



GOVERNMENT OF PUERTO RICO  
PUERTO RICO ENERGY BUREAU  
PUERTO RICO'S PUBLIC SERVICE REGULATORY BOARD

October 20, 2021

**Hon. Raúl Grijalva**

Chair  
House Committee on Natural Resources  
1324 Longworth  
Washington, DC 20515

Attention: Mr. Ivan Robles, Policy Aide for the Office of Insular Affairs

Dear Chair Grijalva:

We acknowledge receipt of your letter dated October 12, 2021. In your letter you ask us to provide our responses to additional questions from members of the Committee on Natural Resources regarding the hearing held on October 6<sup>th</sup>, 2021, on *Puerto Rico Electric Power Authority (PREPA) Post-Implementation of the LUMA Transmission and Distribution Contract*. Our written responses to the questions are included in Attachment A.

Once again, thank you for inviting us to participate in the hearing. Should you have any further questions, please do not hesitate to contact us at your convenience.

Sincerely,

Edison Avilés-Deliz  
Chair

Enclosure: Attachment A - Responses to Questions for the Record

## ATTACHMENT A

### I. RESPONSES TO QUESTIONS FROM REPRESENTATIVE GONZÁLEZ-COLÓN

**1. Does PREB feel the laws ruling it provide you enough flexibility to adapt their plan approvals to changing realities on the ground, and to be able to get the end goal through different routes if necessary?**

An Integrated Resources Plan (IRP) is an electric power utility's guidebook for providing least-cost electric service over the planning horizon. Its purpose is to develop a plan for the least costly options to serve customer demand, considering other important policy objectives such as resiliency, reliability, and the goals of the utility, the government, society, and the environment.<sup>1</sup> *Least-cost* refers to the least-cost-net-present value of revenue requirements taken at present value from the present day to the end of the analysis period.<sup>2</sup> As part of the IRP process, the utility assembles data on its existing resources,<sup>3</sup> historical customer demand<sup>4</sup> and electricity loads. It uses the minimization of revenue requirements as its priority criterion, but also considers such factors as: system reliability; short and long-term risks; environmental impacts; transmission and distribution (T&D) needs and implications; financial implications on the electric service company; and the public interest.<sup>5</sup>



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<sup>1</sup> See, in general, *Resolution and Order, In Re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*, Case No. CEPR-AP-2018-0001, August 24, 2020 ("IRP Final Resolution and Order").

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* "Resources" includes generation, distribution, transmission, energy efficiency programs, demand-response programs and customer resources like distributed generation and microgrids.

<sup>4</sup> *Id.* "Customer Demand" in this context means the amount of electricity consumed at a given time in a utility's electric service territory, measured in GWh.

<sup>5</sup> See § 2.03(H)(2)(d) of *Regulation on the Integrated Resource Plan for the Puerto Rico Electric Power Authority*, April 24, 2018 ("Regulation 9021").

In the context of the Puerto Rico Power and Electric Authority ("PREPA"), an IRP considers all its reasonable resources to satisfy the demand for electric power services during a twenty (20) year period, including those relating to the offering of electric power, whether existing, traditional, and/or new resources, and those relating to energy demand such as energy conservation and efficiency or distributed resources, as well as localized energy generation by the customer.<sup>6</sup> It is worth noting that an IRP shall incorporate the obligation of PREPA to comply with the laws and regulations that constrain resource selection.<sup>7</sup> An IRP must be evaluated and approved by the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") and may not be eliminated or altered under any circumstances, without first carrying out a review process before the Energy Bureau.<sup>8</sup>

After the approval of an IRP, the Energy Bureau shall supervise and oversee compliance with it. The IRP will be reviewed and updated every three (3) years, in which case PREPA or the company responsible for the operation of the Electric System (currently LUMA<sup>9</sup>) will present to the Energy Bureau a proposal to modify and update the IRP. Nevertheless, provided, that there is a substantial change in the energy demand or in the set of resources necessary to meet the demand for energy, the review process may be conducted before the three (3) years period, to respond and mitigate changes in the energy demand or in the set of resources necessary to meet the demand for energy.<sup>10</sup>



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<sup>6</sup> See §1.3 (II) of the *Puerto Rico Energy Transformation and RELIEF Act*, as amended ("Act 57-2014") and § 1.08(B)(20) of Regulation 9021.

