ATTESTATION

I, Brian Walshe, in my capacity as Director of SSCA of LUMA Energy ServCo, LLC, hereby attest and affirm as follows:

1. I have reviewed and am familiar with the contents of the Statement attached hereto ("Statement") and incorporated herein by reference.

2. The statements, facts, and representations set forth in the Statement are true, accurate, and complete to the best of my knowledge, information, and belief.

3. I make this attestation for the purpose of a submission to the Puerto Rico Energy Bureau of the Public Service Regulatory Board ("Energy Bureau") in response to their Order to Show Cause of July 9, 2025, in case NEPR-MI-2024-0002.

4. I understand that this attestation may be relied upon by the Energy Bureau.

5. I declare that the foregoing is true and correct to the best of my knowledge.

In witness whereof, the undersigned has executed this sworn statement in San Juan, Puerto Rico, on this 21st day of July 2025.

Brian Walshe

Affidavit No. 531

Acknowledged and subscribed before me by Brian Walshe, whose full name is as expressed herein, in his capacity as Director of SSCA of LUMA Energy ServCo, LLC, of legal age, married, and resident of Denver, Colorado, U.S.A., who has been identified by means of his U.S. passport with registered number 544926573.

In San Juan, Puerto Rico, this 21st day of July 2025.

David Manuel Magraner Ortiz
Puerto Rico
Abogado-Notario

NOTARY PUBLIC

NEPR-MI-2024-0002

Clarifications Regarding ASAP Program

LUMA respectfully submits this document to address some of the arguments raised in the Energy Bureau's Order to Show Cause issued on July 9, 2025[1] ("June 9th Order"). LUMA categorically denies that there was any willful misrepresentation from LUMA in describing the terms of the Accelerated Storage Addition Program (ASAP). The term "willful" implies intentional, purposeful, or consciously wrongful misconduct. At no point has LUMA acted with such intention, purpose or wrongful disposition to mislead or misrepresent information to the Honorable Energy Bureau. Rather, LUMA has acted in good faith and in accordance with the ASAP Implementation Program Plan[2] submitted to and approved by the Energy Bureau[3].

LUMA voluntarily and in good faith proposed and designed ASAP as a program to facilitate the deployment of energy storage to Puerto Rico, which is, and has been recognized, as a critical need. Throughout the process before the Energy Bureau, LUMA has acted in good faith and as diligently as possible to facilitate the implementation of this program, has worked closely with the Energy Bureau and maintained the Energy Bureau informed at every stage, and has been compliant with the Energy Bureau's directives. LUMA reiterates that ASAP is an important program to achieve deployment of battery resources more expeditiously and cost-effectively than procurement processes existing in Puerto Rico. LUMA has endeavored to develop and describe a well-planned, methodical approach to managing what has become a simultaneous negotiation with up to 12 counterparties, each with a separate specific objective. Therefore, and for the additional reasons set forth below, LUMA respectfully requests that it not be penalized for its actions in proposing and developing this program in good faith.

This document is submitted to demonstrate that there was no willful noncompliance, misrepresentation of facts, or disregard of the Energy Bureau's directives, nor any deviation from the approved Accelerated Storage Addition Program ("ASAP") Implementation Program Plan. Through detailed clarifications and justifications, this document explains why the imposition of penalties, or the disallowance of the costs identified in the Task Order filed by LUMA on July 2, 2025[4], is unwarranted.

1. There has been no "willful misrepresentation" of material facts.

LUMA concedes that some of its documentation and reports may have benefited from more consistency or clarity which could have resulted in the misinterpretation of various terms and statements made. This is because often industry practitioners speak in an abbreviated manner and, regrettably, lose some precision depending on the context. Generally, this happened when information was being simplified or aggregated to a higher level in PowerPoint presentations or in attempts to summarize ideas. However, the detailed SO Agreement for Phase 1 ("SO1 Agreement")[5] and SO Agreement for Phase 2 ("SO2

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[1] Resolution and Order, NEPR-MI-2024-0002, July 9, 2025.

