

(S. B. 1256)
(Conference)

(No. 22-2016)

(Approved April 7, 2016)

AN ACT

To create the “Commonwealth of Puerto Rico Energy and Aqueduct and Sewer Service Subsidy Reform and Debt Payoff Act”; amend subsections (c), (e), and (g) of Section 5 of Act No. 73-2008, as amended, known as the “Economic Incentives Act for the Development of Puerto Rico”; amend Sections 1 and 2 of Act No. 101 July 9, 1985, as amended; amend Sections 1 and 3 of Act No. 61-1992, as amended; amend subsection (c), add a new subsection (d), and renumber subsections (d), (e), and (f) as subsections (e), (f), and (g) of Section 22 of Act No. 83 of May 2, 1941, as amended, known as the “Puerto Rico Electric Power Authority Act”; amend paragraph (6) of subsection (e) of Section 4 of Act No. 147 of June 18, 1980, as amended, known as the “Management and Budget Office Organic Act”; repeal Act No. 3 of December 20, 1985, as amended; repeal Act No. 111 of July 10, 1986, as amended; repeal Act No. 69-2009, as amended, known as the “Special Justice in Utility Service Pricing Act for Public Housing Projects”; and for other related purposes.

STATEMENT OF MOTIVES

The Electric Power Authority (hereinafter PREPA) and the Aqueduct and Sewer Authority (hereinafter PRASA) are currently facing significant operational, fiscal, and financial challenges. Such challenges could prevent them from continuing to provide electric power and aqueduct and sewer services to the people and meeting their debts and obligations. At present, PREPA is undergoing a debt restructuring process, which debt exceeds \$11 billion. In addition, PREPA’s credit downgrading has limited its access to capital markets, thus rendering the financing of fuel purchase—its highest expense—more difficult. This situation also prevents PREPA from

carrying out the necessary infrastructure improvements to convert our energy system to natural gas, achieve our independence from crude oil, and reduce energy costs, thus promoting our economy.

Furthermore, the fact that Puerto Rico residents and the Island's business sector are facing an economic crisis that is due, in part, to the duplication—in one decade—of energy costs given our extreme dependence on crude oil as the main fuel to generate electric power, as well as to the unwillingness of PREPA itself and the Island's politicians to gradually transform said public corporation, its operations, as well as the electric power sector, is a matter of utmost importance for this Legislative Assembly.

In view of this reality, a historic energy reform process began in 2014, which resulted in the approval of Act No. 57-2014, known as the “Puerto Rico Energy Transformation and RELIEF Act.” The Legislative process for the approval of said measure in the Senate revealed that legislated subsidies have an adverse impact on the finances of nonsubsidized PREPA customers, who ultimately pay for them on their monthly electric bills through the fuel and power purchase adjustment formulas.

According to PREPA, legislated subsidies amounted to nearly \$82 million in 2013. In addition, PREPA makes a contribution in lieu of taxes (CILT) to municipalities, which is paid by its customers in their electric bills and distributed proportionately based on the energy consumption in the public facilities of each municipality. For Fiscal Year 2013, the total amount of the contributions made to municipalities on account of CILT amounted to two hundred sixty million, eight hundred thirty nine thousand, and four hundred and six dollars (\$260,839,406). This means that the annual costs entailed by subsidies and the CILT to PREPA and its nonsubsidized customers are approximately three hundred fifty (350) million dollars annually.

For decades, the Legislative Assembly considered and approved energy subsidies to further or serve the interests of groups of customers or sectors of our society. However, as the discussion process on the energy reform and legislated subsidies carried out in 2014 revealed, many of said subsidies have deviated from their original purpose, while others constitute an unjustified and disproportionate financial burden for nonsubsidized customers.

According to the International Monetary Fund and the International Energy Agency, energy subsidies may adversely affect the fiscal situation of governments and nonsubsidized customers since, in estimating their costs, they fail to provide for an upward spiral trend on international fossil fuel prices; tend to encourage excessive use of energy; incentivize business sectors that later fail to meet job creation and economic development objectives; promote distorted social and community behaviors; or even contribute to deepen social inequality, among other adverse effects for the people.

For instance, the industrial sector, which already benefits from many tax and other incentives, receives a considerable energy subsidy whose increasing costs will be assumed by PREPA and its nonsubsidized customers through 2018. While the industrial sector benefits from million-dollar energy subsidies, the micro-, small-, and medium-sized business sector (MSMB) is entitled to an energy subsidy that only applies to businesses located within downtown areas; this subsidy barely represents ten thousand dollars (\$10,000) for PREPA annually. For such reason, many of the MSMB's have been forced to shut down operations in recent years. This causes gross inequality between the —mostly foreign— industrial sector and the Islands' business sector whose money is reinvested in our economy and generates most jobs.

Furthermore, there are subsidies that the government has created in its interest to further a specific activity; however, it is unfair for all PREPA customers to bear the costs thereof. For instance, although the energy subsidy granted to the hotel sector has helped it bear high energy costs, such sector has increased its energy consumption after being granted the subsidy, which is contrary to the public policy on energy savings. Moreover, we must question what is the public policy interest sought with the granting of incentives to a particular sector of the economy, such as the hotel sector, but not to other equally important sectors that create wealth and generate jobs. This shows the social and economic inequity resulting from poorly coordinated policies on energy subsidies.

A similar situation arises from the water and energy subsidies provided under Act No. 69-2009, known as the “Special Justice in Utility Service Pricing Act for Public Housing Projects.” Within the sociological and financial qualification of “poor communities,” Act No. 69-2009 promotes inequality, by benefiting public housing projects customers, who avail themselves of a utility flat rate, and overlooks customers in poor communities and wards who are not subject to the federal public housing regime, therefore, do not avail themselves of such benefit. This subsidy and the administration thereof resulted in a distorted situation. Consequently, by 2014, the utility debt accrued by public housing project customers amounted to seventy-five (75) million dollars (twenty-five (25) million dollars with PREPA and fifty (50) million dollars with PRASA). As a matter of fact, on the effective date of the flat rate provided under Act No. 69-2009, the debt accrued by public housing projects with PREPA amounted to eighteen point five (18.5) million dollars and, a year later, such debt had increased to twenty-nine point nine (29.9) million dollars. Moreover, PREPA’s self-imposed restrictions have prevented many public housing project customers to enter into payment agreements, despite their willingness to meet their obligations.

