

(S. B. 1523)

(No. 4-2016)

(Approved February 16, 2016)

AN ACT

To establish the Electric Power Authority Revitalization Act; amend Sections 2, 4, and 5; add a new Section 5B; amend Sections 6 and 6A; repeal Section 6B; amend Section 6C and renumber it as Section 6B, add a new Section 6C, amend Sections 7, 15, and 22 of Act No. 83 of May 2, 1941, as amended, known as the “Puerto Rico Electric Power Authority Act”; amend Section 1.3; amend Sections 6.3, 6.16(c), 6.24, and 6.25; add a new Section 6.25A, amend Sections 6.27, 6.29(a); repeal Section 6.31; amend Section 6.32 and renumber it as Section 6.31, amend Section 6.33 and renumber it as Section 6.32, renumber Section 6.34 through Section 6.45 as Section 6.33 through Section 6.44, respectively; amend renumbered Section 6.43 of Act No. 57-2014, as amended, known as the “Puerto Rico Energy Transformation and RELIEF Act”; amend Sections 4 and 5 of Act No. 114-2007, as amended, known as the “Net Metering Act,” in order to adjust its definitions; provide for the administration, operation, and governance of the Authority; provide for the rate review and contracting processes; provide for the matters that shall govern the conduct of the members of the Board of Directors and employees of the Authority; clarify issues related to the contributions in lieu of taxes of municipalities; provide for transition charges; clarify the energy bill review process; clarify the duties and responsibilities of the Energy Commission and the Independent Consumer Protection Office; provide for the matters that shall govern renewable energy projects; create the “Puerto Rico Electric Power Authority Revitalization Corporation”; provide for the Authority’s debt restructuring process and repayment mechanism, as well as the legal and judicial proceedings related thereto; and for other related purposes.

STATEMENT OF MOTIVES

A. Purpose of this Act

The purpose of this Act is to revitalize the Electric Power Authority (hereinafter the “Authority”) so that it may continue providing excellent services to Puerto Rico and all its residents. Since its creation in 1941, the inauguration of the San Juan Steam Plant in 1950, the opening of the Aguirre Steam Plan in 1974, to the merger of all electric power systems of Puerto Rico under one single entity in 1981, the Authority has worked for the benefit of its customers, being the only public corporation responsible for providing electric power service in the Island. The role played by the Authority in Puerto Rico’s daily life has been adapted to the needs of the times. At this time in history, the Authority has a new opportunity to continue advancing and becoming a world-class public corporation.

As a result of the accumulation of debt over the years and the lack of capital to invest in infrastructure, the Authority began to decline until it became obsolete. The high dependence on fossil fuels have resulted in an inefficient productivity and an increase in energy prices. Furthermore, partisan political influences have led to a lack of trust and credibility in the Authority. Currently, the Authority’s debt amounts to \$9 billion and, as of the summer of 2014, it was facing the maturity of fuel lines of credit amounting to nearly \$700 million, while it could not tap into capital markets nor secure other sources, including the central government, to refinance them.

This legislation seeks to provide the Authority with the tools it needs to become a self-sustainable entity which implements the best practices and technologies of the energy industry through an integrated planning of its resources. The opportunity to provide an efficient, safe, reliable, and environmentally-friendly service and, above all, rate stability to its customers shall stimulate the economic growth of Puerto Rico. Even though the Authority has been able to

achieve great progress for decades, it has accumulated a budget deficit that needs to be responsibly addressed. For such reason, the necessary efforts have been made and continue to be made for its transformation. This legislation and the support of all interested parties are critical to achieve the Authority's goals for the benefit of all Puerto Ricans as well as of generations to come.

B. Ongoing transformation for the benefit of all

The Authority's transformation does not begin with the approval of this Act. This legislative piece is just one link in the chain of efforts that have been and will be carried out by this Administration for the benefit of all customers. The Energy Commission was created upon the approval of Act No. 57-2014, as amended, known as the "Puerto Rico Energy Transformation and RELIEF Act." Said Commission is in charge of overseeing and following up the services received by customers, as well as rate reviews, among others. It is worth noting that the Commission continues to be empowered to approve any rate review, a power that was granted thereto under Act No. 57-2014, *supra*. It is also hereby granted additional review and approval powers to ensure that the Authority's transformation is carried out fully and transparently. Citizen participation was and still is a key element in the Authority's transformation. Moreover, customers have the Independent Consumer Protection Office (ICPO), whose function is to represent and defend them before the Authority and the Commission.

In addition, there have been identified several areas that have resulted in significant savings in the short term. These efforts have improved the Authority's processes and controls in various areas, to wit: fuel inventory, accounts receivables and collection efforts, bids, inventory management, and security. With regard to bids for fuel purchase, the Authority has implemented through its different departments an integrated process that includes: periodic meetings, inventory evaluation, procurement controls, and other practices that comply with industry

standards. These efforts resulted in non-recurring savings of \$80 million for the current fiscal year and in annual recurring savings of \$106 million. There have also been identified additional non-recurring savings of \$260 million and annual recurring savings of up to \$390 million.

As to the direct impact on the Authority's customers, from December 2011 to January 2013, the energy prices dropped artificially due to external variables, including loans granted by the Government Development Bank for Puerto Rico during the general elections period. During said period, the actual price per kilowatt-hour reached 30 cents. This Administration corrected said manipulation and has achieved an average reduction of over 18% in the actual energy price.

However, the measures taken have not been enough. In this fiscal year, the Authority is facing obligations it cannot meet. The Authority has the obligation to pay a fuel line of credit of almost \$700 million, and the principal of and interest on its outstanding bonds of nearly \$763 million. Despite the fact that the Authority maintained, as of October 1, 2015, approximately \$367 million in cash for operating expenses, nearly \$106 million in a special fund created for construction projects, and \$101 million in a fund controlled by the trustee of its bonds for debt service payments, it is projected that there will be a deficit of almost \$1 billion. This precarious financial situation requires immediate action so that the Authority may be financially solvent and meet its obligations in an orderly manner to the satisfaction of all its customers. Seeking to make the Authority's transformation a reality, an integrated agreement (Creditors' Agreement) has been reached with creditors in order to balance the needs and interests of all parties involved. The implementation of said Agreement requires the approval of this Act.

The Authority's transformation is a critical element for it to succeed and be able to: (1) reduce its debt burden; (2) reform its operations and governance structure thus ensuring its independence; (3) implement significant savings in its

operations; (4) promote public-private investment and create the conditions for key investments in electric power infrastructure, cleaner energy, and diversification of energy sources, including renewable sources; (5) maintain reasonable and accessible rates; and (6) comply with federal and state environmental regulations.

The implementation of these transformation efforts shall bring about a \$2.4 billion investment to modernize generators, which in turn, will lead to the emergence of a renewable energy era in Puerto Rico. Furthermore, such implementation shall increase the offering of services and the employees of the Authority shall proudly enjoy a work environment where they can work safely and efficiently. As part of the Authority's revitalization, there have been developed an independent Governing Board that responds to the best interest of the Authority and its customers. This is of utmost importance, since the Authority is the only public corporation in charge of providing Puerto Rico with electric power service, which is essential for its operations. The Authority is making significant investments in capital improvement projects and updating its systems, without incurring additional debt. The five (5) years of relief that it has negotiated with the creditors thereof shall afford the Authority the opportunity to invest in modernizing and rendering the Authority more efficient, and will help it to comply with environmental regulations.

It is worth mentioning that these efforts need the broad support of all parties involved. The success of the Authority's transformation shall be contingent on us sharing the social and financial burden in order to ensure that we move in the same direction. Rescuing the Authority is the responsibility of all interested parties, including its creditors, customers, employees, and the municipalities.

C. Conclusion

The transformation sought by this Act is based on common stabilization and transparency goals, that is, to offer reasonable energy prices and a reliable and

efficient service. These are fair and equitable solutions for the benefit of all interested parties. A transformation and revitalization shall render the Authority a modern and efficient public corporation, administered by professional individuals, with dependable working conditions, real opportunities for advancement, and a respectful and efficient work environment. The Authority operates for the benefit of all Puerto Rico rather than for the benefit of an elite group. There is a compelling need to break the cycles of resistance to change for the Authority to be able to prosper and along with it Puerto Rico's economy. This transformation is the basis for Puerto Rico's progress and growth. This is our opportunity to move forward with a plan based on facts and our financial reality, but also with our desire to maintain and protect the Authority as a patrimony of all Puerto Ricans. The time to act is now. Therefore, to achieve the Authority and this Administration's mission, it is necessary to transform the Authority by providing it with the tools to succeed.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

CHAPTER I.- GENERAL PROVISIONS.

Section 1.- This Act shall be known as the "Puerto Rico Electric Power Authority Revitalization Act."

Section 2.- Declaration of Public Policy on the Revitalization of the Electric Power Authority.-

The transformation and reform of our energy sector has been necessary to ensure the competitiveness and economic development of the Commonwealth of Puerto Rico. However, said reform had to be framed taking into account the Authority's financial reality, and understanding that its finances, operations, and governance require an evaluation and subsequent transformation. Since our main goal is to maintain the Authority as an entity of the Commonwealth of Puerto Rico, we have entered into an integrated agreement with the creditors lenders thereof

(Creditors' Agreement), the implementation of which requires the approval of this Act. The main purpose of implementing these agreements is to benefit all customers with a just, reasonable, and transparent rate that shall, in turn, allow the Authority to meet its obligations and provide a world-class service in the medium- and the long-term. For such purposes, the Puerto Rico Electric Power Authority Revitalization Act is hereby approved.

CHAPTER II.- AMENDMENTS TO DEFINITIONS.

Section 3.- Section 1.3 of Act No. 57-2014 is hereby amended to read as follows:

“Section 1.3.- Definitions.

(a) ‘Creditors’ Agreement’ shall mean the agreement executed on January 27, 2016 (including annexes, exhibits, and schedules attached thereto), by and among the Authority and various of the principal creditors thereof, as amended or supplemented, whereby certain terms and conditions of the current debt are modified and the Authority commits to (i) implement certain administrative, operational, and governance reform measures; (ii) optimize electric power transmission and distribution; (iii) modernize electric power generation; and (iv) achieve operational savings. Neither the Agreement nor any future amendment thereto or supplement thereof shall be inconsistent with the provisions of the ‘Puerto Rico Electric Power Authority Revitalization Act.’ None of the provisions of the Creditors’ Agreement executed prior to the approval of this Act shall be understood to be binding upon or create obligations between the Customers or the Commonwealth of Puerto Rico and the creditors of the Corporation and the Authority.

(b) ‘Authority’ or ‘PREPA’

(c) ‘Agency’ or ‘Public Instrumentality’.- ...

(d) ‘Bonds’.- ...

- (e) ‘Bondholder’ or ‘Holder of bonds’.- ...
- (f) ‘Interconnection Charge’.- ...
- (g) ‘Renewable Energy Portfolio’.- ...
- (h) ‘Certified’.- ...
- (i) ‘Customer’ or ‘Consumer’.- ...
- (j) ‘Commission’ or ‘Energy Commission’.- ...
- (k) ‘Electric Power Company’ or ‘Electric Power Service Company’.- ...
- (l) ‘Electric Power Generation Company’.- ...
- (m) ‘Conservation’.- ...
- (n) ‘Energy Savings Performance Contracts’.- ...
- (o) ‘Power Purchase Agreement’ or ‘PPA’.- ...
- (p) ‘Peak Demand’.- ...
- (q) ‘U.S. Department of Energy’.- ...
- (r) ‘Electric Power Distribution’.- ...
- (s) ‘Energy Efficiency’.- ...
- (t) ‘Thermal Efficiency’ or ‘Heat Rate’.- ...
- (u) ‘Electricity Bill’.- ...
- (v) ‘FERC’.- ...
- (w) ‘Renewable Energy Sources’.- ...
- (x) ‘Electric Power Generation’.- ...
- (y) ‘Distributed Generator’ or ‘Independent Producer’.- ...
- (z) ‘Essential Public Service Facilities’.- Shall mean health facilities, police and armed forces stations, fire stations, emergency management offices, prisons, waste water supply and treatment facilities, public educational institutions owned or used by the government and any other facility, whether owned or used by the government, designated by the Energy Commission as an ‘Essential Public Service Facility’ by regulations.

- (aa) ‘Interconnection’ or ‘Electric Interconnection’.- ...
- (bb) ‘Environmental Quality Board’.- ...
- (cc) ‘Modernization’.- Shall mean projects for the development of new generation plants or the replacement of existing plants in accordance with the Integrated Resource Plan of the Authority.
- (dd) ‘Commonwealth Energy Public Policy Office’ or ‘CEPPO’.- ...
- (ee) ‘Independent Consumer Protection Office’ or ‘ICPO’.- ...
- (ff) ‘Citizen Participation’.- ...
- (gg) ‘Person’.- ...
- (hh) ‘Integrated Resource Plan’ or ‘IRP’.- ...
- (ii) ‘Energy Relief Plan’.- ...
- (jj) ‘Power Plant’.- ...
- (ll)[sic] ‘Energy Producer’.- ...
- (mm) ‘Electric Power Grid’.- ...
- (nn) ‘Federal Environmental Regulations’.- Shall mean the rules and regulations promulgated by the Environmental Protection Agency.
- (oo) ‘Electric Power Service’.- ...
- (pp) ‘Electrical System’.- ...
- (qq) ‘Wheeling Rate’.- ...
- (rr) ‘Electricity Rate’.- ...
- (ss) ‘Energy Transmission’.- ...
- (tt) ‘Wheeling’.- Shall mean the transmission of electricity from one system to another through Puerto Rico’s electric power grid, according to the wheeling provisions of Act No. 73-2008, as amended, known as the ‘Economic Incentives Act for the Development of Puerto Rico,’ and which does not constitute distributed generation through any net metering mechanism.
- (uu) ‘U.S. Energy Information Administration’.- ...”

Section 4.- Section 2 of Act No. 83 of May 2, 1941, as amended, is hereby amended to read as follows:

“Section 2.- Definitions.

The following terms, wherever used or referred to in this Act, shall have the meaning stated below, except where the context clearly indicates otherwise:

(a) Creditors’ Agreements.- shall mean the agreement executed on January 27, 2016 (including annexes, exhibits, and schedules attached thereto), by and among the Authority and various of the principal creditors thereof, as amended or supplemented, whereby certain terms and conditions of the current debt are modified and the Authority commits to (i) implement certain administrative, operational, and governance reform measures; (ii) optimize electric power transmission and distribution; (iii) modernize electric power generation; and (iv) achieve operational savings. Neither the Agreement nor any future amendment thereto or supplement thereof shall be inconsistent with the provisions of the ‘Puerto Rico Electric Power Authority Revitalization Act.’ None of the provisions of the Creditors’ Agreement executed prior to the approval of this Act shall be understood to be binding upon or create obligations between the customers or the Commonwealth of Puerto Rico and the creditors of the Corporation and the Authority.

(b) Federal Agency.- ...

(c) Authority or PREPA.- ...

(d) Bonds.- ...

(e) Commission.- ...

(f) Conservation.- ...

(g) Energy Efficiency.- ...

(h) Undertaking.- ...

- (i) Renewable Energy.- ...
- (j) Official or Employee.- Officials, employees, or individuals working in the Electric Power Authority or any entity or subsidiary thereof.
- (k) Essential Public Service Facilities.- Shall mean health facilities, police and armed forces stations, fire stations, emergency management offices, prisons, waste water supply and treatment facilities, public educational institutions owned or used by the government and any other facility, whether owned or used by the government, designated by the Energy Commission as an ‘Essential Public Service Facility’ by regulations.
- (l) Board.- ...
- (m) Modernization.- Shall mean projects for the development of new generation plants or the replacement of existing plants that fail to comply with the Integrated Resource Plan of the Authority.
- (n) Citizen Participation.- ...
- (o) Integrated Resource Plan or ‘IRP’.- ...
- (p) Independent Producer.- ...
- (q) Demand Response.- ...
- (r) Hydroelectric System of the Puerto Rico Irrigation Service, South Coast.- ...
- (s) System of Utilization of the Water Resources.- ...
- (t) Solicitation of Contributions.- It shall be understood as any request personally made by a member of the Board, official or employee while carrying out the duties of his/her office, for a contribution in cash or in kind to be made for the benefit of a political party, movement, or political action committee or candidate for any elective office.
- (u) Bondholder, holder of bonds, or any similar term.- ...
- (v) Utilization of the Water Resources.- ...”

CHAPTER III.- GOVERNANCE, ADMINISTRATION, OPERATIONAL, AND RATE AMENDMENTS AND REFORMS.

Section 5.- Section 4 of Act No. 83 of May 2, 1941, as amended, is hereby amended to read as follows:

“Section 4.- Governing Board.

The powers of the Authority shall be exercised and its general policy and strategic management shall be determined by a Governing Board, hereinafter the Board.

(a) Appointment and Composition of the Board.- The Governor of the Commonwealth of Puerto Rico shall appoint, with the advice and consent of the Senate, six (6) of the nine (9) members who shall compose the Board. The three (3) remaining members shall be representatives of customers selected in accordance with the procedure provided herein below. The six (6) members appointed by the Governor shall be selected from a list of at least ten (10) candidates to be prepared and submitted to the Governor by a recognized executive search firm for board of director recruitment for institutions of similar size, complexity, and risks as the Authority. The identification of candidates by such firm shall be based on objective criteria such as educational and professional background, and at least ten (10) years of experience in their field. The educational and professional background criteria shall include at least the following fields: electrical engineering, business administration, economics and finances, or law. The list shall include, to the extent practicable, at least five (5) residents of Puerto Rico. One (1) of these six (6) members shall be considered a ‘transition member’ whose term of office shall expire at the time a vacancy arises in the office of one (1) of the Board members representing the interests of residential customers holding office as of the approval of this Act. The Governor, at his/her full discretion, shall evaluate the list of recommended candidates and select six (6) persons from the list. If the Governor

rejects any or all the recommended persons, said firm shall submit another list within the next thirty (30) calendar days. Board members representing the interests of residential customers at the time of the approval of this Act shall remain in their office until the terms for which they were elected expire. As soon as the office of one (1) of these members becomes vacant, such member shall not be substituted. However, the term of office of the transition member of the Board shall also expire, so that the Board may continue operating with five (5) independent members, and two (2) representatives of customers' interests, as provided in this Section. The members of the Governing Board representing the customers shall be selected by means of an election to be supervised by the Department of Consumer Affairs (DACO, Spanish acronym) to be held in accordance with the procedure provided in this Section. The Authority shall provide the facilities as well as the financial resources needed for such purposes. Of the two (2) members elected, one (1) shall represent the interests of residential customers and one (1) shall represent the interests of commercial and industrial customers, and each shall serve for a three (3)-year term. The members appointed by the Governor shall serve for staggered terms, to wit: three (3) members shall hold office for five (5) years and two (2) members for six (6) years. As the terms of office of the five (5) Board members appointed by the Governor expire, the Governor shall appoint their successors for five (5)-year terms, following the same candidate identification mechanism described above. None of the members appointed by the Governor may hold such office for more than three (3) terms. The mechanism for candidate identification by a recognized executive search firm shall be in effect for fifteen (15) years, after which the Legislative Assembly shall evaluate whether such mechanism shall continue in effect or is rendered ineffective. If the Legislative Assembly renders such mechanism ineffective, it shall determine the new

appointment method to be used. The mechanism provided in this Act shall continue in effect until the Legislative Assembly provides otherwise.

All Board members shall meet the director independence requirement under the New York Stock Exchange (NYSE) Corporate Governance Standards; provided, however, that being a customer of the Authority shall not constitute a lack of independence. The provisions of Section 5.1 of Act No. 1-2012 shall not apply to Board members.

Any vacancy in the office of the members appointed by the Governor shall be filled by appointment of the latter, for the unexpired term of the original appointment in the same manner in which they were originally selected, to wit, with the advice and consent of the Senate upon submittal of a list of at least ten (10) candidates by a recognized executive search firm for institutions of similar size, complexity, and risks as the Authority. The identification of candidates by such firm shall be based on objective criteria such as educational and professional background, and at least ten (10) years of experience in their field. The educational and professional background criteria shall include at least, the following fields: electrical engineering, business administration, economics and finances, or law. The list shall include, to the extent practicable, at least five (5) residents of Puerto Rico. The Governor may use the latest list submitted for his/her consideration whenever it is necessary to fill a vacancy arising as a result of the resignation, death, disability, or substitution outside of the original term of the member being substituted. The designation of a substitute shall be made within six (6) months after the vacancy occurs. However, any vacancy in the office of the members elected to represent customers shall be filled in accordance with the election process regulated by DACO, within one hundred twenty (120) days after the date on which the vacancy occurred, and a new three (3)-year term shall begin to run.

No person shall be appointed to fill a vacancy in the Board during the electoral prohibition period, unless it is an essential requirement for the Board to have a quorum. In these cases, such appointment shall expire on January 1st of the following year. Given the terms and mutual commitments as well as the urgency of implementing the Authority's restructuring, this prohibition shall not apply to the electoral prohibition period applicable to the year 2016.

In addition to the independence requirements under the New York Stock Exchange (NYSE) Corporate Governance Standards that shall apply to all Board members, no person may become a Board member (including the members representing customers' interests) if he/she: (i) is an employee, retiree, or has any direct or indirect substantial economic interest in any private company with which the Authority has entered into contracts or with whom it engages in transactions of any kind, including borrowing money or providing raw material; (ii) within three (3) years before holding office, has had a business relationship with or any interest in any private company with which the Authority has entered into any contracts or with whom it engages in transactions of any kind; (iii) is an employee, member, advisor, or contractor of the Authority's labor unions; or (iv) has failed to provide a certification of having filed income tax returns during the five (5) preceding taxable years, a certification of having no outstanding debt issued by the Department of the Treasury, a certification of having no debts outstanding with the Authority, a Certificate of Criminal Record issued by the Puerto Rico Police Department, as well as negative certifications of the Child Support Administration (ASUME, Spanish acronym) and the Municipal Revenues Collections Center (CRIM, Spanish acronym) or has failed to meet all other requirements applicable to any person interested in becoming a public official.

No Board member may be a public employee, except for professors of the University of Puerto Rico system.

Board members shall receive for their services the compensation determined by the Board unanimously. If unanimity cannot be reached, then the Governor shall determine the compensation of the members. Such compensation shall be comparable to that earned by Board members in energy utility companies of similar size, complexity, and risks as the Authority, taking into account the nature of the Authority as a public corporation of the Commonwealth of Puerto Rico and, in any case, that is sufficient to attract qualified candidates.

The Board's compliance with the industry's governance standards shall be evaluated every three (3) years by a recognized consultant with expertise in the matter and broad experience providing advice to boards of directors of entities whose income, complexity, and risks are similar to those of the Authority. Said report shall be submitted to the Governor. The executive summary with the findings and recommendations of said report shall be published by the Authority.

(b) Organization of the Board; quorum; designation of the Executive Director.- The new Board appointed in accordance with the 'Electric Power Authority Revitalization Act' shall not be deemed to be constituted or make any decision whatsoever until the Governor has appointed and the Senate has confirmed, in accordance with the procedures established in this Act, at least five (5) of the independent members and at least one (1) of the representatives of customers is elected and present. The remaining members shall be appointed and begin serving on or before July 1st, 2016. The Board existing as of the approval of the 'Electric Power Authority Revitalization Act' shall continue carrying out its duties until the new Board is constituted as provided above. Within thirty (30) days after its appointment, the Board shall meet, organize, and select its Chair and Vice-Chair. At that same meeting, it shall appoint and fix the compensation of an

Executive Director, and shall also appoint a Secretary, neither of whom shall be a member of the Board. The works of the Board may be carried out in one (1) or more working committees, whose composition and duties shall be determined by the Chair of the Board.

The Board may delegate to the Executive Director or other officials, agents, or employees of the Authority such powers and duties as it may deem appropriate. The Executive Director shall be the executive officer of the Authority and shall be responsible for the implementation of its policy and the general supervision of the administrative and operational phases of the Authority.

The Board shall be empowered to contract, through the Executive Director, any independent advisors needed from time to time to carry out its duties under this Act in the best manner possible. The Authority shall have a general auditor who shall be an employee of the Authority, but who shall report his/her findings directly to the Board, have independent judgment, provide the Board with the necessary information, and periodically meet with the Audit Committee created by virtue of this Act. While the Board is composed of nine (9) members, five (5) members shall constitute a quorum for holding meetings; when the Board is composed of seven (7) members, four (4) members shall constitute a quorum, and all Board agreements shall be reached by not less than a majority of the members present at the meeting where a quorum has been constituted (even if one of the board members present disqualifies him/herself.) Notwithstanding the foregoing, it shall always be required for constituting a quorum that the majority of directors constituting a quorum be independent directors. A quorum shall be constituted at the beginning of a meeting and said quorum shall not be broken even if one of the members leaves a meeting after it began. However, no decision shall be made if there is no quorum when the vote is taken.

As of July 1st, 2014, regular and special meetings of the Board shall be simultaneously broadcasted on the Internet and subsequently posted on the Authority's website, except for those meetings or portion thereof when the following subjects are discussed: (i) confidential information in accordance with the Rules of Evidence of Puerto Rico; (ii) information related to collective bargaining, labor-related disputes, or personnel-related issues such as appointments, evaluations, disciplinary actions, and dismissal; (iii) ideas with regard to the negotiation of potential Authority contracts or to a determination to rescind or terminate contracts in effect; (iv) information of strategies regarding lawsuits of the Authority; (v) information of internal investigations of the Authority while these are still being conducted; (vi) aspects regarding the intellectual property of third parties; (vii) trade secrets of third parties; (viii) issues that the Authority should keep confidential in accordance with any confidentiality agreement; or (ix) matters of public security involving threats against the Authority, its property or employees. Likewise, Board members and individuals participating at meetings not broadcasted due to the aforementioned reasons shall keep the matters discussed in said meetings confidential until there is no longer a need for confidentiality or they are required by law to disclose such information. To the extent possible, such meetings shall be broadcasted live at the commercial offices of the Authority, and the recording thereof shall be available on the Authority's website on the business day following the meeting. Any recording shall be readily available on the Authority's website for at least six (6) months after the date on which it was initially posted. Once such term elapses, recordings shall be filed in a place where the citizenry may access them for further review.

