

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

IN RE: NOTICE OF NONCOMPLIANCE
WITH THE PUERTO RICO ENERGY PUBLIC
POLICY

CASE NO.: NEPR-AI-2025-0001

SUBJECT: LUMA Noncompliance with SAIDI
Metric.

RESOLUTION AND ORDER

I. INTRODUCTION

Pursuant to the provisions of Act 57-2014,¹ the Energy Bureau of the Puerto Rico Public Service Regulatory Board (“Energy Bureau”) has jurisdiction over the Puerto Rico Electric Power Authority (“PREPA”) and any other certified electric power company providing services within the Government of Puerto Rico. Act 57-2014 states it is public policy that all consumers have the right to a reliable and stable electric service.²

Act 17-2019³ broadened the Energy Bureau’s authority and reinforced the foregoing public policy by declaring that, “(t)he electric power system should be reliable and accessible, promote industrial, commercial, and community development, improve the quality of life at just and reasonable cost, and promote the economic development of the Island.”⁴ Furthermore, Act 17-2019 established certain express mandates to the Energy Bureau including, but not limited to, developing incentive mechanisms to make the enforcement of the energy policy feasible.

As such, in accordance with Act 57-2014 and Act 17-2019, the Energy Bureau has the authority to oversee and enforce compliance with performance standards that promote a reliable, affordable, and sustainable electric service for all consumers. These laws create a regulatory framework aimed at ensuring that Puerto Rico’s energy system operates efficiently and in the best interest of the public.

On May 14, 2019, the Energy Bureau initiated proceeding NEPR-MI-2019-0007 to evaluate the performance of PREPA in key operational areas, including service reliability metrics such as the System Average Interruption Duration Index (“SAIDI”). Since June 1, 2021, LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly referred to as, “LUMA”), assumed responsibility for operating and maintaining Puerto Rico’s electric transmission and distribution system, thereby assuming PREPA’s obligations regarding compliance with these performance metrics.

As such, as the operator of Puerto Rico’s electric system, LUMA is required to comply with performance standards, including SAIDI.

Based on reports submitted to the Energy Bureau and the performance analysis conducted by this regulatory body, a failure to considerably improve reliability and meet the established SAIDI benchmark has been identified.⁵ The SAIDI metric for Fiscal Year 2024

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

² *Id.*, Art. 1.2 (l).

³ Known as the *Puerto Rico Energy Public Policy Act* (“Act 17-2019”).

⁴ *Id.*, Statement of Motives, p. 2.

⁵ See Resolution and Order, *In Re: The Performance of the Puerto Rico Electric Power Authority*, Case No. NEPR-M1-2019-0007, May 21, 2021 (“May 21 Resolution”).



("FY24") is worse than FY23,⁶ indicating an increase in the average duration of service interruptions and/or reflecting longer service outages.⁷

II. IDENTIFIED NONCOMPLIANCE

Section 14.01 of Regulation 8543,⁸ states that the Energy Bureau may issue a Notice of Noncompliance if it learns that a person has incurred, is or may be incurring in a violation of Puerto Rico's public energy policy, Act 57-2014, as amended, any regulation of the Energy Bureau, or any other law whose interpretation, implementation, or enforcement falls under the jurisdiction of the Energy Bureau.

Following a review of LUMA's FY24 performance report, SAIDI results for this period were worse than those reported for the previous year, indicating a decline in service reliability.

Specifically, for FY24, LUMA reported an annual system SAIDI value for the combined transmission and distribution system of 1,432 minutes, which measures the time that an average customer experiences power outages during the year due to disruptions to the transmission and distribution system. This value is calculated by summing the monthly SAIDI (T&D) values for FY24 which encompasses the period of July 2023 through June 2024. This is a deterioration over LUMA's FY23 performance of 1,218 minutes, and a worsening of 189 minutes relative to the FY20 baseline of 1,243 minutes. LUMA's SAIDI performance is significantly worse than the benchmark established in the Energy Bureau's May 21 Resolution.⁹ The SAIDI benchmark was set at 102 minutes per month; Puerto Rico is experiencing 119 minutes of outages on average per month.

LUMA's SAIDI has surpassed **both the previous year and the regulatory threshold**. This noncompliance represents a failure to meet the reliability standards established to ensure an electric system that is resilient and responsive to consumer needs, in alignment with the principles set forth in Act 57-2014 and Act 17-2019.

As a result of this worsening reliability, and noncompliance with Puerto Rico's energy policy, the Energy Bureau is compelled to issue a Notice of Noncompliance to ensure corrective action. Given the severity of the situation a fine is necessary to counteract this negative trend in outage duration and ensure compliance with performance standards.