Regarding said matter, the same Senate that authorized the project which later became Act No. 69-2009 concluded in a report undersigned by Senator Lawrence Seilhamer, then-Chairman of the Committee on Urbanism and Infrastructure, that:

It is worth noting, that the most significant finding of the First Partial Report is the fact that despite relatively low rates were established, the implementation of Act No. 69-2009, *supra*, ‘a great number of customers do not pay for such services. (Final Report on S.R. 1815, December 20, 2012.)

As a result of the distorted manner in which this subsidy has operated for public housing project customers and of PREPA’s lack of flexibility to enter into payment agreements, many residents have been evicted from their homes, as a result of the enforcement of the terms of the leasing agreements administered by the Public Housing Administration.

On the other hand, the legislative discussion about the energy subject has revealed that government agencies and public corporations of the Commonwealth of Puerto Rico are in default given the inaction of past administrations. As of 2014, unpaid electricity bills of public corporations amounted to approximately two hundred (200) million dollars. Likewise, defaulting government agencies and public corporations are not legally bound to enter into payment agreements to pay off their substantial debt with PREPA. This situation contrasts with the situation that our citizens will face if they fail to timely pay their electricity bills.

In view of the foregoing, the Legislative Assembly deems it prudent and meritorious to approve this measure for the purpose of creating a new legal framework with the rules and principles that shall govern utility subsidies. Subsidies must be consistent with Puerto Rico’s current reality, which is that both the people and the Government are facing great financial and economic challenges.

Moreover, this Legislative Assembly deems it imperative to eliminate the social and economic inequities and inequalities inherent in many of the subsidies, in their characteristics and current effects.

The subsidy reform provided in this Act is an additional effort made by this Legislative Assembly to improve PREPA and PRASA's financial situation and lessen the impact of these subsidies on the customers' utility bills. It also legally binds agencies and public corporations of the Commonwealth of Puerto Rico to pay off their multimillion-dollar electric power and aqueduct and sewer service debts.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

CHAPTER I.- TITLE AND DEFINITIONS.-

Section 1.1.- Title.-

This Act shall be known and may be cited as the "Commonwealth of Puerto Rico Energy and Aqueduct and Sewer Service Subsidy Reform and Debt Payoff Act."

Section 1.2.- Definitions.-

The following terms, whenever used or referred to in this Act, shall have the meaning stated below, unless the context clearly states otherwise:

(a) "Socio-economic Development Administration of the Department of the Family" or "ADSEF" - entity created by Reorganization Plan No. 1 of July 28, 1995, as amended, attached to the Department of the Family, or its legal successor.

(b) "Public Housing Administration" - entity created by Act No. 66 of August 17, 1989, as amended, known as the "Organic Act of the Public Housing Administration of Puerto Rico," attached to the Department of Housing or its legal successor.

(c) “Adrenoleukodystrophy”- also known as adrenomyeloneuropathy or Schilder-Addison Complex means a genetic disorder that affect the adrenal glands and the white matter of the nervous system.

(d) “Agent Administrator” - private or municipal entity to which the Public Housing Administration has delegated the administration, operation, and maintenance of a public housing project.

(e) “Puerto Rico Aqueduct and Sewer Authority” or “PRASA” - entity created by Act No. 40 of May 1, 1945, as amended, known as the “Puerto Rico Aqueducts and Sewer Authority Act,” or its legal successor.

(f) “Puerto Rico Electric Power Authority” or “PREPA” - entity created by Act No. 83 of May 2, 1941, as amended, known as the “Puerto Rico Electric Power Authority Act,” or its legal successor.

(g) “Customer” - natural or juridical person that has an account or contract with PREPA for electric power service, or that has an account or contract with PRASA for water and/or sewer service. In the case of residential accounts, it shall also include any member of the family unit who is duly authorized by the account holder to carry out transactions in connection with the account or contract. The term “member of family unit” shall be defined by regulations.

(h) “Puerto Rico Internal Revenue Code” - means the Puerto Rico Internal Revenue Code of 2011, Act No. 1-2011, as amended, or any successor law.

(i) “Penal Code of Puerto Rico” - means the Penal Code of Puerto Rico of 2012, Act No. 146-2012, as amended, or any successor law.

(j) “Puerto Rico Energy Commission” or “PREC” - entity created by Act No. 57-2014, as amended, known as the “Puerto Rico Energy Transformation and RELIEF Act.”

(k) “Puerto Rico Tourism Company” or “PRTC” - entity created by Act No. 10 of June 18, 1970, as amended, known as the “Puerto Rico Tourism Company Act,” attached to the Department of Economic Development and Commerce in accordance with Reorganization Plan No. 4 of June 22, 1994, as amended.

(l) “Department of Economic Development and Commerce” or “DEDC” - entity created by Reorganization Plan No. 4 of June 22, 1994, as amended.

(m) “Department of the Treasury” - executive department created under Section 6 of Article IV of the Constitution of the Commonwealth of Puerto Rico.

(n) “Department of Housing” - entity created by Act No. 97 of June 10, 1972, as amended, known as the “Organic Act of the Department of Housing.”

(o) “Anhidrotic Ectodermal Dysplasia” - also known as the Christ-Siemens-Touraine Syndrome, means a physical disorder that affects the body temperature control mechanism.

(p) “Epidermolysis Bullosa” - means a group of inherited skin diseases that cause blisters in response to friction or injuries.