[2] *See Motion to Submit ASAP Program Implementation Plan and Associated Documents, Request for Approval of ASAP Cost Recovery Mechanism, and Request for Confidential Treatment*, NEPR-MI-2024-0002, February 28, 2025 ("February 28th Motion"), Exhibit 1.

[3] *See* Resolution and Order, NEPR-MI-2024-0002, March 5, 2025, p.2.

[4] *See Motion in Compliance with Resolution and Order of June 25, 2025 and Request for Confidential Treatment*, NEPR-MI-2024-0002, July 2, 2025 ("July 2nd Motion"), Exhibit 2.

[5] The SO Agreement for ASAP Phase 1 was submitted as Exhibit 2 to LUMA's *Motion in Compliance with Resolution and Order of October 11, 2024, and Request for Confidential Treatment*, NEPR-MI-2024-0002, October 18, 2024 ("October 18th Motion"), and it was approved by the Energy Bureau by Resolution and Order, in caseNEPR-MI-2024-0002, November 1, 2024.

Agreement")[6] (jointly "SO Agreements") approved by the Energy Bureau, reports and exhibits have been transparent on these subjects.

To provide context to the arguments stated in the motion, LUMA defines below several key terms used in the submittals in accordance with the standards in the industry. This will also ensure consistent application onward and ensure clarity moving forward avoiding future confusion.

a. "Network upgrades" (or "system upgrades"): This term refers to the additions or modifications to the transmission and distribution system ("T&D System") needed to integrate the battery energy storage system ("BESS") facility into the T&D System and identified in the Facility Study and the System Impact Study other than the installation of the Puerto Rico Electric Power Authority's ("PREPA") Interconnection Facilities.[7]

   In essence, this term is used to describe network modifications that might be required to facilitate the injection of a new energy source onto the grid. In general, most of these upgrades are required on the utility property and not "behind the meter" on the developer's side of the transformer.

b. "Preliminary Studies": LUMA used this term to describe the preliminary assessment of equipment configuration and condition and review of one-line diagrams that was performed when the first five candidate SO1 sites were visited. It was intended to identify any "red flag" issues that might complicate interconnection, rather than making an exact determination of engineering results.

   In the case of ASAP, these studies were conducted for the SO1 projects, involving a one-day visit to the site, generally lasting from 4-6 hours in duration.

c. "Interconnection feasibility studies" (or "interconnection studies"): This term refers to any of the Feasibility Study, the System Impact Study and the Facilities Study.[8] A "Feasibility Study" is a study of the feasibility of the interconnection of the BESS facility with the T&D System.[9] A System Impact Study is a study that will, at a minimum, (a) determine the power capabilities of the major interconnection equipment required to complete the Interconnection Facilities, (b) specify the maximum fault currents necessary to specify short circuit duty and interrupting ratings for the electrical equipment, (c) approve or disapprove generator step-up (GSU) transformer impedance and reactive compensation equipment for proper control of voltage and reactive power flow, (d) quantify the impact to the grid system and the actions required to mitigate such impact, and (e) specify the design requirements for the BESS facility and the PREPA Interconnection Facilities.[10] A "Facilities Study" is an "engineering study to determine

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[6] The preliminary version of the SO Agreement for ASAP Phase 2 was submitted to the Energy Bureau as Exhibit 1 to the *Motion to Submit Proposed Standard Offer Phase 2 Agreement in Compliance with Resolution and Order of December 4, 2024, And Request for Confidential Treatment*, NEPR-MI-2024-0002, December 19, 2024 ("December 19th Motion") and approved by the Energy Bureau by Resolution and Order, NEPR-MI-2024-0002, January 14, 2025. The master template agreement for ASAP Phase 2 was submitted with LUMA's *Motion to Submit ASAP SO2 Master Template Agreement in Compliance with Resolution and Order of January 14, 2025, and Update on ASAP Program Implementation and Request for Confidential Treatment*, NEPR-MI-2024-0002, February 7, 2025 ("February 7th Motion"),Exhibit 1, and conditionally approved by the Energy Bureau by Resolution and Order, NEPR-MI-2024-0002, February 11, 2025, p.2.

