

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

IN RE: REQUEST FOR INTERPRETATIVE
RESOLUTION: PUERTO RICO AQUEDUCT
AND SEWER AUTHORITY ("PRASA") -
PETITIONER

CASE No: NEPR-IR-2024-0002

SUBJECT: PRASA's Request for
Interpretative Resolution.

INTERPRETATIVE RESOLUTION

I. INTRODUCTION

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The implementation of electric energy wheeling in Puerto Rico represents a significant step in the transformation of Puerto Rico's electrical system, as envisioned in Act 57-2014¹, as amended, and Act 17-2019². This transformation aims to provide customer choice, promote renewable energy development, and enhance system reliability through market competition. The regulatory framework for wheeling has been established through several key actions taken by the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau").

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First, through Regulation 9374³ the foundational framework for wheeling was established, including the roles and responsibilities of key participants – such as GridCo as operated by LUMA Energy, LLC and LUMA Energy ServCo, LLC (collectively referred to as, "LUMA"), Provider of Last Resort, Retail Electricity Suppliers, and Independent Power Producers.

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Second, through the Energy Bureau Resolution and Order of December 7, 2021 ("December 7 Resolution")⁴, the initial customer eligibility criteria were established, determining that large commercial and industrial customers (250 kVA and over) shall be eligible to participate in wheeling. This measured approach aimed to ensure an orderly and efficient program launch while maintaining system reliability.

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Third, through Final Resolution and Order of January 22, 2024⁵ ("January 22 Resolution"), the Energy Bureau approved the Wheeling Services Agreement template and resolved outstanding implementation issues including the Annual Energy Imbalance Charge methodology, insurance requirements, and other operational matters.

This phased implementation approach reflects both the complexity of introducing Wheeling in Puerto Rico's electrical system and the Energy Bureau's commitment to ensuring its successful deployment. The framework established balances multiple objectives including:

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- Protecting the interests of all customers, both participants and non-participants
 - Maintaining system reliability and security
 - Promoting renewable energy development
 - Ensuring program viability and administrative efficiency

As implementation proceeds, the Energy Bureau continues to address specific questions and circumstances that arise, particularly those involving unique situations such as the one presented by the Puerto Rico Aqueduct and Sewer Authority ("PRASA") in its request for interpretative guidance.

¹ Known as *Puerto Rico Energy Transformation and RELIEF Act*, as amended ("Act 57-2014").

² Known as *Puerto Rico Energy Public Policy Act* ("Act 17-2019").

³ See Regulation No. 9374, Regulation on Electric Energy Wheeling, April 20, 2022 ("Regulation 9374").

⁴ Resolution and Order, *In re: Regulation on Retail Wheeling*, Case No. CEPR-MI-2018-0010, December 7, 2021.

⁵ Final Resolution and Order, *In re: Wheeling Implementation*, Case No. NEPR-MI-2023-0001, January 22, 2024.



On October 23, 2024, PRASA filed a request for interpretive guidance regarding several aspects of wheeling implementation. As the largest electricity consumer in Puerto Rico, with over 640 million kilowatt-hours of annual consumption and more than 2,000 service locations,⁶ PRASA presents unique circumstances that merit careful consideration. PRASA's request seeks clarification on various aspects of customer eligibility, particularly regarding the application of the 250 kVA threshold to its multiple service locations and the treatment of its aggregate demand.

II. RELEVANT REGULATORY FRAMEWORK

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The development of Wheeling in Puerto Rico has progressed through several key regulatory milestones that inform the Energy Bureau's consideration of PRASA's request. The Energy Bureau's authority to establish customer eligibility criteria for wheeling derives from Act 57-2014, as amended, and Act 17-2019. Through Regulation 9374 and subsequent orders, the Energy Bureau has developed a framework that balances program accessibility with system reliability and operational requirements.

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Through Regulation 9374 the Energy Bureau established the foundational Wheeling framework, defining key roles and responsibilities of participants and creating the structure for Wheeling Services Agreements. This regulation set forth the basic requirements for Wheeling participation and established the mechanisms through which the program would operate.

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Subsequently, through the December 7 Resolution the Energy Bureau established initial customer eligibility criteria, including the 250 kVA threshold for participation. The December 7 Resolution limited initial participation to large commercial and industrial customers while providing for future expansion of eligibility through subsequent orders.