(q) “Lodging” - means any hotel, condohotel, vacation club, *parador*, farm stay, guest house, tourist villa, and other lodging facilities that are endorsed and operate under the rules of the Puerto Rico Tourism Company.

(r) “Church” - religious organization that operates in the Commonwealth of Puerto Rico.

(s) “Office of Management and Budget” or “OMB” - entity created by Act No. 147 of June 18, 1980, as amended, known as the “Management and Budget Office Organic Act.”

(t) “Commonwealth Energy Public Policy Office” or “CEPPO” - entity created by Act No. 57-2014, as amended, known as the “Puerto Rico Energy Transformation and RELIEF Act.”

(u) “Social Welfare Organization” - means an entity whose purpose is to carry out charity work that is engaged exclusively in providing free direct services to the community; registered in the Department of State of Puerto Rico as a nonprofit corporation or nonprofit limited liability company; holds a certificate of good standing; and is exempt from taxation as a nonprofit organization by the Department of the Treasury in accordance with Section 1101 of the Puerto Rico Internal Revenue Code.

(v) “Nutrition Assistance Program” or “NAP” - means the nutrition assistance program administered by the Socio-economic Development Administration of the Department of the Family.

(w) “Utility Reimbursement” or “Negative Rent” - The excess of the utility allowance if said amount exceeds the tenant rent, as provided in Part 960.253(c)(3) of Title 24 of the Code of Federal Regulations (24 CFR 960.253(c)(3)).

(x) “Public Housing Project” - means a housing complex administered by the Public Housing Administration.

(y) “Subsidy” - means any subsidy, aid, credit, tax credit, or grant created by law or regulations whose effect or purpose is to reduce the cost of the electric power or water bill of a customer.

(z) “Utility Allowance” - the federal fund contribution for the payment of utilities of the residents of public housing projects with either income-based rent or ceiling rent, when the cost of utilities is not included in the rent, as provided in Part 965.502 of Title 24 of the Code of Federal Regulations (24 C.F.R. 965.502). The amount of the utility allowance shall be based on the reasonable consumption of a housing unit where energy efficiency and conservation measures are implemented.

For purposes of the terms defined herein, words in the singular number shall include the plural, and vice versa, and the masculine gender shall include the feminine, and vice versa, unless the context indicates otherwise.

Any term not otherwise defined in this Act that is clearly a term of art of water or electric power services shall have the meaning generally accepted in the industry for such term.

CHAPTER II.- GENERAL PROVISIONS

Section 2.1.- Misstatements in Applications.-

Any natural or juridical person that makes any misstatement for the purpose of obtaining any electric power or water and/or sewer service credit, special rate, grant, or subsidy granted under this Act or any other present or future law or regulations, may be convicted of fraud, perjury, and of filing false documents or data, as classified under the Penal Code of Puerto Rico, or of any other applicable offense classified under special legislation.

Section 2.2.- Requirement to Update Information and Notify Loss of Eligibility.-

Every customer receiving any electric power or water and/or sewer service credit, special rate, grant, or subsidy granted under this Act or any other present or future law or regulations, shall be required to notify PREPA or PRASA, as the case may be, of any change in the information or profile by virtue of which the credit, special rate, grant, or subsidy was granted or of the loss of eligibility to receive such credit, special rate, grant, or subsidy. Said customer shall have thirty (30) days from the time of the change in the information or profile or from his/her loss of eligibility to notify PREPA or PRASA, as the case may be, of such change or loss of eligibility. Said notification may be made by telephone, letter, personally at the commercial office, or on the webpage of the public corporation.

Any customer who fails to notify the loss of eligibility within the term provided herein and continues to enjoy such benefit may be convicted of fraud and perjury, as classified under the Penal Code of Puerto Rico, or of any other applicable offense classified under special legislation.

Section 2.3.- Loss of Credit, Subsidy, or Grant Benefit.-

Any electric power or water and/or sewer service credit, special rate, subsidy or grant shall be revoked if the customer fails to comply with his/her responsibility to pay his/her utility bill in two (2) consecutive months, unless such customer has disputed the corresponding bills under Act No. 57-2014, as amended, in the case of PREPA, and under Act No. 33 of June 27, 1985, as amended, known as the “Act to Establish Minimum Procedural Requirements for the Suspension of Essential Public Services,” in the case of PRASA, or fails to meet any other requirement established by law or regulations. Once a credit, special rate, subsidy, or grant is revoked for lack of payment, the customer shall no longer be entitled to receive the benefit. This paragraph shall not apply to subsidies established in Subsection D of this Act.

If the Electric Power Authority, the Aqueduct and Sewer Authority, the Puerto Rico Energy Commission, or the General Court of Justice determines that a customer, whether a natural or juridical person, has committed an offense involving meter tampering or sabotage of essential services, said customer shall lose every electric power or water and/or sewer service credit, special rate, subsidy, or grant. In addition, said natural or juridical person shall permanently lose eligibility to receive any future electric power or water and/or sewer service credit, special rate, subsidy or grant.

Any electric power or water and/or sewer service credit, special rate, subsidy, or grant shall be revoked if the General Court of Justice determines that a customer, whether a natural or juridical person, has committed an offense involving perjury, falsification, or filing of false documents or data to obtain an electric power or water

and/or sewer service credit, special rate, subsidy or grant. In addition, said natural or juridical person shall permanently lose eligibility to receive any future electric power or water and/or sewer service credit, special rate, subsidy, or grant.

Section 2.4.- Limitation on Future Subsidies.-

Prior to creating any new electric power or water and/or sewer service subsidy, credit, or grant, the Legislative Assembly shall assess the need for and convenience of the proposed subsidy or grant, taking into account existing subsidies and grants, the impact of the subsidy or grant on the finances of the public corporation concerned and on the General Fund of the Commonwealth of Puerto Rico, and the number of customers that shall benefit from the credit, subsidy, or grant.