[7] This definition is consistent with the definition of this term in the standard Interconnection Agreement executed for the Tranche 1 projects. See Exhibit 1 of *Motion to Submit Executed Interconnection Agreements and Request for Confidential Treatment*, NEPR-MI-2020-0012, December 7, 2023 ("LGIA"), Section 1.1 (definition of "Network Upgrades").

[8] This definition is consistent with the definition in the LGIA. *See* LGIA, Section 1 (definition of "Interconnection Studies").

[9] This definition is also consistent with the definition in the LGIA. *See id.*, Section 1 (definition of "Feasibility Study").

[10] This definition is consistent with the definition of this term in the SO Agreements. *See* SO Agreements, Section 1 (definition of "System Impact Study").

required modifications to the grid system, including the cost and scheduled completion date for such modifications, required to provide grid support services needed to integrate the BESS facility into the grid system.[11]

In essence, "interconnection studies" is a standard industry term used to describe the mentioned studies conducted before the addition of any new injection source to the grid. These studies are required for virtually any new generator that is to be installed anywhere in North America.

d. "Interconnection costs" This term primarily relates to capital costs that may be required for the interconnection at a given site location. These costs do not include the costs of interconnection studies.

With the above definitions in mind, below is a discussion of statements made by LUMA that evidence that it did not willfully misrepresent the interconnection costs or types of studies needed for SO1 projects. Regarding costs, LUMA highlights the following statements in some submittals:

"Development risk and regulatory uncertainty can be reduced compared to greenfield projects because IPPs already have existing land and point of interconnection. Consequently, ASAP projects have **significantly reduced capital costs** compared to other BESS projects".[12]

"Customers benefit[…] because **traditional costs of BESS integration are avoided or reduced**, improvements in service reliability are accelerated, renewable energy integration is facilitated; and energy costs are reduced."[13]

Generators will be expected to deliver up to 360 MW of 4-hur storage with **minimal network upgrades or interconnection costs**.[14]

"**Lower costs** result primarily from use of existing sites and interconnection points, **reducing or minimizing the need for additional** infrastructure studies or **investments**, as well as avoiding the significant time and costs associated with traditional procurements".[15]

"Preliminary studies conducted by LUMA have been performed at the facilities of some of the interested IPPs and indicate no operational restrictions or adverse effects from the ASAP Phase 1 on the existing transmission system - batteries can be installed **with negligible interconnection costs**".[16]

"**Lower costs** result primarily from use of existing sites and interconnection points, **reducing or minimizing the need for additional infrastructure studies or investments**, as well as avoiding the significant time and costs associated with traditional procurements".[17]

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[11] This definition is consistent with the definition of this term in the SO Agreements *See id*., Section 1 (definition of "Facilities Study").

[12] *Motion to Submit Information on Accelerated Storage Addition Program in compliance with Resolution and Order of November 30, 2023, and of December 11, 2023, and Request for Energy Bureau to Open a Separate Docket for the Evaluation of this Program,* NEPR-MI-2021-0002, December 21, 2023 ("December 21st Motion"), Exhibit 1, p. 1 (emphasis added).

[13] *Motion to Submit ASAP Structure and Concept in Compliance with Resolution and Order issued on April 19, 2024, and Request for Determination of Consistency with Energy Public Policy and IRP*, NEPR-MI-2024-0002, April 26, 2024 ("April 26th Motion"), p. 5 (emphasis added); See also id., Exhibit 1, p. 8.