The Authority shall notify on its website and its commercial offices, the schedule of the regular meetings of the Governing Board along with the agenda of both the last and the next Board meetings. Furthermore, the minutes of the work carried out during regular and special meetings of the Board shall be posted on the Authority's website, once these are approved by the Board in a subsequent meeting. Prior to posting such minutes, the Board shall also approve the version of each minute to be published, deleting: (i) confidential information in accordance with the Rules of Evidence of Puerto Rico; (ii) information related to collective bargaining, labor-related disputes, or personnel-related issues such as appointments, evaluation, disciplinary actions, and dismissal; (iii) ideas relating to the negotiation of potential Authority contracts or a determination to rescind or terminate contracts in effect; (iv) information of strategies regarding lawsuits of the Authority; (v) information of internal investigations of the Authority while these are still being conducted; (vi) aspects regarding the intellectual property of third parties; (vii) trade secrets of third parties; (viii) issues that the Authority should keep confidential in accordance with any confidentiality agreement; or (ix) matters of public security involving threats against the Authority, its property or employees. The Secretary shall propose, for the Board's approval, the text of the minutes and the text to be deleted from the version to be published. It shall be understood as 'minute' a written account of the matters transacted, addressed, or agreed on by the Board.

In the case of a conflict between the provisions of this Section and the provisions of Act No. 159-2013, as amended, directing all the public corporations and instrumentalities of Puerto Rico to broadcast their Boards' meetings on their websites, the provisions of this Act shall prevail.

The Authority shall post on its website all contracts, including the exhibits and attachments thereof, executed by the Authority, stating in detail the parties, purpose, and object of said contracts. Contracts shall be published within ten (10) calendar days upon the execution thereof. The Authority shall publish all contracts even if these are exempt from being filed with the Office of the Comptroller of the Commonwealth of Puerto Rico. However, the Authority may redact confidential information, such as the social security number of the contractor, information constituting trade secrets, or issues similar to those listed above which would not be disclosed if they were not discussed at a Board meeting.

At least once a year, the Board shall hold a public meeting to answer questions and address the concerns of customers and the citizenry in general. People attending such meeting may ask questions to the members of the Board about issues related to the Authority. Such meeting shall be notified at least five (5) business days in advance in a newspaper of general circulation and on the Authority's website. Board members who represent customers may call additional public meetings with the people they represent in accordance with their duties as Board members. Such meetings shall be coordinated with the Chair of the Board.

(c) Procedure to Elect Representatives of Customers' Interests.

(1) DACO shall approve regulations to implement the election procedure provided in this Section. Said regulatory procedure shall comply with the provisions of the Uniform Administrative Procedures Act, Act No. 170 of August 12, 1988, as amended, and the contents thereof shall be consistent with this Act.

(2) On or before one hundred twenty (120) days prior to the expiration of the term of each representative of customers' interests in the Governing Board of the Electric Power Authority, the Secretary of DACO shall issue a notice of elections, whereby the requirements to be nominated as a

candidate under the categories of representative of residential customers' interests and representative of commercial or industrial customers' interests shall be specified. The notice of election shall be published by means of media advertisement, on the Authority and DACO's websites, and mailed to customers along with the Authority's bill.

(3) The Secretary of DACO shall design and distribute the Request for Nominations form, in which every person aspiring to become a candidate shall state under oath, his/her name, personal circumstances, street and mailing address, telephone number, place of work, profession, relevant work experience, education, and PREPA account number. The form shall also provide that, once the candidates are elected, they shall submit sufficient information attesting to their compliance with the New York Stock Exchange Corporate Governance Standards. The request for nomination as representative of residential customers' interests shall include the signature of at least fifty (50) residential customers, along with their name, address, and PREPA account number, who endorse the nomination of the aspirant. The request for nomination as representative of commercial or industrial customers' interests shall include the name, address, and PREPA account number of at least twenty-five (25) commercial or industrial customers. Furthermore, aspirants shall submit a letter bearing the letterhead and signature of one (1) official of each commercial or industrial customer certifying the endorsement of such aspirant. Such request forms shall be available on the Authority and DACO's websites to be filled out on digital format by aspirants.

The Secretary of DACO shall include in the regulations a mechanism to validate endorsements pursuant to the purposes of this Act. The regulations shall provide that the results of the endorsement validation process shall be certified by a notary. Likewise, such regulations shall include the

requirements to be met by candidates in accordance with this Act and other applicable laws. Every candidate must be a *bona fide* Authority customer.

(4) On or before ninety (90) days prior to the expiration of the term of each representative of customers' interests, the Secretary of DACO shall certify as candidates the seven (7) nominees under each one of the two customer interests representative categories who have submitted the highest number of endorsements and have met all other requirements established in this subsection. Provided, that each one of the selected candidates may designate a person to represent him/her in the process and during canvassing.

(5) On or before sixty (60) days prior to the expiration of the term of each representative of customers' interests, the Secretary of DACO, in consultation with the Secretary of the Authority's Governing Board, shall proceed with the design and printing of ballots, and the canvassing. The design of the ballot for the representative of residential customers' interests shall include a space for the signature of the customer casting the vote and a space for the residential customer to write his/her account number and the mailing address where the Authority's electricity bill is received. The ballot for the representative of commercial or industrial customers' interests shall include a space where the customer shall write his/her account number, and where the name, title, and signature of an officer authorized to cast the vote in representation of said customer shall be included. The ballot shall advise that the vote shall not be counted if the customer fails to sign or write his/her account number on the same.

(6) ...

(7) Each one of the candidates selected for each one of the two customer interests representative categories shall designate one person to represent him/her during the process, and such persons, together with a representative of the Secretary of DACO and a representative of the Secretary of the Board shall

compose the Election Committee, which shall be chaired and directed by the representative of the Secretary of DACO.

(8) The Election Committee shall prepare and post prominently on the Authority's website any information of the candidates that enable customers to pass judgment on such candidates' abilities.

(9) ...

(10) The Election Committee, within ten (10) days after the deadline to receive ballots, shall begin the canvassing and notify the results thereof to the Secretary of DACO, who shall certify the candidates-elect and notify such certification to the Governor of the Commonwealth of Puerto Rico and the Chair of the Board.

(d) Role of the Board; Code of Ethics; Fiduciary Duties.

(1) Role of the Board.-

...

(vi) Implement the operational measures and savings specified in the Creditors' Agreement in relation to each one of the items included therein, as well as any other identified savings and opportunities, comply with the Authority's rate as authorized by the Commission, and achieve operational efficiency, as well as the diversification and modernization needed to provide customers with reliable energy at the lowest reasonable cost.

(vii) Within one year after its constitution, approve bylaws establishing the mission, vision, values, and corporate strategy of the Authority in accordance with Act No. 83, *supra*, and the Creditors' Agreement. The Board shall update such document annually, to the extent necessary.

...

(2) Code of Ethics.- The Board shall adopt a Code of Ethics that shall govern the conduct of its members and staff. Among its objectives, the code

of ethics shall require that the conduct of the members of the Board and its staff be governed at all times by the public interest and the interest of customers, and the best practices of the energy industry, and not by the pursuit of personal gain or profits for other natural or juridical persons; require and oversee that there is no conflict of interests and immediately clarify any apparent conflict of interests that may call into question the loyalty and fiduciary duty of the members of the Board and its staff with the interests of the Authority and of its customers; require that every Board member shall be duly prepared to attend regular and special meetings, and be able to deliberate on the Authority's matters; and provide the tools to prevent, orient, guide, and adjudicate on all that pertains to compliance with the ethical duties and responsibilities of all individuals regulated by the code of ethics of the Board. In addition, the code of ethics shall be designed in accordance with the best governance practices of the electric power industry and consistent with the applicable ethical rules, such as the provisions of the 'Puerto Rico Government Ethics Act of 2011.'

(3) Fiduciary Duties.- All actions of the Board and its members shall be governed by the highest duties of loyalty, due care, competence, and diligence for the benefit of the Authority and the public interest of providing an essential public service of quality to customers through just and reasonable rates consistent with sound fiscal and operational practices that provide for an adequate service at the lowest reasonable cost to ensure the reliability and safety of the System. Members shall not represent any creditor nor interests other than those of the Authority.

(e) Audit Committee.

(1) Creation.- As of July 1st, 2014, the Board shall appoint an Audit Committee composed of three (3) members of the Board, one (1) of which shall be the Chair of the Committee.

(2) Duties.- The Committee shall have the following duties:

(i) ...

...

(iv) ...

(f) Performance and Conduct.-

Without limiting the general provisions regarding improper conduct, as well as ethical and fiduciary duties provided for in this Act, including the confidentiality duty provided in subsection (b) of this Section, no independent member of the Board shall:

(i) contribute money or make contributions either directly or indirectly to political organizations, candidates or parties while holding office;

(ii) seek political office or engage in a political campaign to hold or support someone who runs for an elective public office or any position in the management or organization of a political party or to participate in partisan political campaigns of any kind while holding office;

(iii) make public statements, comments, or remarks regarding partisan political issues or acts while holding office;

(iv) coerce, obligate, command, or require other Board members, officials, or employees to make financial contributions or carry out or engage in partisan political activities while they are on duty; or

(v) solicit while on duty, or coerce, obligate, or require other Board members, officials, or employees to vote or further the political interests of his/her party or candidate of preference.

The Governor may dismiss any Board member for the following reasons:

- (i) engaging in the conduct prohibited in the preceding paragraph;
- (ii) incompetence, clear professional inability, or negligence in the performance of functions and duties;
- (iii) immoral or unlawful conduct;
- (iv) being convicted of a felony or misdemeanor involving moral depravity or crimes against the public treasury or function;
- (v) clear abuse of the Authority or of the discretion bestowed upon him/her under this or any other Act;
- (vi) wanton and willful obstruction of the works of the Board;
- (vii) destruction of the Authority's property;
- (viii) work under the influence of alcohol or controlled substances;
- (ix) fraud;
- (x) violations of the Puerto Rico Government Ethics Act, Act No. 1-2012;
- (xi) abandonment of duties; or
- (xii) failure to meet the requirements to become a member of the Board, as provided in this Chapter.

Board members may also be removed from office due to physical or mental disability which prevents them from performing their duties, in this case it shall not be considered a dismissal.

Without impairment to the constitutional authority of the Legislative Assembly to oversee the operations and performance of the agencies, instrumentalities, and public corporations of the Government of the Commonwealth of Puerto Rico, the Legislative Center for Fiscal Analysis and Innovation, created under Act No. 147-2015, is hereby authorized to conduct an

evaluation every two (2) years of the performance of the Board and make recommendations with regard to the potential dismissal of any of the members thereof for noncompliance with his/her duties and responsibilities. The results of said evaluation shall be filed with the Office of the Clerk of the House of Representatives and the Office of the Secretary of the Senate every two (2) years, to be counted as of the effective date of this Act, but not later than February 1st.

(g) Responsibility of Board Members and Officials.-

Without impairment to any rights granted under Act No. 104 of June 29, 1955, as amended, known as the 'Act on Claims and Lawsuits Against the Commonwealth,' no present or future member of the Board, official, agent, or employee of the Authority shall be held civilly liable for any action taken in good faith in the discharge of his/her duties and responsibilities under this Act, unless it is established that he/she engaged in conduct constituting an offense, deceit or gross negligence, nor shall be liable for any costs incurred in relation to any claim for which they enjoy immunity as provided herein. Furthermore, the Board, any of its individual directors, as well as any official, agent, or employee of the Authority shall be indemnified for any civil liability adjudicated under the laws of the United States of America, unless it is established that he/she engaged in conduct constituting an offense, deceit, or gross negligence.

(h) Interference with Administrative Function.-

No elected official of the Executive or the Legislative Branch or of the municipalities may, directly or indirectly, interfere in the performance or decision-making duties of the Board or the executive officers of the Authority, including, but not limited to interfering to affect the result or decisions of the executive officers or the Board on labor relations disputes or determinations; human resources decisions such as appointments and compensations; collective bargaining agreements; determinations in connection with rate review, contracting, service

disconnection; determinations regarding the content or implementation of the capital improvement program, and other operational matters or inherent functions of the executive officers and the Board. Moreover, no such elected officials shall interfere in the processes and decision making of the Energy Commission, except in the case of a formal communication or notification of such official as part of his/her official duties and/or whenever his/her interference is necessary to protect life, property, or public safety during emergencies.”

Section 6.- Section 5 of Act No. 83 of May 2, 1941, as amended, is hereby amended to read as follows:

“Section 5.- Executive Director; Executive Officers.

(a) The Executive Director shall be appointed by the Board exclusively on the basis of experience, capability, and other qualifications best suited to achieve the purposes of the Authority. The Executive Director may be dismissed by the Board, at its discretion. No person may become Executive Director if he/she has failed to provide a certification of having filed income tax returns during the five (5) preceding taxable years, a certification of having no outstanding debt issued by the Department of the Treasury, a certification of having no outstanding debts with the Authority, a Certificate of Criminal Record issued by the Puerto Rico Police Department, as well as a negative certificate of debt issued by the Child Support Administration (ASUME, Spanish acronym) and the Municipal Revenues Collections Center (CRIM, Spanish acronym).

(b) Creation and Designation of Executive Officers.

In addition to the position of Executive Director, the Board shall create or designate the positions of other executive officers as are necessary; such positions shall be for the term and have all those other employment conditions deemed necessary according to the office, to carry out the purposes and duties of the Authority. Among the executive officers there shall be included the members

of the upper and middle management holding positions that, due to their relevance, the Board determines should be governed by the provisions of this Section. The Executive Director shall select persons who have the capability and professional experience required by each position according to objective criteria defined by the Board. Personnel transactions involving executive officers shall be governed, wherever this Act does not provide therefor, by the rules applicable to the private sector. The compensation of executive officers shall be comparable to that received by professionals holding similar positions in electric utility companies of similar size, complexity, and risks as the Authority, and may be dismissed by the Executive Director or the Board, at their discretion, with or without cause, but shall never be dismissed for discriminatory reasons.

(c) Performance and Conduct.

When evaluating the selection and the annual performance of the individuals holding executive officer positions, the Board, in the case of the Executive Director, and the Executive Director, in the case of all other executive officers, shall be guided by criteria such as experience, education, professionalism, competence in the discharge of his/her duties, effective performance, and any other criteria clearly defined by the Board. Without limiting the general provisions regarding improper conduct provided in this Act, neither the Executive Director nor any other executive officer shall:

(i) contribute money or make contributions either directly or indirectly to political organizations, candidates, or parties while holding office;

(ii) seek political office or engage in a political campaign to hold or support someone who runs for an elective public office or any position in the management or organization of a political party or to participate in partisan political campaigns of any kind while holding office;

(iii) make public statements, comments, or remarks regarding partisan political issues or acts while holding office;

(iv) coerce, obligate, command, or require other Board members, officials, or employees to make financial contributions or carry out or engage in partisan political activities while they are on duty; or

(v) solicit while on duty, or coerce, obligate, or require other Board members, officials, or employees to vote or further the political interests of his/her party or candidate of preference.”

Section 7.- A new Section 5B is hereby created in Act No. 83 of May 2, 1941, as amended, is hereby amended to read as follows:

“Section 5B.- Electricity and Fuel Purchase.

In matters related to the purchase of electricity and fuel and the handling thereof, the Board is hereby directed to:

(a) Evaluate, by contracting an independent consultant or consultants with expertise in the fields of fuel and electricity as well as electrical system management, and make recommendations for the creation and implementation of one or more alternatives to design an administrative and operational structure to achieve the following purposes:

(i) Guarantee transparency, prevent conflicts of interests, meet industry standards, and promote competitiveness;

(ii) Separate the administrative control from the purchase of fuel and electricity; and

(iii) Separate the Energy Control Center created pursuant to Section 5A of this Act.

(b) Submit to the Legislative Assembly and the Governor, along with a copy to the Energy Commission, a report on its recommendations, work plan, and schedule, not later than November 30th, 2016.

(c) Such recommendations may include the creation of an independent government entity, which may be a subsidiary, pursuant to the powers vested in the Authority in subsection (v) of Section 6 of this Act.

(d) The recommended structure may not be contrary to the Authority's current agreements under the Trust Agreement entered into with the bondholders, and agreements related to the fuel line of credit, both of which are in effect as of the date of approval of the 'Electric Power Authority Revitalization Act,' unless said agreements are amended to allow for such structure.

(e) If no additional legislation is needed, the Authority shall implement the recommendation adopted in accordance with the work plan and schedule proposed therein.”

Section 8.- Section 6 of Act No. 83 of May 2, 1941, as amended, is hereby amended to read as follows:

“Section 6.- Powers.

PREPA shall be responsible for providing reliable electric power, contributing to the general wellbeing and sustainable future of the People of Puerto Rico, maximizing benefits, and minimizing the social, environmental, and economic impact. It shall offer and provide services at the lowest reasonable cost, through just and reasonable rates, consistent with sound fiscal and operational practices that provide for a reliable, adequate, and nondiscriminatory service that is consistent with the protection of the environment, as well as nonprofitable, and focused on citizen participation and its customers.

...

...

The remedies available by law to require the Authority's compliance with the mandates of this Act, the wellbeing of Puerto Rico, and the protection of customers shall not be limited in any way. The Authority is hereby granted and shall have and may exercise all rights and powers necessary or convenient to carry out the aforementioned purposes, including (but without limiting the generality of the foregoing) the following:

(a) ...

...

(1) To determine, fix, alter, charge, and collect reasonable and just rates, fees, rents, and other charges subject to the Commission's approval, for the use of the facilities of the Authority, or for electric power services, or other commodities sold, leased, or provided by the Authority, that are sufficient to cover reasonable expenses incurred by the Authority in the development, improvement, extension, repair, conservation, and operation of its facilities and properties, and for the payment of the principal of and interest on its bonds, and for fulfilling the terms and provisions of such agreements entered into with or for the benefit of purchasers or holders of any bonds of the Authority and other creditors.

When charges contained in a bill include three (3) or more past due invoices for services that, due to error or omission of the Authority, were not previously billed, the Authority shall offer a reasonable payment plan to the customer according to his/her financial capacity. Such payment plan may be extended for up to twenty four (24) months.

The Authority shall have a maximum term of one hundred twenty (120) days from the date of issue of the electricity bill to notify customers of errors in calculation. Once said term elapses, the Authority may not claim retroactive charges for said calculation errors, such as those of an administrative or operational nature, or for an erroneous reading of electric power service consumption meters.

This shall only apply to residential customers; it shall not apply to commercial, industrial, or institutional customers, or any other kind of customer, or to periodic charges or adjustments included in the rate approved by the Commission or the Transition Charges of the securitization structure. In those cases where customers keep the meters out of the readers' visual reach, or in an event of *force majeure*, such as hurricanes, among others, which prevent the reading of meters, this measure shall not apply to electricity bills issued based on consumption estimates. Likewise, it is hereby prohibited to report delinquent accounts of residential customers to credit bureaus as a collection or payment demand, except in the case of undisputed accounts from customers whose balance and recurrence of nonpayment, after more than two demands for payment have been made, and after all the collection mechanisms usually employed by any business when their customers fail to pay for services have been exhausted, show their intent not to meet their payment obligations with the Authority or otherwise imply their intent to defraud the Authority.

Every bill sent by the Authority to its customers shall advise them of their right to dispute a bill (except for the Transition Charges of the securitization structure) and request the Authority to conduct an investigation. The Authority shall provide, on its website and at every regional and commercial office, information about the procedure, terms, and requirements to dispute a bill and request the Authority to conduct an investigation, and subsequently resort to the Commission to request review of the Authority's decision. Likewise, on its website and at every regional and commercial office, the Authority shall provide information about the procedure, terms, and requirements to request the Commission to review any of the Authority's decisions regarding customer bills.

(II) ...

...

(n) To appoint executive officers and those officials, agents, and employees and vest them with such powers and duties, and to fix, change, and pay such compensation for their services as the Authority may determine.

(o) To borrow money, make and issue bonds of the Authority for any of its corporate purposes, and to secure payment of its bonds and of any and all other obligations by pledging or placing a lien on all or any of its contracts, revenues, and income only; provided, however, that the Authority may place liens on real or personal property as necessary to comply with federal regulations that allow for the financing or guarantees of the United States Government through any of the agencies thereof to be able to participate in federal programs. No lien whatsoever may be placed on the assets of the Authority insofar as the Trust Agreement with the bondholders or other agreements with the creditors of the Authority do not allow. Except for the bonds and other financing instruments related to the Authority's restructuring pursuant to the agreements entered into with the creditors of the Authority, whose debt parameters shall be governed by the provisions of Chapter IV of the Electric Power Authority Revitalization Act and the Creditors' Agreement, before borrowing any money or issuing bonds for any of its corporate purposes, the Authority shall require the Commission's approval showing that the proposed financing shall be used to fund projects and defray the costs associated therewith in accordance with the Integrated Resource Plan and the Energy RELIEF Plan.

...

(z) The Executive Director or the official designated by him/her shall adopt regulations for the collection of past-due debts and the establishment of payment plans, which shall be established within ninety (90) days after the approval of this Act, with reasonable and feasible terms for the agencies, instrumentalities, and public corporations. The regulations shall also consider the

suspension of the electric power service to the agency, instrumentality or public corporation in default in the case of noncompliance with the payment plan or any undisputed bill outstanding for over sixty (60) days, except in Essential Public Service Facilities for citizens. In the case of debts of municipalities due to consumption, the computation, billing, collection, payment plans, and service suspension shall be governed by the provisions of Section 22 of this Act and the regulations adopted by the Energy Commission on the contribution in lieu of tax and the excess consumption of said contribution.

...

(dd) Conduct competitive request for proposals processes or execute Public-Private Partnership agreements, in accordance with this Act, to develop, finance, build, operate, and provide maintenance, in whole or in part, to the electric power grid and the power plants and other facilities and infrastructure thereof, as well as to promote new generation, transmission, distribution, customer service optimization projects and any other necessary project consistent with the Integrated Resource Plan.

(ee) Any sum owed by the Authority to any agency, instrumentality, or public corporation of the Government of the Commonwealth of Puerto Rico may be credited to any outstanding debt of such agency, instrumentality, or public corporation with the Authority; provided, that such credit does not violate the Trust Agreement with the bondholders.

(ff) Conduct investigations and credit verifications on every new customer who wishes to open an account with the Authority. The Authority may not deny service to a customer for having bad credit, insofar as such customer or entity controlled by said customer does not have an outstanding debt with the Authority under other contracts; however, the Authority may require a deposit or special bond for service requests. The Authority shall approve regulations to establish the

guidelines to post bonds or deposits that shall apply accordingly to each class of customer, whether residential, commercial, or industrial. The bond or deposit required to a customer shall not exceed twice the amount of the bond or deposit that would be required to the same customer if he/she would not had bad credit.

(gg) As a temporary mechanism to facilitate the development and financing of new sustainable renewable energy power stations, as such term is defined in Act No. 82-2010, the Authority may establish one or more individual and restricted accounts in financial institutions of Puerto Rico, where the Authority shall deposit an amount equal to the cost of energy that each newly-built power plant is estimated to deliver, one month in advance, in accordance with the financial terms of the agreement executed for such purposes. The obligation of the Authority to deposit such funds shall begin once the sustainable renewable energy power station is interconnected with the Authority's power grid. Funds shall be controlled exclusively by the financial institution where they are deposited and the Authority shall have no right to withdraw any portion thereof, except as specified below. Any entity that enters into a contract with the Authority to supply electricity from a sustainable renewable energy power station may offer that portion of the funds thus deposited corresponding to the payment of the electricity delivered by the same as a security or collateral for its obligations, including the creation of a lien thereon. The Authority shall authorize the disbursement to the entity with which it entered into contract or to the third party designated by the same, in accordance with the terms of the contract executed for such purposes. Any balance in the restricted account twelve (12) months after it was opened, and on every anniversary thereof, shall be refunded to the Authority. This temporary mechanism shall be discontinued once most credit rating agencies have awarded the Authority investment-grade rating.”

Section 9.- Section 6A of Act No. 83 of May 2, 1941, as amended, is hereby amended to read as follows:

“Section 6A.- PREPA Rate Review Process.

(a) Review of Proposed Rate.- Every rate proposed by the Authority shall be reviewed by the Energy Commission prior to taking effect, subject to the terms provided in the Puerto Rico Energy Transformation and RELIEF Act, Act No. 57-2014, and this Section. The rate review process shall ensure that all rates are just and reasonable and consistent with sound fiscal and operational practices that provide for a reliable and adequate service, at the lowest reasonable cost.

(b) Procedure in the Authority.- Before filing a rate review proposal, the Authority shall hold hearings before the Governing Board of the Authority or before any administrative judge or judges or hearing officers designated for such purposes at the request of the Governing Board. When thus designated, the administrative judge or hearing officer shall conduct the hearings in accordance with procedural rules established for such purposes. If applicable, the Authority shall notify the hearing calendar to the public by posting a notice to that effect on the website of the Authority and placing advertisements in the media, within at least fifteen (15) days before the date on which the public hearings are to be held. If public hearings are held, the Authority shall file with the Commission a detailed report on said proceedings, which shall be included in the record of the request for rate review.