In the specific case of a new electric power or water and/or sewer service credit, subsidy, or grant, whose purpose is to promote economic development, the law or resolution authorizing it shall also include a detailed statement of the need for and the convenience of the subsidy, measureable factors and performance standards to evaluate its success, the number of jobs created, the requirement imposed on the beneficiary to render annual reports on said measurable factors, performance standards and job creation, as well as the maximum amount of funds to be awarded. Every credit, subsidy, or grant legislated after the approval of this Act shall be limited to a term that shall not exceed five (5) years.

No law or resolution authorizing the granting of an electric power or water and/or sewer service credit, subsidy, or grant shall be approved without first obtaining the certifications of the Office of Management and Budget and the Department of the Treasury, attesting to the availability of the funds to finance the same, as of the date it is signed, and expressly identifying the maximum amount to be allocated and the source of the funds. The funds used to finance said subsidies shall not be derived from the revenues generated by PREPA or PRASA. In the case of a recurring credit, subsidy, or grant, the certifications of the Office of

Management and Budget and the Department of the Treasury shall attest, in turn, to the availability of recurring funds. The certification of the Office of Management and Budget shall be required only in those cases where the source of financing for such subsidies derives from the General Fund.

Section 2.5.- Annual Reports.-

PREPA and PRASA shall file annually written reports to the Legislative Assembly stating the number of customers receiving each credit, special rate, subsidy, or grant, the costs associated with each benefit, and the service consumption of each group of beneficiaries. The annual report shall include any other information deemed pertinent by the public corporation for the analysis of the program's success, including the difficulties encountered to oversee subsidy programs. The annual reports shall be filed not later than October 15th of each year, and include data as of the close of the preceding fiscal year.

Section 2.6.- Payment Agreements.-

Any payment agreement entered into between PREPA or PRASA and its customers for the payment or amortization of debt shall have a specific term, or a maximum number of installments, within which the payment of the outstanding debt must be made. PREPA and PRASA may establish an initial minimum payment as a condition to execute the payment agreement. Provided, that the provisions of this Section shall not apply to payment agreements entered into pursuant to Section 3.10 of this Act.

Section 2.7.- Smart Networks and Efficient Use of Resources.-

As of the approval of this Act, PREPA and PRASA shall initiate programs to study the feasibility and promote the use of smart meters, automated or remote meter reading, pre-paid plans, mobile applications, and other technology aimed at achieving the efficient and rational use of electric power and water and/or sewer resources.

Section 2.8.- Obligation to Disclose Subsidy Costs.-

PREPA and PRASA shall disclose on their webpages the costs attributable to subsidies, grants, credits, and special rates including, but not limited to, the total number of customers benefiting from each subsidy and the costs of defraying each subsidy. PREPA and PRASA shall update the information published on the Internet at least every six (6) months.

CHAPTER III.- SUBSIDIES AND INCENTIVES TO PRIVATE CUSTOMERS.-

Sub-Chapter A.- Incentives for the Industrial Sector.-

Section 3.1.- Subsections (c), (e), and (g) of Section 5 of Act No. 73-2008, as amended, known as the “Economic Incentives Act for the Development of Puerto Rico,” are hereby amended to read as follows:

“Section 5.- Credits.-

...

(c) Credit for Investment in Research and Development, Clinical Tests, Toxicological Tests, Infrastructure, Renewable Energy, or Intangible Property.-

(1) ...

(3) Use of the Credit. - The tax credit granted by this subsection may be taken in two (2) or more installments: up to fifty percent (50%) of said credit may be taken in the year in which the eligible investment is made, and the balance of said credit, in subsequent years until used in its entirety; provided, that said limitation shall not apply as to operating expenses of said tax-exempt business which are related to electric power, water, and sewer systems. Provided, further, that thirty (30) days after the effective date of this Act, no exempt business may apply this tax credit against operating expenses related to electric power, water, and/or sewer, unless a

certification of the Department of the Treasury attesting to the availability of such funds to cover said operating costs is provided. This credit shall not generate a refund.

...

(e) Tax Credit to Reduce the Cost of Electric Power.-

(1) ...

(5)

(6) Thirty (30) days after the effective date of this Act, no new decree or renegotiation of decree under this Act shall include or consider any tax credit for reducing the cost of energy.

(7) ...” [sic]

(g) Credit for Investment in Strategic Projects.-

(1) ...

(3) Use of the Credit. - The tax-exempt business may use the credit for eligible investment to pay up to fifty percent (50%) of the amount of the income tax provided for in subsection (a) of Section 3 of this Act, or the income tax that applies under the preceding tax incentives law under which the tax-exempt business was granted the decree for the taxable year of the tax-exempt business. Provided, that said limitation shall not apply regarding the operating costs of the tax-exempt business related to electric power, water, and sewer. Provided, further, that thirty (30) days after the effective date of this Act, no new decree or renegotiation of decree under this Act shall include or consider any tax credit for investment in strategic projects.

...”

Once the incentive period ends, the hotel, condohotel, or *parador* shall pay for electric power service at the rate established by PREPA for said facilities.

(ii) In the case of hotels, condohotels, and *paradores* that have not begun operations or qualified to receive a credit on the monthly bill on or before December 31st, 2016, PREPA shall grant a credit on the monthly bill for a period of sixty (60) months from the start of operations; such credit shall depend on the cost per residential kilowatt-hour (kWh) in effect during the month preceding the billing period, as provided below:

If the cost per residential kWh is:	the credit shall be:					
	1-12	13-24	25-36	37-48	49-60	61>
22 cents or more	11%	9%	7%	5%	3%	0%
From 20 to 21.99 cents	9%	7%	6%	4%	3%	0%
From 18 to 19.99 cents	7%	5%	4%	4%	2%	0%
From 16.01 to 17.99 cents	4%	3%	2%	2%	1%	0%
16 cents or less	0%	0%	0%	0%	0%	0%

Once the incentive period ends, the hotel, condohotel, or *parador* shall pay for electric power service at the rate established by PREPA for said facilities.