[14] *Id*., p. 6; *See also id*., Exhibit 1, pp. 5-6.

[15] *Id*, p. 2 (emphasis added).

[16] *Id*., pp. 6-7 (emphasis added),

[17] *Motion Submitting Draft of Standard Offer Agreement for Participation in Accelerated Storage Addition Program and Associated Information, Response to Comments Regarding Eligibility to Participate in the Program, and Request for Confidential Treatment*, NEPR-MI-2021-0002, September 16, 2024 ("September 16th Motion"), p. 2 (emphasis added).

As can be noted, LUMA indicated that there would be significantly lower costs, reduced or minimized infrastructure investments, or negligible interconnection costs. Thus, LUMA disclosed that certain interconnection costs would be incurred.

In addition, a reading of the terms of the SO Agreements submitted to and approved by the Energy Bureau further confirms that LUMA did not misrepresent the terms relating to the interconnection costs. Specifically, Exhibit 2 ("Components of Monthly Payment and Calculation Formulas") of the SO1 Agreement approved by the Energy Bureau, reflects that the SO1 Agreement contemplates that there could be some interconnection costs. Specifically, it includes in Section 2 of Exhibit 2 a mechanism to adjust the monthly payment to the resource provider to cover approved costs incurred in connection with the interconnection facilities or the interconnection of the storage facility subject to PREPA agreement at its sole discretion[18] (the "Interconnection Adjustment"). The proposed SO2 Agreement, which the Energy Bureau also approved, contains an identical provision.[19]

LUMA submits that it would be impossible to interconnect the new battery storage systems without some type of minimal work. By indicating that the costs would be minimal, lower, reduced or negligible, LUMA does so in comparison to the interconnection costs required for the Tranche 1 projects. Based on the preliminary studies, LUMA does not anticipate that interconnection costs in the case of the SO1 projects would reach 10% of all interconnection related costs in Tranche 1. However, LUMA stresses that these assessments are based on the preliminary studies at only a fraction of the total sites, and do not take into account unanticipated or unknown conditions that could only be identified after completion of the interconnection studies.

LUMA acknowledges that it may have used broad terms on some occasions that could have created a different impression regarding the costs, and if it did so, it was in inadvertent error and without having any intention or purpose to misrepresent. In the context of the statements made above, it is evident LUMA did not intend to mislead or misrepresent, as it indicated several times that there would be interconnection costs. The inconsistent use of some terms or phrases may have caused confusion, but it was not willful or intentional.

Furthermore, LUMA informed in several submittals that system impact studies would need to be performed. For example, LUMA stated:

> "[…] LUMA is proposing that the costs of the interconnection studies required to support SO1 and SO2 also be submitted later in the PPCA for cost recovery. Doing this will reduce the timing required for these studies since they can all be **performed together as a cluster study** which could occur in the next several weeks, in time to support current schedule expectations."[20]
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> "LUMA is proposing that all **costs related to interconnection studies**, and associated T&D System Operator's Interconnection Works expended for the specific purpose of supporting the deployment of ASAP BESS under SO1 and SO2 Agreements shall be collected by LUMA, and

[18] SO1 Agreement, Exhibit 2, Section 2(a). This section provides, in pertinent part, that: "If, after the Closing Date, Resource Provider is required to incur costs in connection with the Interconnection Facilities or the interconnection of the Storage Facility, notice of which Resource Provider provides to PREPA, then, the Monthly Payment shall be subject to an adjustment ("**Interconnection Adjustment**") pursuant to this Section 2 (*Interconnection Adjustment*) of this Exhibit 2 (*Components of Monthly Payment and Calculation Formulas*) solely in respect of such commercially reasonable costs as are actually incurred by or on behalf of Resource Provider in connection with the Interconnection Facilities or the interconnection of the Storage Facility and that are subject to PREPA's agreement, in PREPA's sole discretion (the "**Additional Interconnection Costs**")"..