When notifying the holding of the public hearings referred to in the preceding paragraph, the Authority shall notify the Independent Consumer Protection Office (ICPO). ICPO shall be in charge of verifying and coordinating with the Authority that a reasonable opportunity for citizen participation is

provided in the public hearings on the rate review. As part of said function, ICPO shall ensure that the following criteria are met:

- (i) The Authority notified the public of the holding of a public hearing within at least (15) days in advance;
- (ii) The Authority provided sufficient and easily understandable information to the attendees on the proposed reviews and the basis therefor; and
- (iii) The attendees are provided with reasonable and sufficient opportunities to ask questions and express their concerns according to the process previously agreed on with the Authority.

No public hearing may be held without an ICPO representative. However, if the position of ICPO Director is vacant, the functions of ICPO at the public hearings provided for in this subsection shall be carried out by the person to whom the Governor delegates temporarily for such purposes. The Authority shall provide the personnel and equipment needed to record the public hearings in their entirety and shall be custodian of all recordings.

ICPO shall prepare detailed minutes of each public hearing and provide the Authority with a copy thereof. The minutes prepared by ICPO shall be part of the file submitted by the Authority to the Energy Commission during the review process of the proposed rate.

The provisions of Act No. 21 of May 31, 1985, as amended, known as the 'Uniform Rate Revision and Modification Act,' and the provisions of Act No. 170 of August 12, 1988, as amended, known as the 'Uniform Administrative Procedure Act,' shall apply to the Authority's rate modification and review processes insofar as they are consistent with the provisions and requirements on rate modifications and review established in this Section. To the extent the provisions of Act No. 21, *supra*, are inconsistent with the provisions of this Act, the provisions of this Act shall prevail.

(c) Initial Rate Review.- Rates in effect as of the effective date of the Puerto Rico Energy Transformation and RELIEF Act shall continue in effect until they are reviewed by the Energy Commission in accordance with the provisions of this Section and the Puerto Rico Energy Transformation and RELIEF Act. The first rate review process shall end not later than one hundred eighty (180) days after the Commission determines through a resolution that the Authority's request is complete. During said process, the burden of proof shall lie on the Authority which shall be required to show that such rate is just and reasonable and consistent with sound fiscal and operational practices that provide for a reliable and adequate service, at the lowest reasonable cost. The Authority shall submit all the information requested by the Commission, which shall include but not be limited to, any documents pertaining to:

- i. The efficiency, capacity, and suitability of the facilities and the service;
- ii. Direct and indirect costs related to the generation, transmission, and distribution of energy, including stranded costs and costs attributable to the loss of energy due to theft or inefficiency;
- iii. Expenditures related to the Authority's debt repayment;
- iv. All charges and costs included under 'Fuel Adjustment' as of the effective date of the Energy Transformation and RELIEF Act;
- v. The Authority's capacity to improve the service provided and its facilities;
- vi. The conservation of energy and efficient use of alternative energy resources;
- vii. Data related to the effect of special laws, subsidies, and contributions; and

viii. Any other data or information that the Commission deems necessary to evaluate and approve rates.

The Commission shall issue a resolution indicating whether the request is complete or shall require additional information within fifteen (15) days after the request's filing date.

The Commission shall approve a rate that: (i) is sufficient to guarantee the payment of principal, interest, reserves, and all other requirements of bonds and other financial obligations that have not been defeased as part of the securitization provided in Chapter IV of the Electric Power Authority Revitalization Act and reasonable costs of providing the services of the Authority; (ii) complies with the terms and provisions of the agreements entered into with or in benefit of buyers or holders of any bonds or other financial obligations of the Authority; (iii) covers the costs of the contribution in lieu of taxes and other contributions and subsidies required to the Authority under special laws; (iv) remains in effect during three (3)-year cycles, except for periodic adjustments authorized by the Commission as part of the rate approved, and unless the Commission *motu proprio* decides to conduct a review; (v) takes into consideration the operational and administrative efficiencies and savings provided in the Creditors' Agreements as reasonably estimated in good faith by the Authority and determined as of the filing date of the proposal with the Commission. As part of every rate proposal, the Authority may propose one or more charges in the rate that show in a transparent manner the amounts to be paid by customers on account of the obligations of the Authority to bondholders and other creditors. Except for the Transition Charge of the securitization structure, which shall be governed by the provisions of Chapter IV of the Electric Power Authority Revitalization Act and Section 6.25A of Act No. 57-2014, the Commission shall review such charges according to the financial

obligations of the Authority so that they may be sufficient to guarantee the annual payment of the debts contracted with bondholders.

The Authority shall propose an adjustment charge to recover variable costs in the purchase of fuel and the purchase of energy. Said fuel and energy purchase adjustment charge shall only include costs directly related to the purchase of fuel and energy. Under no circumstances, the repayment of the line of credit (including interest) shall be part of the costs directly related to the purchase of fuel and energy. In addition, the Authority shall propose separately the charges and adjustments corresponding to the costs of subsidies and the contribution in lieu of taxes, net metering credit, and those other charges or credits that, when itemized individually, allow for greater transparency in the bill. Charges corresponding to the costs of subsidies and the contribution in lieu of taxes shall be consistent with the provisions of Section 22 of Act No. 83 of May 2, 1941, as amended, known as the ‘Puerto Rico Electric Power Authority Act.’

The Commission shall approve under the ‘fuel adjustment’ and ‘energy purchase adjustment’ charges only the costs directly related to the purchase of fuel and the purchase of energy, respectively, or that variable portion of the fuel and energy price that is not included in the base rate, as the case may be. No other expense or charge may be denominated nor included as ‘fuel adjustment’ or ‘energy purchase adjustment.’

Every three (3) years, or more frequently, if the Commission deems it necessary, it shall approve and establish a mitigation plan to ensure that the costs it deems to be inconsistent with industry practices, such as energy theft, account receivables, and losses attributable to the inefficiency of the electrical system are adjusted to the industry’s standards. The Authority shall comply with every mitigation plan approved by the Commission within a term that shall not exceed three (3) years or a shorter term established by the Commission.

The Authority and the Commission shall establish a plan for the implementation of the new transparent bill, as provided in Sections 6A and 6B of this Act. However, the Transition Charge of the securitization structure may become effective according to the payment schedule of said transaction and pursuant to the terms thereof, whether as part of the current bill of the Authority or in the new transparent bill in accordance with Sections 6A and 6B.

(d) Rate Modification Request.- Once the process provided in subsection (c) of this Section concludes, the Authority shall file the rate modification request with the Commission for its approval. The request shall state the grounds for the change, the effect of such modification on the revenues and expenditures of the Authority, and any other information needed for the evaluation requested by the Commission by regulations or request. In addition, the Commission may initiate, *motu proprio*, the rate review process when it is in the best interest of customers. Any rate modification whether to increase or decrease the same shall undergo an evidentiary and a public hearing process to be held by the Commission to determine whether the proposed change is just. The review process shall not exceed one hundred eighty (180) days from the Commission's determination by resolution that the Authority's request is complete, unless the Commission extends the review process up to sixty (60) additional days, pursuant to Act No. 57-2014.

At the Authority's request, the Commission may approve a rate modification due to emergency circumstances, as provided in Act No. 21 of May 31, 1985, as amended, known as the 'Uniform Rate Revision and Modification Act.' These emergency rates shall not be considered temporary rates as defined in this Act or in Act No. 57-2014, as amended, and shall remain in effect while the emergency lasts, but never for a term exceeding one hundred eighty (180) days after their approval. Other provisions of Act No. 21 of May 31, 1985, as amended, and the provisions of Act No. 170 of August 12, 1988, as amended, known as the

‘Uniform Administrative Procedure Act,’ shall apply to rate review and modification processes of the Authority, insofar as they are consistent with the provisions and requirements for rate modification and review established in this Act. Insofar as the provisions of Act No. 21 are inconsistent with the provisions of this Act, the provisions of this Act shall prevail.

(e) Temporary Rate.- Within thirty (30) days after the filing of the rate modification request, the Commission may make, *motu proprio*, or at the request of the Authority, a preliminary evaluation to determine whether a temporary rate should be established. The temporary rate shall be established at the discretion of the Commission. If the Commission establishes a temporary rate, such rate shall take effect sixty (60) days after the date of approval of the temporary rate, unless the Commission determines, at the request of the Authority, that it should take effect earlier, but never within less than thirty (30) days after the approval of the temporary rate. Said temporary rate shall remain in effect during the period of time needed by the Commission to evaluate the rate modification request proposed by the Authority and issue a final order thereon, and up to the date on which the new bill is implemented, which shall not exceed sixty (60) days after the approval of the rate, unless the Commission extends such term for just cause.

(f) Rate Modification Approval.- If after the public hearing process the Commission determines that the proposed rate change is just and reasonable, it shall issue an order to such purposes and notify the rate change on its website, along with the new rate itemization. The new approved rate shall take effect sixty (60) days after the Commission issues the order, unless the Commission determines, at the request of the Authority, that it shall take effect before sixty (60) days. If the Commission determines that the proposed rate change is unjust or unreasonable, it shall issue a duly grounded order stating so. In such case, the rate modification object of the request shall not proceed and the rate whose

modification was sought shall continue in effect. Upon issuing any order after the rate review process, the Commission shall order the Authority to adjust customer's bills to credit or charge any difference between the temporary rate established by the Commission and the new rate approved as a result of the rate review process. In the event a person ceases to be a customer during the effective term of the temporary rate, the Authority shall be required to issue a refund and shall be entitled to collect any difference between the temporary rate established by the Commission and the new rate approved as a result of the rate review process. In the event a person ceases to be a customer during the effective term of the temporary rate, the Authority shall be required to refund and shall be entitled to collect any difference between the temporary rate established by the Commission and the new rate approved as a result of the rate review process.

[sic].

(g) Inaction of the Commission.- If the Commission fails to act on a rate review request within thirty (30) days after the filing thereof, the modified rate object of the request shall take effect immediately as a temporary rate, unless the Authority or the requesting certified company requests that a temporary rate should not be established due to the reasons stated in its request. The Commission shall continue the review process and shall issue the corresponding order within the term specified in this Section. If the Commission fails to approve or reject within the term of one hundred eighty (180) days after the date on which the Commission notifies its determination by resolution that the request of the Authority is complete, the rate proposed by the Authority or the requesting certified company shall become final, unless the Commission extends such term in accordance with the provisions of subsections (b) and (c) of this Section.

(h) An itemization of all the rates approved or modified by the Commission shall be posted on its website.”

Section 10.- Section 6B of Act No. 83 of May 2, 1941, as amended, is hereby repealed.

Section 11.- Section 6C of Act No. 83 of May 2, 1941, as amended, is hereby amended and renumbered as Section 6B, to read as follows:

“Section 6B.- Responsibilities.

(a) Energy RELIEF Plan.- The Authority shall be required to file with the Commission an Energy RELIEF Plan which shall be published in its entirety on the Authority’s website so that it may be easily accessed by any interested party. The Energy RELIEF Plan shall address the following:

(i) High Efficiency Generation - Within a term that shall not exceed five (5) years after July 1st, 2014, the Authority shall ensure that, at least sixty percent (60%) of the electric power generated in Puerto Rico based on fossil fuels (gas, coal, oil, and others) is ‘high-efficiency,’ as such term is defined by the Commission. The term ‘high efficiency’ shall include as main factors the thermal efficiency of the power plant or facility per type of fuel used, fuel cost, technology, potential of proposed technology to reduce production costs per kilowatt-hour (kWh), and/or any other industry requirement that guarantees efficiency in the generation of power and in accordance with the Integrated Resource Plan. The percentage required under this Section shall include the fossil fuel-powered energy sold to the Authority under power purchase agreements executed as of the approval of this Act.

(ii) Production Costs - If it is necessary for the Authority to purchase electricity for Puerto Rico, any power purchase agreement shall meet the criteria established by the Commission pursuant to this Act; provided, that no energy cogenerator shall realize gains attributable to fuel. The cogenerators’ profit margin under power purchase agreements to be approved by the Commission shall meet the criteria established by the Commission. Such criteria shall be consistent

with price escalation or adjustments normally used by the industry for such purposes, as well as any other criteria or methodology used to regulate gains attributable to power purchase agreements in order to ensure that such agreements set a reasonable and just price. Before its execution, any power purchase agreement shall be submitted for the Commission's evaluation and approval, to ensure that the prices, adjustments, escalation, and profit margin meet the criteria established by the Commission.

(iii) Bid Process and Request for Proposals for the Purchase of Power and/or Modernization of Electric Power Generation Facilities - Any bid process or request for proposals for the purchase of electric power by the Authority shall be carried out by the Authority subject to the supervision of the Commission and in accordance with a joint regulations to be approved by the Commission and the Authority for such purposes, within a term that shall not exceed ninety (90) days after the approval of the Electric Power Authority Revitalization Act. Likewise, any bid process or request for proposals for the modernization of electric power generation plants or facilities to be carried out by the Authority in order to improve their efficiency, shall be carried out by the Authority in a competitive manner by means of requests for proposals subject to supervision and in accordance with a joint regulations to be approved for such purposes, or by means of the Public-Private Partnership process provided in Section 6C of this Act pursuant to Act No. 29-2009, as well as the provisions of the aforementioned joint regulations. Notwithstanding the foregoing, if the Authority fails to comply with the deadlines to complete the competitive processes set forth in the Energy RELIEF Plan and of the Integrated Resource Plan, the Commission shall be authorized to begin and carry out said bid, request for proposals, or public-private partnership processes for the purchase of electricity or the modernization of plants

by the Authority, through its own regulations to that effect, which processes shall be defrayed by the Authority itself.

(iv) ...

(v) ...

(vi) ...

(vii) ...

(viii) Distributed Generation - The Authority shall identify the most effective and economic manners to make the electric power infrastructure of Puerto Rico more distributed and sustainable, and promote the use and strategic integration of sustainable energy technologies and practices. In carrying out such duty, the Authority shall carry out the planning, construction, and update of the distribution systems to achieve the highest integration of renewable distributed generation.

(ix) ...

(b) ...

(c) New Transparent Bill.- The Authority shall design and submit to the Energy Commission a new electric bill for each class of customer of the Authority. Said bill shall itemize the categories of the different charges and credits to customers, including the adjustment for fuel purchase and the adjustment for energy purchase from cogenerators and renewable energy producers, net metering credit, the contribution in lieu of taxes, and subsidies created under special laws, the Transition Charges (as such term is defined in Chapter IV of this Act,) and the Base Rate Charge, which shall include the account service and management fee, energy consumption charge, operating expenses, energy theft, electricity loss, debt payment not included in the Transition Charge, accounts receivables from the public sector, accounts receivables from the private sector, and any other charge that has an impact on the bill of residential and commercial customers. Any other

detail in connection with rates and charges that the Commission deems should not be included in the bill shall be published and explained on the websites of the Authority and the Commission. The new bill shall be totally transparent and shall be approved by the Commission, provided that it complies with the rules established by this Act. The new bill shall not include or encompass any other charge or fee under the fuel purchase and energy purchase items other than that approved by the Commission in accordance with the mandates of this Act and the Energy Transformation and RELIEF Act, Act No. 57-2014.

(d) ...
...”

Section 12.- A new Section 6C is hereby added to Act No. 83 of May 2, 1941, as amended, to read as follows:

“Section 6C.- Public-Private Partnership Contracting Process.

(a) Without impairment to the powers granted to the Authority under Section 6 of this Act to contract goods and services using the different methods available to request, negotiate, and execute contracts, the Authority is hereby authorized to form Public-Private Partnerships to promote their investment in any of the facilities, functions, or services of the Authority. Notwithstanding the provisions of the Puerto Rico Public-Private Partnership Act, Act No. 29-2009, as amended, the Authority shall be the only one authorized to set priorities in the development of Public-Private Partnerships projects related to the needs of electricity generation, transmission, and distribution in Puerto Rico in accordance with the Integrated Resource Plan and the Energy RELIEF Plan approved by the Commission.

(b) Whenever the Authority determines to consider the possibility of establishing a Public-Private Partnership project and earmarks the funds available to carry out said evaluation process, it shall so notify to the Public-Private

Partnership Authority, which shall be required to carry out its duties as provided in Act No. 29-2009, with regard to the evaluation and establishment of said project. The expenses incurred by the Public-Private Partnership Authority in carrying out the public-private partnership project evaluation and establishment process shall be defrayed by PREPA.

(c) Notwithstanding the provisions of Act No. 29-2009, when evaluating a public-private partnership project pursuant to this Act, the Partnership Committee shall be composed as follows: five (5) members, to wit, two (2) members designated by the Authority's Board, one (1) representative of the Government Development Bank, one (1) representative of the Energy Public Policy Office, and one (1) representative of the Puerto Rico Public-Private Partnership Authority. When the Partnership process is carried out by the Commission, the Commission shall designate one (1) of the members of the Partnership Committee, who shall substitute one of the members designated by the Authority. Said Partnership Committee shall ensure faithful compliance with the provisions of Act No. 29-2009, as amended,

(d) Notwithstanding the provisions of Act No. 29-2009, in the case of public-private partnership projects related to the energy generation, transmission, and/or distribution in Puerto Rico, the Public-Private Partnership Authority may use any study or studies conducted by the Electric Power Authority or the Energy Commission in lieu of the desirability and convenience study required by said Act; provided, that the scope and depth of said studies are appropriate to allow the Partnership Committee to determine whether the establishment of the project as a partnership is advisable.”

Section 13.- Section 7 of Act No. 83 of May 2, 1941, as amended, is hereby amended to read as follows:

“Section 7.-

(a) ...

(b) ...

(c) No person shall use his/her official capacity or authority to coerce, obligate, command, or require other officials or employees to make financial contributions or carry out or engage in partisan political activities or solicit while on duty, or coerce, obligate, require other officials or employees to vote or further the political interests of the party or candidate of his/her preference.

(d) No person shall direct or promote, while on duty, activities or the creation of groups that, directly or indirectly, further the electoral, financial, or political interests of any political party or candidate.

(e) No person shall solicit, directly or indirectly, for partisan political purposes: financial contributions, as defined in subsection (t) of Section 2 of this Act, things of value, use of facilities, or services from any person or organization to whom he/she has awarded a contract or with respect to which was involved in the awards of contracts, compensation, job, donation, loan, or benefit funded with state, municipal, or federal funds.

(f) No supervisor may solicit, accept, or collect any contribution from an official or employee supervised directly or indirectly or over whom he/she has control with respect to the job, promotion, demotion, and/or working conditions of such official or employee.

(g) The prohibitions stated in subsection (e) shall not include voluntary contributions made by the persons or organizations stated therein, in accordance with the code of laws in effect, defined by constitutional or statutory provisions, or case law in effect and applicable thereto, which are made outside of working hours and off the premises of government instrumentalities.

(h) Officials or employees are hereby banned from committing themselves, either directly or indirectly, to give a job, position, work, compensation, contract, loan, or benefits originating from public funds as payment,

favor, or reward in exchange for contributions received for partisan political purposes.

(i) Officials or employees are hereby banned from depriving or threatening to deprive any person, official, or employee of obtaining or keeping a job, position, work, compensation, contract, loan, or benefits originating from public funds, for making or failing to make contributions to candidates or political parties.

(j) At the request of an interested party, the Department of Justice shall initiate, through the Public Integrity Division, an investigation under the provisions of this Section.

(k) Once said investigation is concluded, if the Department of Justice deems that any of the provisions of this Act has been violated, it shall file a Complaint and conduct an adjudicative proceeding in accordance with Act No. 170 of August 12, 1988, as amended, known as the ‘Uniform Administrative Procedure Act.’

(l) Any official or employee adversely affected by any proceeding conducted by the Department of Justice shall have the right to file a petition for review with the Court of Appeals in accordance with the ‘Uniform Administrative Procedure Act,’ *supra*.

(m) Any official or employee who violates the provisions of subsections (c) through (i) of this Section may be punished by an administrative fine of not less than five thousand dollars (\$5,000) nor more than twenty thousand dollars (\$20,000).

(n) An official or employee who violates the provisions of subsections (c) through (i) of this Section may be summarily suspended from employment, and once the complaint investigation established in subsection (k) is concluded, he/she

may be suspended without pay for a term of up to eighty-nine (89) days or dismissed, depending on the seriousness of the violation.

(o) Any person who obtains a financial benefit as a result of a violation of partisan political prohibitions may be assessed a penalty for such violation equal to three times the value of the economic benefit received.

(p) None of the provisions of this Section may be construed as limiting the right of every citizen under the Constitution of the Commonwealth of Puerto Rico, the Constitution of the United States of America, or the laws of the Commonwealth of Puerto Rico to exercise freedom of speech or freedom of association regarding political, ideological, or partisan political issues or the right to seek office or be a candidate for an elective office.”

Section 14.- A new subsection (f) is hereby added and subsections (f) to (i) are hereby renumbered as subsections (g) to (j), respectively, in Section 15 of Act No. 83 of May 2, 1941, as amended, known as the “Electric Power Authority Act,” to read as follows:

“Section 15.- Construction and Procurement Contracts; Regulations for Presentation of Bids; Exemption.-

(1) ...

(2) Competitive bidding shall not be necessary:

(a) ...

(b) ...

(c) ...

(d) ...

(e) ...

(f) When in the judgment of the Board a request for proposals (RFP) process shall be carried out for the acquisition of goods, equipment, supplies, or services to promote greater competition, reduce the risk of collusion,

and promote the best possible terms and conditions to achieve greater savings and reduce the operating costs and expenses of the Authority.

- (g) ...
- (h) ...
- (i) ...
- (j) ...”

Section 15.- Section 22 of Act No. 83 of May 2, 1941, as amended, known as the “Electric Power Authority Act,” is hereby amended to read as follows:

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

- (a) ...
- (b) Subsidies, CILT, and other contributions:

(1) As of the effective date of the new rate, the Authority shall compute annually the cost of subsidies, grants, and contributions granted under laws in effect, rural electrification programs, public irrigation systems, public lighting system, and the contribution in lieu of taxes (CILT), and shall establish as a separate charge in its transparent bill the cost of the CILT and all other aforementioned subsidies as follows:

- a. Payment equal to municipal taxes, CILT;
- b. Cost of subsidies, contributions, public lighting, rural electrification programs, and public irrigation system.

(2) Beginning on Fiscal Year 2015-2016, the Authority shall establish the maximum amount or cap of the CILT per municipality that shall be established by computing the average energy consumption per municipality on an annual kilowatt-hour basis, for the three years of highest consumption since the change in the formula in 2004 up to Fiscal Year 2013-2014. In order to determine the maximum cap of the contribution to each municipality, the average energy consumption of public lighting, on a kilowatt-hour basis, included by the Authority

in the CILT during said three years of highest consumption shall be subtracted from the previously computed average. Likewise, public lighting consumption shall not be included in the CILT nor billed to municipalities as of the implementation of the new bill and the charges established in paragraph (1) of this subsection (b). Municipalities shall be required to reduce the maximum amount or cap of the CILT by five (5%) percent annually during the three years following the approval of this Act, that is to say, five percent (5%), the first year; ten percent (10%), the second year, until a fifteen-percent (15%) reduction from the maximum consumption cap is achieved on the third year. Any consumption in excess of the maximum amount or cap established as contribution by virtue of the CILT shall be billed to the municipality by the Authority for the collection thereof. If the municipality exceeds the annual five percent (5%) savings percentage rate, it shall receive from the Authority an additional contribution in a monetary value equal to one hundred percent (100%) of the savings achieved in excess of the five-percent (5%) reduction rate established for the first year; of ten percent (10%) for both the second and the third years. The payment of the additional contribution to municipalities shall be subject to a five-percent reduction in the aggregate consumption of all municipalities for the first year, and to a ten-percent (10%) reduction for both the second and third years. If the required reduction in the aggregate municipal consumption is achieved, the surplus or excess of such savings shall be reimbursed subject to the following conditions:

(i) If any or some municipalities exceed their maximum consumption cap, the Authority shall reserve such excess from the additional amount to pay municipalities that exceed five-percent (5%) savings in the first year, and ten-percent (10%) savings in both the second and third years, and shall distribute the surplus among the municipalities that are entitled to the additional contribution, on a pro rata basis, allowing for a proportional distribution, based on

their individual amount in excess of the savings rate required for the corresponding year. The amount reserved shall be distributed to these municipalities as the municipalities that failed to comply with the maximum consumption cap pay their excess amounts.

(ii) Notwithstanding the foregoing, in the event that the Authority is unable to recover from its customers an amount of money equal to the municipal consumption cap that is collected by means of a separate charge in the rate for such purposes, the payment on account of savings shall not be made and the amount corresponding to each municipality as a reimbursement for their energy consumption savings shall be reserved to be paid when the revenues of the Authority on account of the CILT are sufficient to comply with the reimbursement owed. Said reimbursement shall be made by establishing the priority of payments in accordance with the proportionality criteria based on the consumption savings achieved by each municipality.

(iii) Each fiscal year shall be deemed to be a different and separate one, for purposes of the reimbursement for the energy consumption savings achieved according to the reduction percentages required for each particular year.

(iv) If the municipality fails to meet the annual five-percent (5%) reduction established, its reduction or savings rate shall be increased by an additional five-percent (5%) as a penalty for the following year; therefore, it shall not benefit from the incentive of receiving a reimbursement for its energy consumption reduction until it exceeds the fifteen-percent (15%) consumption reduction in the second and third years of the CILT's maximum cap.