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Most recently, in its January 22 Resolution, the Energy Bureau approved the Wheeling Services Agreement template and resolved several implementation issues. The January 22 Resolution established the Annual Energy Imbalance Charge methodology, modified insurance requirements, and removed certain proposed charges including Ancillary Services, Standing Capacity, and Provider of Last Resort charges. Importantly, it also established Peak Period Production incentives to encourage generation during high-demand periods. The Energy Bureau's authority to establish customer eligibility criteria for wheeling derives from Act 57-2014, as amended, and Act 17-2019. Through Regulation 9374 and subsequent orders, the Energy Bureau has developed a framework that balances program accessibility with system reliability and operational requirements.

III. INTERPRETATIVE GUIDANCE

A. *kVA Required to qualify for the Wheeling Program*

PRASA's request requires analysis of how these existing requirements apply to its unique operational profile. While certain technical aspects require additional information, the regulatory framework provides clear guidance in several areas:

1. Multiple Service Locations

The 250 kVA threshold requirement can be satisfied based on the aggregate demand of PRASA's multiple service locations. This guidance is based on several key considerations:

First, Regulation 9374 and subsequent orders do not explicitly prohibit the aggregation of demand across multiple service locations for qualification purposes. Currently, the 250 kVA threshold serves to ensure participating customers have sufficient scale.

Second, as a public corporation providing essential services, PRASA operates as a single entity despite having multiple service locations.

⁶ See, Request for Interpretive Resolution, October 23, 2024, in NEPR-IR-2024-0002.



2. Voltage Levels

The existing framework already contemplates service at various voltage levels through established Loss Adjustment Factors.⁷ No additional regulatory interpretation is needed regarding PRASA's ability to participate at different voltage levels, provided other eligibility requirements are met.

B. Interpretation of Wheeling Charges and Credits

1. Energy Imbalance Provisions

a. Hourly Energy Imbalance

There are no penalty provisions for producing less energy when compared to consumption in the Wheeling Services Agreement template.⁸ It is noted that under Section 10.2 of the Wheeling Services Agreement template, during T&D system outages:

- For outages less than 60 days: Standard imbalance charges remain applicable
- For outages 60 days or longer: Energy delivered from day 60 forward is excluded from imbalance calculations but instead charged for the FCA and PPCA based on the Retail Wheeling Customer's consumption.

Force Majeure events, as defined in Section 20 of the Wheeling Services Agreement, receive the same treatment as system outages for imbalance calculation purposes.

b. Annual Energy Imbalance

There are no penalty provisions for producing less energy when compared to consumption.⁹ The Annual Energy Imbalance Charge methodology established in the January 22 Resolution applies uniformly to all wheeling customers. Periods of Force Majeure or extended system outages (60 days or greater) are excluded from the annual calculations.

2. Implementation Costs

The January 22 Resolution explicitly deferred determination on Wheeling Implementation Costs pending further evaluation. This deferral would apply to all potential wheeling customers, including PRASA. Until the Energy Bureau issues a further order on this matter, no implementation costs may be charged.

3. Future Charges

The January 22 Resolution specifically denied charges for Ancillary Services, Standing Capacity, and Provider of Last Resort. While these matters may be revisited in future proceedings, any such charges would require:

- A new Energy Bureau order
- Full administrative process
- Compliance with Regulation 9374's requirements



⁷ See, Section 1.39 and Attachment B of Wheeling Services Agreement template filed October 18, 2023 by LUMA in case number NEPR-MI-2023-0001 and approved by the Energy Bureau by the Final Resolution and Order issued January 22, 2024.

⁸ See, Attachment B of the approved Wheeling Services Agreement template.

⁹ *Id.*

4. Rate Cap Request

The Energy Bureau's rate-setting authority under Act 57-2014 and Act 17-2019 does not contemplate establishing long-term fixed rate caps for specific customers. Rates must be established through appropriate regulatory proceedings that ensure just and reasonable rates for all customers.

C. *Interpretation of Consolidated Billing and Settlement Mechanisms*

The Energy Bureau's interpretation of consolidated billing and settlement mechanisms under the Wheeling framework considers several key regulatory provisions:

1. Authority for Consolidated Treatment

The Wheeling Services Agreement template provides for multiple delivery points under a single agreement through Attachment B-1. This framework, combined with the Energy Bureau's prior determinations, do not reject aggregate demand qualification, supports consolidated treatment of credits and charges where technically feasible.