(iii) The concessionaire shall own and devote at least fifteen (15) rooms in one same establishment or site to accommodate guests, and its facilities shall operate under the rules of the Puerto Rico Tourism Company.

(iv) The concessionaire shall be up-to-date in the payment of its electric power service or have entered into a payment agreement with the Electric Power Authority and be up-to-date in the payments thereof.

(v) The credit to be granted in the case of hotels and *paradores* shall apply solely to operations of the hotel and the subsidiary facilities such as restaurants, bars, ballrooms, recreational areas, casinos, and service or retail establishments whose maximum area does not exceed one thousand (1,000) square feet. Any service or retail establishment that exceeds said maximum area shall have a separate meter and shall not benefit from the provisions of this Act.

(vi) The credit to be granted in the case of condohotels shall apply solely to the portion used as a hotel, provided said portion can be identified separately from the total operation.

(vii) The Tourism Company shall certify those concessionaires that qualify for this credit to the Electric Power Authority, and only then shall the Authority proceed to make the pertinent adjustments in the monthly bill.

(viii) The concessionaire who enjoys the credit shall not charge its guests an additional fee for energy consumption in the room rate, and the Puerto Rico Tourism Company may impose conditions as are necessary to ensure compliance with the terms under which the credit is granted.”

Section 3.4.- Section 2 of Act No. 101 of July 9, 1985, as amended, is hereby amended to read as follows:

“Section 2.- In addition to the rules set forth in Section 1 of this Act, any concessionaire that wishes to avail himself/herself of its provisions shall:

(1) Within a term of one (1) year starting from the date when the credit was granted and every five (5) years thereafter, for *paradores*, inns, and guesthouses, and every three (3) years for hotels and condohotels, the concessionaire shall submit to the Commonwealth Energy Public Policy Office (CEPPO) a long-term power consumption audit including an energy conservation plan for said period that complies with the rules of CEPPO, prepared by an engineer certified as a power auditor by said office.

(2) The manager or administrator of the *parador*, inn, guesthouse, hotel and/or condohotel shall file an annual progress report and a certification with CEPPO attesting that all conservation measures have been taken, except for those that entail onerous costs, pursuant to the plan initially submitted to said office.

Within ten (10) days following the date on which the concessionaire has met the above requirements, CEPPO shall send a certification to such effects to the Electric Power Authority. If CEPPO determines that the concessionaire has failed to comply with the conservation plan, or has failed to meet any other requirement of this Act or the regulations of CEPPO, it may order PREPA to revoke the credit provided under this Act.”

Subchapter C.- Service Rate for Churches and Social Welfare Organizations.-

Section 3.5.- Section 1 of Act No. 61-1992, as amended, is hereby amended to read as follows:

“Section 1.- Public instrumentalities that provide water, sewer, and electric power services shall apply to, and collect from churches and social welfare organizations a rate analogous to the residential rate for the service consumption at the place of worship and at the structure where the church or social welfare organization renders free services to the community.

Said analogous rate shall not apply to water, sewer, and/or electric power consumption in commercial areas, shops, schools, nursing homes, bookstores, print shops, television stations, radio stations, antenna towers, or any facility that charges or requires any kind of contribution in exchange for the services rendered.”

Section 3.6.- Section 3 of Act No. 61-1992, as amended, is hereby amended to read as follows:

“Section 3.- The rate provided in this Act shall be granted to churches and social welfare organizations that comply with the following rules and submit the following documents to the Electric Power Authority or the Aqueducts and Sewers Authority, as the case may be:

(a) ...

(e) Churches and social welfare organizations shall file annually with PREPA a copy of a valid certificate of good standing issued by the Department of State of Puerto Rico;

(f) Churches and social welfare organizations shall file with PREPA a copy of a decree in effect issued by the Department of the Treasury in accordance with Section 1101 of the Puerto Rico Internal Revenue Code, certifying such entity as nonprofit; and

(g) Churches and social welfare organizations shall file annually with PREPA a certification issued by the Department of the Treasury regarding the filing of the income tax exempt-business information return.”

Sub-Chapter D.- Special Rate for NAP and LIHEAP Beneficiaries.-

Section 3.7.- Requirements to Receive NAP’s Special Rate.-

Within sixty (60) days after the approval of this Act, PREPA shall enter into agreements with the Department of the Family to verify which current customers or potential customers thereof are beneficiaries of the Nutrition Assistance Program (NAP) administered by the Socio-economic Development Administration of the Department of the Family (ADSEF, Spanish acronym). Prior to granting the special rate for NAP beneficiaries, PREPA must verify that the customer appears in the list of beneficiaries provided by the Department of the Family.

Any customer removed from the NAP shall be required to immediately notify PREPA that he/she no longer is a NAP beneficiary, as provided in Section 2.2 of this Act, and PREPA shall proceed to transfer said customer to the applicable general residential rate.

The Department of the Family shall also send electronically, at least monthly, a list of the persons who have been removed from the Nutrition Assistance Program (NAP) administered by the Socio-economic Development Administration of the Department of the Family (ADSEF). Once PREPA receives such list from the Socio-economic Development Administration, it shall proceed to send a notice to the customer indicating that he/she has been removed from NAP, and warning him/her that he/she may be removed from the special rate for NAP beneficiaries if such removal is not challenged within thirty (30) calendar days. If the customer fails to satisfactorily show to PREPA his/her eligibility for the NAP beneficiaries special rate, or if the customer fails to contact PREPA within said thirty (30)-day term, PREPA may transfer such customer to the regular residential rate.

Section 3.8.- Low Income Home Energy Assistance Program.-

Within sixty (60) days after the approval of this Act, the Socio-economic Development Administration (ADSEF) of the Department of the Family shall enter into agreements with PREPA to remit directly to the latter the payment for the electric power services of the beneficiaries of the Energy Assistance and Energy Crisis Programs under the Low Income Home Energy Assistance Program (LIHEAP).