Through Fiscal Year 2017-2018 or as of the implementation date of the new consumption baseline in accordance with paragraph (3) of this subsection (b), the maximum amount or cap of the CILT of each municipality may be adjusted in light of the new burden caused by new municipal developments; provided, that new construction has been duly certified as efficient in accordance with the rules established by the Commonwealth Energy Public Policy Office (CEPPO) through regulations. In the event that the project fails to comply with the

efficiency guidelines, the CILT's cap shall be adjusted in an amount to be determined by CEPPO in accordance with the regulations adopted by the Energy Commission, with the advice of CEPPO, for such purposes, as provided in paragraph (6) of this subsection (b). In order to promote a better use of our energy resources, CEPPO shall also prescribe by regulations criteria and guidelines to determine the origin or justification of any application for the installation of new public lighting or the replacement of existing public lighting, taking into account the reasonableness of the application, as well as efficiency of the equipment to be installed for the purpose of achieving greater energy savings at the lowest reasonable cost.

The consumption of corporations and businesses offering public services related to healthcare and healthcare facilities, as defined in Act No. 101 of June 26, 1965, as amended, known as the 'Puerto Rico Health Facilities Act,' shall be included in the computation of the CILT's cap for municipalities. However, there shall not be included in the computation of the CILT's cap for municipalities, the energy consumption of public facilities that house for profit corporations and business, which shall pay for the electricity service. In the case of multi-purpose municipal facilities that include for profit and nonprofit activities where metering cannot be separated due to technical or cost reasons, the Authority may bill the consumption of the for profit business or activity based on estimates, using submetering, or a combination of both, as provided by the Commission in its CILT regulations, unless, due to exceptional circumstances and as determined by the Commission, by a duly grounded petition of the municipality, such consumption is included as part of the CILT.

The Authority shall send to each municipality every month a consumption report of each facility that has an independent meter. Such report shall state in detail the consumption on the same month of the preceding year and a

computation of the consumption accrued as of the same date on the preceding year. Said report shall also provide a total per reported item. To facilitate the evaluation of reports, the Authority shall, within twelve (12) months after the effective date of this Act, modify its reading systems and programs so that all meters of the municipality whose billing is charged against the CILT are read on the same day.

(3) The Commonwealth Energy Public Policy Office shall establish and review every three (3) years the baseline energy consumption of municipalities in order to ascertain such municipalities' compliance with their individual energy conservation and efficiency goals. The first revision of the energy consumption cap of municipalities or CILT shall be made by CEPPO and shall take effect beginning on Fiscal Year 2018-2019, in accordance with the rules established in the Regulations to be adopted for such purposes by the Energy Commission with the advice of CEPPO. CEPPO shall recommend the mechanism to be used to establish temporary caps in the case it is unable to implement the energy consumption revision of one or more municipalities. New consumption caps shall be notified to the municipalities not later than April 15, 2018. If due to duly grounded reasons CEPPO is unable to comply with the revision of the energy consumption cap of municipalities or the CILT for Fiscal Year 2018-2019, the mechanism provided in paragraph (2) of subsection (b) to establish a new temporary consumption cap shall be adopted and shall remain in effect until the new baseline consumption or cap established by CEPPO pursuant to the aforementioned joint regulations takes effect. The Energy Commission shall prescribe by regulations, with the advice of CEPPO, the measurement to be used for measuring the energy consumption of real property, which shall be based on kilowatt-hour (kWh) per square foot (ft²) per year per type of building or structure, or the necessary criteria to promote and measure the energy efficiency of municipal facilities. Standard energy consumption shall be considered to determine the amount of the subsidy

corresponding to each municipality within the parameters of the contribution in lieu of taxes established in this subsection. On a monthly basis, the Authority shall publish on its website information about the electric power consumption of municipalities. CEPPO shall offer technical collaboration to the municipalities, free of cost, in order to help them achieve the goals set forth in this Section.

(4) In the event that the Authority's projection of income billed directly to customers to cover the cost of subsidies, rural electrification program, public irrigation systems, public lighting system, contributions and the CILT is not sufficient or exceeds the projection of revenues established in the duly approved rate, such insufficiency or excess shall be evaluated and addressed by means of a periodic review of such charges in accordance with the rate structure approved by the Energy Commission. In the event that the revenues collected at the end of the annual rate cycle of the Authority fail to reach, or exceed the actual costs of the CILT and the subsidies, contributions, public lighting, rural electrification program, and public irrigation system, the Authority may include such adjustment in the following rate year; provided, that it submits to the Commission, within forty-five (45) days after the effectiveness of said adjustment, information that shows the need for the adjustment and that the lack of revenues was not due to reasons attributable to the Authority whose collection policies are consistent with industry standards. The Commission shall evaluate the information, and if it determines that the lack of revenues was due to reasons attributable to the inefficiency of the Authority's billing or collection processes for being inconsistent with industry standards, it shall order the Authority to render such adjustment ineffective and credit to its customers any amount collected on such account during the applicable period. The Authority shall not recover an amount higher than the cash equivalent of the cap established for municipalities, unless it shows to the satisfaction of the Commission that such difference is due to reasons attributable to

special changes in the cost of fuel or in the demand for energy or to collection deficiencies not attributable to the Authority's inefficiencies.

If there are outstanding debts with the municipalities on account of the CILT's energy consumption savings reimbursement, as provided in paragraph (2) of this subsection (b) that the Authority cannot recover through the adjustment mechanism established in this paragraph (4), said reimbursement shall be payable to the municipalities from the administrative and operational savings that the Authority must achieve in accordance with the requirements of Act No. 57-2014 and this Act. Any debt related to the municipalities' reimbursement shall be satisfied within a term that shall not exceed twelve (12) months counted as of the close of the fiscal year in which the municipality was entitled to receive such reimbursement.

(5) Not later than April 30th of each fiscal year, the Authority shall notify municipalities of the consumption cap applicable to the CILT corresponding to the next fiscal year. Said consumption cap shall be subject to quarterly revisions due to the connection of new load in accordance with this subsection (b). Such revisions shall be made not later than March 31st of the current year in order to be included in the computation of the CILT's cap of the following fiscal year. The Authority shall submit to the Office of the Commissioner of Municipal Affairs, and the Office of the Clerk of the House of Representatives, and the Office of the Secretary of the Senate, not later than December 31st of each year, a comprehensive report on the consumption of each municipality and the consumption on account of public lighting, subsidies, and contributions and the cost amount thereof, as well as a copy of its financial statements or report to bondholders, stating the revenues actually collected on account of the direct billing to customers to cover the costs of subsidies, the rural electrification program, the public irrigation system, contributions, public lighting, and the CILT. It shall also

include a certification in which external auditors of the Authority state the correctness of the computation or reconciliation of the methodology used to determine the maximum consumption cap or CILT for the municipalities. Likewise, it shall also inform the sum of the electric bill or the reimbursement per municipality and the cost of subsidies, public street lighting, and grants, among others. Excess consumption shall be billed by the Authority to the appropriate municipality and such bill shall be paid following the regular debt collection process established by law. Municipalities shall enter into agreements with the Authority as are necessary to settle or payoff their debt within a term that shall not exceed forty-five (45) days, after: (a) the delivery of the bill or (b) having exhausted the billing dispute process provided.

The insufficiency of municipalities whose kilowatt-hour consumption is equal to or higher than the cap thereof shall be entered in the books of the Authority as an account payable to municipalities and account receivables from municipalities, for accounting purposes. Therefore, neither said municipalities shall pay the Authority for such insufficiency nor the Authority pay the municipalities therefor.

(6) The Energy Commission, with the advice of CEPPO, shall adopt, within one hundred eighty (180) days after the approval of this Act, the regulations needed to implement the contribution or payment in lieu of taxes mechanism, or CILT, to municipalities as well as other duties set forth in this subsection (b), which regulations shall be effective on and apply from Fiscal Year 2015-2016. The Commission shall notify the entities representing the mayors of the beginning of this regulation process in accordance with the provisions of Act No. 170 of August 12, 1988, known as the 'Uniform Administrative Procedures Act.'

(c) ...

(d) ...

(e) ...

(f) For the purpose of expediting the procurement of funds by the Authority, which shall allow it to attain its corporate purposes, the bonds issued by the Authority and the income derived therefrom are and shall always be exempt from taxation.”

Section 16.- Section 6.3 of Act No. 57-2014, is hereby amended to read as follows:

“Section 6.3.- Powers and Duties of the Energy Commission.

The Energy Commission shall have the following powers and duties:

- (a) ...
- (b) ...
- (c) Establish and implement regulations and the necessary regulatory actions to guarantee the capacity, reliability, safety, efficiency, and reasonability of electricity rates of Puerto Rico and establish the guidelines, standards, practices, and processes to be followed by the Authority when purchasing electricity from other power service companies and/or modernize its power plants or facilities; provided, that every power purchase agreement shall meet the standards, terms, and conditions established by the Commission in accordance with the provisions of Section 6B(a)(ii) and (iii) of Act No. 83 of May 2, 1941, as amended.

(d) ...

(n) Promote that the Authority’s debt issues be in the public interest. Have the written approval of the Energy Commission prior to the issue of any public debt of the Authority and the use proposed for such financing. The Authority or the Government Development Bank shall notify the Commission of any proposed debt issue at least ten (10) days before the publication date of the preliminary official statement (POS). The Commission shall evaluate and approve that the use to be given to the proceeds of the proposed debt issue is consistent with the Integrated Resource Plan or the Energy Relief Plan. Said approval shall be

issued in writing not later than ten (10) days as of the Authority or the Government Development Bank's notification to the Commission of the proposed debt issue. Within said ten (10)-day period, the Commission shall submit a report of its evaluation to both houses of the Legislative Assembly. If, upon conclusion of said ten-day period, the Commission fails to notify its approval or rejection to the proposed debt issue, the Government Development Bank may continue with the bond issue process. None of these provisions shall apply to bond issues arising from a Restructuring Order promulgated in accordance with Chapter IV of the Electric Power Authority Revitalization Act.

(o) ...”

Section 17.- Subsection (c) of Section 6.16 of Act No. 57-2014, as amended, is hereby amended to read as follows:

“Section 6.16.- Budget and Regulatory Fees.

(a) ...

(b) ...

(c) Every year, the Authority shall set aside five million eight hundred thousand dollars (\$5,800,000) from its income to be transferred to a special account created in the Department of the Treasury to defray the operating expenses of the Energy Commission. The Authority shall annually remit from these resources the sum of two million nine hundred thousand dollars (\$2,900,000) to the Department of the Treasury by July 15. The balance of the two million nine hundred thousand dollars (\$2,900,000) shall be remitted to the Department of the Treasury by December 15 of each year. However, on Fiscal Year 2014-2015, the Authority shall pay the first installment of the annual fee, in the amount of two million nine hundred thousand dollars (\$2,900,000) within ten (10) days after the approval of this Act. In addition, the Commission shall charge the Authority or the Corporation for any services provided in relation to any request of the Corporation

in connection with the evaluation and enforcement of a Restructuring Order, as well as any verifications made to ascertain compliance with the calculation of the Transition Charge and the Adjustment Mechanism approved under the Restructuring Order. To that effect, not later than sixty (60) days after receiving the Commission's invoice, the Authority shall remit to the Secretary of the Treasury, payable to the Commission, a sum that shall not exceed five hundred thousand dollars (\$500,000) for the Commission's review of the Corporation's petition. Every year thereafter and not later than sixty (60) days after receiving the Commission's invoice, the Authority shall remit to the Secretary of the Treasury, payable to the Commission, a sum that shall not exceed one hundred thousand dollars (\$100,000) for the verifications made by the Commission to ascertain compliance with the calculation of the Transition Charges and the Adjustment Mechanisms approved under the Restructuring Order. The Authority shall obtain the necessary funds to pay the Commission from the revenues arising from the subsidies item on its rate.”

(d) ...”

Section 18.- Section 6.25 of Act No. 57-2014, as amended, is hereby amended to read as follows:

“Section 6.25.- Rate Review.

(a) In General.- The Commission shall be in charge of following the process established herein to review and approve the Authority's proposed rate reviews for energy use and consumption and the use of the electric power grid. The Commission shall ensure that all rates are just and reasonable and consistent with sound fiscal and operational practices that provide for a reliable and adequate service at the lowest reasonable cost. The regulations of the Energy Commission for the rate review process shall comply with such principles.

(b) Rate Review Process.

In the case of the Authority, the rates in effect as of the approval of the Energy Transformation and RELIEF Act shall continue in effect until the same are reviewed by the Energy Commission in accordance with the provisions of this Act and the Energy Transformation and RELIEF Act.

The first rate review process shall begin not later than one hundred eighty (180) days after the date on which the Commission determines through resolution that the request of the Authority is complete. The provisions of this Section that, due to their nature, only apply to the Authority shall not apply to rate review requests submitted by certified companies. During any rate review process, the burden of proof shall lie on the Authority or the requesting certified company to show that such rate is just and reasonable, consistent with sound fiscal and operational practices that provide for an adequate service at the lowest reasonable cost. The Authority or the requesting certified company shall submit all the information requested by the Commission including, as applicable, but not limited to evidence and documents related to:

- (1) the efficiency, capacity, and suitability of the facilities and service;
- (2) direct and indirect costs related to the generation, transmission and distribution of energy, including stranded costs and costs attributable to the loss of energy due to theft or inefficiency;
- (3) the expenditures related to the Authority's debt repayment, itemizing separately the cost of bonds and other obligations that shall be part of the securitization provided in Chapter IV of the Electric Power Authority Revitalization Act;

- (4) all charges and costs included under the 'Fuel Adjustment' as of the effective date of this Energy Transformation and RELIEF Act;
- (5) the Authority's capacity to improve the service provided and its facilities;
- (6) the conservation of energy and the efficient use of alternative energy resources;
- (7) data related to the effect of special laws, subsidies, and contributions; and
- (8) any other data or information that the Commission deems to be necessary to evaluate and approve rates.
- (9) Citizen participation in the rate review process before the Authority.

The approved rate shall be itemized according to the terms of the new transparent bill provided in Sections 6A and 6B of Act No. 83 of May 2, 1941, as amended. The Commission shall approve a rate that: (i) is sufficient to guarantee payment of principal, interest, reserves, and all other requirements of bonds and other financial obligations that have not been defeased as part of the securitization provided in Chapter IV of the Electric Power Authority Revitalization Act, and reasonable costs of providing the services of the Authority; (ii) complies with the terms and provisions of the agreements entered into with or in benefit of buyers or holders of any bonds or other financial obligations of the Authority; (iii) covers the costs of the contribution in lieu of taxes and other contributions and subsidies required to the Authority under special laws; (iv) remains in effect during three (3)-year cycles at least, except for periodic adjustments authorized by the Commission as part of the rate approved, and unless the Commission *motu proprio* decides to conduct a review; (v) takes into consideration the operational and administrative efficiencies and savings provided in the Creditors' Agreement as reasonably

estimated in good faith by the Authority and determined as of the filing date of the proposal with the Commission. As part of every rate proposal, the Authority may propose one or more itemized charges included in the energy rate so that all customers may clearly recognize the charges that they shall be paying on account of the Authority's obligations to bondholders. These charges may be reviewed according to the amount of the financial obligations of the Authority so that they may be sufficient to guarantee the annual payment of the debts contracted with bondholders and other creditors of the Authority. In addition, the Authority shall establish separately the charge corresponding to the cost of subsidies and the contribution in lieu of taxes and those other charges that, when itemized separately, allow for greater transparency in the bill, as provided in Act No. 83 of May 2, 1941, as amended.

The Commission shall approve under the fuel adjustment and energy purchase adjustment charges only the portion of the costs directly related to fluctuations due to changes in the price of fuel and the purchase of energy, respectively, or that variable portion of the fuel and energy price that is not included in the base rate, as the case may be. No other expense or charge may be denominated nor included under the fuel adjustment or energy purchase adjustment clause.

The Commission shall issue an order establishing the Authority's rate in the format of the new transparent bill established in Sections 6A and 6B of Act No. 83 of May 2, 1941, as amended. Every rate modification request approved by the Commission shall comply with subsection (c) of said Section.

During the rate review process and every three (3) years after the first rate review process, or more frequently, if the Commission deems it necessary, the Commission shall establish a mitigation plan to ensure that the costs it deems to be inconsistent with the industry practices, such as energy theft, account receivables,

and losses attributable to the inefficiency of the electrical system are adjusted to the industry's standards. The Authority shall comply with the mitigation plan within a term that shall not exceed three (3) years, to be determined by the Commission. The Commission shall periodically review the Authority's compliance with the mitigation plan and publish the progress of the mitigation plan on the Commission's website.

(c) Rate Modification.- Every rate modification request previously approved by the Commission shall be filed with the Commission. The request shall state the grounds for the modification, the effect of such modification on the revenues and expenditures of the Authority or requesting certified company, and any other information requested by the Commission through regulations or request. The Commission may initiate, *motu proprio*, or at the request of the Independent Consumer Protection Office or any other interested party, the rate review process when it is in the best interest of customers. Any modification to a rate proposed the Authority or a certified electric power company, whether to increase or decrease the same, shall undergo an evidentiary and a public hearing process to be held by the Commission to determine whether the proposed change is just and reasonable and consistent with sound fiscal and operational practices that provide for a reliable and adequate service, at the lowest reasonable cost. The Commission shall provide an opportunity to allow the participation of ICPO, CEPPO, the citizens, and interested parties in the process. The review and the order issuance processes shall not exceed one hundred eighty (180) days from the Commission's determination by resolution that the Authority's request is complete; provided, however, that the Commission may extend the review process for an additional term that shall not exceed sixty (60) days. At the Authority's request, the Commission may approve a rate modification due to emergency circumstances, as provided in Act No. 21 of May 31, 1985, as amended. These emergency rates shall

not be considered temporary rates as provided in Sections 6A and 6B of Act No. 83 of May 2, 1941, as amended, or in Section 6.25 of Act No. 57-2014, as amended, and shall remain in effect while the emergency lasts, up to a maximum term of one hundred eighty (180) days after the adoption thereof.

(d) Temporary Rate.- Within thirty (30) days after the filing of the rate modification request, the Commission may make, *motu proprio*, or at the request of the Authority or requesting certified company, a preliminary evaluation to determine whether a temporary rate should be established. The Commission shall exercise its discretion in establishing the temporary rate, unless the Authority or requesting certified company contests the establishment of the temporary rate or the amount thereof, in which case the Commission shall decide whether it shall revise the amount of the temporary rate or desist from establishing the same. If the Commission establishes a temporary rate, such rate shall take effect sixty (60) days after the date of approval of the temporary rate, unless the Commission determines, at the request of the Authority, that the temporary rate should take effect earlier, but never within less than thirty (30) days after the approval of the temporary rate. Said temporary rate shall remain in effect during the period of time needed by the Commission to evaluate the rate modification request proposed by the Authority or requesting certified company and up to the date on which the new bill is implemented, which shall not exceed sixty (60) days after the approval thereof.

(e) Rate Modification Approval.- If after the public hearing process the Commission determines that the proposed change is just and reasonable, it shall issue an order to such purposes and notify the change on its website, along with the new rate and an itemization of the rate structure. The newly approved rate shall take effect sixty (60) days after the effective date of the order. The Commission may extend or reduce such term at the request of the Authority or requesting certified company. If the Commission determines that the proposed rate change is

unjust or unreasonable, it shall issue a duly grounded order stating so. In such case, the rate modification object of the request shall not proceed and the rate whose modification was sought shall continue in effect. Upon issuing a final order after the rate review process, the Commission shall direct the Authority to adjust customers' bills so as to credit or charge any discrepancy between the temporary rate established by the Commission and the rate approved by the Commission.

(f) Inaction of the Commission.- If the Commission fails to act on a rate review request within thirty (30) days after the filing thereof, the modified rate object of the request shall take effect immediately as a temporary rate, unless the Authority requests that a temporary rate should not be established due to the reasons stated in its request. The Commission shall continue the review process and shall issue the corresponding order within the term specified in this Section. If the Commission fails to approve or reject within the term of one hundred eighty (180) days after the date on which the Commission notifies its determination by resolution that the request of the Authority is complete, the rate proposed by the Authority or the requesting certified company shall become final.

(g) ...”

Section 19.- Section 6.24 of Act No. 57-2014, as amended, is hereby amended to read as follows:

“Section 6.24.- Power to Investigate.

(a) ...

(b) The Commission may, at any time or place, (i) examine under oath, whether through a formal interview or summons, all officials and employees of a certified electric power company and the Puerto Rico Electric Power Authority Revitalization Corporation; (ii) require certified electric power companies, as well as the Puerto Rico Electric Power Authority Revitalization Corporation, to produce any copies of any records, documents, information, or data deemed necessary by

the Commission to fulfill the responsibilities thereof under this Act, subject to any constitutional or statutory right, or applicable privilege; and (iii) issue summons requiring the appearance and testimony of witnesses to obtain the information needed to enforce the provisions of this Act. If any person refuses to comply with a summons of the Commission, the Commission may resort to the Court of First Instance and request a court order compelling any person to appear before the Commission to give testimony, furnish evidence, or both, in connection with the matters before its consideration. Summons may be served in the same manner as these are served under the applicable rules of civil procedure.

(c) ...
...”

Section 20.- A new Section 6.25A is hereby added to Act No. 57-2014, as amended, to read as follows:

“Section 6.25A.- Rate Determination and Review of Transition Charges and Adjustment Mechanism.

(a) For purposes of this Section, the following terms shall have the meaning set forth in Chapter VI of the Electric Power Authority Revitalization Act: (i) Corporation; (ii) Transition Charges; (ii) Adjustment Mechanism; (iv) Restructuring Bond; (v) Restructuring Resolution; (vi) Financing Costs; (vii) Ongoing Financing Costs; (viii) Transition Charge Revenues; (ix) Servicer; (x) Servicing Agreement; (xi) Upfront Financing Costs; (xii) Customer; and (xiii) Restructuring Property.

(b) Prior to the issue of any Restructuring Bond, the Corporation shall submit a request to the Commission asking the latter to issue an order or resolution (Restructuring Order) whereby the Commission shall conclude and determine the following:

(1) that the clauses of the Restructuring Resolution, including the calculation methodology for the Transition Charges and the Adjustment Mechanism, are consistent with the criteria provided in subsection (d) of this Section, and are sufficient and provide the proper protection for full and timely payment of Restructuring Bonds, in accordance with the terms thereof, and other Ongoing Financing Costs;

(2) that the proposed Upfront Financial Costs and the Ongoing Financial Costs, to be recovered from the revenues of the Restructuring Bonds and from the revenues of the Transition Charge are consistent with this Section 6.25A and Chapter IV of the Electric Power Authority Revitalization Act; and

(3) that the proposed service charges, to be recovered by the Authority in its capacity as initial Servicer are necessary, reasonable, and sufficient to compensate the Authority for the incremental costs of discharging its functions as Servicer.

(c) The request shall include a copy of the initial Restructuring Resolution proposed, which shall be consistent with the provisions of this Section 6.25A, Section 34, and Chapter IV of the Electric Power Authority Revitalization Act, and shall include the documents listed in subsection (e) of Section 6.25A. The request shall be deemed to be complete when filed with the Commission along with all of the corresponding complementary documents. If the Commission determines that the request is incomplete, the Commission shall notify said fact to the Corporation within five (5) days, counted from the filing date, and shall identify specifically which of the information required in subsection (e) of this Section the Commission deems to be missing from the request filed by the Corporation. The 'Corporation's Request Date' shall be the latest of (A) the date of filing of the request, or (B) if the Commission notifies the Corporation within said five (5)-day term requiring the Corporation to furnish information that was not

included in the request, seven (7) days after said request, even if the Commission requests additional information.

(d) The methodology to calculate the Transition Charges and the Adjustment Mechanism included in the Restructuring Resolution shall (i) be designed to provide for full and timely payment of Restructuring Bonds, in accordance with the terms thereof, and other Ongoing Financing Costs, and (ii) satisfy the following criteria to allocate the Financing Costs among the Customer classes and to calculate and adjust the Transition Charge:

(1) The portion of the Financing Costs to be recovered from each Customer class shall be calculated based on the energy usage history (kWh) data for each class of Customers during the twelve (12) most recent months for which such information is reasonably available, as such information is provided by the Authority to the Corporation and the Commission, and in a manner that is practical to administer and would ensure full and timely payment of the Restructuring Bonds, in accordance with the terms thereof, and other Ongoing Financing Costs;

(2) Once the portion of the Financing Costs to be recovered from each Customer class is calculated, the Transition Costs for Customers shall be based on the energy usage history (kWh) data for each class of Customers during the twelve (12) most recent months for which such information is reasonably available, as such information is provided by the Authority to the Corporation and the Commission; provided, that the Corporation may choose to calculate the Transition Charges for residential customers based on service agreements, calculated in a manner that is practical to administer and would ensure full and timely payment of the Restructuring Bonds, in accordance with the terms thereof, and other Ongoing Financing Costs; provided, further, that the allocation of the responsibility of the Transition Charges among Customer classes and Customers does not impair the discretion of the Commission when evaluating the allocation of

the responsibility with respect to revenue requirements of the Authority in any rate case.

(3) Delinquency of any class of Customers, for any period, shall be added to the revenue requirement for the next period and shall be allocated among all Customer classes, as provided in paragraphs (1) and (2) of this subsection (d). The Commission shall require the Authority (or any other Servicer) to show that the Authority (or any other Servicer) has been prudent in addressing late payment, overdue bills, and non-payment issues; provided, that it is determined that the finding of imprudence does not affect the first sentence of this paragraph (3).

(4) When calculating Customer's energy usage under paragraphs (1) and (2) of this subsection (d), the Corporation may choose to include the estimated load served by net metering or distributed generation ('behind the meter'), if the methodology for such an inclusion is practical to administer, and would ensure the full and timely payment of the Restructuring Bonds in accordance with the terms thereof and other Ongoing Financing Costs.