[19] *See* SO2 Agreement, Exhibit 2, Section 2(a).

[20] December 19th Motion, pp. 10-11 (emphasis added).

submitted to the Energy Bureau for cost recovery under the Power Purchase Cost Adjustment process similar to what the Energy Bureau approved for Tranche 1 cost treatment."[21]

LUMA proposed to "**coordinate system impact studies to be performed as "cluster studies" to accelerate timing required to analyze SO1 and SO2 candidate projects**" […] "[m]anaging these studies as a cluster is expected to reduce the total study costs required, as well as reducing any potential risks or schedule impacts to individual projects". [22]

"After Participants express interest in ASAP by responding to a specified email, completing informational document regarding the project proposal and submitting earnest money, the project is given an Identification number and **placed into the Cluster Study for the SO1 or SO2 cluster of Participant projects**.".[23]

'There will be a need to coordinate and facilitate site visits to each location that contemplates a battery addition. These site visits will confirm project layout and identify any potential geographic or locational issues that could affect the project's success. **Following the site visits, information will be gathered that will be used to develop the system impact studies and other analysis required to support the project**.[24]

"LUMA will coordinate system impact studies to be performed as **"cluster studies" to accelerate timing required to analyze SO1 and SO2 candidate projects**." [25]

"Requests for Information (RFIs) have been distributed to all SO1 participants to commence a review of technical materials and engineering studies. Coordination also started for the second part of the engineering firm's scope of work, which consists of the second round of more detailed site and substation visits prior to completing the Feasibility Study and System Impact Study".[26]

"The interconnection studies will be completed as a **cluster study approximately three months after the RFIs are received from SO1 developers**". The Cluster study requires that all preliminary analyses (memos of findings) be completed prior to their commencement".[27]

"To reduce the schedule impact of delays in hiring the Engineering firm to perform **necessary modeling, LUMA is conducting an initial site assessment of the four additional interested SO1 participants** and will modify its sequence of activities to minimize schedule impact. The site assessment will investigate whether commercial arrangements can be utilized to allow construction to begin before any interconnection modifications are required. For example, LUMA will initially assume all charging will be performed at night, to eliminate the impact of operating the BESS and the generation assets at the same hours of the day. This will allow procurement activities to proceed. If additional interconnection modifications are required (which is still not expected, but is

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[21] *Id*. Exhibit 3, p.1 (emphasis added).

[22] January 31st Motion, Exhibit 1, p. 2 (emphasis added).

[23] February 28th Motion, Exhibit 1, p. 13 (emphasis added).

[24] *Id*. Exhibit 1, p. 28 (emphasis added).

[25] *Id*., Exhibit 1, p. 5 (emphasis added).

[26] *Motion in Compliance with Resolution and Order of June 16, 2025 and Request for Confidential Treatment*, NEPR-MI-2024-0002, June 23, 2025 ("June 23rd Motion"), Exhibit 1, p. 5 (emphasis added).

[27] *Id*. (emphasis added).

a possibility), then LUMA will propose these additional modification costs are borne by the ASAP Program Plan and recovered through the PPCA rather than being imposed on the individual generators."[28]

"Regarding the current status of pending interconnection studies, Requests for Information (RFIs) are currently being exchanged between the **SO1 project participants and the engineering firm, which is a necessary step before the actual studies can begin**".[29]

"A timeline for the completion of the **outstanding interconnection studies** has been established: the **SO1 studies** are expected to be completed three months following the initial site assessment, …".[30]

It is standard utility practice to conduct system impact studies prior to interconnecting any electric injection points into the grid. Under LUMA's System Operation Principles (SOP)[31] Procedure number 2[32] system impact studies are required for new interconnection proposals. Furthermore, NERC practices[33]; IEEE standards[34]; and FERC policy[35] provide for conducting system impact studies prior to interconnecting new electric injection points into the grid.