Sub-Chapter E.- Subsidized Utility Rates for Customers in Public Housing Projects.-

Section 3.9.- Adoption of the Subsidized Electric Power Service Flat Rate for Public Housing Project Customers.-

(a) PRASA and PREPA shall establish a flat monthly rate for customers residing in public housing projects owned by the Public Housing Administration.

(b) PREPA's flat rate created by virtue of this Act shall comply with the following parameters:

(1) Shall be the rate stated below in this subsection and shall establish the following monthly consumption limits, which shall be subject to review according to the study required in paragraph (4) of this subsection:

Number of Bedrooms	Flat Rate	Maximum Consumption (kWh)
1	\$30.00	600
2 or 3	\$40.00	800
4 or 5	\$50.00	1000

(2) If the customer exceeds the consumption limit established by PREPA, every excess kWh shall be billed at the same rate kWh's are billed to non-subsidized residential customers.

(3) The cost of this subsidy shall be defrayed as provided in Act No. 4-2016, known as the "Electric Power Authority Revitalization Act."

(4) Within a term not exceeding eighteen (18) months after the approval of this Act, CEPPPO shall conduct and publish a study on the use of electric power in public housing projects in order to determine the need and suitability of rates and the amount of kilowatt-hour (kWh) applicable to the flat rate that allows PREPA and the Puerto Rico Energy Commission to determine the need to revise the limits established in paragraph (1) of this subsection, and adjust the same so as to promote efficient energy use.

(c) The flat rate for water and sewer services created by virtue of this Act shall comply with the following parameters:

(1) A monthly water consumption limit of ten cubic meters (10m^3) shall be established for housing units with one (1) or two (2) bedrooms.

(2) A monthly water consumption limit of fifteen cubic meters (15m^3) shall be established for housing units with three (3) or more bedrooms.

(3) If the customer exceeds the consumption limit imposed by PRASA on the flat rate, every excess cubic meter or fraction thereof shall be billed at the same rate that cubic meters are billed to non-subsidized residential customers.

(4) PRASA shall establish the item from which the cost of this subsidy shall be defrayed.

(d) Conditions to Receive and Keep the Subsidized Flat Rate in Public Housing Projects.

(a) Every customer interested in availing him/herself of the subsidized flat rate created by virtue of this Act shall meet the following requirements, as well any other requirement imposed under this Act and the regulations adopted by PRASA and PREPA:

(1) To reside in a housing unit physically located within a public housing project attached to the Public Housing Administration.

(2) That no complaint, notice, or administrative fine has been filed against him/her due to meter tampering, electricity or water theft.

(b) Every customer who avails him/herself of the subsidized flat rate created by virtue of this Act, shall lose said benefit and be immediately transferred to the general residential rate or any other rate for which he/she may be eligible for any of the following reasons:

(1) PRASA or PREPA, as the case may be, determines that the meter associated with the account of the customer has been modified or tampered with without the express consent of PRASA or PREPA, as the case may be.

(2) The customer or any member of his/her family unit living under the same roof is found guilty of meter tampering or sabotage of essential services.

(3) The customer includes false documents or provides false information in the application for a subsidized flat rate.

(4) The customer no longer resides in a housing unit located within a public housing project.”

Section 3.10.- Payment Plan for Public Utilities.-

Electric power or water service customers residing in public housing projects attached to the Public Housing Administration who, on the effective date of this Act, have outstanding debts or payments over sixty (60) days in arrears, may establish payment plans with PREPA or PRASA, as the case may be, to pay off such debt. Payment plans shall be subject and limited to the following:

(a) PRASA and PREPA, as the case may be, shall determine, on a case by case basis, the initial payment to be made by the customer, which shall not exceed ten percent (10%) of the balance in arrears or two hundred dollars (\$200), whichever is less. The monthly payment shall be ten dollars (\$10), which shall be added to the flat monthly rate in the bill of the respective agency until the balance due is paid in full. This payment plan shall always be issued regardless of the amount of the debt.

(b) If the customer avails him/herself of a payment plan and fails to meet his/her requirement to pay on two (2) consecutive months of the payment plan or fails to comply with any other term of the payment plan, he/she shall lose the right to the same and shall be subject to service suspension or disconnection. PREPA and PRASA, as the case may be, may restore said payment plan if the customer pays one

hundred dollars (\$100) in addition to overdue amounts from the payment plan and the overdue amounts from the current rate at the time payment was due. Said one hundred dollars (\$100) shall be credited to the outstanding debt and shall not be considered a fine or a penalty.

(c) This payment plan shall be an agreement between the customer and the public utility that shall be effective until the debt is paid in full regardless of the time it takes the customer to pay the same in full.

(d) PRASA and PREPA, as the case may be, may adopt any other additional condition or initial payment, if they determine that the customer has shown a pattern of noncompliance with his/her payment obligations or any other pattern of irregularities. It shall be considered that a customer shows a pattern of noncompliance if he/she has breached the payment plan established in accordance with this Act more than twice (2) in a period of twelve (12) months.

Section 3.11.- Disconnection or Suspension of Service Due to Nonpayment.-

Disconnection or suspension of service by PREPA due to nonpayment, as well as any claim that a PREPA customer may have in connection with the implementation of this Subchapter, shall be made in accordance with the process established in Section 6.27 of Act No. 57-2014, as amended, known as the “Puerto Rico Energy Transformation and RELIEF Act.”

Disconnection or suspension of service by PRASA due to nonpayment, as well as any claim that a PRASA customer may have in connection with the implementation of this Subchapter, shall be made in accordance with the process established in Act No. 33 of June 27, 1985, as amended, known as the “Act to Establish Minimum Procedural Requirements for the Suspension of Essential Public Services.”