(e) The request shall include the following:

(1) A model Restructuring Resolution that includes:

(i) A description and documentation supporting the Upfront Financing Costs and the proposed Ongoing Financing Costs, to be recovered from the revenues of the Restructuring Bonds or the Transition Charges, as the case may be;

(ii) The determination of Customer classes among which the Ongoing Financing Costs shall be allocated and the allocation of the Ongoing Financing Costs among Customer classes;

(iii) The calculation of Transition Charges for Customers (excluding residential Customers) based on energy usage history (kWh) data along with sufficient information to allow the Commission to reproduce said Charges;

(iv) The calculation of Transition Charges for residential Customers based on energy usage history (kWh) data, or at the discretion of the Corporation, based on the service agreements, along with sufficient information to allow the Commission to reproduce said Charges;

(v) A provision that delinquencies of any Customer class shall be allocated among all Customer classes as provided in subparagraph (ii) of this subsection (e)(1) and included in the Adjustment Mechanism;

(vi) the Corporation's determination of whether it shall include the estimated load served by net metering or estimated distributed generation ('behind the meter') in determining energy usage in accordance with subparagraphs (i), (ii), and (iii) of this subsection (e)(1) and in the Adjustment Mechanism. If the Corporation determines to include the estimated net metering or estimated distributed generation in determining energy usage in accordance with subparagraphs (i), (ii), and (iii) of this subsection (e)(1), an explanation of the reasons and the determination (with its corresponding justification) stating that the administration of the resulting Transition Charge shall be practicable and that the resulting Transition Charge shall ensure full and timely payment of the Restructuring Bonds in accordance with the terms thereof and other Ongoing Financing Costs, during the effective term of the Restructuring Bonds;

(vii) the Corporation's determination, along with the corresponding explanations, regarding the practicality of the allocation or calculation (as the case may be) with respect to the provisions of subparagraphs (ii), (iii), (iv), (v), and (vi), as the case may be, of this subsection (e)(1), to administer and ensure full and timely payment of the Restructuring Bonds in accordance with the terms thereof and all other Ongoing Financing Costs, during the effective term of the Restructuring Bonds;

(viii) A commitment, enforceable by the Corporation, establishing that not later than ten (10) days, counted from the date of issue of the Restructuring Bonds, the Corporation shall file, or ensure that the Servicer files with the Commission, for information purposes only, a report stating in detail the final terms and conditions of the Restructuring Bonds, and establishing the final estimate of the Upfront Financing Costs and the estimate of the Ongoing Financing Costs during the effective term of the Restructuring Bonds;

(ix) A commitment that (A) the Corporation shall provide the Commission with a copy of a successor Servicing Agreement, for information purposes only, and that (B) the Corporation shall file or ensure that the Servicer files with the Commission any report prepared by the Servicer, including any notice of any proposed adjustment to the Transition Charges, on the same date that said notice is submitted to the Corporation (such report shall state in detail all the Ongoing Financing Costs that are paid from the Transition Charges in a recurring manner);

(x) A commitment, enforceable by the Commission, that any report that must be filed with the Corporation by the Trustee of the Restructuring Bonds shall also be filed with the Commission on the same date such reports are filed with the Corporation;

(xi) A commitment, enforceable by the Commission, that (A) the Corporation and the Servicer shall file a joint report with the Commission, not later than March 1st of each year, stating, with respect to the previous calendar year, the balance of the principal of the Restructuring Bonds, any sum in connection with said Bonds that was paid during said calendar year, and the remainder of Ongoing Financing Costs payable during said calendar year; and (B) after the final and full payment of the Restructuring Bonds and any Financing Costs, the revenues of the Transition Charges deposited in, or to be received in the

future by the Trustee, shall be credited and refunded to Customers as prescribed by the Commission, and the Corporation shall furnish any final accounting reports requested by the Commission; and

(xii) A commitment, enforceable by the Commission, that any notice of a proposed adjustment to the Transition Charges, including the data or any work product used to calculate the Transition Charge, shall be delivered by the Corporation or the Servicer to the Commission at least thirty (30) days before the proposed effective date of the adjustment; provided, that (1) notwithstanding the thirty (30)-day term provided in this subparagraph, any information related to the initial Transition Charge shall be submitted not later than three (3) business days after the valuation or award of the Restructuring Bonds and said initial Transition Charges shall take effect on the date of issue of the Restructuring Bonds; (2) the Commission's review of the initial Transition Charges or any adjustment to the Transition Charges shall be limited to the verification of the mathematical accuracy of the calculation methodology used for the initial Transition Charges or the Adjustment Mechanism (as the case may be); and (3) if the Commission determines that the calculation methodology for the initial Transition Charges or any adjustment to the Transition Charges is mathematically inaccurate, any adjustment to correct the mathematical inaccuracy as directed by the Commission shall be made by the Corporation not later than the following application of the Adjustment Mechanism as provided in Chapter IV of the Electric Power Authority Revitalization Act.

(2) The energy usage history (kWh) data of each Customer class that serves as the basis for the allocations set forth in subparagraphs (ii), (iii), and (iv) of this subsection (e)(1), as the case may be, certified by an Authority's officer.

(3) A report prepared by an independent financial consultant with recognized expertise in public electric utility corporations financing, whose representative shall testify before the Commission to support said report, in accordance with paragraph (9) of this subsection (e), stating the energy usage history (kWh) data, the projections of Ongoing Financing Costs and Transition Charges during the effective term of the Restructuring Bonds, and any material assumption used in the report, and concluding that such Transition Charges have been calculated as provided in subparagraphs (ii), (iii), (iv), and (v) of subsection (e)(1), as the case may be, and in accordance with the assumptions included in such report, which shall ensure full and timely payment of Restructuring Bonds, in accordance with the terms thereof, and all other Ongoing Financing Costs, during the effective term of the Restructuring Bonds.

(4) A breakdown of the estimates of (i) the Upfront Financing Costs related to the issuance of the Restructuring Bonds, and (ii) the estimate of the Ongoing Financing Costs to be incurred during the effective term of the Restructuring Bonds, along with any estimate of the resulting Transition Charges and the estimated proportion that the total Transition Charges bear to the total Customer charges.

(5) An exercise showing that the proposed transaction is expected to comply with the savings requirements set forth in Section 35 and Chapter IV of the Electric Power Authority Revitalization Act.

(6) A duly grounded determination that the proposed servicing costs, to be recovered by the Authority as Servicer, shall be sufficient to compensate the Authority for the incremental costs reasonably associated with its functions as servicer, including a copy of the proposed Servicing Agreement.

(7) All the projections and scenarios of resistance tests provided by the Authority or the Corporation to credit rating agencies in connection with the Transition Charges;

(8) To the extent that the following have not been included:

i) Supporting documents, and non-binding estimates of:

(1) payments of the principal of and interest on the Restructuring Bonds and the date of such payments;

(2) debt service coverage requirement, if any;

(3) issuance costs (including attorney fees, placement fees, cancelation fees, servicing fees, and any other costs or expenses);

(4) any payment made to the United States of America to maintain or protect the tax exemption of the debt obligations of the Authority pending payment of the Restructuring Bonds;

(5) account deposits (including amounts deposited in connection with capitalized interest or debt service fund or reserve account, operating expenses, fund or reserve account, and deposits to PREPA's Self-Insurance Fund; and

ii) the identification of the one-time costs (different from the ongoing costs) and an explanation of how said one-time costs shall be included in the Transition Charges (*e.g.* amortization *v.* one-time recovery).

(9) A written testimony, based on sworn statements (which shall include attachments and the request, or any other document furnished therewith), of one or more employees of the Corporation, or the Authority, or any agent or consultant of the Corporation or the Authority, attesting to the conclusions of fact of the request and the determinations required to be made in the documents to be filed along with the request. Such testimony shall:

i) describe the Adjustment Mechanism and the calculation methodology thereof; describe each Upfront Financing Cost and the Ongoing Financing Cost that are expected to be incurred;

ii) furnish an estimate, along with the corresponding explanation, of how the Transition Charges shall change during the effective term of the Transition Charge;

iii) describe the estimated proportion that total Transition Charges bear to total Customer charges;

iv) compare the debt service and other Ongoing Financing Costs associated with the Restructuring Bonds, the debt service, and other Ongoing Financing Costs of the outstanding debt of the Authority to be financed with the Restructuring Bonds; and

v) explain the projections and the scenarios of the resistance tests provided by the Authority or the Corporation to credit rating agencies in connection with the Transition Charge.

(10) It shall not be necessary that the draft of the Restructuring Resolution to be filed with the Commission includes models of any other financial document referred to in the Resolution, except for the proposed model for the Servicing Agreement and any other document supporting the required information under Section 6.25A, as required by the Commission, within a term of five (5) days after the filing of the request.

(f) The process to review a request of the Corporation shall be the following:

(1) Within one (1) business day after the request is received by the Commission, the Commission, the Authority, and the Corporation shall publish on their respective websites a summary of the Corporation's request to the Commission drafted by the former. The Commission shall notify the public of the upcoming public hearing or hearings to evaluate the request of the Corporation at least fifteen (15) days prior to the holding of such hearings. Said notice shall include the matters to be discussed, as well as the time, date, and place of the

hearing. The notice shall also comply with the following: (i) said notice shall be published in two (2) newspapers of general circulation in the Commonwealth at least twice (2) during such fifteen (15)-day period, (ii) said notice shall be exhibited during such fifteen (15)-day period in the main offices of the Commission, the Corporation, and the Authority in a conspicuous place accessible to the public during regular business hours, and (iii) a copy of such notice along with copies of the request, including the form of the initial Restructuring Resolution, and all supporting documents required to be filed along with the request shall be posted on the websites of the Commission, the Corporation, the Authority, and the Government Development Bank for Puerto Rico, safeguarding any confidential or privileged information included therein, if any.

(2) Within seventy-five (75) days after the Corporation's Request Date, the Commission shall issue a Restructuring Order stating the findings and determinations related to the Corporation's request, filed in accordance with subsection (b) of this Section 6.25A or as otherwise required by this Section 6.25A, or shall adopt a resolution rejecting the request and stating the grounds therefor. The Commission shall not limit, qualify, amend, or otherwise modify the Restructuring Resolution.

(3) The evaluation process to be conducted by the Commission shall be a transparent, swift, and flexible process, so that the citizens may express their opinions in writing during a specific period of time to be determined by the Commission following the process established herein. The evidence file of this procedure shall consist of the request and the documents submitted therewith, including the enclosed testimony and any other documents that the Commission deems to be relevant for this procedure. Any witnesses who have submitted testimonies shall be available to be examined by the Commission under oath on

matters related to their testimony. The transcript of said examination shall be included in the evidence file.

(4) The approval by the Commission of the Corporation's request shall be final and irrevocable on the earliest of the following: (i) the express approval by the Commission, in accordance with subsection (f)(2), above, or (ii) the date on which the Commission has lost jurisdiction for failure to approve or reject the Corporation's request, as described below. If within seventy-five (75) days after the Corporation's Request Date the Commission has failed to adopt the Restructuring Order or has failed to adopt a resolution rejecting the request, such request shall be deemed to be approved as a matter of law, the Commission shall lose any jurisdiction over the request, and the Corporation may adopt the Restructuring Resolution as proposed in the request. Any party wishing to contest the Restructuring Order of the Commission or the Corporation's request deemed to be approved, may do so following the process established in Section 35 and Chapter IV of the Electric Power Authority Revitalization Act. In any procedure for such purposes, the Court shall evaluate, taking into account the administrative file as a whole, whether the substantial evidence supports the Restructuring Order or the request deemed to be approved, as the case may be, and if so, the Court shall uphold the Restructuring Order or the request deemed to be approved.

(5) Except as provided in paragraph (2)[sic] of subparagraph (xii) of subsection (e)(1) with respect to the mathematical accuracy of the Transition Charges, none of the provisions of this Chapter shall authorize the Commission to approve, modify, or alter any Transition Payment[sic], or to approve, reduce, or alter any Upfront Financing Costs or Ongoing Financing Costs or to interfere with the payment thereof.

(g) In both instances, when the Commission issues a Restructuring Order or when a request is deemed to be approved, the Commission shall ensure that the Corporation and the Authority fulfill their obligations under the Servicing Agreement, including the obligation to collect carefully and diligently all late fees and charges. The Commission shall be empowered to direct the Corporation to replace the Authority as Servicer, *motu proprio*, through an order based on substantial evidence, or at the request of the trustee of the bonds or the bondholders, if the Authority fails to comply with its obligations under the Servicing Agreement; provided, that the appointment of the substitute Servicer meets the requirements and other conditions of the Servicing Agreement. None of the provisions herein shall impair the rights of the bond trustee, the bondholders, or any credit enhancement provider of the Restructuring Bonds to replace the Servicer under the terms of any trust agreement or any other financing document related to the Restructuring Bonds.

(h) Costs related to the Aguirre Offshore Gasport may be financed with the Restructuring Bonds only if the Commission determines that (a) the project in question and the costs associated therewith are consistent with the integrated resource plan of the Authority, and (b) the securitization of said costs is adequate.

(i) The Corporation shall contract an independent auditor, subject to the approval of the Commission. Said auditor shall file with the Corporation and the Commission, not later than August 15th of each year, a report including a verification that the Upfront Financing Costs and the Ongoing Financing Costs paid from the revenues of the Transition Charges during the calendar preceding the report date, are consistent with the financing documents related to the Restructuring Bonds. Likewise, at the discretion of the Commission, the Corporation shall enter into contract with an independent entity (which could be the same auditor), subject to the approval of the Commission, which shall file with

the Corporation and the Commission, not later than August 15th of each year, a reasonability assessment of costs defined as ‘Financing Costs’ in Section 31 of Chapter IV of the Electric Power Authority Revitalization Act, which have been incurred in the previous year.

(j) Beginning in 2017, on April 15th of each year, the Commission shall file with the Legislative Assembly a report whereby it shall evaluate the Authority and the Corporation’s compliance with their respective obligations under this Section 6.25A. The Commission shall have investigative powers to fulfill its obligation to ascertain compliance by the Corporation and the Authority with the referred to obligations during the previous calendar year.”

Section 21.- Section 6.27 of Act No. 57-2014, as amended, is hereby amended to read as follows:

“Section 6.27.- Review of Electricity Bills and Rules for Service Suspension.

(a) Before resorting to the Energy Commission to request review of an electricity bill, every person shall exhaust, before the Authority or any certified electric power service company issuing the same, the informal administrative procedure established in this Section and the regulations adopted by the Commission. The provisions of Chapter III of Act No. 170 of August 12, 1988, as amended, known as the ‘Uniform Administrative Procedures Act,’ shall not apply to this informal administrative procedure.

(1) Any customer may dispute or contest any charge, erroneous rate classification, mathematical calculation, or adjustment in an electricity bill and request an investigation by the certified electric power company within thirty (30) days from the date on which said bill was mailed or sent to the customer by electronic mail. Notwithstanding the foregoing, no customer may use this procedure to dispute or contest the current rate or the Transition Charge of the

securitization structure billed by the Authority. In order to object the bill and request the appropriate investigation, the customer shall pay the amount corresponding to the average of the undisputed bills corresponding to the last six (6) months. The certified electric power company shall not be required to initiate such investigation until the established amount has been paid. Public entities or instrumentalities shall have forty-five (45) days to dispute their bills and request an investigation by the electric power service company.

(2) ...

(3) Once the dispute has been notified and the corresponding amount deposited, the certified electric power company shall initiate the investigation or the appropriate adjudication process within a term of thirty (30) days from the date on which the customer notified his/her dispute. In the event that the certified electric power company fails to initiate the process within said thirty (30)-day term, the dispute shall be adjudicated in favor of the customer. The certified electric power company shall conclude the investigation or administrative procedure, issue the corresponding resolution, and notify the results to the customer within sixty (60) days counted from the date on which the investigation or adjudication process began. If the certified electric power company fails to issue the referred to resolution or to notify the same to the customer, the dispute shall be adjudicated in favor of the customer. When notifying the results of the investigation, the electric power service company shall inform the customer of his/her right to request reconsideration of said results and the term within which such reconsideration shall be requested.

(4) ...

(5) The certified electric power service company shall have thirty (30) days after the filing of the request for reconsideration to evaluate the same and notify, in writing, its final decision on the results of the investigation to the

petitioner. If the certified electric power company fails to issue the referred to notice in writing within the thirty (30)-day term, the dispute shall be adjudicated in favor of the customer. All final decisions shall clearly state the right of customers to file a request for review with the Commission and a brief description on how to file the same.

(b) ...

...”

Section 22.- To the extent the procedure established in Section 21 of this Act differs from the procedure established under Act No. 33 of June 27, 1985, as amended, the provisions of this Act shall apply.

Section 23.- Subsection (a) of Section 6.29 of Act No. 57-2014, as amended, is hereby amended to read as follows:

“Section 6.29.- Efficiency in Electric Power Generation.

(a) Highly Efficient Fossil Generation.- Within a term that shall not exceed five (5) years counted as of July 1st, 2014, the Authority shall ensure that at least sixty percent (60%) of the electric power generated in Puerto Rico based on fossil fuels (gas, coal, oil, and others) is high efficiency, as such term is defined by the Commission. The term ‘high efficiency’ shall include as essential factors the electric power plant or the facility’s thermal efficiency by the type of fuel used, the cost of fuel, technology, the capacity to reduce the costs of producing one (1) kilowatt-hour (kWh) of the proposed technology, and/or any other industry parameter that guarantees efficiency in energy generation, and in accordance with the Integrated Resource Plan. The percentage required under this Section includes energy generated from fossil fuels sold to the Authority under power purchase agreements entered into as of the effective date of this Act.

(b) ...

...”

Section 24.- Section 6.31 of Act No. 57-2014, as amended, is hereby repealed.

Section 25.- Section 6.32 of Act No. 57-2014, as amended, is hereby amended and renumbered as Section 6.31, to read as follows:

“Section 6.31.- Extension.

In exercising its regulatory duties and technical knowledge in the energy field, the Commission may extend the five (5)-year period provided in this Act for a term that shall not exceed one (1) year, so that at least sixty percent (60%) of the electric power generated in Puerto Rico based on fossil fuels is high efficiency; provided, that the Commission determines:

- (i) that it is necessary for the full implementation of the Energy RELIEF Plan; and
- (ii) that the implementation of the Energy RELIEF Plan is at an advanced stage.”

Section 26.- Subsection (b) of Section 6.33 of Act No. 57-2014, as amended, is hereby amended and renumbered as Section 6.32, to read as follows:

“Section 6.32.- Agreements Between the Authority and Independent Power Producers or Other Electric Power Service Companies.

(a) ...

(b) The provisions of this Section shall not apply to power purchase agreements that have been entered into by the Authority prior to the approval of this Act, or to those that have been entered into as a result of a request for proposals process under Section 6(B)(a)(iii) of the Electric Power Authority Revitalization Act.

...

(j) ...”

Section 27.- Section 6.34 through Section 6.45 of Act No. 57-2014, as amended, are hereby renumbered as Section 6.33 through Section 6.44, respectively.

Section 28.- Renumbered Section 6.43 of Act No. 57-2014, as amended, is hereby amended to read as follows:

“Section 6.43.- Powers and Duties of ICPO.

The Office shall have the following powers and duties:

(a) ...

(c) Defend and advocate for the interests of customers in all matters brought before the Energy Commission or been addressed by CEPPO with regard to electric power rates and charges, the quality of the electric power service, services provided by electric power service companies to their customers, resource planning, public policy, and any other matter of interest for customers;

(d) ...”

Section 29.- Section 4 of Act No. 114-2007, as amended, is hereby amended to read as follows:

“Section 4.- Allowed Charges.-

The Electric Power Authority may propose, as part of its rates, just and reasonable charges to its net metering customers. The Energy Commission shall evaluate said charges as part of the rate proposal of the Authority.

The Energy Commission shall evaluate and determine which charges shall apply to net metering customers, such as the Contribution In Lieu of Taxes, Securitization, Subsidies, and Grants. Both the Authority and the Commission shall take into account the following criteria when proposing and evaluating the net metering customer charges:

i. The charge to be billed shall be just and shall have the purpose of covering the operating and administrative expenses of the grid services that receives any customer that entered into a Net Metering Agreement. The grid services received by a net metering customer shall be clearly differentiated from the services that the Authority bills on a regular basis to all of its customers.

ii. The charge shall never be excessive or established in such a manner as to constitute an obstacle to the implementation of renewable energy projects.

Any customer that has entered into a net metering agreement as of the approval of this Act or that is in the process of evaluating or developing a renewable energy project which shall be interconnected to the system of the Authority shall have a grace period of twenty (20) days, counted as of the approval of this Act, during which the charges approved by the Commission shall not be billed. Such grace period shall not apply to customers that increase the renewable energy system's capacity by up to a maximum of twenty percent (20%); however, this shall not apply to customers that exceed this increase, who shall begin to pay the charges approved by the Commission from the time the increase of the system's capacity is completed. For projects submitted from the period after the date of approval of this Act to the time the final charge for net metering projects is determined and published by the Commission, petitioners shall submit to the Authority, when filing the interconnection evaluation, a deposit in an amount equal to five cents (\$0.05) per watt of proposed AC capacity or two thousand dollars (\$2,000) for industrial customers, one thousand dollars (\$1,000) for commercial customers, and two hundred fifty dollars (\$250) for residential customers, whichever is less. Said deposit shall be reimbursed by the Authority within a period not to exceed thirty (30) days after the Interconnection Agreement has been entered into or after the Authority notifies an unfavorable evaluation for a project. In the event of a favorable evaluation, the petitioner shall have a term of two

hundred seventy (270) days, counted from the receipt of the notice of the favorable evaluation, to complete the construction of the project and certify the facility. In the event that the project is not completed within the term provided, the petitioner shall lose the deposit. The money collected by the Authority on account of these deposits shall be covered into a special account to defray future expenses related to the evaluation of applications for interconnection. In the event that the project is completed within the established term, the twenty (20)-day grace period previously established shall apply to such agreements, and such period shall only be suspended in the event of an increase in the system's capacity. The money collected by the Authority on account of the payment of deposits shall not accrue interest.

The Authority may not bill additional charges or increase the monthly energy usage rate to any customer that chooses to connect a solar energy system, windmill, or other renewable energy source to the transmission and distribution system of this public corporation.”

Section 30.- Section 5 of Act No. 114-2007, as amended, is hereby amended to read as follows:

“Section 5.- Energy Metering.

Except for those cases where the applicable federal laws or regulations in effect expressly and specifically direct otherwise, the metering and accreditation process shall be as follows; provided, however, that the provisions amended by the Electric Power Authority Revitalization Act shall only apply to net metering agreements that have requested an interconnection evaluation after the date of approval of this Act. The provisions of this Act No. 114-2007 that are in effect as of the date of approval of the Electric Power Authority Revitalization Act shall apply to net metering agreements that are in effect or to net metering application

process, as of said date. The Authority shall honor existing net metering agreements in accordance with the terms agreed on.

a) The Electric Power Authority shall meter the net or consumed electricity by the customer during a billing cycle in accordance with standard metering practices in effect, as provided in and pursuant to the net metering regulations and standards established by the Commission.

b) The Electric Power Authority may bill a customer for the net electricity supplied, as well as the charge to be approved by the Energy Commission in accordance with Section 4 of this Act.

c) In those cases in which a customer feeds back to the Electric Power Authority more electricity than it supplied to the customer during a billing cycle, the Electric Power Authority may charge the customer a minimum monthly service fee not greater than that which it charges to other regular customers that do not consume electricity during a billing cycle.

d) ...

e) For the billing cycle closing in June of each year, any excess kilowatt-hour credit accumulated by the feedback customer during the previous year and which remains unused shall be compensated as follows:

1) Seventy-five percent (75%) of the excess shall be purchased by the Electric Power Authority as provided by the Energy Commission; and

2) The remaining twenty-five percent (25%) shall be assigned to the Electric Power Authority to be distributed as a credit or reduction in the electricity bills of public schools.

...

f) If an agreement in accordance with this Act is not reached between the parties within the non-extendable term of one hundred twenty (120) days from the date a net metering application was submitted to the Electric Power Authority,

or in those cases in which the Authority must disconnect a renewable energy source under the Net Metering Program due to technical or security reasons, or in the event of dispute with respect to bills or credits, the Energy Commission shall have jurisdiction to settle such disputes as provided in Act No. 57-2014.”

CHAPTER IV.- SECURITIZATION.

Section 31.- Definitions.

The following words or terms shall have the meaning expressed below when used in this Chapter, unless the context clearly indicates otherwise:

(1) “System Assets” means the electric power generation, transmission, and distribution facilities (and other property and equipment used in connection therewith), whether now existing or hereafter acquired, owned by the Authority as of the effective date of this Act or thereafter acquired for use by the Authority, including any successor electric utility, to provide electric power service to Customers, including any transmission and distribution service.

(2) “Authority” means the Puerto Rico Electric Power Authority, a public corporation and government instrumentality established and existing by virtue of Act No. 83 of May 2, 1941, as amended, and any successor or successors thereto, including successors referred to in Section 35 and Chapter IV of this Act.

(3) “Restructuring Bonds” means bonds, or other evidences of long-term indebtedness issued by the Corporation pursuant to this Act, any Restructuring Resolution and the Trust Agreement related thereto: (a) whose proceeds are used, directly or indirectly, to finance or refinance Approved Restructuring Costs; (b) which are directly or indirectly secured by, or payable from, Restructuring Property; and (c) which have a term of not less than one (1) year nor more than thirty-five (35) years.

