

(S. B. 1212)
(Conference)

(No. 114)

(Approved August 16, 2007)

AN ACT

To direct and authorize the Electric Power Authority to establish a net metering program allowing interconnection to its electric transmission and distribution system and electricity feedback for customers who have installed solar electric equipment, a windmill or any other source of renewable energy capable of producing electric energy; to grant credits in the bills for the electricity generated by this equipment and compensate the unused excess energy generated by the same; and for other purposes.

STATEMENT OF MOTIVES

The excessive dependency on fossil fuels to generate electricity and their ensuing environmental pollution, high costs in electricity bills, questionable charges in the matter of fuel costs and the purchase of energy, frequent interruptions in the electrical service caused by greater power demand opposite a stagnant generation capacity, and the absence of efficient preventive maintenance in the electrical system of the Island, leave little hope for relief in energy costs for the people of Puerto Rico. It is for this reason that we must resort to new options to provide solutions to our energy problems that adjust to our geographic and climactic realities. It is necessary to stimulate energy production through renewable sources such as the sun and the wind. A way to make investments in solar and wind energy systems attractive is through the establishment of a program requiring interconnection and net metering of the Puerto Rico Electric Power

Authority (PREPA) with those customers that install solar electric equipment, windmills or other sources of renewable energy.

At present, forty states and the District of Columbia of the United States of America, as well as some areas of other countries such as Canada, Japan and Germany, offer alternative net metering programs. Three reasons are indicated for establishing such programs in these countries. First, customers instantly receive an economic benefit for the electricity produced by consuming this energy or eventually by means of a credit or payment for the excess feedback to the electricity company. Second, net metering reduces customer costs by eliminating the need for a second meter. Third, net metering provides a simple, inexpensive, and easily administered mechanism for encouraging the use of solar electric equipment and windmills which at the same time benefit the environment and the economy in general.

Net metering is an essential incentive for investment in equipment that generates electricity using sources of renewable energy. This is obtained by means of the interconnection of PREPA's system of transmission and distribution and the solar and wind energy system installed by the customer. Net metering enables customers to use the electricity generated by their solar electric equipment, windmills or other source of renewable energy to offset the consumption of electricity provided by PREPA by means of a single meter that registers the flow of electricity in the opposite direction when it generates electricity in excess of the demand.

Net metering translates into benefits for the customer because it promotes the use of clean and inexpensive energy, and the customer receives compensation for the excess electricity generated and only pays for the net electricity supplied by PREPA. It is also an encouragement to save energy

because the greater the amount of excess energy generated and not used, the greater the credit or the payment the customer will receive from PREPA.

In the same way, PREPA benefits because when customers produce electricity during peak periods, it alleviates the load on the transmission and distribution system. PREPA also reduces its operating expenses by receiving energy at a lower cost than what it costs the public utility to produce said energy and increases its reserve.

The operation of a net metering program is very simple. During the day, the solar or wind energy system installed in a residence deposits any excess energy generated on PREPA's transmission and distribution system, generating a credit in the customer's bill. At night, the system automatically extracts the electricity that the customer needs from PREPA's grid. In the cases of businesses and industries, this process mostly takes place in inverted schedules. The feedback—the outflow and inflow of electricity—is completely automatic, providing a smooth and uninterrupted flow of electricity to meet the household or business needs.

The benefit provided in this Act is available for residential and commercial customers who install equipment whose generating capacity is not greater than twenty-five kilowatts (25 kW) and one megawatt (1 MW), respectively. In addition, it is hereby provided that a credit shall be granted in the bills for excess in the production generated by the installed renewable energy equipment. The Act further establishes the distribution of the credit accrued and unused by the feedback customer during the previous billing year, reserving a credit or reduction of twenty-five percent (25%) in the electricity bills for public schools and seventy-five percent (75%) for a reasonable compensation to the feedback customer. The rate of the compensation provided is ten (10) cents per kilowatt-hour or the amount

resulting from the subtraction of the adjusted fuel fee based on the variable costs incurred by PREPA exclusively for the purchase of fuel and energy from the total price PREPA charges its customers, converted into kilowatt-hours, whichever is greater.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Mandate.-

The Electric Power Authority is hereby directed and authorized to establish a net metering program allowing the interconnection to its electric transmission and distribution system and electricity feedback for customers who have installed a solar electric equipment or windmill capable of producing electric energy using a meter that registers the flow of energy in two directions, in accordance to the applicable provisions of the federal legislation and regulations, such as the Energy Policy Act, Pub. L. 102-486, Oct. 24, 1992, 106 Stat. 2776, as amended, and the Standards for Electric Utilities, Pub. L. 95-617, Title I, Sec. 111, Nov. 9, 1978, 92 Stat. 3121, as amended, among others, and the regulations to be adopted thereunder.

