

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

NEPR
Received:
Oct 9, 2024
6:15 PM

IN RE:

ENERGY EFFICIENCY AND DEMAND
RESPONSE TRANSITION PERIOD PLAN

CASE NO. NEPR-MI-2022-0001

**SUBJECT: Motion Requesting Approval
for Rollover of Unspent FY2024 Energy
Efficiency Program Funds to the FY2025
Budget for Energy Efficiency Programs**

**MOTION REQUESTING APPROVAL FOR ROLLOVER OF UNSPENT FY2024
ENERGY EFFICIENCY PROGRAM FUNDS TO THE FY2025 BUDGET FOR ENERGY
EFFICIENCY 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”), through the undersigned counsel, and respectfully states and requests the following:

I. Introduction

As the system operator, LUMA is responsible for facilitating the implementation of Puerto Rico’s public energy policy, including key customer initiatives such as Energy Efficiency (“EE”) programs, which are required by law and mandated by the Honorable Energy Bureau of the Puerto Rico Public Service Regulatory Board (“Energy Bureau”) and are critical for advancing Puerto Rico’s energy sustainability goals.

In accordance with these legal requirements and Energy Bureau directives, on June 21, 2022, LUMA submitted to the Energy Bureau a Transition Period Plan containing the description of various quick-start EE and Demand Response (“DR”) Programs to be implemented by LUMA during a transition period. This plan was amended and approved by the Energy Bureau on February 16, 2023 (“TPP”). On December 20, 2023, LUMA submitted to the Energy Bureau a revised

version of the TPP, that is currently in effect and covers Fiscal Years (“FY”) 2024 and 2025. The EE programs in the TPP include an Education and Outreach Program, an In-Store EE Discount Program, a Residential EE Rebate Program, a Business EE Rebate Program, an EE Kit Program, and a Community Street Light Initiative for the conversion of streetlights to LED lamps.

Due to the time needed for administrative setup, contractor solicitation and contractor onboarding, the implementation of the EE programs commenced in the third quarter of FY2024. As a result, there are approximately \$5.8 million of unspent funds from the approved budget for FY2024. LUMA nevertheless was able to successfully deliver over 18,000 MWh in energy savings in only 5.5 months of program operation in FY2024.

For the reasons set forth in this motion, LUMA is respectfully requesting the Honorable Energy Bureau to approve a rollover of these FY2024 unspent funds to the FY2025 EE budget. This rollover will allow LUMA to continue to drive program growth, enhance customer engagement, maintain program momentum, and maintain the TPP on track to achieve the original cumulative savings target for both TPP Program Years, while positioning the EE programs for greater long-term success in meeting Puerto Rico’s energy goals. LUMA highlights that this rollover will position the TPP to reach 72,180 MWh in reduced consumption, which is the equivalent of reducing consumption by 0.25% of annual MWh sales for each year of the TPP. In addition, it will contribute towards the broader goal established by law of achieving a 30% cumulative energy savings target based on 2019 energy sales by 2040.

II. Relevant Background and Procedural History

1. On June 21, 2022, LUMA filed with the Energy Bureau, in Case No. NEPR-MI-2021-0006, *In Re: Demand Response Plan Review, Implementation and Monitoring* a proposed EE and 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 FY2023 and FY2024 (“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* (“June 21st DR Motion”) and its *Exhibit 1* (this Exhibit 1, the “Proposed TPP”). The EE Programs in the Proposed TPP included an Education and Outreach Program; a Residential EE Rebate Program, providing a prescriptive incentive to customers purchasing energy efficient equipment from a list of qualified measures, including air conditioners, solar and tankless water heaters, and refrigerators; a Business EE Rebate Program, offering incentives to businesses for eligible measures, such as efficient lighting, HVAC, and water heating equipment; an In-Store EE Discount Program, providing a point-of-sale discount for eligible energy efficiency measures and geo-targeting of stores in low-income areas to provide low-income customers with greater access to energy efficiency opportunities; and a Community Street Light Initiative for the conversion of streetlights to LED lamps. *See June 21st DR Motion, Exhibit 1*. In addition, the Proposed TPP included certain DR programs, including a Battery DR Response Program targeting residential customers with behind the meter batteries and providing incentives for load shifting to batteries during DR event periods (this program is now called the Customer Battery Energy Sharing (“CBES”) initiative). *See id.*

2. In the Proposed TPP LUMA proposed a budget of \$9.9 million in FY2023 (for which it had allocated \$4.6 million from its base budget for initial program startup costs in FY2023) and \$20.5 million in FY2024. *See id.* at page 10. LUMA estimated 16,557 MWh as a savings goal for Year 1 (FY 2023) constituting 0.1% of Sales and an estimated 41,301 MWh as a savings goal for Year 2 (FY 2024) constituting 0.25% of Sales, in accordance with Section 2.02 of the Regulation for Energy Efficiency, Regulation 9367 (“EE Regulation”).

3. Following other procedural events, on February 16, 2023, the Energy Bureau issued a Resolution and Order (“February 16th Order”) commencing the instant proceeding and considering, amending, and approving the Proposed TPP (the Proposed TPP, as approved by the Energy Bureau, the “TPP”). In the February 16th Order, the Energy Bureau ordered LUMA to allocate a lower budget of \$4.57 million for FY2023 EE and DR programs and fund the FY2024 budget of the TPP using the EE Rider, except to the extent that LUMA decides to apportion some of its base budget to support EE and DR programs and files as such in its EE Rider filing, carries over unspent funds from its FY2023 EE and DR budget, and/or external funding is secured to displace EE Rider funds. *See* February 16th Order on pages 27 and 30. The Energy Bureau also ordered LUMA to file the EE Rider on or before April 1, 2023. *See id.*

4. On March 8, 2023, LUMA filed a motion requesting the Energy Bureau reconsider certain requirements in the February 16th Order relating to performance targets and vacate the deadlines in the February 16th Order. *See Motion for Reconsideration of Resolution and Order of February 16, 2023, and Request to Vacate Deadlines* (“March 8th Motion”). Among others, LUMA informed that it had issued the request for proposals for the Implementation Contractor for the EE programs on August 17, 2022, but given the procurement procedures and requirements that had to be met and the volume of active procurements, as of that date, the procurement of the Implementation Contractor had not been completed. *See id.* at page 41. LUMA further explained that the role of the Implementation Contractor was fundamental for the launch, implementation, delivery and administration of EE and DR programs, and therefore, until the Implementation Contractor was onboarded, these tasks could not be fully undertaken. *See id.* at page 42.