(4) “Cause” means, with respect to a director of the Corporation: (i) actions or inactions of such director that constitute recklessness or bad faith or

gross negligence in connection with the duties of such director pursuant to this Chapter and other organizational documents of the Corporation; (ii) such director's engagement in, accusation, or conviction of fraud or other actions constituting an offense under any law applicable to such director; (iii) such director's inability to perform his/her duties as director due to death or disability; (iv) such director's failure to meet the requirements of this Chapter; or (v) any other action or inaction as set forth in this Chapter.

(5) "Defeasance" means with respect to any debt, the legal or economic defeasance of such debt. "Defeasance" has a meaning correlative thereto.

(6) "Transition Charges" means those rates and charges that are independent from rates and charges of the Authority and that are imposed on Customers in accordance with a Restructuring Resolution to recover the Ongoing Financing Costs, and shall include a pro rata portion of any late payment fee imposed with respect to any past due electricity bill that includes therein a sum for Transition Charges.

(7) "Customer" means any Person that is connected to or takes or receives electric power service, within the Commonwealth of Puerto Rico, from the electric power generation, transmission, or distribution facilities that are part of the System Assets, whether or not those electric power generation, transmission, or distribution facilities are owned by the Authority. The Authority shall not be considered a Customer. Each municipality of the Commonwealth of Puerto Rico shall be considered a Customer to the extent that the dollar value of its electric power service usage in any fiscal year (including, when determining such value, the dollar value of the Transition Charges, which would otherwise be imposed on such municipality, and the Authority charges) exceeds the dollar value owed by the Authority to such municipality as a contribution in lieu of taxes for such fiscal year.

(8) “Commission” means the Puerto Rico Energy Commission established by Act No. 57-2014, as amended.

(9) “Ancillary Agreement” means any bond insurance, letter of credit, reserve account, surety bond, interest rate or swap agreement, hedge agreement, liquidity agreement or credit support annex or other agreement intended to promote the credit quality and marketability of Restructuring Bonds or to mitigate the risk of changes in interest rates.

(10) “Trust Agreement” means a trust agreement, trust indenture, or similar contract or agreement entered into by the Corporation and the Trustee establishing the rights and responsibilities of the Corporation and of the holders of Restructuring Bonds issued thereunder and secured thereby.

(11) “Servicing Agreement” means the agreement or agreements between the Corporation and the Servicer providing for the administration and servicing of Restructuring Property, as the same may be modified from time to time by the parties thereto in a manner not prohibited by this Chapter.

(12) “Corporation” means the Puerto Rico Electric Power Authority Revitalization Corporation, a special-purpose public corporation and a government instrumentality of the Commonwealth of Puerto Rico, established pursuant to Section 32 and Chapter IV of this Act.

(13) “Financing Costs” means the costs to issue, service, repay, or refinance Restructuring Bonds, whether incurred upon issuance of such Restructuring Bonds or over the term of the Restructuring Bonds, the recovery of which is authorized through a Restructuring Resolution. Without limitation thereto, “Financing Costs” may include any of the following, as the case may be:

a. The principal of, interest on, and redemption premiums of Restructuring Bonds;

b. any payment required under the terms of an Ancillary Agreement and any amount required to deposit or replenish (or to reimburse a third party for replenishing) a debt service reserve fund or account, operating expenditures reserve fund or account, or other fund or account established in accordance with a Trust Agreement, any Ancillary Agreement, resolution or other financing document related to the Restructuring Bonds;

c. any federal or state tax or charge, including federal or state payments or contributions in lieu of taxes, franchise fees or license fees imposed on Transition Charge Revenues (but excluding any Commonwealth or local taxes, fees or contributions or payments in lieu of taxes);

d. any cost related to obtaining a Restructuring Order, or administering the Corporation, the Restructuring Bonds or the Restructuring Property, including the costs of implementing the Adjustment Mechanism, Trustee (and other similar fiduciary), legal, accounting and other consultants, depository, calculation agent, manager, credit rating agency fees and expenses, and Servicing Fees and expenses, in each case, subject to the provisions of this Chapter;

e. any cost related to protecting the status of Restructuring Property and collecting Transition Charges, including any cost related to any judicial or similar proceedings that the Corporation or the Trustee or any owner of all or a portion of Restructuring Property deems necessary to demand the payment of or collect Transition Charge Revenues, or protect the Restructuring Property or any other costs referred to in Section 38(a) and Chapter IV of this Act, in each case, subject to the provisions of this Chapter; and

f. any other cost related to issuing Restructuring Bonds, or administering and servicing Restructuring Property and Restructuring Bonds, including the cost of calculating adjustments of Transition Charges, Servicing Fees and expenses, Trustee (or similar fiduciary) fees and expenses, legal fees and

expenses, accounting fees and expenses, administration fees and expenses, placement fees and expenses, underwriting fees and expenses, printing and marketing fees, filing or listing fees, fees and expenses of the Corporation's other consultants, if any, rating agency fees, and any other cost approved by the Board of the Corporation as necessary or desirable to achieve the purposes of this Chapter.

(14) "Upfront Financing Costs" means the Financing Costs related to obtaining the Restructuring Order, the design, marketing, and issuance of Restructuring Bonds, except to the extent that the Corporation determines to pay said costs as Ongoing Financing Costs payable from Transition Charge Revenues. Upfront Financing Costs include, without limitation, Trustee (or similar fiduciary) fees and expenses, legal fees and expenses, accounting fees and expenses, Servicer set-up rates or expenses, calculation agent, depository or other manager or fiduciary placement fees and expenses, underwriting fees and expenses, printing and marketing fees, filing or listing and compliance fees, fees and expenses of the Corporation's other consultants, if any, credit rating agency fees, collateral fees and expenses, and any other cost approved by the Board of the Corporation as necessary or desirable to achieve the purposes of this Chapter and shall include reimbursement to any Person of amounts paid in advance to cover such costs.

(15) "Approved Restructuring Costs" means any or all of the following costs approved under a Restructuring Resolution: (a) the capital expenditures related to the construction and outfitting of the Aguirre Offshore Gasport, subject to satisfaction of any conditions set forth in the applicable Trust Agreement for any outstanding Restructuring Bonds; (b) the costs of retiring or defeasing all or a portion of the Authority's debt obligations or the Restructuring Bonds; (c) rebate, yield reduction payments and any other amounts payable to the United States of America to preserve or protect the federal tax exemption outstanding debt obligations of the Authority or the Corporation; (d) deposits from proceeds of

Restructuring Bonds made to a capitalized interest fund or account, debt service reserve fund or account, or operating expenses reserve fund or account established in connection with such Restructuring Bonds; and, only in connection with the first issue of Restructuring Bonds, a deposit to the Self-Insurance Fund, established pursuant to the trust agreement, dated on January 1st, 1974, as amended, by and between the Authority and the U.S. Bank National Association, as successor trustee, in an amount not to exceed one hundred million dollars (\$100,000,000); and (e) subject to any limitations provided in this Chapter, the Financing Costs. The Restructuring Resolution shall not include in any manner whatsoever, the cost of retiring a debt of the Authority that has not been included in the Creditors' Agreement, except for debt incurred in 2016 in an amount not to exceed five hundred thirty-five million dollars (\$535,000,000).

(16) "Ongoing Financing Costs" means Financing Costs other than Upfront Financing Costs and any excess of actual Upfront Financing Costs incurred over the Corporation's estimate of Upfront Financing Costs that are payable from the proceeds of the issuance of Restructuring Bonds.

(17) "Financing Entity" means any Servicer, Trustee (or similar fiduciary), collateral or escrow agent, or other Person acting for the benefit of the holders of the Restructuring Bonds or the Corporation that may own Restructuring Property or is entitled to receive proceeds from the Restructuring Bonds.

(18) "Trustee" means the trustee party to a Trust Agreement representing the holders of the Restructuring Bonds issued and secured thereunder.

(19) "Non-bypassable" means that Transition Charges shall be paid by all Customers, even if the Customer elects to purchase electricity, in whole or in part, from an alternative energy provider.

(20) “Transition Charge Revenues” means any money and other property received or to be received, directly or indirectly, on account of the Transition Charges, and all proceeds of the investment thereof.

(21) “Board” means the board of directors of the Corporation established pursuant to Section 32 and Chapter IV of this Act.

(22) “Servicer” means the Authority, to the extent allowed by this Chapter, and if the Authority is replaced as Servicer, in accordance with the Servicing Agreement or Act No. 57-2014, as amended, it shall mean a Person or Persons authorized and required, by contract or otherwise, to impose, bill, or collect Transition Charges, to draft periodic reports on the billing and collection of Transition Charges, to remit collections by or on behalf of the Corporation or the assignees or creditors thereof, including a Financing Entity, and to render other related services to the Corporation, which may include the calculation of periodic adjustments to the Transition Charges or the rendering of other services related to the Restructuring Property; and it shall be understood to include any subservicer, backup servicer (including if it becomes a Servicer under a Servicing Agreement), replacement servicer, or any of the successors thereof, authorized to act as such under a Restructuring Resolution.

(23) “Adjustment Mechanism” means the adjustment mechanism by formula as provided in a Restructuring Resolution, as approved in a Restructuring Order under the terms of Section 35 and Chapter IV of this Act and Section 6.25A of Act No. 57-2014, as amended, to be applied by the Corporation periodically, and at least semi-annually, to adjust the Transition Charges and ensure the collection of Transition Charge Revenues that are sufficient to comply with the timely payment of Ongoing Financing Costs. The establishment and adjustment of the Transition Charges by the Corporation with respect to the Adjustment Mechanism shall not be subject to legislative or any other government review or

approval, except as provided in Section 34 of this Act, regarding the Commission's review to correct the mathematical errors made by the Corporation, and Section 35(b) regarding the approval of the Adjustment Mechanism in the Restructuring Order.

(24) "Restructuring Order" means the order approving the calculation methodology for the Transition Charges and the Adjustment Mechanism related thereto, as provided in this Act. The "Restructuring Order" shall be irrevocable and shall not be subject to further review or amendment by the Commission.

(26) [sic] "Person" means any natural or juridical person, including any local agency, or any individual, firm, partnership, joint venture, trust, corporation of individuals, association, public or private corporation, or municipality, organized or existing under the laws of the Commonwealth of Puerto Rico, the United States of America, or any state, any agency or instrumentality of the United States of America, or any combination thereof.

(27) "Interested Person" means (a) the trustee representing the holders of the Authority's outstanding bonds, (b) the securities depository, if any, where any of such bonds shall be immobilized; (c) any holder of the Authority's outstanding debt obligations or any Person providing credit or liquidity support, including financial guaranty insurance, to any or all of such obligations; (d) any financial institution to which the Authority is indebted (other than through the securities depository) or otherwise obligated; (e) the Secretary of Justice of the Commonwealth of Puerto Rico; (f) any Customer; (g) any of the Authority's providers of goods and services other than a Customer of the Authority, as defined in this Act; (h) any Person that has submitted to the secretary of the Board of the Corporation or to the Authority a request to receive the notice set forth in Section 35 and Chapter IV of this Act; (i) any Person that would otherwise be entitled to be

notified or informed about the adjustment of the Authority's rates and charges; and (j) any other Person interested in the matters object of the procedures provided for in Section 35 and Chapter IV.

(28) "Restructuring Property" means a Restructuring Resolution and the property rights and interests created thereby, including the title and right to, and the interest in: (a) the right to create and receive Transition Charges; (b) the Transition Charges, as adjusted from time to time in accordance with the Adjustment Mechanism, including any rights under a Servicing Agreement assigned pursuant to the corresponding Trust Agreement or other security agreement; (c) all revenues, collections, claims, payments, money, or proceeds on account of the Transition Charges or constituting Transition Charges, regardless of whether such revenues, collections, claims, payments, money, or proceeds are billed, received, collected or maintained by the Authority or by the Corporation together with or commingled with other revenues, collections, claims, payments, money, or proceeds; (d) all rights to obtain adjustments from Transition Charges pursuant to the terms of the Restructuring Resolution related thereto; and (e) all reserves established in connection with the Restructuring Bonds or the Restructuring Property. Once Restructuring Bonds are issued, the Restructuring Property shall constitute a vested existing property right as part of the assets of the Corporation, as initial owner, subject to any pledge of Restructuring Property pursuant to this Chapter, notwithstanding the fact that the value of the property right shall depend on further actions that have not yet occurred, including Customers remaining or becoming connected to the System Assets and taking or receiving electric service, the imposition and billing of Transition Charges, or the rendering of services by the Authority. The term "Restructuring Property" shall not include the Authority's real property or the property rights created on such personal property.

(29) “Restructuring Resolution” means a resolution of the Board of the Corporation adopted in accordance with this Chapter, whereby the Restructuring Property is created and the imposition and collection of Transition Charges, as well as the Approved Restructuring Costs, are approved through the issue of Restructuring Bonds. Such resolution includes the Adjustment Mechanism, as provided in Sections 34 and 35 of this Act.

(30) “Servicing Fee” means the periodic amount paid to a Servicer for services required in connection with the issue of Restructuring Bonds and the administration and servicing of Restructuring Property.

(31) “Third-party Biller” means any Person authorized to bill or collect Transition Charges other than the Corporation, the Authority, or a Servicer, if different from the Authority.

(32) “Court” shall have the meaning provided in Section 35 of this Act.

Section 32.- Creation of Corporation.

(a) A special-purpose public corporation and government instrumentality of the Commonwealth of Puerto Rico is hereby created to be known as the “Puerto Rico Electric Power Authority Revitalization Corporation,” which shall exercise essential governmental and public powers. The Corporation shall not be created, organized, or operated for profit. No director, official, or any other private Person shall derive any benefit from or receive a distribution related to the revenues or assets of the Corporation, except as herein provided as reasonable compensation for services rendered.

(b) (1) The Corporation shall be governed by a Board consisting of three (3) directors. Until the Governor appoints the official directors in accordance with paragraph (2) of this subsection (b), the President of the Government Development Bank for Puerto Rico, the Secretary of the Department of the Treasury of the Commonwealth of Puerto Rico, and the Secretary of State of the

Commonwealth of Puerto Rico shall serve as *ex officio* directors whose terms shall expire on the date the Governor makes the appointments from the list referred to below in paragraph (2) of this subsection (b).

(2) The official appointment of the directors shall be made by the Governor with the advice and consent of the Senate. Official directors shall be appointed and begin to discharge their duties on or before July 1st, 2016. Directors so appointed by the Governor shall be selected from a list of at least ten (10) candidates to be prepared by a recognized executive search firm, according to objective criteria that take into account the professional and educational backgrounds of the candidates. The Governor, in his/her discretion, shall evaluate the list of recommended candidates and choose three (3) individuals from said list. If the Governor fails to appoint three (3) directors from such list within twenty (20) days after such list is submitted to the Governor, the aforementioned search firm shall submit another list within thirty (30) days. The candidate selection process developed by a recognized executive search firm shall remain in effect for fifteen (15) years, subject to the laws applicable to the preservation of the tax exemption or preferential tax treatment of the interests on any Restructuring Bonds. The Governor may remove a director only for Cause.

(3) *Ex officio* acting directors shall hold their respective director position as long as they hold their current offices. Of the official directors originally appointed by the Governor, one (1) shall serve a term of four (4) years from the date of appointment, one (1) shall serve a term of five (5) years from the date of appointment, and one (1) shall serve a term of six (6) years from the date of appointment. Each director shall continue to hold office until his/her successor is appointed and qualified. Except for *ex officio* acting directors, all Board members shall be required to meet the director independence requirement under the New York Stock Exchange Corporate Governance Standards (NYSE Independent Director Rules). Nothing in this Chapter shall preclude a Customer from becoming a director solely because such Person is a Customer. *Ex officio* acting directors shall not receive compensation for services rendered as directors. Official directors

shall receive a market-based compensation comparable to that received by board members of local institutions of similar size, complexity, and risks. Said compensation shall never exceed fifty thousand dollars (\$50,000) annually.

(4) In the event of vacancy in the position of an official director, the Governor shall appoint the person who shall fill such vacancy for the remainder of the unexpired term of the original appointment following the appointment process of the original official appointments and subject to the laws applicable to the preservation of the tax exemption or preferential tax treatment of the interest on any Restructuring Bonds.

(5) In addition to the requirements established in this Section, no Person may become an official director if he/she: (i) is an employee, retiree, or has any direct or indirect substantial interest in any private company with which the Corporation or the Authority has entered into any contracts or with whom it engages in transactions of any kind, other than the purchase of electric service under generally applicable rates and tariffs; (ii) within two (2) years before holding office, has had a business relationship with or any interest in any private company with which the Corporation, the Authority, the Government Development Bank for Puerto Rico, or the Commonwealth of Puerto Rico has entered into any contracts or with whom it engages in transactions of any kind, other than the purchase of electric service under generally applicable rates and tariffs; (iii) has been a member of a local or central directing body of a political party registered in the Commonwealth of Puerto Rico during his/her appointment; (iv) is an employee, member, advisor, or contractor of the Authority's labor unions; or (v) has failed to provide the certification of having filed income tax returns during the five (5) preceding taxable years issued by the Department of the Treasury, a certification of having no debts outstanding with the Authority, a Certificate of Criminal Record issued by the Puerto Rico Police Department, as well as negative certifications of

the Child Support Administration (ASUME, Spanish acronym) and the Municipal Revenues Collection Center (CRIM, Spanish acronym).

(6) Except for *ex officio* directors, no director shall be considered a public employee under the terms of Section 5.1 of Act No. 1-2012, as amended, known as the “Puerto Rico Government Ethics Act.”

(7) Each director shall have a fiduciary duty to act in the best interests of the Corporation, including the holders of the Restructuring Bonds and its other creditors, and such other duties as may be specified in the organizational documents or other agreements of the Corporation.

(8) A majority of the directors at the time serving shall constitute a quorum to make decisions or exercise of any power or function of the Corporation. The Board of the Corporation may delegate to one or more of its directors, or officers, agents and employees, such powers and duties as the Board of the Corporation may deem appropriate.

(c) Without impairing the rights granted under Chapter IV of this Act, the Board and the officials, agents, and employees of the Corporation shall not be held civilly liable for any actions taken in good faith in the discharge of their duties and responsibilities under this Chapter; unless it is established, that they engaged in conduct constituting an offense, breach of fiduciary duty, or gross negligence, and shall be indemnified for any costs incurred in connection with any claim for which they enjoy immunity as provided herein. The Board of the Corporation, its directors, as well as any officials, agents, or employees of the Corporation shall also be fully indemnified for any civil liability adjudicated under the laws of the United States of America. The Governing Board and each director, official, agent, and employee of any Servicer shall be entitled to immunity from personal liability as provided by law and, in absence thereof, to the immunity from personal liability provided in this Section 33 and Chapter IV.

Section 33.- Powers of the Corporation; No Merger.

(a) The Corporation is hereby authorized to:

(1) Adopt Restructuring Resolutions;

(2) In consideration of providing financial assistance to the Authority by payment of Approved Restructuring Costs, impose and collect Transition Charges in connection with the financing of Approved Restructuring Costs through the issue of Restructuring Bonds for the benefit of the Authority, including (i) making such Transition Charges Mandatory or Non-bypassable to Customers, and (ii) approving an Adjustment Mechanism, subject to the Commission's approval in a Restructuring Order prior to the issue of the Restructuring Bonds;

(3) Issue Restructuring Bonds as stated in a Restructuring Resolution and to pledge the Restructuring Property to the payment thereof. However, the Corporation may issue Restructuring Bonds to retire, defease, or refinance revenue bonds of the Authority that have been issued on or before December 31st, 2015 ("Revenue Bonds") only if, as a result of the issue of the Restructuring Bonds, the current value of the total debt service of said Restructuring Bonds is at least seven hundred twenty-five million dollars (\$725,000,000) less than the current value of the total debt service of the Revenue Bonds of the Authority that have been issued on or before December 31st, 2015. For this calculation, the yield of the Restructuring Bonds shall be used, which bonds shall be issued as determined by the Corporation using typical assumptions, as determined by the Corporation in consultation with the advisors thereof. The aforementioned verification calculation shall be used only on the closing date of the Exchange Offer with respect to the restructuring transactions included in the Creditors' Agreement only and solely with respect to the issuance of the Restructuring Bonds issued for such purposes. For clarification purposes, any

Restructuring Bond issued to defray the incidental costs of the initial issuance of Restructuring Bonds or to defease the Revenue Bonds of the Authority shall not be subject nor included in the previous calculation.

None of the foregoing shall prevent the Corporation from issuing Restructuring Bonds to retire, defease, or refinance revenue Bonds of the Authority that have been issued on or before December 31st, 2015, if, as a result of the issue of the Restructuring Bonds, the current value of the total debt service of said Restructuring Bonds is at least seven hundred twenty-five million dollars (\$725,000,000) less than the current value of the total debt service of the Revenue Bonds of the Authority that have been issued on or before December 31st, 2015.

(4) Provide for and direct the use of proceeds of Restructuring Bonds on behalf of the Authority in accordance with a Restructuring Resolution and a Trust Agreement entered into by the Corporation in connection with such Restructuring Bonds; and

(5) Contract for the administration and servicing of Restructuring Property and Restructuring Bonds, and for administrative services, including hiring a manager or administrator other than an employee of the Authority.

(b) The Corporation shall have no authority to engage in other business activities; but shall, in connection with the powers provided in subsection (a) of this Section, have the power to:

(1) Sue and be sued; and settle claims or complaints on such terms as the Board of the Corporation may approve;

(2) Have a seal and alter the same at its will;

(3) Draft and modify by-laws for its internal organization and operations and adopt and modify rules and regulations governing its operations and the use of its property, in each case, in accordance with the limitations set forth in this Chapter;

(4) Draft and execute contracts and all other instruments necessary or convenient for the exercise of its powers and functions under this Chapter and to bring any action to protect or enforce any right conferred upon it by any law, contract or other agreement, including to draft and execute contracts with the Authority, any other Servicers, any Financing Entity or any other Person to administer and service Restructuring Property, to service Restructuring Bonds issued by the Corporation and to provide administrative services to the Corporation, and to pay compensation for such services;

(5) Appoint officials, agents, and employees, establish their duties and functions, fix their compensation, and contract consulting, accounting, and legal services to provide professional and technical assistance and advice, as well as pay compensation therefor;

(6) Pay its operating expenses, scheduled debt service on Restructuring Bonds, and other Ongoing Financing Costs;

(7) Provide for the terms and conditions of the Restructuring Bonds;

(8) Implement and enforce the Adjustment Mechanism in accordance with the corresponding Restructuring Resolution and Servicing Agreement;

(9) Procure insurance against any loss in connection with its activities, properties, and assets;

(10) Invest any funds under its custody and control in investment securities with an investment grade credit rating or under any Ancillary Agreement;

(11) Establish and maintain such reserves and special fund accounts, to be held in trust or otherwise, as may be required by agreements entered into in

connection with the Restructuring Bonds, or any agreement between the Corporation and third parties;

(12) As collateral for the payment of the principal of and interest on any Restructuring Bonds issued by the Corporation pursuant to this Chapter, and any agreement entered into in connection therewith, pledge and create liens on all or any portion of its revenues or assets, including Restructuring Property, unspent proceeds of its Restructuring Bonds, Transition Charge Revenues, and earnings from the investment and reinvestment of unspent proceeds of its Restructuring Bonds and Transition Charge Revenues; and

(13) Exercise such other corporate powers not inconsistent with the provisions of this Chapter, as are conferred upon corporations by the laws of the Commonwealth of Puerto Rico and take any and all actions necessary or convenient to achieve its purposes and exercise the powers expressly conferred and granted in this Section.

(c) While any Restructuring Bonds remain outstanding or until any Financing Costs that have or may become due is paid in full, the Corporation shall not be authorized to dissolve, liquidate, or transfer or sell all or substantially all of the Corporation's assets (except as expressly provided in the applicable Trust Agreement), or merge or consolidate, directly or indirectly, with any Person. Additionally, the Corporation shall not have the power or authority to incur, guarantee, or otherwise commit to pay any debt or other obligations other than Restructuring Bonds and Financing Costs unless otherwise allowed by a Restructuring Resolution. The Corporation shall not own any assets or property other than the Restructuring Property, incidental personal property necessary for the possession and operation of the Restructuring Property and any investment-grade securities in accordance with the terms of the Restructuring Bonds. The

Corporation shall keep its assets and liabilities separate and distinct from those of any other Person, including the Authority.

(d) The Corporation shall not pledge its assets to secure the obligations of any other Person or hold out its credit as being available to satisfy the obligations of any other Person.

(e) The Corporation and the Authority shall keep its books, financial records, and accounts (including inter-entity transaction accounts) in a manner so as to identify separately the assets and liabilities of each such entity from those of any other Person; each shall observe all corporate procedures and formalities, including, where applicable, the holding of regular periodic and special meetings of the governing bodies thereof, the recording and maintenance of minutes of such meetings, and the recording and maintenance of resolutions adopted at such meetings, if any; and all transactions and agreements by and among the Corporation, the Authority, and any Person shall reflect the separate legal existence of each entity and shall be formally documented in writing. The Corporation shall not engage in any transaction with an affiliate of the Authority, the Corporation, the Government Development Bank for Puerto Rico, or the Commonwealth of Puerto Rico except under terms similar to those available to unaffiliated Persons in a transaction between third parties.

(f) The Corporation and the Authority shall each have separate annual financial statements, prepared in accordance with generally accepted accounting principles that reflect the separate assets and liabilities of each such entity and all transactions and transfers of funds involving each of such entities, and each shall pay or bear the cost of the preparation of its own financial statements regardless of whether such statements (whether audited or not) are prepared internally or by a public audit firm that prepares or audits its financial statements.

(g) The Corporation and the Authority shall pay their respective liabilities and losses from their own respective separate assets. In compliance with the foregoing, the Corporation shall compensate all employees, consultants, independent contractors, and agents from its own funds for services provided to the Corporation by such employees, consultants, independent contractors, and agents. The Corporation shall maintain a sufficient number of employees in accordance with its business purpose.

