

February 29, 2016

## Legal Update

### *Puerto Rico Energy Commission Amends Regulation on Certifications, Annual Fees and Operational Reports of Electric Power Companies in Puerto Rico*

On February 5<sup>th</sup>, 2016 the Puerto Rico Energy Commission (“PREC”) issued Regulation No. 8697 (“Regulation No. 8697”), which amends Regulation No. 8618 known as “Regulation on Certifications, Annual Fees and Operational Reports of Electric Power Companies in Puerto Rico”.

Regulation No. 8697 modifies the personal information that is required to be presented by electric power companies in order to clarify required information of shareholders, affiliate entities, and holding or subsidiary entities, among others.

Regulation No. 8697 also modifies the PREC’s request for information as part of the Operational Report by dividing electric power companies in five (5) categories and adjusting such request depending on the type of entity. These five groups are: (1)(a) producers of electric power for sale through distributed generators interconnected to the PREPA network, with an aggregated capacity of 1 MW or greater, or (b) producers of electric power through fuel or renewable energy resources, with an aggregate capacity of 100MW or less, for sale to PREPA or another electric power company; (2) producers of electric power through fuel or renewable energy resources, with an aggregate capacity in excess of 100MW, for sale to PREPA; (3) providers of storage of electric power when at least one storage unit has capacity for 1MW or more; (4) providers of billing services or resellers of electric power; (5) providers of energy transmission. The amount to be paid as part of the Operational Report was also adjusted based on the category of the electric power company.

Additionally, the Application for Certification filed with the PREC was modified in general terms to provide more flexibility based on the nature of the service provided by the electric power company.

Moreover, all electric service companies that have been operating on or before July 13, 2015, have until April 18, 2016 to submit their personal information, Operational Report, and Application for Certification.

Regulation No. 8697 clarifies the mechanism by which electric service companies report their income for purposes of calculating the applicable annual fee. Likewise, it provides that those companies having subsidiaries that in turn are subject to the payment of an annual fee, may deduct from their gross income revenues resulting from the operations of its subsidiaries.



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Also, reporting requirements are adjusted in accordance with those established in the Internal Revenue Code of Puerto Rico. Finally, companies whose gross income do not exceed three million dollars (\$3,000,000) must submit their compiled financial statements with its gross earnings report, while those whose gross income exceeds such amount must submit a copy of its audited financial statements.

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