5. On April 3, 2023, the Energy Bureau issued a Resolution and Order (“April 3rd Order”) making several determinations regarding LUMA’s March 8th Motion and, among others,

ordering LUMA to file a petition for approval of the EE Rider on or before April 11, 2023 and “file, on or before 75 calendar days following the EE Rider Approval Date¹, documentation showing that LUMA is processing [EE] incentive/rebate applications”. See April 3rd Order on pages 2, 5 and 6 (footnote added).

6. On April 11, 2023, LUMA submitted a petition for approval of the EE Rider providing the proposed calculated factor to determine the EE charge (“EE Charge”) to cover the budgeted amount of \$20,538,083 for FY2024 set forth in the TPP and explaining that there would be no unspent funds from FY2023 to carry over to FY2024 and that LUMA did not propose apportioning any part of its base budget to fund FY2024 TPP programs (“EE Rider Petition”). See *Motion to Submit EE Rider*, Exhibit 1.

7. On May 19, 2023, in compliance with an Energy Bureau bench order of May 5, 2023, LUMA filed a revised EE Rider Petition with certain required clarifications and consolidating two DR programs into what is now the CBES but maintaining the same budget and EE calculated factor as the EE Rider Petition (“Revised EE Rider Petition”). See *Motion to Submit Revised Exhibit 1 to EE Rider Petition and Translation Thereof, in Compliance with Bench Order of May 5, 2023*, Exhibit 1.

8. 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*.

¹ The “EE Rider Approval Date” was defined as “the date on which the Energy Bureau issues an order establishing the value and implementation date for the EE Rider.” See *id.* at page 5.

9. 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 Order”) wherein it determined, among others, to suspend the EE Charge 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.” *See* June 30th Order on page 11.

10. On July 1, 2023, the Energy Bureau issued a Resolution and Order in the Permanent Rate Case (“July 1st Order”) wherein it clarified that it did not suspend the EE and DR programs as a result of the suspension of the EE Charge and ordered LUMA to continue with the implementation of the TPP and the EE and DR programs. *See* July 1st Order on page 2.

11. On July 31, 2023, the Energy Bureau issued a Resolution and Order in the Permanent Rate Case (“July 31st Order”), in which it determined, among others, that the cost of DR programs would not form part of the EE Charge and ordered LUMA to contemplate the DR programs as part of the proposal of factors corresponding to the Purchased Power Cost Adjustment (“PPCA”). *See* July 31st Order on pages 8 and 10.

12. On August 11, 2023, the Energy Bureau issued a Resolution and Order (“August 11th Order”) in which, among others, in order to “reflect ongoing uncertainty in funding for energy efficiency programs”, it modified the deadline for LUMA to file documentation showing that LUMA is processing EE incentive and rebate applications to “on or before 60 days following the earlier of two dates: 1) the date on which the EE Rider is implemented with a value greater than zero, or 2) the date on which LUMA or the Energy Bureau secure a funding commitment from an external source (such as the government of Puerto Rico or Federal funds) sufficient to implement approved EE programs”. *See* August 11th Order on page 3.

13. On August 29, 2023, LUMA filed the FY2023 fourth quarter TPP Report, in which it informed, among others, that LUMA planned to onboard the EE Implementation Contractor, and the details of the EE programs would be finalized based on input from this contractor. *See Motion to Submit FY 2023 Q4 Report*, Exhibit 1.

14. On September 22, 2023, the Energy Bureau issued a Resolution and Order in Case *In re LUMA's Initial Budgets*, Case No. NEPR-MI-2021-0004 (“September 22nd Budgets Order”) whereby, in pertinent part, it decided that the costs of the 2024 EE programs of the TPP would be recovered through base rate revenues, rather than through the EE Rider, and approved a reduced budget of \$11.5 million for the EE programs. *See September 22nd Budgets Order* on page 9.

15. On October 30, 2023, LUMA filed a *Request to Extend by One Additional Year the Deadline to File the Three-Year Plan, Concomitant Deadlines and Extend the Term of the Transition Period Plan for an Additional Fiscal Year* (“October 30th Motion”), which request was made given the delays to implement the TPP.

16. On November 21, 2023, LUMA filed an *Informative Motion and Request for Extension to Submit Documentation Showing the Processing of Energy Efficiency Incentive/Rebate Applications* (“November 21st Motion”) providing the status of the progress on the implementation of the Residential EE Rebate Program. LUMA informed that the integration of the LUMA systems with those of the Implementation Contractor, which was necessary to issue rebate checks, was taking longer than anticipated, and requested additional time to complete the remaining steps for integration and other pre-launch activities. *See November 21st Motion* on page 5. Consequently, LUMA requested the Energy Bureau to extend the deadline to submit documentation showing that LUMA is processing EE incentive and rebate applications until mid-January 2024. *See id.*

17. On November 29, 2024, LUMA filed the FY2024 first quarter TPP Report in which it informed that it had selected in October 2023 an EE Implementation Contractor and had signed a work order with this contractor to develop and launch a quick-start EE rebate program. *See Motion to Submit FY 2024 Q1 TPP Report*, Exhibit 1.

18. On November 29, 2023, the Energy Bureau issued a Resolution and Order (“November 29th Order”) granting LUMA’s request to extend the TPP by one year, to June 30, 2025, and delay the schedule relating to the filing of the Three-Year EE and DR Plan. *See November 29th Order* on page 7. In the November 29th Order the Energy Bureau recognized that the EE and DR programs were launched more than one year later than envisioned in the EE Regulation, that the EE Regulation envisioned that programs would be able to provide savings of 0.1% of annual sales in the first year and 0.25% in the second year, but that no EE savings had been achieved in the first year, and these savings began about halfway through the second year. *See id.* at pages 6-7. In addition, the Energy Bureau ordered LUMA to file, by December 8, 2023, a revised version of the TPP reflecting the adjusted timeframe and responses to a set of questions regarding the program budgets (“November 29th RFIs”).