Section 2.- Eligibility.-

To be eligible for this benefit, the solar electric equipment, windmill or other source of renewable energy must comply with the requirements established in the federal legislation and regulations applicable to net metering programs that allow for interconnection to transmission systems. Unless otherwise provided or unless another requirement is specifically imposed through the applicable federal legislation or regulations to expressly prevent state legislation, every solar electric equipment unit, windmill or other source of renewable energy must comply with the following requirements:

- a) Have a generating capacity of not more than twenty-five kilowatts (25 kW) for residential customers and one megawatt (1 MW) for commercial, industrial or agricultural customers, or educational institutions or medical-hospital facilities;
- b) be installed on the customer's premises;
- c) conduct the operation compatible with the Electric Power Authority's existing transmission and distribution facilities;
- d) comply with the standards and specifications on minimum requirements of efficiency established by the Energy Affairs Administration or government body designated for such purpose;
- e) be installed by a person certified by the North American Board of Certified Energy Practitioners and registered with the Energy Affairs Administration; and in the case of windmills with a generating capacity of more than twenty-five kilowatts (25 kW), the installation thereof shall be conducted under the supervision of an engineer registered with the Energy Affairs Administration;
- f) be guaranteed for five (5) years or more by the manufacturer or distributor;
- g) provide that it be used primarily to offset part or all of the customer's electric energy demand;
- h) every installation shall incorporate emission and noise control and mitigation measures, if applicable due to the nature of the equipment, and the operation thereof shall comply with environmental, zoning and use laws and regulations in effect for the location site; if there are no regulations in effect for said

type of equipment or location site, said matter shall be addressed in the regulations to be created pursuant to this Act.

Section 3.- Meter.-

The installation of the net meter that registers the flow of energy in two directions and the connection to the transmission and distribution system of the Electric Power Authority shall be at the customer's expense and must be made by an expert electrician. All installations of this sort shall include an automatic distribution line flow disconnection mechanism, in the event of an interruption of service of the Electric Power Authority.

The Electric Power Authority may, at its own expense, install one or more meters to monitor the flow of electricity in each direction.

Section 4.- Prohibition.-

The Electric Power Authority may not establish by regulation or by any other means, additional requirements to those provided in Section 2 of this Act.

Neither may it charge an additional fee nor increase the monthly rate for electric energy use to the customer who chooses to connect his or her solar electric equipment or windmill or other source of renewable energy to the transmission and distribution system of this public corporation.

Section 5.- Energy Measuring.-

With the exception of those cases in which the applicable federal laws or regulations in effect expressly and specifically direct otherwise, the measuring and accreditation process shall be as follows:

- a) The Electric Power Authority shall measure the net electricity produced or consumed by the customer during a billing cycle in accordance with standard metering practices in effect.

- b) In those cases in which the Electric Power Authority supplies a customer more electricity than the customer feeds back to the public utility during a billing cycle, the Electric Power Authority may charge the customer for the net electricity it supplied.
- 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 other regular customers who do not consume electricity during a billing cycle. However, this public corporation shall be bound to credit the feedback customer for the excess kilowatt-hours generated during the billing cycle up to a daily maximum of three hundred kilowatt-hours (300 kWh) for residential customers and ten megawatt-hours (10 MWh) for commercial customers.
- d) For the purposes of this Act, “excess” shall be understood to be the production of electricity generated by the customer’s solar electric equipment or windmill or other source of renewable energy over the energy consumption supplied to the customer by the Electric Power Authority, minus any service fee, if applicable. Likewise, the term “kilowatt-hour” shall be understood to be the unit of electric power equivalent to the electricity yielded by the power of one kilowatt acting for one hour.
- 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 at the rate of ten (10) cents per kilowatt-hour or the amount resulting from the subtraction of the adjusted fuel fee based on the variable costs incurred by the public corporation exclusively for the purchase of fuel and energy, from the total price charged by the public utility to its customers, converted into kilowatt-hours, whichever is greater; and
- 2) the remaining twenty-five percent (25%) shall be granted to the Electric Power Authority to distribute as a credit or reduction in the electricity bills of public schools.

Section 6.- Liability.-

The Electric Power Authority shall not be directly or indirectly liable for allowing or continuing to allow solar electric equipment or a windmill or other source of renewable energy to be connected to its transmission and distribution system, or for acts or omissions of the feedback customer that cause losses or injuries, including death, to any third party.

Section 7.- Regulations and Education.-

The Electric Power Authority and the Energy Affairs Administration are hereby authorized to jointly adopt the necessary regulations for the faithful compliance with this Act. They shall also regularly develop and implement educational campaigns directed to informing consumers of the benefits of net metering and of the different technologies available in the market for the generation of energy from renewable sources.

Regulations shall be promulgated not later than twelve (12) months after the approval of this Act.

Section 8.-Reports.-

The Electric Power Authority shall render semiannual reports on the progress of the net measuring program to the Legislature during the period of approval of regulations and once the program's implementation begins. The reports may include recommendations on additional legislation needed to achieve the objectives of the program.

Section 9.- Effectiveness.-

This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 114 (S.B. 1212) (Conference) of the 5th Session of the 15th Legislature of Puerto Rico:

AN ACT to direct and authorize the Electric Power Authority to establish a net metering program allowing interconnection to its electric transmission and distribution system and electricity feedback for customers who have installed solar electric equipment, a windmill or any other source of renewable energy capable of producing electric energy; to grant credits in the bills for the electricity generated by this equipment and compensate the unused excess energy generated by the same; and for other purposes,

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

In San Juan, Puerto Rico, today 30th of August of 2007.

Francisco J. Domenech
Director