LUMA does not consider the estimated costs for interconnection studies as interconnection costs. As mentioned, the term "interconnection costs" as defined above and generally used in the industry refers to a range of items such as metering, instrumentation, wiring and other costs, generally occurring on the facility property behind the meter and generally paid for by the developer. It could in some cases include items such as replacement of faulty equipment or upgrades to increase transformer capacity, but none of those larger items are anticipated in ASAP. Therefore, the costs set forth in the Task Order are not interconnection costs. However, as evidenced by the language cited above, these studies and their costs are required utility practices and were contemplated as part of the ASAP Implementation Program Plan[36] and accordingly in the estimated costs included in the ASAP Implementation Program budget approved by the Energy Bureau[37].

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[28] *See* February 28th Motion, Exhibit 3, p. 3.

[29] July 2nd Motion, Exhibit 1, p. 4 (emphasis added).

[30] *See id*. (emphasis added).

[31] This refers to the SOP approved by the Energy Bureau by Resolution and Order of May 31, 2021 in NEPR-MI-2021-0001, In re: Review of T&D Operator's System Operation Principles.

[32] *See* Motion in Compliance with Order Submitting Revised System Operation Principles, Phase 1 Draft Procedures and Additional Information, NEPR-MI-2021-0001, May 19, 2021, Exhibit 1, RFI-LUMA-MI-21—0001-210511-PREB-009, Att. 1, Procedure 2 (New Generation Interconnection), Sections 3.1.1 and 3.2, 3.2.4, 3.2.5, 3.2.6 .

[33] NERC FAC-002-4- Facility Interconnection Studies, which requires studies to evaluate the impact of interconnecting new or changed facilities on the Bulk Power System.

[34] IEEE-1547-2018 – IEEE Standard for Interconnection and Interoperability of Distributed Energy Resources with Associated Electric Power System Interfaces- which requires studies of distributed/solar/battery for new projects.

[35] FERC Order 2023 "Improvements to Generator Interconnection Procedures and Agreements."

[36] *See* February 28th Motion, Exhibit 1, ASAP Implementation Program Plan, Task #20 "Perform site visits and interconnection studies"; Task #5 "Queue Management Program" ("Renewable integration provides all Interconnection Studies including the System Impact Study[;] in these cases all Participants will be placed in an SO1 or SO2 cluster and studied at once in order to accelerate the process").

[37] *See id*., Exhibit 1, p. 4 ("In order to develop a reasonable and defensible estimate of program expenditures as ordered by the Energy Bureau, LUMA created this ASAP Implementation Program Plan to better convey the full scope and extent of the ASAP Implementation Program.").

LUMA always intended to visit all the sites and confirm through system studies any potential interconnection costs, albeit minor. [38] LUMA visited 5 SO1 sites as part of its preliminary studies. It would have been against industry standards for any LUMA engineer to conclude, based on these 5 site visits of 4-6 hours each, that there would be zero costs for these sites or any other SO1 site. Perhaps since this approach is self-evident for utility engineers in their day-to-day practice, LUMA did not make this additional clarifying fact more explicitly apparent.

A key benefit of the ASAP was that, following confirmation from the initial site reviews that any interconnection costs were likely to be relatively small, the parties could agree in advance that any unexpected interconnection costs could be recovered through the Interconnection Adjustment [39]. Without this assurance, developers would not be willing to proceed with the contract until all potential interconnection costs were explicitly defined and agreed upon. This approach is anticipated to significantly shorten the ASAP development cycle.

The SO2 projects are expected to incur some interconnection costs that may be greater than SO1 projects. Many of these sites are currently green fields, and the potential technical challenges are difficult to predict, as well as the potential costs. In addition, these projects reflected greater schedule risks and, for that reason, LUMA explained to the Energy Bureau that the SO1 Agreement had to be adapted to apply to SO2 participants and requested it be allowed to do so.[40] The Energy Bureau then allowed LUMA to adapt and separately submit an SO2 Agreement[41] which LUMA did and submitted to the Energy Bureau[42], and the Energy Bureau approved for distribution to the SO2 participants[43].