<sup>7</sup> *Id.*

<sup>8</sup> See § 1.9(4) of the *Puerto Rico Energy Public Policy Act* ("Act 17-2019").

<sup>9</sup> LUMA Energy, LLC and LUMA Energy ServCo, LLC are referred to collectively as "Luma".

<sup>10</sup> In general, a revision of an IRP should reflect changes in energy market conditions, changes in technology, environmental regulations, fuel prices, capital costs, incorporation of generation based on renewable energy

PREPA's Proposed IRP was evaluated by the Energy Bureau in an adjudicative proceeding under Case No.: CEPR-AP-2018-0001. On August 24, 2020, the Energy Bureau issued a *Final Resolution and Order*, approving in part and rejecting in part PREPA's Proposed IRP.<sup>11</sup> Consequently, the Energy Bureau ordered the adoption of the Modified Action Plan as set forth in the IRP Final Resolution and Order ("PREPA's Approved IRP").<sup>12</sup>

Based on the foregoing, the applicable laws and regulations provide a mechanism to modify or amend PREPA's Approved IRP at any time prior to the three (3) years revision period set forth in the Act 57-2014, provided, however, that there is a substantial change in the energy demand or in the set of resources necessary to meet the demand for energy. This modification shall be aimed to respond or mitigate the effects of the changes in the energy demand or in the set of resources necessary to meet the demand for energy. If the circumstances anticipated by the law arises, PREPA (Luma) may present to the Energy Bureau a proposal to modify the IRP. The Energy Bureau shall evaluate and approve the proposed modification based on the energy public policy and the applicable laws and regulations.



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sources and components in the grid to comply with the Renewable Energy Portfolio, distributed generation, energy efficiency and other factors.

<sup>11</sup> See *Resolution and Order, In Re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*, Case No. CEPR-AP-2018-0001, August 24, 2020 ("IRP Final Resolution and Order").

<sup>12</sup> *Id.* Subsequently, on December 2, 2020, the Energy Bureau issued the Final Resolution on Reconsiderations through which it addressed several requests for reconsideration filed by certain intervenors. See *Final Resolution on Reconsiderations, In Re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*, Case No. CEPR-AP-2018-0001, December 2, 2020.


## 2. Permitting of LNG units:

### a) **What's the status of the PREB/PREPA discussion on the installation of the LNG units that were not in the prior PREB-approved resources plan?**

We clarify that the process to evaluate and approve an IRP and/or a modification thereof is adjudicative in nature. Therefore, the Energy Bureau refrains from having *ex parte* communications and/or discussions regarding matters related to the approval or modification of an IRP with PREPA nor any intervenor.

We further clarify that currently there are no pending procedures before the Energy Bureau for the modification of PREPA's Approved IRP.

### b) **Does the renewables plan in any way forbid any further installation of combustion units transitionally?**



PREPA's Approved IRP provides a mix of generation resources that reflects changes in Puerto Rico's public policy, notably the obligations to substantially reduce energy supply costs and meet the revised Renewable Portfolio Standard. The Renewable Portfolio Standard is established to achieve a minimum of twenty percent (20%) by 2022, forty percent (40%) on or before 2025; sixty percent (60%) on or before 2040; and one hundred percent (100%) on or before 2050.<sup>13</sup>

The scheduled deployment of the Renewable Portfolio Standard (in itself) does not forbid the use of thermal generation resources. However, for the twenty (20) years planning horizon studied in the IRP process, PREPA did

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<sup>13</sup> See Act 82-2010, known as the *Puerto Rico Energy Diversification Policy through Sustainable and Alternative Renewable Energy Act*, as amended, ("Act 82-2010").

not justify the use of additional thermal generation resources.

It is important to note that changes in the assumptions used by PREPA for the development of the IRP; the results that can be observed from the implementation of the different phases of the Modified Action Plan (5-years Plan); as well as other relevant circumstances, could justify the need to modify the current mix of resources included in PREPA's Approved IRP. If this occurs, then PREPA (Luma) could use the mechanisms discussed in the response to Question 1 to seek modifications to the PREPA's Approved IRP.

A handwritten mark, possibly a signature or initials, consisting of a large, stylized letter 'A' with a vertical line extending downwards from its base.