The Energy Bureau will utilize the penalty provisions outlined in Act 57-2014, which grants the Energy Bureau the authority to oversee and regulate electric power companies, ensuring adherence to compliance benchmarks and the delivery of reliable electric service. Particularly, according to Section 6.36 of Act 57-2014, the Energy Bureau is empowered to impose administrative fines for violations of the act, its regulations, or orders issued under its jurisdiction.

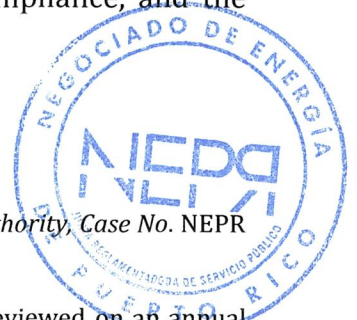
Upon evaluation of the severity of noncompliance with SAIDI, considering factors such as the extent of deviation from established standards, the duration of noncompliance, and the

⁶ See Resolution and Order, *In Re: The Performance of the Puerto Rico Electric Power Authority*, Case No. NEPR M1-2019-0007, December 26, 2024 ("December 26 Resolution").

⁷ The IEEE Power & Energy Society's resilience metrics for the electricity sector are reviewed on an annual basis rather than a trimester basis. This allows for a more comprehensive evaluation of the metrics and ensures that any necessary adjustments can be made to address emerging threats and challenges in the electric grid.

⁸ *Regulation on Adjudicative, Notice of Noncompliance, Rate Review, and Investigation Proceedings*, approved on December 18, 2024 ("Regulation 8543").

⁹ See Resolution and Order, *In Re: The Performance of the Puerto Rico Electric Power Authority*, Case No. NEPR M1-2019-0007, May 21, 2021 ("May 21 Resolution"). See also Resolution and Order, *In Re: The Performance of the Puerto Rico Electric Power Authority*, Case No. NEPR M1-2019-0007, December 26, 2024 ("December 26 Resolution").



impact on consumers, the Energy Bureau is inclined to impose LUMA a fine of **\$1.825 million dollars**.¹⁰

III. REQUIRED ACTIONS

The Energy Bureau **ORDERS** LUMA to, within **twenty (20) days** of the notification of this Resolution and Order, provide a response to this Notice of Noncompliance, in accordance with Sections 14.02 and 14.03 of Regulation 8543. The Energy Bureau **WARNS** LUMA that the Energy Bureau has the authority to issue subpoenas when testimony is warranted and can impose the appropriate remedy, including remedies set forth Art. X of Regulation 8543.¹¹ Further, when a party fails to comply with any of the Energy Bureau's orders, it may be subject to any fine or sanction it deems appropriate, including fines and penalties outlined in Art. XII of Regulation 8543¹² and Art. 6.36 of Act 57-2014. The Energy Bureau **REMINDS** LUMA of its right to address the Energy Bureau to examine the information and documentation in the administrative record (NEPR-MI-2019-0007) before responding to the allegation.

LUMA's response shall include the following:

1. A Corrective Action Plan detailing the measures to be implemented to improve SAIDI and prevent further deterioration of service quality.
2. Justification explaining the root causes of the noncompliance and any mitigating factors.
3. The information listed in Section 14.03 of Regulation 8543.

Failure to comply with these requirements will result in the imposition of penalties, additional regulatory oversight, or other actions deemed appropriate by the Energy Bureau.


IV. CONCLUSION

Given the worsening reliability trend, Puerto Rico needs strong regulatory focus and immediate corrective measures to prevent further hardship for the people suffering from frequent and prolonged outages.


Hence, the Energy Bureau will continue to monitor LUMA's performance to ensure compliance with all applicable regulations. **Further enforcement action, including fines, will be considered if corrective measures are not effectively implemented.**

By imposing the referenced fine, the Energy Bureau reinforces its commitment to enhancing the quality and reliability of electric service in Puerto Rico, ensuring that electric power companies are held accountable and aligned with the standards established in Act 57-2014.

Be it notified and published.



Edison Avilés Deliz
Chairman



Ferdinand A. Ramos Soegaard
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner



Antonio Torres Miranda
Associate Commissioner

¹⁰ \$5,000 per day per 365 days/year (FY24) = \$1.825 MM.

¹¹ *Id.*, Sections 14.04 and 14.05.

¹² *Id.*, Section 14.06.



CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on February 11, 2025. Associate Commissioner Lillian Mateo Santos did not intervene. I also certify that on February 11, 2025, a copy of this Resolution and Order was notified by electronic mail to legal@lumapr.com; mario.hurtado@lumapr.com; PREBorders@lumapr.com, and I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, on February 11, 2025.



Sonia Seda Gaztambide
Clerk