(h) The Corporation and the Authority shall keep any of its assets, funds, or liabilities separate from the assets, funds or liabilities of any other Person. Each of them shall conduct all business with third parties in its own name, separate and distinct from the other and shall correct any known misunderstanding regarding its separate identity.

(i) Neither the assets nor the creditworthiness of the Authority shall be deemed to be available for the payment of any liability of the Corporation, and vice versa. Assets shall not be transferred between the Authority and the Corporation in a manner that is inconsistent with this Chapter, or with the intent to hinder or defraud creditors.

(j) The Authority, in its papers and the statements of its officials, shall refer to the Corporation as a separate and distinct legal entity, and shall take no action that is inconsistent with this Chapter or that would give any of its creditors reason to believe either that any such obligations incurred by the Authority would also be the obligation of the Corporation, or that the Authority were not or would not continue to be an entity separate and different from the Corporation.

Section 34.- Content of Restructuring Resolution.

In connection with any issuance of Restructuring Bonds, the Restructuring Resolution related thereto, in addition to the other matters required to be included in such Restructuring Resolution by this Chapter and Section 6.25A of Act No.

57-2014, as amended, shall contain provisions, among others: (i) specifying the maximum number of Restructuring Bonds authorized to be issued, including parameters or limitations for such maturities, scheduled maturities, interest rates, or interest rate determination methods and other details of the Restructuring Bonds as the Board deems proper; (ii) a description of the Approved Restructuring Costs to be paid through the issuance of the Restructuring Bonds and recovered from Transition Charges; (iii) specifying the qualitative or quantitative limitations on Financing Costs to be recovered (not to impair the payment and service capacity of the Restructuring Bonds in accordance with their terms); (iv) specifying the calculation methodology for the Transition Charges in accordance with Section 6.25A of Act No. 57-2014, as amended; (v) describing of the Adjustment Mechanism to be applied based on the methodology for allocating Transition Charges approved in accordance with Section 6.25A of Act No. 57-2014, as amended, to reconcile actual collections with projected collections on at least a semi-annual basis to ensure that the collections of Transition Charges are adequate to pay the principal of and interest on the associated Restructuring Bonds when due, pursuant to the expected amortization schedule, to fund all debt service reserve funds or accounts to the required levels and to pay when due all Ongoing Financing Costs; (vi) describing the expected benefits for Customers and the Authority from the issuance of Restructuring Bonds; (vii) concluding that the calculation methodology determined pursuant to clause (iv) and the Adjustment Mechanism described in clause (v) are practicable and ensure full and timely payment of the Restructuring Bonds; (viii) authorizing the creation of the Restructuring Property and specifying that it shall be created and vested in the Corporation upon the issuance of the Restructuring Bonds and addressing such other matters as may be necessary or desirable for the marketing or servicing of the Restructuring Bonds or the servicing of the Restructuring Property; (ix)

authorizing the imposition, billing, and collection of Transition Charges to pay debt service on the Restructuring Bonds and other Ongoing Financing Costs; (x) describing the Restructuring Property that shall be created pursuant to the Restructuring Resolution and vested in the Corporation upon the issuance of the Restructuring Bonds and that may be used to pay and serve as collateral for the payment of the Restructuring Bonds; (xi) authorizing the Corporation to enter into and execute one or more servicing, billing, or collection agreements with one or more Servicers and other agents, and providing for the appointment of co-Servicer or subservicer upon the occurrence of such events as the Corporation, being advised by its consultants, determines enhances the marketability of the Restructuring Bonds; (xii) authorizing the Corporation to enter into and execute one or more depository, trust, or escrow agreements with financial institutions or other Persons providing for the escrowing and allocation of the collections of Customer bills between the Authority and the Corporation, as the Corporation, in consultation with such advisers as it may deem appropriate, determines enhances the marketability of the Restructuring Bonds; (xiii) requiring the filing of such billing and collection reports relating to the Transition Charges as the Corporation may require from the Servicer (at least monthly); (xiv) approving and authorizing the content and the manner in which a Trust Agreement is entered into and executed; (xv) meeting the obligations under Section 6.25A of Act No. 57-2014, as amended; (xvi) describing in detail such other conclusions, determinations, and authorizations as the Corporation, with the advice of its consultants, deems appropriate.

Any Restructuring Resolution, Restructuring Property, and Adjustment Mechanism, and all other obligations of the Corporation set forth in such Restructuring Resolution shall be direct, explicit, irrevocable, and unconditional upon issuance of the Restructuring Bonds, and legally enforceable against the

Authority and the Corporation. Except for the requirements in this Section and in Chapter IV of this Act, the Transition Charges and the Adjustment Mechanism shall not be subject to any other provision of law, including the provisions of Act No. 21 of May 31, 1985, as amended, Act No. 57-2014, as amended, known as the “Puerto Rico Energy Transformation and RELIEF Act,” or any other provision of law requiring or providing for the review (except by the Corporation, as provided below) or approval of rates by any government entity, or the holding of public hearings (except by the Commission, as provided in subsection (b) of Section 35), or notice of rate changes of any government entity, including the Legislative Assembly or the Commission. The Commission nor any other government entity shall neither adopt any regulations, rules, or procedures nor take any other action that would delay or adversely affect the implementation of the Adjustment Mechanism or the collection of Transition Charge Revenues. According to the provisions of Section 6.25A of Act No. 57-2014, and as provided in the Restructuring Resolution, (1) the Corporation shall serve or direct the Servicer to serve notice to the Commission of the proposed adjustment to the Transition Charges, within not less than thirty (30) days before the date on which each proposed adjustment takes effect, indicating that (i) without foregoing such thirty (30)-day period to meet the notification requirements, the information related to the initial Transition Charges shall be submitted not later than three (3) business days after listing and delivering the Restructuring Bonds, and said initial Transition Charges shall take effect on the date of issue of the Restructuring Bonds, (2) the Commission’s review of the initial Transition Charges or any adjustment to the Transition Charges shall be limited to the verification of the mathematical accuracy of the calculation of such initial Transition Charges or subsequent adjustments in the Transition Charges resulting from the application of an Adjustment Mechanism (as the case may be), and (3) if the Commission determines that the initial

Transition Charges or any adjustment to the Transition Charges are mathematically inaccurate, any adjustment directed by the Commission to correct said mathematical inaccuracy shall be addressed by the Corporation not later than on the following application of the Adjustment Mechanism. Any over or under estimation of collections resulting from such mathematical inaccuracy shall be credited to or added in the following application of the Adjustment Mechanism, as the case may be, but no Customer shall be entitled to a refund of Transition Charges or the retroactive application thereof by reason of mathematical inaccuracies in such periodic adjustments. No adjustment of Transition Charges pursuant to the Adjustment Mechanism shall in any way affect the irrevocability of the Restructuring Resolution related thereto. The Corporation is hereby authorized to hire one or more persons to review the calculation of Transition Charges prepared by the Servicer, as provided in Section 35 and Chapter IV of this Act. The Authority is hereby authorized and directed to provide the Corporation and the agents thereof with any information required by the Corporation and by any calculation agent to review the calculation of all such periodic adjustments.

Section 35.- Restructuring Bonds.

(a) Authorization to Issue Restructuring Bonds; Transition Charges.

(i) The Corporation is hereby authorized to issue Restructuring Bonds (which may include the issuance of Restructuring Bonds to defease all or any portion of the Authority's debt) in accordance with the Restructuring Order approved by the Commission once or from time to time (subject in any case to the satisfaction of the conditions, if any, therefor set forth in any then existing Trust Agreement) to: (1) defray Approved Restructuring Costs, or (2) refinance Restructuring Bonds to achieve (without taking into account, for purposes of calculating any such expenses, any Restructuring Bonds issued to defease all or any portion of the Authority's debt) net savings in the current value of debt service,

or (3) retire all or a portion of the debt secured by the Authority in accordance with the Creditor's Agreement. The Restructuring Bonds related to the initial Restructuring Resolution shall not be used for the purpose set forth in paragraph (a) of the definition of "Approved Restructuring Costs" established in Chapter IV of this Act.

(ii) After the date on which the initial series of Restructuring Bonds is issued, other series of Restructuring Bonds may be issued from time to time; provided, that with respect to any Restructuring Bonds issued for the purpose described in paragraph (a) of the definition of "Approved Restructuring Costs" in Chapter IV of this Act, any conditions to maintain the credit rating on such initial series, as set forth in the related Trust Agreement and subject to the limitation established in Section 35 and Chapter IV of this Act, are satisfied.

(iii) The Corporation may issue Restructuring Bonds to retire, defease, or refinance revenue bonds of the Authority that have been issued on or before December 31st, 2015 ("Revenue Bonds") only if, as a result of the issue of the Restructuring Bonds, the current value of the total debt service of said Restructuring Bonds is at least seven hundred twenty-five million dollars (\$725,000,000) less than the current value of the total debt service of the Revenue Bonds of the Authority refinanced through said Restructuring Bonds. For this calculation, the yield of the Restructuring Bonds shall be used, which bonds shall be issued as determined by the Corporation using typical assumptions, as determined by the Corporation in consultation with the advisors thereof. The aforementioned verification calculation shall be used only on the closing date of the Exchange Offer with respect to the restructuring transactions included in the Creditors' Agreement only and solely with respect to the issuance of the Restructuring Bonds issued for such purposes. For clarification purposes, any Restructuring Bond issued to cover the incidental costs of the initial issue of

Restructuring Bonds or to defease the Revenue Bonds of the Authority shall not be subject nor included in the previous calculation.

(b) Approval Process.

(i) Except as otherwise provided by law, the Corporation shall submit a petition to the Commission enclosed with by a proposed Restructuring Resolution and such other information as required in Section 6.25A of Act No. 57-2014. Pursuant to Section 6.25A of Act No. 57-2014, the Commission shall review the proposed Restructuring Resolution and such other information to determine whether the calculation methodology followed by the Corporation for the Transition Charges and the Adjustment Mechanism to be applied to adjust the Transition Charges is consistent with the cost allocation and other standards set forth in Section 6.25A of Act No. 57-2014, and is not arbitrary or capricious. The Commission shall hold one or more public hearings in connection therewith, as provided in Section 6.25A of Act No. 57-2014. The Corporation may not adopt a Restructuring Resolution unless the Commission has either approved a Restructuring Order or the Commission has lost jurisdiction as provided in Section 6.25A of Act No. 57-2014. The Corporation shall adopt a Restructuring Resolution within five (5) business days after (A) the Commission has approved the corresponding Restructuring Order, or (B) the date on which the Commission has lost jurisdiction, as provided in Section 6.25A of Act No. 57-2014.

(ii) Any judicial proceedings challenging a Restructuring Order or the findings and determinations stated in a Restructuring Resolution shall only be brought in accordance with the procedures set forth in subsection (d) of this Section, and the Court shall review such findings and determinations under the standard of whether the Commission or the Corporation acted in a manner that was arbitrary or capricious.

(c) Validation of this Chapter.

(1) Within seven (7) days after the approval of this Act, the Corporation or the Government Development Bank for Puerto Rico shall publish in the manner provided in paragraph (2) of this subsection (c) a notice inviting any Interested Person to bring an action before the San Juan Part of the Court of First Instance of the Commonwealth of Puerto Rico (the “Court”), to determine, among other things:

(A) The validity of this Chapter;

(B) That any provision of this Chapter, including the imposition of Transition Charges, neither results in the breach or impairment of any contract or agreement executed between the Commonwealth of Puerto Rico or the Authority and the bondholders or other creditors of the Authority, nor in the taking of property by the Commonwealth of Puerto Rico without just compensation;

(C) That the money to be received from Transition Charges by or on behalf of the Corporation or any Servicer constitute revenues and income of the Corporation and not of the Authority or any other Person, and shall not constitute available resources of the Commonwealth of Puerto Rico; and that Transition Charge shall not constitute a tax or contribution, and that the right of the Corporation to impose and collect Transition Charges may not be revoked or terminated;

(D) That the Transition Charge Revenues are not subject to any lien or levy whatsoever by bondholders or other creditors of the Authority or any other Person other than the lien or levy of the applicable Trust Agreement to be entered into in connection with the issuance of the applicable Restructuring Bonds; and

(E) Any matters relating to the foregoing including those pertaining to the Constitution of the United States or of the Commonwealth of Puerto Rico.

(2) The Corporation, or the Government Development Bank for Puerto Rico acting on behalf of the Corporation, shall serve notice to all Interested Persons of the approval of this Act and the opportunity to challenge the validity of this Chapter through a notice for such purposes to be published once (1) a week for three (3) consecutive weeks in a newspaper of general circulation in the Commonwealth of Puerto Rico and in a newspaper of general circulation or a financial journal published or circulated in the city of New York. In addition, (i) the Corporation, the Government Development Bank for Puerto Rico, and the Authority shall post a copy of the notice on their websites not later than five (5) days after the first publication thereof; (ii) the Corporation or the Government Development Bank for Puerto Rico acting on behalf of the Corporation shall (A) deliver or cause to be delivered a copy of the notice to those Interested Persons (to the extent known by the Corporation or the Government Development Bank for Puerto Rico) listed in paragraphs (a) through (e) of the definition of “Interested Person” established in Chapter IV of this Act, and (B) file or cause the Authority to file a copy of the notice with the Electronic Municipal Market Access maintained by the Municipal Securities Rulemaking Board (or its equivalent); (iii) the Authority shall deliver a copy of the notice referred to above to all Customers by means of (A) a direct mailing of such notice to such Customers not later than ten (10) days after the first such publication in a newspaper of general circulation in the Commonwealth of Puerto Rico and in a newspaper of general circulation or a financial journal published or circulated in the City of New York, or (B) an insert included in the next billing statement sent by the Authority to its Customers, after the first such publication, and to all Interested Persons listed in paragraph (g) of the

definition of said term; and (iv) not later than fifteen (15) days after the first publication, the Corporation or the Authority shall deliver a copy of the notice to any Interested Person listed in paragraph (h) of the definition of “Interested Person” and, to the extent known by the Authority, in paragraph (i) of the definition of “Interested Person” established in this Section and Chapter IV of this Act.

(3) Upon the first publication of the notice in a newspaper of general circulation in the Commonwealth of Puerto Rico and in a newspaper of general circulation or a financial journal published or circulated in the City of New York, all Interested Persons shall be deemed to be aware or have reason to be aware of the approval of this Act and of any alleged damages or claims related to this Act. A sixty (60)-day period to challenge this Chapter, as set forth in paragraph (1) of this subsection (c) shall begin to elapse on the date of the first publication of such notice in a newspaper of general circulation in the Commonwealth of Puerto Rico and in a newspaper of general circulation or a financial journal published or circulated in the City of New York (and if not first published on the same date, the later date of the two publication dates shall be used for this purpose). The notice shall provide a detailed summary of the matter the Corporation seeks to validate. The notice shall use language substantially similar to the following:

Notice of Enactment of the Electric Power Authority Revitalization Act

On [insert date], Act No. ____-201_ took effect. Any interested party may, on or before [_____] [not later than [sixty (60)] days after the first publication of notice], appear and contest before the Court of First Instance, San Juan Part, the legality or validity of Chapter IV of said Act or any matter related thereto. No court shall have jurisdiction over any action related to the contest or validity of Chapter IV of the aforementioned Act if such action is brought after the specified

date. No contest of any issue or matter pertaining to the aforementioned Act shall be made other than within the time and the manner herein specified.

[Detailed summary; additional information_____]

Puerto Rico Electric Power Authority Revitalization Corporation

(4) The Court shall have jurisdiction over any action related to the matters addressed in this subsection (c), and only if such action or contest is timely filed within the sixty (60)-day statute of repose. Any Interested Person may, within said sixty (60)-day period, appear and contest the legality or validity of any matter sought to be determined in relation to Chapter IV of the “Electric Power Authority Revitalization Act.” No other court shall have jurisdiction over any action related to any of the matters addressed in this subsection (c). The Court shall lack jurisdiction if such action is brought after such sixty (60)-day period.

(5) If there is more than one action pending concerning similar contests brought in connection with Chapter IV of the “Electric Power Authority Revitalization Act,” such actions shall be consolidated to the extent possible, and the Court may order the consolidation of such actions as deemed necessary and proper to avoid unnecessary costs or delays. Such orders shall not be appealable to or reviewable by any court, except on appeal of the final judgment as provided in paragraph (7) of this subsection (c). Actions brought pursuant to this subsection (c) shall be entitled to liberal joinder and cross-claim rules and have priority over all other civil actions brought before the court with respect to docketing or consideration of motions, pleadings, hearings, or trial, and for the purpose of hearing and deciding such actions brought pursuant to the provisions of this subsection (c) promptly.

(6) No contest of any issue or matter under this subsection (c) related to Chapter IV of the “Electric Power Authority Revitalization Act” shall be made other than within the time and in the manner provided in this subsection (c),

except for any contest to be made in accordance with subsection (d) of this Section. None of the provisions of subsection (c) shall be construed in a manner that would preclude the use by the Corporation of any other remedy to determine the validity of any issue or matter, not regulated by this subsection (c).

(7) A review of the final judgment of the Court may only be requested by filing an appeal with the Supreme Court of Puerto Rico, in the manner described in subsection (f)(2).

(d) Validation of the Issuance of Restructuring Bonds.

(1) After the Commission has approved the initial Restructuring Order and the Corporation has approved the initial Restructuring Resolution, and prior to issuing Restructuring Bonds, the Corporation shall publish in the manner set forth in paragraph (2) of this subsection (d) a notice inviting any Interested Person to bring an action in the Court to determine:

(A) The validity of the Restructuring Order, the issuance of Restructuring Bonds by the Corporation, including provisions for the payment of such Restructuring Bonds, the validity of such Restructuring Bonds, and of the outstanding debt of the Authority that is to be refinanced, retired, or defeased through such Restructuring Bonds, the creation of Restructuring Property, and the validity of the formula or formulas used to establish the amount of such Transition Charges for each Customer class, including the allocation of Financing Costs among Customer classes. Therefore, nothing provided in this Chapter IV shall hold the Authority or any of its agents or representatives or third parties harmless from any liability or cause for action that originates or is related to the illegality or nullity of the Authority's outstanding debt that is to be refinanced, retired, or defeased through such Restructuring Bonds;

(B) The validity and applicability of the Transition Charges and the Adjustment Mechanism and the revocability of the right of the Corporation to impose and collect Transition Charges;

(C) That neither the issuance of the Restructuring Bonds (including the use of such Restructuring Bonds by the Authority to defease its outstanding debt) nor the amount of the Transition Charge results in the breach of any contract or agreement executed between the Commonwealth of Puerto Rico or the Authority and the bondholders or other creditors of the Authority, any fraudulent conveyance or any taking of property by the Commonwealth of Puerto Rico without just compensation or is otherwise subject to annulment or rescission; and

(D) Any or all other matters relating to the foregoing including any matters relating to the United States of America or the Commonwealth of Puerto Rico Constitutional law.

(2) The Corporation shall serve notice to all Interested Persons of the adoption of the Restructuring Resolution and the authorization of the Restructuring Bonds and the opportunity to challenge their validity through a notice for such purposes to be published once (1) a week for three (3) consecutive weeks in a newspaper of general circulation in the Commonwealth of Puerto Rico and in a newspaper of general circulation or a financial journal published or circulated in the City of New York. In addition, the Corporation, the Government Development Bank for Puerto Rico, and the Authority shall, not more than five (5) days after the first such publication, (A) deliver, or cause to be delivered, a copy of the notice to those Interested Persons (to the extent known by the Corporation or Government Development Bank for Puerto Rico) listed in paragraphs (a) through (e) of the definition of “Interested Person” provided in Chapter IV of this Act, and (B) file or cause the Authority to file a copy of the notice with the Electronic

Municipal Market Access maintained by the Municipal Securities Rulemaking Board (or its equivalent). The Authority shall deliver a copy of the Corporation's notice referred to above to all Customers by means of (A) a direct mailing of such notice to such Customers not later than ten (10) days after the first such publication, or (B) an insert included in the next billing statement sent by the Authority after the first such publication and to all Interested Persons listed in paragraph (g) of said definition. Not later than fifteen (15) days after the first such publication, the Corporation or the Authority shall deliver a copy of the notice to any Interested Person listed in paragraph (h) and, to the extent known by the Authority, in paragraph (i) of the definition of such term provided in Chapter IV of this Act.

(3) Upon the first publication of the notice in a newspaper of general circulation in the Commonwealth of Puerto Rico and in a newspaper of general circulation or a financial journal published or circulated in the City of New York, all Interested Persons and any other Person interested in the matter shall be deemed to be aware or have reason to be aware of the approval of this Act and of any damages or claims related to this Chapter. A forty-five (45)-day statute of repose to bring an action as set forth in paragraph (1) of this subsection (d) shall begin to elapse from the date of the first publication of the notice in a newspaper of general circulation in the Commonwealth of Puerto Rico and in a newspaper of general circulation or a financial journal published or circulated in the City of New York (and if not first published on the same date, the later date of the two publication dates shall be used for this purpose). The notice shall provide a detailed summary of the matter the Corporation seeks to validate. The notice shall use language substantially similar to the following:

Notice of the Puerto Rico Electric Power Authority Debt Restructuring

On [insert date], the Puerto Rico Electric Power Authority Revitalization Corporation (the “Corporation”) approved Resolution No. [___] (the “Restructuring Resolution”) authorizing the issuance of [insert Restructuring Bonds denomination] in an amount not to exceed [\$______] of principal. In connection with such issuance, the Corporation, pursuant to authority granted under Act No. __-20__ and under an order from the Commission approved _____, shall impose a Transition Charge of [insert amount and basis of calculation] on all Customers of the Puerto Rico Electric Power Authority beginning [immediately after the issuance of said Restructuring Bonds; if different, add effective date].

Any interested party may, on or before [_____] [not later than forty-five (45) days after the first publication of notice], appear and contest in the San Juan Part of the Court of First Instance the legality or validity of the aforementioned Restructuring Resolution. No court shall have jurisdiction over any action related to the Restructuring Resolution, if such action is brought after the specified forty-five (45)-day period. No contest of any issue or matter pertaining to the aforementioned Restructuring Resolution shall be made other than within the time and the manner herein specified.

[Detailed summary; Additional information_____]

Puerto Rico Electric Power Authority Revitalization Corporation

(4) The Court shall have jurisdiction over any action related to the matters addressed in this subsection (d), and only if such challenge or contest is timely filed within the forty-five (45)-day statute of repose. Any Interested Person may, within this forty-five (45)-day period, appear and contest the legality or validity of any matter pertaining to the Restructuring Resolution sought to be determined. No other court shall have jurisdiction over any action related to the matters addressed in this subsection (d).

(5) For purposes of this subsection (d), Restructuring Bonds and Transition Charges shall be deemed to be in existence upon their authorization and the Restructuring Bonds and Transition Charges shall be deemed to be authorized as of the date of adoption of the Restructuring Resolution by the Board of the Corporation.

(6) No contest of any issue or matter under this subsection (d) related to the Restructuring Resolution shall be made other than within the time and in the manner herein specified. Nothing in subsection (d) shall preclude the use by the Corporation of any other remedy to determine the validity of any thing or matter, not regulated by this subsection (d).

(7) A review of the final judgment of the Court may only be requested by filing an appeal directly with the Supreme Court of Puerto Rico, in the manner described in subsection (f)(2).

(e) If there is more than one action pending concerning similar contests which may be brought in connection with the Restructuring Resolution, such actions shall be consolidated to the extent possible, and the Court may order the consolidation of such actions as deemed necessary or proper to avoid unnecessary costs or delays. Such orders shall not be appealable to or reviewable by any court, except on appeal of the final judgment as provided in this Section. Actions brought pursuant to this subsection shall be entitled to liberal joinder and cross-claim rules and have priority over all other civil actions before the Court with respect to docketing or consideration of motions, pleadings, hearings, or trial, and for the purpose of hearing and deciding such actions brought pursuant to the provisions of this Chapter promptly.

(f) Nature of Judgment; Appeals.

(1) Any final judgment of the Court entered pursuant to this Chapter, if not appealed, or if appealed and the final judgment is upheld, except as

otherwise provided by law, shall become and thereafter be forever binding, as to all matters therein adjudicated or which at that time could have been adjudicated against the Corporation and against all other Persons, including the Commonwealth of Puerto Rico, the Commission, the Servicer, and the Authority. A final and binding judgment shall permanently prevent any Person from bringing any action or proceeding related to any issue as to which the judgment is binding and conclusive. Furthermore, in the case of any final and binding judgment issued pursuant to subsection (d) of this Section, it shall be understood that the approval for the issuance of the Restructuring Bonds has been duly adopted by the Corporation pursuant to this Chapter and any other applicable law. Following any final and binding judgment entered pursuant to subsection (d) of this Section, the validity of this Chapter, the approval of said issuance or any of the provisions of this Chapter, including the provisions for the payment of the Restructuring Bonds to which such approval relates wherever contained, and the validity of said Restructuring Bonds authorized thereby, shall not be questioned by any Person, regardless of any provision to the contrary in this Chapter or any other Act or regulation, and no action, suit, or proceeding questioning any issue which was heard and decided, including the validity of the outstanding debt of the Authority that is refinanced, retired, or defeased through such Restructuring Bonds, or which could have been heard and decided, including whether the money received by or on behalf of the Corporation or any Servicer constitutes revenue or income of the Corporation or of the Authority or constitutes available resources of the Commonwealth of Puerto Rico, or constitute a tax or contribution, or whether the imposition or collection of the Transition Charges may be revoked or terminated or whether the Transition Charge Revenues are subject to any lien or levy from the bondholders or other creditors of the Authority, or whether the approval of this Act or the issue of Restructuring Bonds results in the breach of any contract or

agreement executed between the Commonwealth of Puerto Rico and the bondholders or other creditors of the Authority, or in any taking of property by the Commonwealth of Puerto Rico without just compensation, or in any fraudulent conveyance, or is otherwise subject to annulment or rescission or any other constitutional matter of United States of America or of the Commonwealth of Puerto Rico whether or not related to the foregoing, shall thereafter be heard by any court.