19. On December 20, 2023, LUMA submitted to the Energy Bureau the revised version of the TPP (“Revised TPP”) and responses to the November 29th RFIs. *See Motion to Submit Revised TPP and Other Information Requested Under the Resolution and Order of November 29, 2023* (“December 20th Motion”) and its Exhibit 1 (which is the Revised TPP). The Revised TPP set forth a budget of approximately \$11.5 million for Program Year 1 (i.e., FY 2024) and an estimated budget of \$13.7 million for Program Year 2 (i.e., FY2025) EE Programs to achieve the savings targets of 0.25% for that year. *See id.* Exhibit 1, Sections 1.2 and 8.3. The Revised TPP also updated the portfolio of quick-start programs to add a new EE Kit program providing basic

EE measures free of charge to a large number of customers, to be quickly launched in the third quarter of FY2024. *See id.* Section 6.0.

20. On February 6, 2024, LUMA provided the Energy Bureau a status of the progress of the EE programs, informing, among others, that it had launched the webpage for the first phase of the Residential EE Rebate Program, and the program was active and fully operating. *See Informative Motion Regarding Status of Energy Efficiency Programs* on page 5. LUMA also explained that the timing for LUMA to start processing EE rebate applications was not within LUMA's control because it depended on the customers installing qualifying solar water heaters and submitting properly completed rebate applications. *See id.* Therefore, LUMA further indicated it would keep the Energy Bureau informed of the status of the EE programs and rebate applications during the quarterly TPP reports, including submitting the information on the processing of EE rebate applications when such processing commences. *See id.*

21. On May 15, 2023, LUMA filed its FY2024 third quarter TPP report ("Q3 TPP Report") in which it informed that during the month of March 2024, LUMA had started receiving EE rebate applications and had issued rebate checks. *See Motion to Submit FY2024 Q3 Consolidated Transition Period Plan and Demand Response Administrative Cost Quarterly Report, Inform on Processing of Energy Efficiency Rebates, and Request Confidential Treatment* on page 15 and Exhibits 1 and 2. LUMA also requested the Energy Bureau to confirm the source of funding for EE programs for FY2025. *See id.* at pages 15-17

22. On June 11, 2024, the Energy Bureau issued a Resolution and Order ("June 11th Order") in the Permanent Rate Case approving the implementation of the EE Charge to cover the EE program costs for FY2025.

23. On June 21, 2024, the Energy Bureau issued a Resolution and Order (“June 21st Motion”) requesting LUMA additional information regarding the Q3 TPP Report no later than seven (7) days from the notification of the June 21st Order (“June 21st ROIs”), including: information on the quarterly expenditures for each quarter of FY2024 for each EE program and a total year-to-date EE expenditures; the current best estimate of FY2024 fourth quarter and annual expenditures for each EE program and total EE expenditures; updated FY2025 program budgets by quarter informed by the experience in EE programs to date; updated timelines for the Business EE Rebates and In-Store EE Discount Programs; and whether LUMA anticipated spending all of its approved FY2024 budget and what it intended to do with unspent funds (“June 21st ROIs”). See June 21st Order on page 2.

24. On June 29, 2024, LUMA submitted its responses to the June 21st ROIs. See *Motion in Compliance with Resolution and Order of June 21, 2024* (“June 29th Motion”). Among others, LUMA explained that despite effective utilization (particularly in the FY2024 fourth quarter in which programs like the Residential EE Rebate and EE Kits Programs had shown significant increase in participation), LUMA would not fully exhaust the approved EE budget for FY2024; that in the Revised TPP submitted in December 2023, LUMA acknowledged a high degree of uncertainty regarding the expected expenditures for the remainder of FY024, specifically noting the potential for slow program participation as rebate programs had not yet fully launched at that time; that this uncertainty suggested that it was unlikely LUMA would exhaust the entire allocated amount of \$11.5 million for FY2024, if current participation rates did not increase significantly; that additional uncertainty stemmed from the consultant's late onboarding during the fiscal year, impacting the pace and initial rollout of certain programs, such as rebate initiatives, which had not reached full launch; and that, LUMA nevertheless expected that once the programs were launched,

they would ramp up significantly. *See* June 29th Motion on page 9. Regarding the proposed FY2025 budget of \$13,745,450, LUMA asserted that this budget accurately anticipated the costs for FY2025 based on current program performance and market conditions, ensuring alignment with regulatory expectations and strategic objectives. *See id.*

25. On August 13, 2024, LUMA filed its FY2024 fourth quarterly TPP report (FY 2024 Q4 Consolidated TPP and DR Administrative Costs Report (“Q4 TPP Report”)) in which it provided information and data on progress, performance, and costs associated with the implementation of the TPP EE and DR programs. *See Motion to Submit FY2024 Q4 Consolidated Transition Period Plan and Demand Response Administrative Cost Quarterly Report and Request* (“August 13th Motion”) and its Exhibit 1. With respect to the EE programs, LUMA informed in the Q4 TPP Report that the annual energy savings from all programs reached 18,258 MWh for FY2024, which constituted 55% of the annual target. *See id.* Exhibit 1, page 25. In addition, LUMA provided a detailed breakdown of costs for each EE program and outlined expenditures for FY2024 and year-to-date. *See id.* at pages 32-33. The data provided showed that \$4,727,949 year-to-date was spent on EE programs (out of the \$11.5 million budget), which represented significant underspending due to the implementation of programs halfway through the fiscal year. *See id.* at pages 27, 34 and 35. LUMA also described the cost deviations by program by explaining that: the Residential EE Kits Program costs showed a significant deviation in incurred costs (these were higher) due to the decision to ship a higher number of kits to customers due to the quick speed of implementation and the positive response from customers during previous launches; the In-Store EE Discount Program reflected early overspending due to a strategic decision to utilize the FY2024 budget to ensure a fresh budget for FY2025 and the development costs of this initiative were higher than initially planned; the Business EE Rebates Program showed the lowest underspent figure due

to partial reallocation of funds to the Business EE Kits initiative; and the overall budgeted costs between both Business EE Kits and Business EE Rebates Programs add up to the original budgeted amount for Business Rebates. *See id.* at pages 34-35.

26. On August 19, 2024, LUMA informed the Energy Bureau in case NEPR-MI-2021-0008, *In Re: Review of LUMA's Model Bill* (“Model Bill Docket”) that, as per the June 11th Order in the Permanent Rate Case, LUMA had commenced the implementation of the EE Charge on July 1, 2024; after issuing the July 2024 bills, LUMA identified that, due to an unanticipated situation in the billing setup, the EE Charge was not reflected in the July 2024 bills for most of the customers in the General Residential Service (“GRS”) tariff; and LUMA had implemented corrective measures and intended to collect the unrecovered July 2024 EE Charge amounts from unbilled GRS customers in the September 2024 bill. *See Informative Motion on Proposed Action Plan Relating to July 2024 EE Rider Charge* (“August 19th Motion”) in Model Bill Docket. LUMA further informed that the unbilled amount totaled \$445,238.92 (“July 2024 EE Uncollected Amounts”). *See id.* Exhibit 1, Section 1.0.