Section 3.12.- Transfer of Funds on Account of Utility Allowances.-

Within sixty (60) days after the approval of this Act, the Public Housing Administration of the Department of Housing shall enter into interagency agreements with PREPA and PRASA as are necessary to transfer directly to the accounts of such customers in said public corporations the funds allocated by the United States Government on account of Utility Allowances. Said funds shall be allocated to PREPA and PRASA, respectively, as provided in the regulations of the Federal Housing Administration and/or the Department of Housing of the Commonwealth of Puerto Rico.

Section 3.13.- Agreements to Notify Irregularities.-

Within sixty (60) days after the approval of this Act, the Public Housing Administration and the Department of Housing shall enter into interagency agreements with PREPA and PRASA to receive notifications, at least monthly, enclosed with a list of public housing project customers whose accounts are sixty (60) days in arrears or over, customers who have failed to comply with the payment plans, customers whose service have been disconnected, units whose meters have been tampered with, and customers who have engaged in any other conduct, practice, or irregularity that may entail consequences regarding the lease agreements of the PHA. Such notification may be made electronically.

Section 3.14.- Obligation to Comply with the Terms of the Lease Agreement.-

The Public Housing Administration may initiate an administrative process to terminate a lease agreement when it determines that a resident is not receiving water or electric power services lawfully, has failed to comply with PREPA or PRASA payment plans, or PREPA or PRASA service has been disconnected.

Section 3.15.- Support of the Public Housing Project Residents' Council.-

The PHA, in conjunction with agent administrators of public housing projects, shall create a support group constituted by public housing project residents' councils to facilitate customers' compliance with their obligation to receive water and electric power services lawfully.

Section 3.16.- Obligation to Make an Inventory of Meters in Public Housing Projects.-

Within ninety (90) days counted as of the approval of this Act, PREPA and PRASA, in conjunction with the PHA, shall initiate a meter inspection and inventory process in public housing projects for the purpose of ensuring that the accounts of public housing project customers are dully associated with meters in housing units that are physically located within a public housing project. This inventory process shall conclude not later than two hundred seventy (270) days as of the approval of this Act.

Sub-Chapter F.- Electrical Life-Support Equipment.-

Section 3.17.- Subsection (c) is hereby amended, a new subsection (d) is hereby added, and subsections (d), (e), and (f) are hereby renumbered as subsections (e), (f), and (g) of Section 22 of Act No. 83 of May 2, 1941, as amended, known as the "Puerto Rico Electric Power Authority Act," to read as follows:

"Section 22.- Tax Exemption; Use of Funds.-

(a) ...

(b) ...

(c) A partial credit shall be granted in the bill of every customer under a residential rate, who is eligible to receive said credit, pursuant to the regulations adopted from time to time by the Authority, and who has a maximum monthly consumption of up to 400 kWh or less; or a maximum bimonthly consumption of

800 kWh or less, which credit would be equal to the amount that, through regulations, the consumer would have had to pay in the corresponding period indicated, as a result of the adjustment for the adjusted fuel price up to a maximum of thirty dollars (\$30) per barrel. Provided, that the adjustment for any excess in the cost of fuel above the maximum price adopted per barrel, shall be paid by the customer, in addition to any other charge resulting from the increase in the price of fuel. Provided, further, that those users who are entitled to said credit pursuant to the Authority's regulations in effect, and who have a maximum monthly consumption of up to 400 kWh, or a maximum bimonthly consumption of up to 800 kWh, shall be entitled to the aforesaid credit up to 400 kWh a month or 800 kWh bimonthly. It being understood that, for purposes of Sections 1 to 27 of Act No. 83 of May 2, 1941, as amended, the monthly or bimonthly periods, as the case may be, shall have the number of days of the billing cycles of the Electric Power Authority.

(d) The following electric power consumption credits shall be granted specifically for life-support equipment;

(1) A fifty percent (50%) residential electric power consumption credit specifically attributable to life-support equipment, as determined by a professional authorized to practice medicine in Puerto Rico or by the Department of Health, such as ventilators connected to the tracheostomy tube, air filtration systems, infusion pumps, artificial respirators, artificial kidney machines or any other electrical machines, equipment or appliances needed to preserve the life, regardless of the financial condition of the patients' family unit.

(2) One hundred percent (100%) residential electric power consumption credit specifically attributable to life-support equipment, as determined by a professional authorized to practice medicine in Puerto Rico or by the Department of Health, such as ventilators connected to the tracheostomy tube, air filtration systems, infusion pumps, artificial respirators, artificial kidney machines

or any other electrical machines, equipment, or appliances needed to preserve the life, when the financial condition of the patients' family unit is below the poverty line.

(3) A fifty percent (50%) residential electric power consumption credit specifically attributable to equipment needed for the care of persons diagnosed with multiple sclerosis, as determined by a professional authorized to practice medicine in Puerto Rico or by the Department of Health, up to a monthly maximum of 425 kWh, regardless of the financial condition of the patients' family unit.

(4) One hundred percent (100%) residential electric power monthly consumption credit where patients with epidermolysis bullosa, anhidrotic ectodermal dysplasia, or adrenoleukodystrophy reside for up to a maximum of 425 kWh attributable to an air conditioning unit in the patient's bedroom, up to a maximum of 18 kWh attributable to a food processor, and up to a maximum of 132 kWh attributable to a whirlpool, regardless of the financial condition of the patient's family unit.

In order to receive the credits provided in this Section, the applicant must meet the following requirements:

(1) The electric power service account holder shall file annually with PREPA a certification stating that the patient resides in the housing unit associated with the electric power service account.

(2) To file annually with PREPA a certification issued by a professional authorized to practice medicine in Puerto Rico or by the Department of Health, stating in detail the nature of the applicant's condition, the need for the electrical life-support equipment, and a list of the equipment or appliances specifically needed to preserve such patient's life. Said certification may be issued up to ninety (90) days before the filing date thereof.