(2) Notwithstanding any other provision of law to the contrary and any rule or regulation of the courts, no judgment entered pursuant to this Chapter shall be appealed unless it is filed with the Supreme Court of Puerto Rico within thirty (30) days after the notice of entry of the judgment of the Court, and failure to file such appeal within the specified period shall thereafter prevent any appeals court from exercising jurisdiction over the matters which could have been so appealed.

(g) The Corporation may issue Restructuring Bonds, in one or more series, and at one or more times, pursuant to an agreement to issue the Restructuring Bonds or to defease the Authority's outstanding debt. Restructuring Bonds may be sold for cash or delivered to any person for such consideration as the Board of the Corporation may deem proper. Not later than the third business day after the pricing of the related Restructuring Bonds in accordance with any such agreement, the Corporation shall direct the Servicer to calculate, and cause any calculation agent hired by Corporation to verify the calculation of the initial Transition Charges and shall notify the Commission of such initial Transition Charges, which shall be effective from the date specified in the Restructuring Resolution or in the Commission's notice, without the need for any further action by the Corporation, the Commission, or any other person.

(h) Upon the issuance of the Restructuring Bonds, the Restructuring Resolution corresponding thereto, the related Transition Charges, including those that are non-bypassable or unavoidable, and the procedures for the applicable Adjustment Mechanism, as provided in a Restructuring Resolution, Trust Agreement, or other security document related thereto, shall be irrevocable, final, non-discretionary, and effective without the need for further action by the Corporation or any other Person.

(i) While Restructuring Bonds are still outstanding, and the Approved Restructuring Costs have not been paid in full (including any payments that have or may become due under Ancillary Agreements), the Transition Charges authorized and imposed by this Chapter shall be non-bypassable and mandatory and shall apply to all Customers.

Without limiting any authority elsewhere conferred, the Authority is hereby authorized to enter into a Servicing Agreement and discharge such duties of the Servicer as may be required or allowed by this Chapter, to provide further assurances to the Corporation, other Financing Entities or the owner (if different) of all or a portion of the Restructuring Property with respect to the Restructuring Property and the collection of the Transition Charges, and to take any actions necessary or desirable to achieve the purposes of this Chapter. The Authority, upon petition of the Servicer, shall interrupt or suspend the service to defaulting Customers on the same basis that the Authority is allowed to interrupt or suspend service for nonpayment of electric power service or other rates. Neither the Corporation, other owner of the Restructuring Property, or the Trustee may directly suspend or interrupt electric service to any Customer.

The Corporation, the Authority, and the Servicer (if different from the Authority) shall have the following duties:

(i) To impose and adjust, bill and collect any Transition Charges applicable to all Customers, and shall include in each such bill the applicable Transition Charge as a separate line item;

(ii) To allocate Customers' partial payments on a pro rata basis between the Corporation and the Authority as provided in paragraph (k)(1) of this subsection;

(iii) To take all other actions authorized by law to collect outstanding bills;

(iv) To exercise all collection enforcement rights of the owner or pledgee of the Restructuring Property for the benefit of such owner or pledgee; and

(v) To remit any Transition Charge Revenue to the owner or pledgee of the Restructuring Property.

The corresponding Trust Agreement may provide that the calculation of all Transition Charges and adjustments thereto shall be confirmed by a third-party calculation agent not related to the Government of Puerto Rico or the Authority (which may be the Servicer if the Authority is no longer the Servicer) designated by the Corporation or the Trustee.

The Servicer shall, except as otherwise specified in a Restructuring Resolution, be entitled to reasonable compensation, which in the case of the Authority shall not be less than the estimated incremental cost of imposing and billing the Transition Charges and collecting the Transition Charge Revenues, preparing servicing reports, and rendering customary servicing services required by any Servicing Agreement in connection with the Restructuring Bonds. The Corporation (or the Trustee in accordance with the terms of the applicable Trust Agreement) shall be authorized to replace the Servicer in the event of default.

As soon as possible after receipt thereof, all Transition Charge Revenues and the Authority's charges shall be paid or deposited in a special

collection account with a bank incorporated under and subject to the laws and regulations of the United States of America or any state thereof, and licensed to operate in the Commonwealth of Puerto Rico, selected by the Corporation and not related to the Authority or the Commonwealth of Puerto Rico, or under the control of the Authority. Such revenues shall be allocated and remitted to the Corporation or its assignees or creditors and to the Authority or its assignees or creditors on a daily basis in accordance with their respective interests. Any Servicing Agreement and depository agreement shall include the foregoing deposit and allocation requirements.

Under no circumstances, any Transition Charges imposed or Restructuring Property created by the Corporation to secure any Restructuring Bonds shall be deemed to be collected on account of taxes, or be deemed to be revenues of the Authority or the Commonwealth of Puerto Rico, or be deemed to be received as a result of the Authority's ownership or operation of the System Assets, nor shall any Restructuring Bonds be deemed to be a debt or other obligation of the Authority or the Commonwealth of Puerto Rico or any of its political subdivisions. In servicing and collecting any Transition Charges, it shall be understood that the Authority is acting solely as an agent of the Corporation and not as principal, and shall only receive such Charges to be held in trust for the exclusive benefit of the Corporation, the holders of Restructuring Bonds, and Persons entitled to receive payment therefrom for any Financing Costs. The Authority shall immediately transfer any such Transition Charges received to the special collection account referred to in this subsection.

(j) Restructuring Property.

(1) Restructuring Property shall constitute an existing, present and continuing property right for all purposes, whether or not the revenues and proceeds therefrom have been earned, and notwithstanding the fact that the imposition and collection of Transition Charges shall depend on future actions, including: (a) the rendering of services by the Authority, (b) a Servicer discharging, billing and collection functions with respect to Transition Charges, and (c) the level of future consumption of such service. Restructuring Property shall exist whether or not Transition Charges have been imposed, billed, earned, or collected and notwithstanding the fact that the value or amount of the Restructuring Property depends on services to be rendered to Customers in the future. Subject to applicable law and regulations, the timely payment of all Transition Charges shall be a condition to receive service from the Authority.

(2) All Restructuring Property shall continue to exist until the corresponding Restructuring Bonds and all Ongoing Financing Costs related to the Restructuring Bonds have been fully paid.

(3) If the Servicer fails to fulfill the obligations provided in this Act or in any agreement related to the remittance of Transition Charge Revenues, the Corporation, the Trustee, or the owners or pledgees of the Restructuring Property may request any court to order the sequestration and payment of the Transition Charge Revenues, or any other applicable relief. If the Court determines that such noncompliance occurred, it shall grant such request for sequestration and payment. The order shall remain in full force and effect notwithstanding any bankruptcy, reorganization, or other insolvency proceedings with respect to a Servicer, the Corporation, the Authority or any other Person.

(k) Attributes of the Restructuring Property.

(1) Restructuring Property, Transition Charges, Transition Charge Revenues, and the interests of a bondholder, Financing Entity, or any other Person in Restructuring Property or in Transition Charge Revenues are not subject to compensation, counterclaim, surcharge, or defense by a Servicer, Customer, the Corporation, the Authority, holders of any other debt issued by the Authority (or any other creditors of the Authority) or any other Person, or in connection with any default, bankruptcy, reorganization or other insolvency proceeding of any of said persons. To the extent that a Customer makes a partial payment of a bill including both Transition Charges and any other charges, for purposes of its allocation, such payment shall be allocated on a pro rata basis between the Transition Charges and the other charges.

(2) Restructuring Bonds and obligations of the Corporation under Ancillary Agreements shall be secured by a statutory lien on the Restructuring Property in favor of the holders or beneficial owners of Restructuring Bonds and parties to such Ancillary Agreements. The lien shall be automatically constituted upon issuance of the applicable Restructuring Bonds without the need for any action or authorization by the Corporation or the Board. The lien shall be valid and binding from the time the Restructuring Bonds or Ancillary Agreements are executed. The Restructuring Property shall be immediately subject to the lien, which shall be effective, binding, and enforceable against the Authority, its creditors, their successors, assignees, and creditors, and all others auxiliary rights therein, regardless of whether those Persons have been notified of the lien and without the need for any physical delivery, record, filing, or further action. The lien is created by this Chapter rather than by any collateral agreement or issuance, but may be enforced by a Trustee or other fiduciary for the holders or beneficial owners of Restructuring Bonds.

This statutory lien shall be deemed to be a continuously perfected security interest and shall have priority over any other lien, created by law or otherwise, that may be subsequently attached to that Restructuring Property or any proceeds thereof, unless the holders or beneficial owners of Restructuring Bonds have agreed otherwise in writing as specified in the applicable Trust Agreement. This statutory lien is a lien on Transition Charges and all Transition Charge Revenues that are deposited in any deposit account or other type of account of the Servicer or other Person where Transition Charge Revenues or other proceeds have been commingled with other funds. Without limiting the effectiveness of the statutory lien created by this Chapter, any other lien that may be constituted on Transition Charge Revenues shall be removed when such revenues or proceeds are transferred to a segregated account for an assignee or a Financing Entity. No

application of the Adjustment Mechanism shall affect the validity, perfection, or priority of the statutory lien created by this Chapter. Any Transition Charge Revenues commingled with other funds subject to any lien shall be administered in a manner that allows for the identification of the Transition Charge Revenues and such other funds.

(3) The statutory lien or its priority shall not be affected or impaired by, among other things, the commingling of Transition Charge Revenues or proceeds from Transition Charges with other amounts regardless of the Person holding such amounts. Any Transition Charge Revenues commingled with other funds subject to any lien shall be administered in a manner that allows for the identification of the Transition Charge Revenues and such other funds.

(l) The Authority, any successor or assignee of the Authority or any other Person with any operational control of any portion of the System Assets, whether as owner, lessee, franchisee, or otherwise, and any successor Servicer shall be required by this Chapter and shall meet and satisfy all obligations imposed herein in the same manner and to the same extent as their predecessor, including the obligation to bill, adjust, and demand the payment of Transition Charges.

(m) All or any portion of Restructuring Property may be pledged to secure the payment of Restructuring Bonds, amounts payable to Financing Entities, and other Ongoing Financing Costs. To the extent that the Restructuring Property remains pledged to secure any such payments, the revenues from the collection of Transition Charges shall be applied solely to the payment of Ongoing Financing Costs.

(n) Restructuring Bonds shall be deemed to be securities in nature, in which all public officials and agencies of the Commonwealth of Puerto Rico and all public corporations, municipalities, and instrumentalities, all insurance companies and associations and other Persons engaged in the insurance business,

all banks, bankers, trust companies, savings banks and savings associations, including savings and credit unions, building and loan associations, investment companies and other Persons engaged in the banking business, all administrators, conservators, executors, trustees, and other fiduciaries, and all other Persons currently or hereafter authorized to invest in bonds or in other obligations of the Commonwealth of Puerto Rico, may invest funds in their control or belonging to them. The Restructuring Bonds may be deposited with and may be received by any public official and entities of the Commonwealth of Puerto Rico and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the Commonwealth of Puerto Rico is currently or may hereafter be authorized.

(o) Tax Exemption.

(1) This Act and the effects of its enforcement are in the public interest and shall inure to the benefit of the people of the Commonwealth of Puerto Rico. Accordingly, the Corporation shall be deemed to discharge a critical government function in exercising the powers conferred by this Chapter. Neither the Corporation, or the Restructuring Property, including Transition Charges and Transition Charge Revenues, regardless of whether the Corporation is the owner of the Restructuring Property, shall be subject to any fees, taxes, special *ad valorem* levies, or assessments of any kind, including income taxes, franchise taxes, sales taxes, or other taxes, or payments or contributions in lieu of taxes.

(2) The Commonwealth of Puerto Rico hereby pledges to the purchasers and all subsequent holders and assignees of Restructuring Bonds, considering the acceptance and payment of the Restructuring Bonds, that the Restructuring Bonds and the income therefrom and all revenues, money, and other property pledged to pay or to secure the payment of such Bonds, shall be exempt

from taxation at all times; and this pledge may be included in the Restructuring Bonds.

(p) Restructuring Bonds issued by virtue of this Act shall be negotiable instruments for all purposes of the Commercial Transactions Act and of any other applicable laws of the Commonwealth of Puerto Rico, subject only to the provisions for registration of the Restructuring Bonds.

(q) Personal or Corporate Liability on Restructuring Bonds. Without impairment to any rights granted under the provisions of Act No. 104 of June 29, 1955, as amended, known as the “Act on Claims and Suits Against the Commonwealth,” no present or future member of the Board, official, agent, or employee of the Corporation shall be held civilly liable for any action taken in good faith in the discharge of his/her duties and responsibilities under this Act; unless it is established, that he/she engaged in conduct constituting an offense, and shall be indemnified for any costs incurred in connection with any claim for which they enjoy immunity as provided herein. The Board and its individual directors, and the officials, agents, or employees of the Corporation shall also be indemnified for any civil liability adjudicated under the laws of the United States of America, unless it is established that he/she engaged in conduct constituting an offense, breach of fiduciary duty, or gross negligence. Restructuring Bonds shall not constitute a debt of the Commonwealth of Puerto Rico, nor shall they be payable from any funds other than those of the Corporation; and such Bonds shall bear on the face thereof a statement to that effect.

Section 36.- The proceeds of the Restructuring Bonds shall be used only to pay or fund Upfront Financing Costs. The remaining proceeds, if any, shall be contributed to or on behalf of the Authority or otherwise applied to Approved Restructuring Costs, as provided in the Restructuring Resolution. Restructuring Bonds may also be issued without such issuance generating any proceeds to

defeasance a portion of the Authority's outstanding debt. Upon payment or defeasance of all Restructuring Bonds and all related Financing Costs, all amounts held or receivable by the Corporation or any Financing Entity shall be used to make a refund or credit to Customers in the manner provided by the Commission. Any failure by any Person to apply the proceeds of the Restructuring Bonds in a reasonable, prudent, and appropriate manner or otherwise comply with any of the provisions of this Chapter (including any Restructuring Resolution or applicable Trust Agreement or any agreement between the Corporation and the Authority) shall not invalidate, impair, or affect any Restructuring Property, Transition Charge, or Restructuring Bonds.

Section 37.- Restructuring Bonds shall be without recourse to the credit or any assets of the Corporation, the Authority, the Commonwealth of Puerto Rico, any Third-party Biller, any Servicer, escrow agent, or other Financing Entity, other than the Restructuring Property, and other assets and revenues specified in the applicable Restructuring Resolution, Trust Agreement, or other corresponding security document.

Section 38.- Standing.

(a) Subject to the limitations set forth in the Restructuring Resolution or related Trust Agreement, the Corporation or any other owner of Restructuring Property, or the applicable Trustee, (1) shall be authorized to hire consultants, attorneys, and other Persons and enter into such agreements as the Corporation, other owner, or Trustee deems necessary to enforce and collect the Transition Charge Revenues or protect the Restructuring Property and include the cost thereof as a Financing Cost, and notwithstanding any other provision of law, and (2) shall be hereby expressly authorized to (i) bring actions against any owner of the System Assets, any Servicer, or any other Person authorized to bill or collect Transition Charges, any Customers or any other Person for failure to bill, pay, or collect any

Transition Charges constituting part of the Restructuring Property then pledged as security for such Restructuring Bonds, (ii) enforce any other provision of this Chapter or action taken by the Corporation with respect thereof, (iii) take any other action as the Corporation, other owner of Restructuring Property, or the Trustee may deem necessary to enforce and collect the Transition Charge Revenues, or (iv) protect the Restructuring Property in accordance with the terms of the Restructuring Resolution related thereto and the applicable Restructuring Bonds, regardless of whether an event of default has occurred. No action may be brought by the Corporation, the Trustee, or the party to any Ancillary Agreement or on their behalf (other than through the Authority or any successor Servicer) against any Customer for failure to pay any Transition Charge insofar as the Authority or any successor Servicer is fulfilling with its obligations under the Servicing Agreement with respect to the enforcement of any collection of charges (including Transition Charges) due from such Customer.

(b) Any court shall have jurisdiction over any actions for failure to bill, pay, or collect any Transition Charges or for enforcement of any provision of this Chapter.

(c) The Restructuring Property may be transferred, sold, conveyed, or assigned (including by a foreclosure action on the Restructuring Property) to any Person, subject to the terms of any Trust Agreement, even after the occurrence of an event of default, and while such agreement is in effect with respect to the Restructuring Bonds.

Section 39.- The Corporation shall not be deemed to be an electric power company, electric power service company, or electric power generation company (as such terms are defined in Act No. 57-2014, as amended), public utility or Person providing utility service.

Section 40.- The corporate existence of the Corporation shall continue until terminated by law, but no such law shall take effect while the Corporation has bonds, notes, or other obligations outstanding, unless it has been provided for the payment thereof in accordance with the terms said Act.

Section 41.- Notwithstanding any provision of this Chapter or any other law of the Commonwealth of Puerto Rico, prior to the date on which it has been one (1) year and one (1) day after the Corporation no longer has any Restructuring Bonds outstanding or any Ancillary Agreement with payment obligations that have or may become due thereunder, the Corporation shall have no authority to file a petition for relief as a debtor under any chapter of the federal bankruptcy code or any other bankruptcy, insolvency, debt composition, moratorium, receiver, or similar federal laws or any bankruptcy, moratorium, debt adjustment, composition or similar laws provide for the suspension or delay of payment or the discharge or reduction in amount owed on any Restructuring Bonds as may, from time to time, be in effect, and no public officer, organization, entity, or other Person shall authorize the Corporation to be or become a debtor under Chapter 9, or similar federal law, or under any such law of the Commonwealth of Puerto Rico, during such period. The Commonwealth of Puerto Rico hereby pledges to the owners of the Restructuring Bonds and the parties to any Ancillary Agreements that the Commonwealth of Puerto Rico shall not limit or alter the denial of authority under this Section during the period referred to in the preceding sentence. The Corporation, as acting agent of the Commonwealth of Puerto Rico, shall include this pledge as an agreement of the Commonwealth in any contract entered into with the holders of Restructuring Bonds or parties to such Ancillary Agreement.

The Commonwealth of Puerto Rico further covenants, and pledges and agrees with the holders of any Restructuring Bonds and with those Persons that enter into contracts with the Corporation, including parties to any Ancillary

Agreement, pursuant to the provisions of this Chapter, that after the issuance of Restructuring Bonds, the Commonwealth of Puerto Rico shall not authorize the issuance of debt by any public corporation and government instrumentality of the Commonwealth of Puerto Rico or any other Person whose debt is secured by Restructuring Property or any other rights and interests in rates, charges, taxes, or assessments that are separate from rates and charges of the Authority and that are imposed on Customers to recover the Ongoing Financing Costs of such debt, if upon the issuance of such debt, the collateral for any Restructuring Bonds or such Ancillary Agreements shall be materially impaired. It shall be assumed that such collateral shall not be materially impaired if upon the issuance of such debt, the credit ratings for the then outstanding Restructuring Bonds (without regard to any third-party credit enhancement) shall not have been reduced or withdrawn. The Corporation is hereby authorized and directed as agent of the Commonwealth to include this obligation as an agreement of the Commonwealth of Puerto Rico in any contract entered into with the holders of Restructuring Bonds or such Persons.

The Commonwealth of Puerto Rico further covenants, and pledges and agrees with the holders of any Restructuring Bonds issued under this Chapter and with those Persons that enter into other contracts with the Corporation, including parties to any Ancillary Agreement, pursuant to the provisions of this Chapter, that it shall not limit, alter, impair, postpone, or terminate the rights conferred in this Chapter, any Restructuring Resolution and related agreements, including the requirements in Sections 34 and 35 of this Act, as well as in Chapter IV of this Act, until such Restructuring Bonds and the interest thereon are paid or legally defeased in accordance with their terms, and such other contracts are fully carried out by the Corporation. The Corporation, as agent of the Commonwealth of Puerto Rico, shall include this covenant as an agreement of the Commonwealth of Puerto Rico in any contract entered into with the holders of Restructuring Bonds.

The Commonwealth of Puerto Rico also covenants, and pledges and agrees with the holders of any Restructuring Bonds issued under this Chapter and with those Persons that enter into other contracts with the Corporation, pursuant to the provisions of this Chapter, that after the issuance of Restructuring Bonds, neither the Commonwealth of Puerto Rico nor any agency, public corporation, municipality or other instrumentality thereof (including the Commission) shall take or allow any action to be taken to limit, alter, reduce, impair, postpone, or terminate the rights conferred in any Restructuring Resolution, including those related to Transition Charges and the related Adjustment Mechanism, as the same may be adjusted from time to time pursuant to the applicable Restructuring Resolution, in a manner that impairs the rights or remedies of the Corporation or the holders of the Restructuring Bonds, parties to any Ancillary Agreement or any Financing Entity or the collateral for the Restructuring Bonds or Ancillary Agreements, or that impairs the Restructuring Property or the billing or collection of Transition Charge Revenues. Neither shall the amount of revenues earned from Restructuring Property be subject in any way to limitation, alteration, reduction, impairment, postponement, or termination by the Commonwealth of Puerto Rico or any agency, public corporation, municipality, or other instrumentality thereof, except as contemplated by the Adjustment Mechanism. The Corporation, as agent of the Commonwealth of Puerto Rico, shall include this covenant as an agreement of the Commonwealth in any contract entered into with the holders of Restructuring Bonds or parties to such Ancillary Agreement.

Section 42.- Rules of Interpretation; Effectiveness of this Chapter.

(a) The powers and authorities conferred upon the Corporation by this Chapter shall be construed liberally so as to promote the development and implementation of the public policy established in this Act. Except as otherwise provided by law, no approvals, notices, or authorizations, except for those

specified in this Chapter, shall be required with respect to the transactions and contracts authorized in or provided for in this Chapter.

(b) In the event of conflict between this Chapter and any other law, the provisions of this Chapter shall prevail.

(c) Effective on the date that Restructuring Bonds are first issued under this Chapter, any action allowed under this Chapter and taken by the Corporation, the Commission, the Authority, a Servicer or other collection agent, a Financing Entity, a holder of Restructuring Bonds or a party to an Ancillary Agreement, shall remain in full force and effect even if any provision of this Chapter is held to be void or is voided, superseded, replaced, repealed, or expires for any reason.

(d) If any Section, subsection, paragraph or subparagraph of this Chapter or the application thereof to any Person, circumstance, or transaction were held to be unconstitutional or invalid by a court with competent jurisdiction, said holding shall not affect the constitutionality or validity of any other Section, subsection, paragraph, or subparagraph of this Chapter or its application or validity to any Person, circumstance, or transaction, including the irrevocability of any Transition Charge imposed pursuant to this Chapter, the validity of the Restructuring Bonds or their issuance, the transfer or assignment of Restructuring Property, or the collection and recovery of Transition Charge Revenues, but shall be limited in its operation to the clause, sentence, paragraph, subsection, Section, or part thereof directly involved in the dispute where such judgment shall have been rendered. To such effects, the Legislative Assembly of Puerto Rico hereby declares that the provisions of this Chapter are intended to be severable and that said Legislative Assembly would have approved this Act even if any Section, subsection, paragraph, or subparagraph of this Chapter held to be unconstitutional or invalid had not been included in this Act.

(e) The Corporation may include in the authorizing Resolution or Resolutions any terms and conditions deemed necessary for the issuance of Restructuring Bonds authorized by this Act, including the consent to the application of New York State laws and to the jurisdiction of any state or federal court located in the Borough of Manhattan, New York City, New York, in the event of a lawsuit related to said Restructuring Bonds, and may also include in the Trust Agreement, the Servicing Agreement, and Ancillary Agreements that the same shall be governed by the laws of the State of New York. Notwithstanding the foregoing, all matters of law, and constitutional and statutory law of the Commonwealth of Puerto Rico (including this Act and any Restructuring Resolution), all the rights of the Corporation or the Servicer against any Customer by virtue of this Chapter, and of the effect of the judgments and decrees of the courts of the Commonwealth of Puerto Rico, shall in any case be governed by the laws of the Commonwealth of Puerto Rico. Notwithstanding any other provision in this Chapter to the contrary, any proceeding commenced and conducted pursuant to the provisions of Sections 33(c) or 33(d) of this Act shall be filed with the Court and follow the procedures established therein.

CHAPTER V.- FINAL PROVISIONS.

Section 43.- If any clause, paragraph, subparagraph, article, provision, section, subsection, or part of this Act were held to be unconstitutional by a competent court, such holding shall not affect, impair or invalidate the remainder of this Act, the effect of such holding shall be limited to the clause, paragraph, subparagraph, article, provision, section, subsection, or part thereof held to be unconstitutional.

Section 44.- This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 4-2016 (S. B. 1523)** of the **7th Regular Session** of the **17th Legislative Assembly of Puerto Rico**:

AN ACT to establish the Electric Power Authority Revitalization Act; amend Sections 2, 4, and 5; add a new Section 5B; amend Sections 6 and 6A; repeal Section 6B; amend Section 6C and renumber it as Section 6B, add a new Section 6C, amend Sections 7, 15, and 22 of Act No. 83 of May 2, 1941, as amended, known as the “Puerto Rico Electric Power Authority Act”; etc.

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, on this 6th day of April, 2016.

Juan Luis Martínez Martínez
Director