27. On August 26, 2024, the Energy Bureau issued a Resolution and Order in the Model Bill Docket in which it directed LUMA not to collect the July 2024 EE Uncollected Amount in the September 2024 bill and determined that this amount shall be removed from the FY 2025 EE budget.

III. Request for Approval of Rollover of Unspent FY2024 EE Funds to the FY2025 EE Budget

28. LUMA respectfully requests the Energy Bureau to approve the rollover of the FY2024 EE unspent funds to the FY2025 EE Budget. LUMA submits herein, as *Exhibit 1*, a detailed discussion in support of this request. *Exhibit 1* outlines the strategic importance of the rollover, details the specific budget allocations for each sector, and addresses how these funds will

be used to drive growth, enhance consumer demand, and better position the programs to deliver the targeted energy savings.

29. As further discussed in *Exhibit 1*, the delay in the roll-out of EE programs for FY2024 (due to the time needed for administrative setup, contractor solicitation and contractor onboarding), resulted in these programs commencing in the third quarter of FY2024. *See Exhibit 1* on page 2. Despite these initial delays, LUMA successfully delivered over 18,000 MWh in energy savings by the end of the FY2024 in only 5.5 months of program operation in FY2024. *See id.* at pages 1, 2 and 4.

30. Approximately \$5.8 million of the approved budget remains unspent, consisting primarily of unutilized incentive funds for customer rebates and funding for program planning and administrative resources. *See id.* at page 4. Rolling over this amount to the FY2025 EE programs will support the short and long-term success of EE programs, for several reasons. This rollover will mitigate the immediate revenue shortfall of \$445,238.92 caused by the Energy Bureau's directive to LUMA to not collect the July 2024 Uncollected EE Amount, maintaining the integrity of the approved FY2025 budget, while ensuring the EE program remains on track. *See id.* at pages 5 and 9. The proposed rollover will also enable LUMA to scale EE initiatives to improve delivery mechanisms, increase customer participation, and further optimize energy savings, all of which is essential for supporting the ongoing success and expansion of the EE programs. *See id.* at pages 1, 3, 4, 8 and 9. It will further allow LUMA to allocate resources effectively to enhance program performance and drive future growth, which is vital for achieving long-term EE goals. *See id.* at page 8.

31. The rollover amounts will be used for the FY2025 EE programs by: (a) expanding the Residential EE Rebates and EE Kits initiatives which saw a surge in the latter half of FY2024; (b)

providing additional funding for the Business EE Rebate Program (which had not surged by the end of the FY2024, but as of mid-September 2024 had seen an increase in rebate payments) and the Business EE Kits Program (which also saw an increase in orders as of mid-September 2024); (c) expanding and enhancing education and outreach efforts to build customer demand for incentive program investments; and (d) developing additional systems to reinforce EE program foundations, including for more effective stakeholder engagement, management and standardization of program design elements, and operationalization of customer data into insights that will allow LUMA to react more quickly to emerging opportunities to drive EE energy savings. *See id.* at pages 6-8.

32. Allowing the use of the unspent FY2024 funds as proposed will help carry forward the momentum gained in FY2024. *See id.* at pages 3, 7 and 8. EE programs benefit from a “snowball effect” where early investments build critical infrastructure, foster customer engagement, and drive market participation, leading to larger savings in subsequent years. *See id.* at pages 3 and 7. The TPP was designed for a two-year ramp up period to enable this ‘snowball’ effect to occur. *See id.* at page 3. In Exhibit 1, LUMA discusses the impact of this snowball effect on continued customer demand growth for incentives to the original forecast for FY2025 and concludes that if the trends continue, the entire FY2025 budget is expected to be spent by late March 2025, saving 38,885 MWh of energy, but potentially leaving customer demand for three or more months unmet. *See id.* The rollover of unspent funds represents an opportunity to meet this additional demand and achieve a total of 51,507 MWh of energy savings for the year. *See id.*

33. As a result of the above, by rolling over the unspent funds will better position the energy efficiency program to advance Puerto Rico’s annual EE targets for FY2025. LUMA estimates that this expanded budget will result in the delivery of 72,180 MWh in reduced

consumption for both Program Years 1 and 2 of the TPP, which is equivalent of reducing consumption by 0.25% of annual MWh sales for each year of the TPP. *See id.* at page 3. LUMA also estimates that the foregoing will contribute towards the broader goal of achieving a 30% cumulative savings target based on 2019 energy by 2040, in accordance with Section 3.01(A) of the EE Regulation. *See id.* at pages 3 and 8.

34. In sum, LUMA respectfully submits that the rollover of FY2024 unspent EE funds to the FY2025 EE budget will enhance the TPP's ability to drive program growth, improve customer engagement, and maintain momentum. This approach will help ensure that the TPP remains on track to meet the original cumulative savings targets for both Program Years and position the energy efficiency programs for long-term success in achieving Puerto Rico's energy goals.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **take notice** of the aforementioned and **approve** LUMA's request to rollover the unspent EE FY2024 funds to the EE FY2025 Budget.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 9th day of October 2024.

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 Independent Office for Consumer Protection at hrivera@jrsp.pr.gov, PREPA at mvalle@gmlex.net and arivera@gmlex.net, 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, pjcleanenergy@gmail.com, and mrios@arroyorioslaw.com.



DLA Piper (Puerto Rico) LLC
500 Calle de la Tanca, Suite 401
San Juan, PR 00901-1969
Tel. 787-945-9107
Fax 939-697-6147

/s/ Laura T. Rozas
Laura T. Rozas
RUA No. 10,398
laura.rozas@us.dlapiper.com

Exhibit 1

FY2025 Planned Program Budget for Energy Efficiency Programs

FY2025 Planned Program Budget for Energy Efficiency Programs

NEPR-MI-2022-0001
October 8, 2024

FY2025 Planned Program Budget for EE Programs

NEPR-MI-2022-0001

Executive Summary

I. INTRODUCTION

LUMA remains committed to working with the Puerto Rico Energy Bureau (Energy Bureau) in our mission to build a more reliable and resilient energy system for the people of Puerto Rico. As the system operator, LUMA is responsible for, and fully committed to, helping implement Puerto Rico's public energy policy, including key customer initiatives such as Energy Efficiency (EE) Programs.

