



Strategizing an Electric Energy Policy and Regulatory Framework in Puerto Rico

Puerto Rico Chamber of Commerce Annual Meeting
June 21, 2018

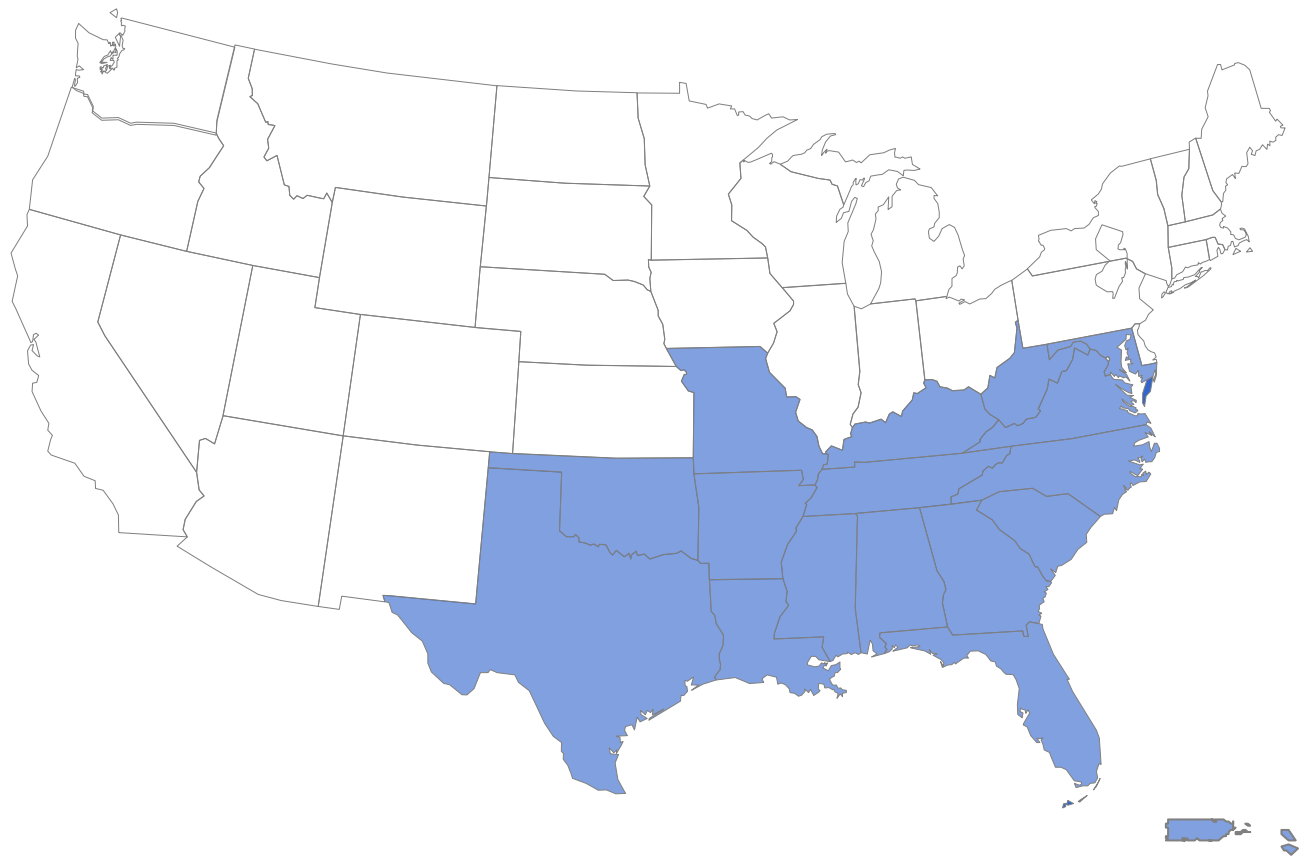


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SSEB Overview



- Established 1960 and expanded in 1978
- 16 U.S. States and Two Territories
- Each jurisdiction represented by the governor, a legislator from the House and Senate, and a governor's alternate
- Federal Representative Appointed by U.S. President



MISSION STATEMENT

Through innovations in energy and environmental policies, programs, and technologies, the **Southern States Energy Board** enhances economic development and the quality of life in the South.



