storm, sewer, and infrastructure undergrounding, as well as reinforce flood containment features in the Caño Martín Peña southern bank. Reflective of Puerto Rico Green policies initiated in 2010, the District will provide resilient, fuel-efficient, clean, necessary infrastructure systems for future growth, with a lower carbon footprint as well as enhanced electrical network resiliency and modern chilled water delivery.

Several alternative sites have been considered for the development of the Project; one such parcel is owned by the Government of Puerto Rico ("DTOP") which is both, a supporter of this initiative and would be an electricity off-taker of the Project.

III. ENERGY AND CHILL WATER DEMAND IN THE DISTRICT

CODEFIN has identified an approximate electricity Demand of 30 MW for critical consumers as follows:

- a) 5 MW mass transit metro rail operations
- b) 15 MW social interest residential consumers, industrial, mixed-use & local governmental services.
- c) 10 MW critical commercial, telecommunications, financial and insurance service providers, and high-density employment hubs.

The chilled water demand service for critical commercial, telecommunications, data processing, financial and insurance service providers has been surveyed between 7,000 to 9,000 Tons of Chilled Water.

IV. THE PROPOSED CHP SYSTEM

CODEFIN is proposing an LNG/Natural Gas fired CHP system and a hybrid chilled water plant for District Cooling with a Plant Capacity Range of 30 MWe [current total demand exceeds 37 MWe's] and Cooling Plant Capacity of 7,000 RT - 10,000 RT. [Surveyed demand exceeds 12K RT]

The Hato Rey CHP system will export onsite generated power to the electric grid via 38 kV and/or 115 kV high-voltage transmission line interconnection at an adjacent point to the existing grid substation.

Chilled water will be delivered by a network of chilled water supply and return distribution piping interconnected to energy transfer stations located in, or adjacent to, financial, commercial, government, retail, and residential building customers in the District. Up to twenty-five potential chilled water customers have been identified within the network distribution area.

The primary fuel will be Natural Gas, with onsite cryogenically liquified "LNG" storage; the selected technology shall be ready for hydrogen/natural gas-blend from the onset.



A standalone, onsite black start generator will provide adequate power for the start of the CHP plant in the event of a total loss of power.

V. CARBON FOOTPRINT REDUCTION

The Project is part of the District's decarbonization and Carbon Neutral operations. In order to achieve this, it has identified locally generated renewable energy sources including a) renewable Natural Gas (RNG), some of which is already locally available, as well as Green Hydrogen prospectively available right after the 2030 timeframe. In keeping with its protracted environmental commitments, a distributed battery energy storage (BESS) matrix is being evaluated by CODEFIN as a complimentary, efficient system which can further contribute to the District's carbon neutral aspirations.

VI. LEGAL AND REGULATORY MATTERS

As part of CODEFIN's comprehensive project development efforts, CODEFIN would like to consult with the Puerto Rico Energy Bureau (the "Bureau") to clarify and seek its guidance on certain legal and regulatory items. These items, all of which are embedded into the Commonwealth's Energy Public Policy established in Act 57-2014, as amended, known as *The Puerto Rico Energy Transformation and RELIEF Act* and Act 17-2019, known as *The Puerto Rico Energy Public Act*, may impact the development process not only of CODEFIN's CHP system but also, prospective facilities located around the Island. These items include:

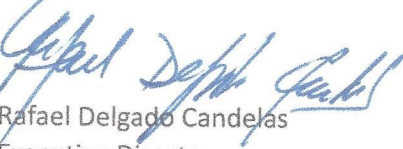
- a) Do entities like CODEFIN possess the legal rights to establish "*Microgrid(s)*" of interconnected loads and distributed generation within the boundaries of the District and act as a single controllable entity that can provide electricity services to District clients while retaining the capability to connect and disconnect from the Electric Power Grid to operate either as i) grid-connected or ii) disconnected (islanded) mode? What restrictions, if any, exist for using the current electric system for such purposes?
- b) Can the T&D system operator refuse to grant CODEFIN equal (albeit confidential) access to data required to develop i) complementary interconnection infrastructure to modify and/or enhance existing infrastructure and/or ii) to substitute such infrastructure, in relation to the proposed CHP system?
- c) Can entities like CODEFIN enter into an agreement with GridCo (i.e., the operator of the T&D system) for CODEFIN to pay for T&D infrastructure enhancements required to provide electric resiliency to the clients located within the District, through the CHP system, in case of an emergency such as hurricanes, earthquakes and similar events? Must such T&D infrastructure enhancements, *paid for* by district and community entities and not GridCO, be prorated as credits to clients serviced within the District?
- d) Article 1.3 of Act 17-2019 establishes that the Puerto Rico electric system shall operate openly rather than in a discriminatory manner, always subject to the Bureau's regulations. Article 1.8 of the same Act also establishes that Electric Power Service Companies and distributed generators, among others, "*that so request it shall be entitled to demand interconnection to the transmission and distribution network under nondiscriminatory conditions, when technically possible, and consistent with the Integrated Resource Plan and when the regulations of the Bureau thus allow it.*" Given the strong policy to allow open access to the grid, and the Central governments public policy strongly emphasizing distributed resources and grids: can the T&D system operator and/or GridCo refuse to interconnect systems like the proposed CHP, even if requirements set forth in the referenced Article 1.8 and/or in the Bureau's orders and regulations are met?



- e) Can entities like CODEFIN enter into power purchase agreements (PPA) with GridCo for the later to acquire from said entities surplus electricity generated by systems like the proposed CHP, insofar as said projects comply with the Bureau's, Commonwealth's and Federal statutes and regulations? To that effect, can the Unsolicited Proposal mechanism described in Act 29-2009, as amended, known as *The Public-Private Partnerships Act*, be used for such purposes?
- f) Can the T&D system operator and/or GridCo refuse to enter into a Wheeling Service Agreement with entities like CODEFIN when such entities meet all the requirements of Regulation 9374, Regulation on Electric Wheeling, and all Orders and Resolutions issued by the Energy Bureau with regards to the wheeling mechanism? If so, under which conditions/circumstances can the T&D system operator and/or GridCo refuse to enter into such Wheeling Service Agreement?
- g) Since it is not prohibited by applicable statutes and regulations, can the Bureau confirm that entities like CODEFIN may enter into a PPA with GridCo for the later to acquire surplus electricity generated by systems like the proposed CHP that is not otherwise sold to wheeling or onsite customers? In other words, can the Bureau confirm that entities like CODEFIN may simultaneously have a wheeling service agreement (or any other type of agreement) with customers and a PPA with the owner of the T&D system (i.e., GridCo) for the surplus electricity?
- h) Can the T&D system operator and/or GridCo refuse to enter into a net metering agreement whereby CODEFIN would be assured that such system operator would be required to acquire at least 5 MW's from CODEFIN'S surplus energy, pursuant to Section 2(a) (22 L.P.R.A. 1012 (a) of Act 114 of August 16, 2007, (the Puerto Rico Net Metering Program Act) and the regulations adopted by the Bureau?

Please let us know if you require any additional information. We highly value the Bureau's guidance; and thank you in advance for your support on this matter.

Sincerely,


Rafael Delgado Candelas
Executive Director