Since 2023, LUMA has launched multiple EE programs that raised customer awareness on energy efficiency and energy savings, both of which are directly contributing toward Puerto Rico's energy reduction targets established in the Puerto Rico Energy Transformation and RELIEF Act ("Act 57-2014"). As of May 31, 2024 (the end of FY2024) LUMA's EE programs supported over 18,000 megawatt hours (MWh) in energy savings through over 16,500 free energy efficiency kits provided to customers and 1,255 Home Efficiency Rebates. To achieve this success, LUMA spent \$5.7 million of the \$11.5 million funds approved by the Energy Bureau for EE programs in FY2024 and through this filing is now formally requesting the Energy Bureau's approval to reallocate the unspent FY24 EE funds to the FY2025 EE budget.

This reallocation of FY2024 EE funds would provide increased support for current EE programs, more free EE resources for customers and result in greater energy savings for both customers and Puerto Rico's energy demands in FY2025. Additionally, this reallocation would enable LUMA an opportunity to achieve the remaining FY2024 energy savings target of 12,823 MWh, while also using the FY2025 budget to achieve FY2025 targets. Together, these targets will also support LUMA's Transition Period Plan for Energy Efficiency and Demand Response (TPP) goal to reduce 72,180 MWh of energy consumption by FY2025, equal to a 0.25% reduction of annual MWh sales.

LUMA has made substantial progress on EE programs and looks forward to working closely with the Energy Bureau and all our stakeholders to achieve our shared mission of building a better energy future for Puerto Rico.

II. Regulatory Background

LUMA's Energy Efficiency (EE) programs were designed strategically and systematically to build market readiness and customer awareness prior to the launch of full-scale EE and DR programs and are critical for advancing Puerto Rico's energy and sustainability goals. On April 11, 2023, LUMA submitted a motion proposing an estimated budget of \$15 million for FY2024 to support EE programs¹.

¹ See *Motion to Submit EE Rider* filed on April 11, 2023, in Case No. NEPR-MI-2022-0001, *In Re: Energy Efficiency and Demand Response Transition Period Plan*; *Motion to Submit Revised Exhibit 1 EE Rider Petition and Translation Thereof, in Compliance with Bench Order of May 5, 2023*, filed in that same case on May 19, 2023; and Resolution and Order Re: *Determination on the*

ENERGY EFFICIENCY AND DEMAND RESPONSE TRANSITION PERIOD PLAN FY2025

The Puerto Rico Energy Bureau approved a reduced budget of \$11.5 million on September 22, 2023 (FY2024 Q2), under Case No. NEPR-MI-2021-0004². Once the budget was approved by the Energy Bureau, the program rollout was extended to allow for a thorough administrative setup, along with careful contractor solicitation and onboarding processing, laying a foundation for long-term program success.

Due to the time required for administrative setup, contractor solicitation, and onboarding, the implementation of the EE programs commenced in the third quarter of FY2024. The launch included the successful rollout of EE kits, which impacted 10,000 customers within 24 hours, along with 155 applications received for the Home Efficiency Rebate Program.

LUMA successfully delivered over 18,000 MWh in energy savings by the end of FY2024 (within a 5.5-month implementation period). Approximately \$5.8 million of the approved budget remains unspent, consisting primarily of unutilized incentive funds for customer rebates and Program Planning and Administrative (PP&A) resources.

The FY2025 EE programs are supported by a dedicated budget specifically designed to meet Puerto Rico's energy savings targets at higher levels. The FY2025 budget for EE programs plays an important role in LUMA's continued commitment to building a more reliable, and resilient energy system for the people of Puerto Rico.

The FY2025 Planned Program Budget for EE Programs, Exhibit 1, outlines the strategic importance of the proposed reallocation "rollover", details the specific budget allocations for each sector, and addresses how these funds would be used to drive growth, enhance consumer demand, and better position the programs to deliver the targeted energy savings.

III. THE ENERGY EFFICIENCY RIDER

The EE Rider, established by the Energy Bureau and launched in July 2023, finances the activities outlined in the TPP for FY2025³ through a per-kilowatt-hour (kWh) charge for all customers. The budgeted amount that will be financed by the EE Rider for FY2025 (the period from July 1, 2024, to June 30, 2025) totals \$13,745,450, as set forth in the revised TPP filed on December 20, 2023 (see Table 8-5 of the revised plan)⁴.

Request for Partial Revision on the FY 2024 Annual Budgets by LUMA, GENERA and PREPA, issued in Case No. NEPR-MI-2021-0004, In Re: Review of LUMA's Initial Budgets, on September 22, 2023, on page 8.

² See Resolution and Order Re: *Determination on the Request for Partial Revision on the FY 2024 Annual Budgets by LUMA, GENERA and PREPA*, issued on September 22, 2023, on page 8.

³ See Resolution and Order Re: *Determinación sobre los Factores de las Cláusulas de Ajuste Anual para el periodo de julio 2024 a junio 2025*, issued on June 11, 2024, in Case NEPR-MI-2021-0004, *In Re: Review of LUMA's Initial Budgets*.

⁴ See Exhibit 1 of *Motion to Submit Revised TPP and Other Information Requested under the Resolution and Order of November 29, 2023*, submitted on December 20, 2023, in case, NEPR-MI-2022-0001, *In Re: Energy Efficiency and Demand Response Transition Period Plan*.

1.0 FY2025 Planned Program Budget

I. STRATEGIC APPROACH TO PROGRAM GROWTH

Rolling over unspent EE program funds from FY2024 to FY2025 will assist LUMA to progress towards Puerto Rico's goal of 30% cumulative savings by 2040.⁵

Initially, the budget for FY2024 was estimated to be \$15,375,000⁶ and was carefully crafted to support the launch and growth of LUMA's energy efficiency programs, with the understanding that sufficient funding would be crucial to set up the program while meeting regulatory targets⁷ and program goals.

Rolling over the unspent FY2024 funds will enhance the deployment and effectiveness of energy efficiency programs, targeting a reduction of 72,180 MWh in consumption for Program Years 1 and 2. This will help lower annual MWh sales by 0.25% each year and contribute to Puerto Rico's long-term goal of reducing consumption by 4,744 GWh annually by 2040, or 30% of fiscal year 2019 sales, aligning with Section 3.01(A) of the EE Regulation.