In sum, certain documents submitted and the provisions of both SO1 and SO2 Agreements, which agreements were approved by the Energy Bureau, contemplated there would be some interconnection costs although these would be lower in the case of the SO1 projects, and these are considered minimal, lower, reduced or negligible when compared to those of the Tranche 1 projects.

2. LUMA has not strayed from the approved ASAP; LUMA is following the same methodical approach it defined in its ASAP Implementation Program Plan; in addition, LUMA has not deviated from Energy Bureau directives.

LUMA is following the schedules and required tasks that were defined in the ASAP Implementation Program Plan submitted on February 28, 2025[44] which was approved by the Energy Bureau[45]. Some major tasks of the Implementation Program Plan relevant to this stage of the process and the intended sequence are:

- Obtain approval to recover costs and after that Program Development cost recovery was assured, begin Program Development.

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[38] *See id*., Exhibit 1, ASAP Implementation Program Plan, Task #20 "Perform site visits and interconnection studies"; Task #5 "Queue Management Program" ("Renewable integration provides all Interconnection Studies including the System Impact Study[;] in these cases all Participants will be placed in an SO1 or SO2 cluster and studied at once in order to accelerate the process").

[39] Standard Offer Agreement SO1, Exhibit 2, Section 2.

[40] *See* October 18th Motion, pp. 15-16; *Motion to Respond to Order to Show Cause of November 22, 2024, Request for Extension to Submit Standard Offer Agreement for Fourth Participant, and Request for Confidential Treatment*, NEPR-MI-2024-0002, December 3, 2024 ("December 3rd Motion"), p. 4.

[41] *See* Resolution and Order, NEPR-MI-2024-0002, December 4, 2024, p.3.

[42] *See* December 19th Motion, Exhibit 1.

[43] See Resolution and Order, NEPR-MI-2024-0002, January 14, 2025, p.3.

[44] *See* February 28th Motion, Exhibit 1.

[45] See Resolution and Order, NEPR-MI-2024-0002, March 5, 2025.

- Continue working with SO1 developers to finalize details of certain documents (e.g. Agreed Operating Procedures, Position Papers) while also meeting with and discussing various questions with SO2 interested parties
- Obtain the approved Task Order for the engineering firm to visit and assess the remaining SO1 sites and conduct a detailed cluster study. [46]
- Prepare the remaining two SO1 Agreements for submittal to the review cycle.
- After the SO1 cluster study was well underway, conduct site assessments of the SO2 sites and initiate an SO2 cluster study.[47]
- In parallel with site visits/studies, complete remaining elements of deployment plan which LUMA identified in December 2024. These include the Agreed Operating Procedures, position papers and related details.

3. The costs of the interconnection studies were included in the ASAP implementation budget and are justified.

The $1.3 million estimated costs referenced in the July 2, 2025, filing are for the engineering firm to visit the identified SO1 and SO2 sites, identify any "red flags", confirm that all equipment was in an adequate state of repair and safe to operate, and gather the site data required to perform the system studies. This is a specifically identified ASAP Implementation Program Plan task[48] and is included as a line item in the proposed expenditures which the Energy Bureau conditionally approved[49].

In addition, as explained above, LUMA informed in several submittals that system impact studies would need to be performed for SO1 and SO2 projects, and it is standard utility practice to conduct system impact studies prior to interconnecting any electric injection points into the grid. It would be contrary to industry practice to proceed with any interconnection without first conducting these studies, whether interconnection works are anticipated or not.

Therefore, if these costs are disallowed, LUMA will have to seek payment for these studies from the developers. This change in approach could also have the result of undermining the objectives of the ASAP program of expediting the deployment of battery resources while achieving significant savings as compared to the Tranche 1 projects.