(3) If claiming that the financial condition of the patient's family unit is below the poverty line, to annually file with PREPA a certification issued by the Department of the Family stating that the patient's family unit financial condition is below the poverty line, as such term is defined by the Department of the Family. Said certification may be issued up to ninety (90) days before the filing date thereof.

(4) To have no debt, payment plan, or arrears in the electric power service account with the Electric Power Authority.

The Department of Health shall enter into agreements with the Commonwealth Energy Public Policy Office to establish energy audit programs for the patient's residence, in order to achieve the most efficient use of electric power in the patient's residence.

(e) ...

(f) ...

(g) ...”

Section 3.18.- Transition of Customers who Receive Credits Created under Act No. 3 of December 20, 1985.-

Within sixty (60) days, counted as of the approval of this Act, PREPA shall notify all customers who receive an electric power consumption credit attributable to life-support equipment, that they must file the documents listed in this Subchapter F in order to continue receiving such credit. Said customers shall have up to ninety (90) days, counted as of PREPA's notice to submit such documents. In addition, said customers must meet the annual recertification requirement and all other requirements set forth in this Act. If a customer fails to file the required documents within the term prescribed herein, PREPA shall discontinue such credits.

**CHAPTER IV.- RESPONSIBILITY OF GOVERNMENT AGENCIES
AND PUBLIC CORPORATIONS.-**

Section 4.1.- Debt Payoff and Payment Plans for Electric Power, Water and Sewer Services.-

Paragraph (6) of subsection (e) of Section 4 of Act No. 147 of June 18, 1980, as amended, known as the “Management and Budget Office Organic Act,” is hereby amended to read as follows:

“Section 4.- Duties and Powers of the Governor Regarding the Budget.-

- (a) In tune with Article IV...
- (b) The Governor shall submit...
- (c) In tune with Section 8...
- (d) The administrative measures stated below shall be adopted for the implementation...
- (e) Regarding the administration...
 - (1) ...
 - (2) ...
 - (3) ...
 - (4) ...
 - (5) ...
 - (6) To include in the details of the budget those items needed to pay debts incurred by the bodies in previous years chargeable to the various sources of revenues, including payments made on account of the payment agreements entered into with the Electric Power Authority and the Aqueduct and Sewer Authority, and to reduce by said amounts the resources available to the body for the fiscal year in which the adjustment is made. The exercise of this function shall not apply to the

bodies or enterprises which operate with their independent treasury, nor to those bodies that receive appropriations over which the Office exerts no budgetary control, which shall take the pertinent measures to settle the debts of previous years.

(7) ...”

Section 4.2.- Budget for the Payment Agreements for Water and Electric Power Services.-

Every public corporation, agency, municipal corporation, and government instrumentality of the Commonwealth of Puerto Rico shall include items in their annual budget for the payment of electric power, water, and/or sewer services, and as well as items for debt payoff and the payment agreements entered into with PREPA and PRASA. Every public corporation, municipal corporation, agency, and government instrumentality of the Commonwealth of Puerto Rico that has any outstanding debt and has entered into a payment agreement with PREPA or PRASA, shall initiate a reconciliation process to determine the sum of the outstanding debt and enter into a payment agreement with PREPA or PRASA, as the case may be, for the payment of the past due debt. Provided, that PREPA and PRASA may require a reasonable minimum initial payment to enter into said payment agreements.

Section 4.3.- Obligation of Government Entities to Reconcile Debt with PRASA and PREPA.-

Within forty-five (45) days as of the approval of this Act, every public corporation, municipal corporation, agency, and government instrumentality of the Commonwealth of Puerto Rico that has any outstanding debt with PREPA or PRASA, shall initiate an account reconciliation process with PREPA or PRASA, as the case may be, to define the total amount of the debt. The term to complete such reconciliation shall not exceed forty-five (45) days after the process began. Within sixty (60) days, counted as of the completion of the reconciliation process provided herein and, if no dispute arises in connection with the total amount of the debt, the

public corporation, municipal corporation, agency, and government instrumentality of the Commonwealth of Puerto Rico shall enter into a payment agreement with PREPA or PRASA, as the case may be, for the payment of the past due debt. PRASA and PREPA may require a reasonable minimum initial payment to enter into said payment agreements.

CHAPTER V.- REPEALING CLAUSE.-

Section 5.1.- Act No. 3 of December 20, 1985, as amended, is hereby repealed.

Section 5.2.- Act No. 111 of July 10, 1986, as amended, is hereby repealed. Upon the approval of this Act, no decrees, decree extensions, incentive special rate certifications or agreements shall be granted to industries to obtain special rates under Act No. 111 of July 10, 1986.

Section 5.3.- Act No. 69-2009, as amended, is hereby repealed.

CHAPTER VI.- TRANSITORY PROVISIONS AND EFFECTIVENESS.-

Section 6.1.- Rulemaking Authority.-

The Electric Power Authority, the Aqueduct and Sewer Authority, the Department of the Family, the Socio-economic Development Administration of the Department of the Family, the Public Housing Administration, the Tourism Company, the Department of Economic Development and Commerce, the Puerto Rico Energy Commission, the Commonwealth Energy Public Policy Office, and any other agency with jurisdiction to award energy credits, subsidies, or grants shall draft and promulgate regulations as are necessary, if any, to enforce the provisions of this Act within ninety (90) days after its approval.

Section 6.2.- Severability.-

If any section, subsection, part, paragraph, or subparagraph of this Act or the application thereof to any person or circumstance, were held to be unconstitutional by a Court with jurisdiction, said holding shall not affect or invalidate the remaining provisions of this Act. The effect of such holding shall be limited to the section, subsection, part, paragraph, or subparagraph of this Act, or the application thereof, thus held to be unconstitutional.

Section 6.3.- Effectiveness.-

This Act shall take effect immediately after its approval.