While there is already a budget in place for FY2025, rolling over the unspent FY2024 funds will support the growing demand for programs such as the residential rebate initiative and distribution of energy efficiency kits, which experienced a surge in interest during the latter half of FY2024 and continues to grow in the early months of FY2025.

EE programs benefit from a "snowball effect," where early investments build critical infrastructure, foster customer engagement, and drive market participation, leading to larger savings in subsequent years. The TPP was designed for a two-year ramp-up period to enable this "snowball effect" to occur. The ability to carry over unspent FY2024 funds will support this momentum.

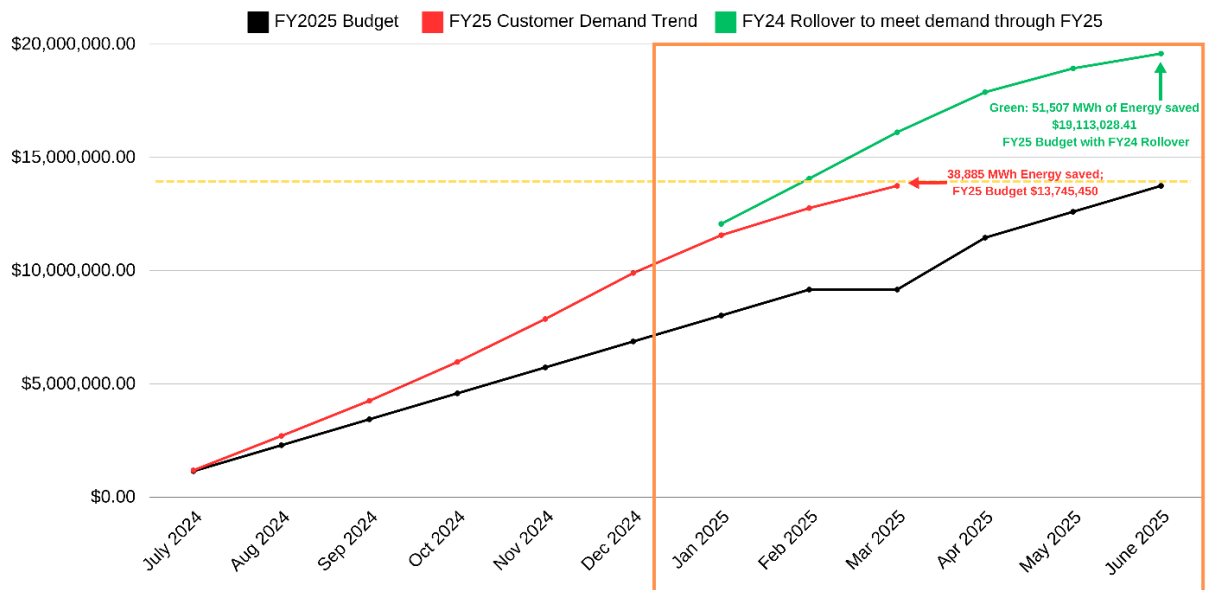
Figure 1 below shows the impact of TPP's "snowball effect" on continued customer demand growth for incentives compared to the original forecast for FY2025, represented by the black trend line. If the current growth rate continues in the coming months, as represented by the red trend line, the entire FY2025 budget is expected to be spent by late March 2025, saving 38,885 MWh of energy but leaving customer demands for three (3) or more months unmet. The green trend line represents the opportunity to meet customer demand through the end of the fiscal year by rolling over FY2024 unspent funds while achieving a total of 51,507 MWh of energy savings for the year.

⁵ Based on 2019 energy sales.

⁶ See *Motion to Submit EE Rider* filed on April 11, 2023 in Case No. NEPR-MI-2022-0001, In Re: Energy Efficiency and Demand Response Transition Period Plan; *Motion to Submit Revised Exhibit 1 EE Rider Petition and Translation Thereof, in Compliance with Bench Order of May 5, 2023*, filed in that same case on May 19, 2023; and Resolution and Order Re: *Determination on the Request for Partial Revision on the FY 2024 Annual Budgets by LUMA, GENERA and PREPA*, issued in Case No. NEPR-MI-2021-0004, In Re: *Review of LUMA's Initial Budgets*, on September 22, 2023, on page 8.

⁷ Section 6.29B of Act 57-2014, as amended, mandates the Energy Bureau to ensure Puerto Rico achieves 30% energy efficiency by 2040 and establishes energy efficiency programs, which may be managed and verified by a third-party administrator. Regulation 9367, Article 3, Section 3.01 sets a 2040 target of reducing electric consumption by 4,744 GWh annually (30% of PREPA's FY2019 sales), achievable through various programs, including PREPA-run initiatives and energy efficiency measures in government buildings. The Energy Bureau must annually report progress and establish yearly savings targets as part of the Three-Year Energy Efficiency Plan.

Figure 1: TPP “snowball effect”



The FY2024 EE budget was designed with the expectation of a full year of program operation. However, due to delays in program implementation, the actual expenditure did not match the initial projections. Rolling over the unspent funds will allow these resources to be fully utilized in FY2025, allowing LUMA to progress towards the energy efficiency targets originally set for in the transition period.

Non-incentive Program spending against the FY2024 budget for the TPP began in December 2023. Incentive spending for customer receipt of reimbursement for qualifying program participation began at the end of FY2024 Q3. Predictably, the TPP program closed the fiscal year with an unspent budget. The unspent budget amounted to nearly \$5.8 million, which represents about 50% of the total approved budget.

However, LUMA has made incredible strides in FY2024. Executing seven (7) months of the FY2024 workplan in only five and a half (5.5) months of program operation in FY2024, this accelerated implementation of LUMA's EE portfolio has delivered 18,144 MWh in annual energy savings. In the sections below, LUMA describes enhanced budgets and savings by sector and program.

The remaining \$5.8 million in the FY2024 budget include two categories of funding:

- *\$2.9 million of program incentive dollars.* These funds are entirely passed through to the customer.
- *\$2.9 million of PP&A funds.* These funds are used to administer the incentive programs.

LUMA is requesting to rollover approximately \$5,812,817 of unspent FY2024 EE funds to enhance savings and offset uncollected EE Rider funds in FY2025. This unspent budget represents a significant opportunity for LUMA to continue its commitment to energy efficiency initiatives.