2. Settlement and Billing Framework

Under the January 22 Resolution, wheeling credits are calculated based on the full fuel cost adjustment rider and full purchased power cost adjustment rider. The Energy Bureau interprets that these credits may be applied on a consolidated basis across all participating meters under a single Wheeling Services Agreement, provided that:

- All participating meters are clearly identified in Attachment B-1 of the Wheeling Services Agreement
- The consolidated treatment maintains the ability to verify and audit individual meter data
- The settlement process adequately accounts for applicable Loss Adjustment Factors based on the voltage level of each delivery point

3. Rider Structure

The consolidated treatment of wheeling credits and charges may be implemented through a rider mechanism that applies to the total qualifying wheeling volume across all participating meters, subject to:

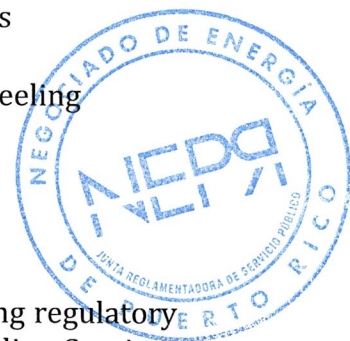
- Proper accounting for voltage-level-specific Loss Adjustment Factors
- Maintenance of meter-level data for verification purposes
- Clear documentation of the consolidation methodology in the Wheeling Services Agreement

IV. CONCLUSION

The interpretations provided herein derive from careful analysis of the existing regulatory framework, including Regulation 9374, prior orders, and the approved Wheeling Services Agreement.

The Energy Bureau determines eligibility for wheeling participation may be based on an entity's aggregate demand across multiple service locations. Additionally, credits and charges may be consolidated across participating meters under a single Wheeling Services Agreement, subject to appropriate technical implementation requirements.

These interpretations recognize **both the unique characteristics of PRASA as an essential service provider and the need to maintain the integrity of the wheeling framework.** The Energy Bureau emphasizes that while these interpretations provide clarity on




regulatory requirements, the technical implementation details must be developed through the established processes in the Wheeling Services Agreement.

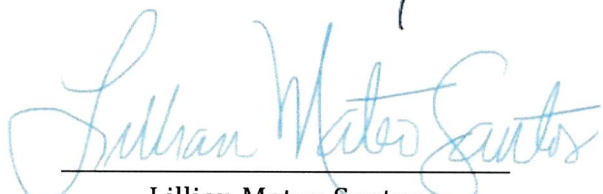
All provisions of Regulation 9374, the Wheeling Services Agreement, and applicable Energy Bureau orders remain in full force and effect. This Resolution and Order shall not be deemed, interpreted or construed as a modification to Regulation 9374, any technical requirements, operational standards, or consumer protection provisions established in the regulatory framework.

This Interpretive Resolution is based on the specific facts presented by PRASA and considers that the Wheeling mechanism and the associated regulations represent a novel matter in this jurisdiction. Given these circumstances the Energy Bureau reserves the right to further modify this guidance should further circumstances so require.

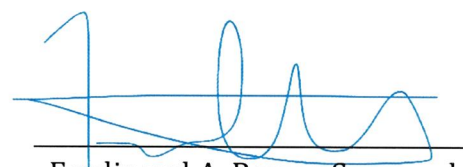
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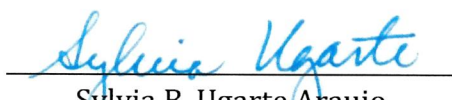
Edison Avilés Deliz
Chairman



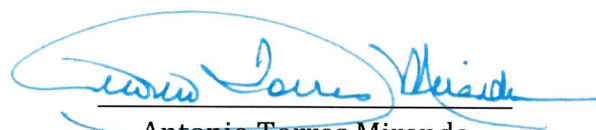
Lillian Mateo Santos
Associate Commissioner



Ferdinand A. Ramos Soegaard
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner




Antonio Torres Miranda
Associate Commissioner

CERTIFICATION

I certify that the majority of the members of the Energy Bureau has so agreed on November 27, 2024. I also certify that on November 27, 2024 a copy of this Resolution was notified by electronic mail to the following ilopez@mpmlawpr.com; mario.hurtado@lumapr.com; preborders@lumapr.com; legal@lumapr.com. I also certify that on November 27, 2024, I have proceeded with the filing of the Resolution issued by the Energy Bureau and I have sent a true and exact copy to the following: Ing. Joel Lugo Rosa, Autoridad de Acueductos y Alcantarillados, PO BOX 7066, San Juan, PR 00916-7066.

I sign this in San Juan, Puerto Rico, on November 27, 2024.



Sonia Seda Gaztambide
Clerk