If the Energy Bureau implements the position that it "WILL NOT APPROVE any interconnection related costs associated with SO1 projects" the objectives of ASAP will be defeated

The term "interconnection related costs" as used by the Energy Bureau in the June 9th Order appears to be a broad term including all types of costs directly or indirectly related to the interconnection of the projects, and would therefore appear to include any capital costs that could be required for network upgrades or for interconnection works, as well as the ASAP implementation plan costs set forth in the budget submitted and approved by the Energy Bureau with respect to SO1 projects. There is no funding mechanism for LUMA to proceed if the Energy Bureau disallows these costs. In that case, LUMA would not be able to conduct all the necessary due diligence, planning, contractual, engineering, legal, and other work required to implement ASAP. In addition, if the ASAP mechanism for recovering

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[46] February 28th Motion, Exhibit 1, Task #20 ("Perform site visits and interconnection studies").

[47] February 28th Motion, Exhibit 1, p. 12 ("All Participants will be placed in an SO1 or SO2 cluster and studied at once").

[48] *See* February 28th Motion, Exhibit 1, Task #20 ("Perform site visits and interconnection studies").

[49] *See* February 28th Motion, Exhibit 1 ("Cluster study expenditures will be submitted for recovery via the ASAP Expenditure, Collection, Reporting and Recovery Procedure").

interconnection costs included in the SO Agreements is not permitted, then the ASAP program, as envisioned, would not be viable and therefore may have to be suspended. This is because developers would no longer be assured of cost recovery, and they will not have the incentive to proceed with the project in an expedited fashion. As mentioned, the SO Agreement has a mechanism to allow developers to recover reasonable interconnection costs after specific review by the Energy Bureau. This mechanism is a significant advantage of the SO and is estimated to save at least a full year off the project development schedule.

If the Energy Bureau categorically maintains this position, LUMA understands, based upon conversations with developers and other advisors, that there is a significant chance that it will result in a delay of at least a year, as many developers will suspend further activity because their owners and lenders cannot operate with this type of regulatory uncertainty and the delays that will result.

It is important to note that LUMA estimates that the total capital construction costs for the 220 MW of SO1 projects will still be approximately $300 million, which is approximately 40% less than the $500 million cost for a comparable capacity of the Tranche BESS projects at average Tranche prices negotiated prior to ASAP. Consequently, the ASAP projects are expected to save approximately $200 million in total capital construction costs compared to equivalent Tranche capacity. Even considering the potential for what is expected to be negligible interconnection cost, which will not be known for sure until the studies are completed, these are preliminarily estimated to be equivalent to approximately 1% to 3% the construction costs which would be approximately 90% or more less than the interconnection costs of Tranche 1 projects and represent significant savings to ratepayers. These lower costs for ASAP translate to savings of approximately $40 million in annual payments every year for the next 20 years or $800 million dollars over the 20-year life of the SO Agreements for the 220 MW of ASAP SO1 projects compared to the equivalent capacity of Tranche projects.

In summary, LUMA has acted transparently and in good faith throughout the development and implementation of the ASAP, consistently providing the Energy Bureau with information regarding anticipated activities and associated costs. At no point did LUMA willfully misrepresent material facts or deviate from the approved program plan. The need for interconnection studies and the potential for minimal interconnection costs were clearly contemplated in both the program's implementation plan and the SO, all of which were reviewed and approved by the Energy Bureau. The costs in question are standard, necessary, and justified industry practices are essential for the safe and reliable integration of new battery storage resources into Puerto Rico's grid. Disallowing these costs or imposing penalties would not only undermine the process but also jeopardize the timely and cost-effective deployment of critical energy storage infrastructure, ultimately to the detriment of Puerto Rico's energy transformation goals. LUMA respectfully urges the Energy Bureau to recognize the reasonableness of its actions and to support the continued success of the ASAP program for the benefit of all stakeholders.