ENERGY EFFICIENCY AND DEMAND RESPONSE TRANSITION PERIOD PLAN FY2025

Breakdown of Financials:

- **Remaining Unspent FY2024 EE Budget:** \$5,812,817
This amount reflects the unspent portion of the EE funds allocated for FY2024. By rolling over these funds, LUMA aims to achieve additional energy savings in FY2025 and ensure that available financial resources are maximized.
- **Uncollected FY2025 EE Rider Funds (July 2024):** \$445,238.92
These funds are essential for contributing to the megawatt-hour (MWh) savings that align with the original FY2025 targets, which aim for a 0.25% reduction in energy consumption. Use of these funds will mitigate undercollected rider funds, thus avoiding reductions in the FY2025 budget required to meet the planned savings goals.
- **Remaining FY2024 Funds for Additional Savings:** \$5,367,578.08
This figure represents the remaining FY2024 funds that LUMA intends to leverage for capturing additional energy savings that were not realized in FY2024. The goal is to utilize these resources effectively to bolster energy efficiency efforts in FY2025.

As shown in Table 1 below, LUMA provides the allocation per program of the FY2024 unspent funds and the uncollected FY2025 EE Rider Funds for FY2025 program implementation.

Table 1: Proposal for Revised TPP budget by Sector and Program

PROGRAM	FY2025 TOTAL PLANNED PROGRAM BUDGET (\$M)	FY2025 SAVINGS GOAL (MWH)	FY2025 INCREMENTAL FUNDS FROM FY2024 UNSPENT FUNDS MINUS UNBILLED EE RIDER ⁸	FY2025 INCREMENTAL FIRST YEAR ENERGY SAVINGS (MWH) FROM FY2024 UNSPENT FUNDS MINUS EE RIDER	FY2025 TOTAL BUDGET CONSIDERING ROLLOVER AND UNBILLED EE RIDER AMOUNT FOR JULY 2024
Residential Program	\$6,273,575	15,839	\$3,280,233	9947.92185	\$9,553,807.71
C&I Program	\$4,471,875	23,046	\$948,030	2875.07815	\$5,419,904.70
Education & Outreach Program	\$1,500,000	n/a	\$569,658	n/a	\$2,069,658.00
Cross-Cutting Planning, Admin & Startup Costs	\$1,500,000	n/a	\$569,658	n/a	\$2,069,658.00
Totals	\$13,745,450	38,885	\$5,367,578	12,823	\$19,113,028.41

⁸ Column 4 of Table 1 illustrates the final amount of FY24 unspent funds with the reduction of the reduction of the unbilled EE Rider Amount.

Enhancing Residential Energy Efficiency

The first quarter of FY2025 has shown strong growth in customer demand for residential EE programs, with signs that available incentives within the FY2025 budget may be expended by early FY2025 Q3. Investing an additional \$3.2 million of FY2024 rollover dollars in FY2025 will allow LUMA to continue meeting residential customer demand for energy efficiency through fiscal year-end.

LUMA's Home Efficiency Rebate Program launched with solar water heater rebates on January 23, 2024. On March 4, 2024, the program expanded to include rebates for five additional measures: air conditioning units, refrigerators, freezers, tankless water heaters, and solar water heaters⁹. The expanded program also included the addition of higher incentive levels for income-eligible customers. TPP Program Year 2 spending for this measure thus far is higher than expected with over \$900,000 in rebates paid to Puerto Rico customers by mid-September. FY2024 rollover funds will be invested to provide additional rebate incentives, helping to meet residential customer demand through the fiscal year-end.

In conjunction, LUMA also launched EE Kits, with several energy efficient products to educate customers on the benefits of energy efficiency and help them start saving energy immediately. These kits have proven to be highly cost-effective, as the substantial energy savings they deliver—nearly 17,000 MWh annually—far exceed the costs associated with their distribution. Demand for residential kits in FY2025 continues to be very strong. As of mid-September, LUMA has already provided more than 9,300 EE kits to its customers which, like residential rebates, shows higher than expected demand. LUMA proposes to allocate additional incentive dollars to this measure using FY2024 funds as it continues to provide tremendous co-benefits to energy savings by building customer knowledge of energy efficiency as well the other measures LUMA has available to support them.

Enhancing Commercial Energy Efficiency

LUMA proposes to rollover approximately \$949,000 of FY2024 funds into its Commercial Incentive Programs.

The Business Efficiency Rebate Program launched on April 15, 2024, featuring seventeen (17) measures, including LED lighting, commercial kitchen appliances, and air conditioning units to support local businesses in Puerto Rico. In FY2024 Q4 report, it was noted that driven by the success of the residential rebate program, LUMA allocated \$1,055,801.50 to a pre-fund account for business rebate demand. Although a surge in commercial rebate applications had not yet materialized by year-end, as of mid-September the program has already paid out over \$80,000 in business rebates. Additionally, \$100,000 in business rebates has been pre-approved for customers planning energy-efficient upgrades.

To maintain momentum in the uptake of the commercial rebates program, LUMA intends to utilize unspent FY2024 funds to ensure the availability of additional incentives and targeted education and outreach investments.

In alignment with residential programs, Business Energy Efficiency Kits were introduced on May 17, 2024. These kits include four types of energy-saving products and educational material regarding the benefits of energy efficiency. As of mid-September, LUMA has received orders for more than 2,500 business kits. Similar to the Residential EE Kits, significant co-benefits in energy savings are anticipated from these

⁹ See at LUMA's Home Efficiency Rebates Program website.

ENERGY EFFICIENCY AND DEMAND RESPONSE TRANSITION PERIOD PLAN FY2025

Business Energy Efficiency Kits. Therefore, LUMA plans to leverage FY2024 funds to ensure that additional kits are available through the end of the fiscal year.

Education and Outreach

In Fiscal Year 2024, LUMA made significant strides in advancing the Education and Outreach component of LUMA's EE programs. LUMA's initiatives were designed to raise awareness, drive participation, and support the effective implementation of energy-saving measures. Key activities and their impact are summarized as follows:

- Launched a new landing webpage for Customer and Business Incentive Programs, which includes sections for Rebates, EE Kits, and Energy Saving Tips.
- Developed brochures for Residential and Commercial Rebates that provide detailed information on available incentives and help customers understand how to participate in the programs. The brochures also included cross-promotion with other programs.
- Participation in industry events such as Solar and Energy Storage Association, *Asociación de Restaurantes de Puerto Rico*, and Energy Week to promote LUMA's EE programs.
- Conducted targeted outreach with contractors to inform them about LUMA's new EE programs. This initiative aimed to establish a network of skilled contractors who could assist customers with energy efficiency upgrades and ensure successful program participation.
- Collaborated with community-based organizations to extend LUMA's outreach efforts. These organizations played a crucial role in disseminating information about LUMA's programs to underserved communities and facilitating greater program participation. LUMA also collaborated with local business-focused organizations, helping LUMA reach different type of businesses, particularly small businesses.
- Email blast targeting approximately 6,000 small businesses to provide information about Business Energy Efficiency Kits and Rebates.
- Bill inserts were sent to all LUMA customers promoting the Residential and Business Rebates impacting more than 1.4 million customers.
- Social media posts were published to promote Business Rebates, Energy Efficiency Kits, and Energy Saving Tips.

