

March 26, 2014

NOTICE TO CLIENTS AND FRIENDS

PR Developments: Approved Senate Bill – The Energy Relief and Transformation Act.

On March 20, 2014, the Senate passed a bill that could open the energy market in Puerto Rico to free competition. The bill establishes a 60 day period for the Puerto Rico Electric Power Authority (“PREPA”) to present an Energy Relief Plan (“Plan”) and Innovated Operational Concept (“CONOPS”, for its Spanish acronym) on how it will produce cleaner and cheaper energy. PREPA’s Plan and CONOPS must be approved by the Puerto Rico Energy Regulatory Commission (“Commission”), a new independent regulatory entity composed of three members appointed by the Governor and confirmed by the Senate. If PREPA fails to submit a satisfactory Plan and CONOPS, the Commission shall order a competitive process to integrate other private energy generating companies to PREPA’s electric power grid. However, if the Plan is approved, PREPA would have 2 years to ensure that the transmission and distribution of power in Puerto Rico be generated by a minimum of 60% highly efficient power generators.

Pursuant to the Bill, all power companies in Puerto Rico shall be certified by the Commission to offer energy services on the island. Once certified, PREPA and the certified energy companies are required to justify their rates to the Commission. It also proposes amendments to PREPA’s organic act promoting changes to the structure of PREPA’s board of directors, establishing transparency and planning standards, and allowing citizens to sue PREPA if it does not comply with the Bill’s provisions.

The Bill establishes both the *State Office of Energy Public Policy* (“OEPPE”, for its Spanish acronym and that will replace the Administration of Energy Affairs), an office in charge of developing and promoting the energy public policy of Puerto Rico, and the *Office of Consumer Protection*, an independent office that shall assist and represent energy consumers in general.

Furthermore, the Bill establishes goals for the reduction of energy consumption in all three government branches including municipalities. With regards to energy subsidies to the municipalities, the Bill establishes a limit in the amount of electric power the municipalities can consume before they are liable for charges. It also gives the municipalities 3 years to reduce 15% of their electric power consumption.

As per the Bill, PREPA shall establish an expedited procedure for energy generators with a generating capacity of 2 MW or less. On the other hand, all interconnection requests for generators with a capacity between 2 and 5 MW will be evaluated by PREPA using the “Small Generator Interconnection Procedures” as per Order No. 2006 of the Federal Energy Regulatory Commission.

The legislative process now moves to the P.R. House of Representatives and there was immediate reaction from the Governor’s office/Fortaleza. These are significant developments that have the potential for substantial impact in Puerto Rico. To further discuss or obtain additional information on how this development may impact you, or to participate in the legislative process, please contact us at your convenience.

Jorge L. San Miguel - jsanmiguel@ferraiuoli.com
Lillian Mateo-Santos - lmateo@ferraiuoli.com
Boris Jaskille - bjaskille@ferraiuoli.com

Víctor R. Rodríguez - vrr@ferraiuoli.com
Eidalia González-Tosado - egonzalez@ferraiuoli.com
Karla M. Villanueva - kvillanueva@ferraiuoli.com