The rollover of funds from FY2024 will enable LUMA to expand and enhance its Education and Outreach efforts during FY2025 to continue building the TPP "snowball effect" and provide more customer education opportunities. While the FY2025 budget is designed to meet its own savings targets and goals, rolling over FY2024 unspent funds to support additional education and outreach will be crucial for customer education and program uptake, helping to achieve the energy savings objectives originally set for FY2024.

LUMA proposes to focus some of the FY2024 rollover dollars on additional education and outreach to improve program adoption within the commercial sector. With the FY2024 rollover dollars, building upon FY2024 engagement with contractors, LUMA plans to enhance planned engagement with this critical group of proponents through additional webinars, workshops and one-on-one support to educate them on LUMA's EE programs and encourage them to promote these programs to customers. LUMA also

ENERGY EFFICIENCY AND DEMAND RESPONSE TRANSITION PERIOD PLAN FY2025

proposes to use rollover dollars to enhance plans for outreach such as emails, social media, and local business-focused organizations in order to reach additional customers.

By leveraging these additional resources, LUMA will ensure that the momentum gained in FY2024 is carried forward, enabling the achievement of both FY2024 and FY2025 goals in alignment with LUMA's long-term objectives.

Cross-Cutting Planning, Administrative & Startup Costs

Cross-Cutting Planning, Admin & Startup Costs encompass expenses related to the development and maintenance of processes and operational systems that support the overall implementation of energy efficiency programs. These costs include activities that are not directly allocated to individual programs but are essential for program execution.

They cover areas such as IT systems, application development, and professional services necessary for successful program deployment. IT systems, for instance, provide the infrastructure for tracking program performance, processing incentive applications, and managing customer data, ensuring efficient and accurate reporting. Application development is critical for creating user-friendly platforms that allow both customers and contractors to engage with the programs, apply for rebates, and access real-time information about energy savings. Additionally, professional services, such as legal, regulatory compliance, and program management support, ensure that the programs adhere to regulatory requirements, stay on budget, and meet the set performance targets. Without these foundational elements, the ability to implement and scale the EE programs effectively would be compromised, ultimately affecting the achievement of the overall energy savings goals.

In FY2024, funds were utilized for a range of activities including weekly meetings with the implementation contractor to ensure smooth program execution, the purchase of licenses for operating web pages such as the EE Kits webpage, and the development of new web pages to support program goals. These efforts were crucial in setting up the infrastructure needed for effective program delivery.

LUMA proposes to leverage FY2024 rollover funds to develop additional systems to reinforce the EE programs foundation for FY2025 and beyond. LUMA plans to invest the additional dollars in a system for effective stakeholder engagement and management, to implement and enforce standardized program design elements such as project pipeline reporting schedules and data uploads. LUMA also plans to invest in systems for enhancing its ability to operationalize customer data more quickly into insights that will allow a faster reaction to emerging opportunities to drive EE savings.

By continuing to leverage these resources, the TPP will be well-positioned to support Puerto Rico's overall objective of achieving a 30% cumulative savings target by 2040. The continuity provided by the rollover of funds will enhance FY2025 efforts, enabling the refinement of foundational elements and furthering the success of LUMA's energy efficiency programs.

II. DETERMINATION OF UNCOLLECTED EE RIDER AMOUNT

On August 26, 2024, the Energy Bureau issued a Resolution and Order stating that the uncollected EE Rider amount from unbilled General Residential Services (GRS) customers in the July 2024 bill will be removed from the EE Budget for Fiscal Year 2025¹⁰. Approximately 975,000 customers were inadvertently left unbilled due to a misconfiguration in the billing system, resulting in an estimated revenue shortfall of \$445,238.92. The Energy Bureau denied LUMA's request to include a line item in September's bill for these affected customers.¹¹

To address this issue effectively and ensure compliance with the Energy Bureau's directives, LUMA proposes to utilize \$445,238.92 from the unspent funds of FY2024. This approach is critical for several reasons. First, using the unspent funds allows LUMA to preserve the integrity of the originally designed FY20254 budget, which is essential for supporting the ongoing success and expansion of its EE programs. By maintaining this budgetary structure, LUMA can allocate resources effectively to enhance program performance and drive future growth, which is vital for achieving long-term energy efficiency goals. Second, by recovering these uncollected amounts through the rollover of unspent funds, LUMA positions the energy efficiency program to more effectively meet its annual targets for FY2025. This financial strategy not only helps mitigate the immediate revenue shortfall but also ensures that the success of the EE programs remains on track.

¹⁰ On August 19, 2024, LUMA informed the Energy Bureau in case NEPR-MI-2021-0008, *In Re: Review of LUMA's Model Bill* ("Model Bill Docket") that, as per Energy Bureau directives, LUMA had commenced the implementation of the EE Charge on July 1, 2024, but due to an unanticipated situation in the billing setup, the EE Charge was not reflected in the July 2024 bills for most of the customers in the General Residential Service ("GRS") tariff, that LUMA had implemented corrective measures and intended to collect the unrecovered July 2024 EE Charge amounts (totaling \$445,238.92) from unbilled GRS customers in the September 2024 bill. See *Informative Motion on Proposed Action Plan Relating to July 2024 EE Rider Charge*. On August 26, 2024, the Energy Bureau issued a Resolution and Order, in the same docket, in which it directed LUMA not to collect the July 2024 EE Uncollected Amount in the September 2024 bill and determined that this amount would be removed from the FY 2025 EE budget.

¹¹ See Resolution and Order re: *Resolution and Order for Informative Motion on Proposed Action Plan Relating to July 2024 EE Rider Charge, presented by LUMA*, in case NEPR-MI-2021-0008, *In Re: Review of LUMA's Model Bill*, issued on August 26, 2024.