SSEB 2017 Adopted Resolution



13.2017 | Providing Support to Southern States Energy Board Member Jurisdictions in the Aftermath of Hurricane Disasters

(Sponsored by Governor Asa Hutchinson, Arkansas)

- **WHEREAS**, recent Hurricanes Harvey, Irma, and Maria have impacted several Southern States Energy Board member states and territories; and
- **WHEREAS**, over three million people currently are without electricity in Puerto Rico and the U.S. Virgin Islands due to devastating damage to their energy infrastructure and environment; and
- **WHEREAS**, these territories lack sufficient resources to quickly rebuild and restore their energy infrastructure; and
- **WHEREAS**, the Southern States Energy Board member jurisdictions have the technical capabilities and resources that can be tasked to assist in this restoration effort; and
- **WHEREAS**, the federal government provides emergency response assistance and funding that can aid in the energy infrastructure restoration effort.
- **THEREFORE BE IT RESOLVED**, that the Southern States Energy Board will offer support to the Governors of Puerto Rico and the U.S. Virgin Islands and the utilities to restore and rebuild their critical energy infrastructure and coordinate cooperative assistance with its Associate Members, the nation's energy sector, and the federal government to provide necessary technical support and resources.



Governor Asa Hutchinson, Arkansas

SSEB Chairman 2015-2017

57th Annual Meeting

September 26, 2017

Partnership announced between SSEB, Puerto Rico, and U.S. DOE – Feb. 27, 2018



- Mississippi Governor Phil Bryant and Arkansas Governor Asa Hutchinson issued a joint statement reaffirming their support for Puerto Rico's revitalization efforts and announced a partnership between the Southern States Energy Board (SSEB), Puerto Rico's Governor Ricardo Rosselló, and the U.S. Department of Energy (DOE).



FOR RELEASE ON:

Governors Voice Support for Puerto Rico's Revitalization *Partnership announced between SSEB, Puerto Rico, and U.S. DOE*

Washington, D.C.—Mississippi Governor Phil Bryant and Arkansas Governor Asa Hutchinson issued a joint statement Monday morning to reaffirm their support for Puerto Rico's revitalization efforts and announce a partnership between the Southern States Energy Board (SSEB), Puerto Rico's Governor Ricardo Rosselló, and the U.S. Department of Energy (DOE).

The Southern States Energy Board (SSEB) is a non-profit interstate compact organization with the mission to enhance economic development and the quality of life in the South through innovations in energy and environmental policies, programs, and technologies.

Gov. Bryant serves as SSEB chairman. Gov. Hutchinson preceded Bryant as chair.

"Last September, immediately prior to the 57th Annual Meeting of the Southern States Energy Board, all of us were shocked to learn the tragic and heartbreaking news that hurricanes Irma and Maria had ravaged and devastated the Island of Puerto Rico. Each day more disasters were reported in the press," said Bryant.

SSEB's annual meeting was held in Charleston, South Carolina, on Sept. 24-26, 2017, just six days after Hurricane Maria left 95 percent of the island without power.

"During our annual meeting, I sponsored a resolution urging our states and utilities to assist Puerto Rico in her time of need and pledging strategic assistance from SSEB's member governors, legislators, and Associate Members in the hardening and revitalization of the Island's energy system. The resolution was passed unanimously by our members," Gov. Hutchinson said.

According to SSEB's Executive Director, Ken Nemeth, "Puerto Rico and its citizens have the right and authority to make decisions about the future of the Island's energy utility, and SSEB will work in an open and transparent manner to develop recommendations that meet Gov. Rosselló's goals of creating a more efficient, reliable, resilient, and affordable electric system."

Gov. Bryant said he is committed to working in tandem with Gov. Rosselló and the U.S. Department of Energy to resolve critical infrastructure issues on the island.

"We are fortunate to be able to work with Gov. Rosselló and his legislative leaders on the key components that will bring a sustainable energy grid system and regulatory program to Puerto Rico. Our efforts will focus on developing well-informed, unbiased, and innovative regulatory framework models for the Puerto Rican government. SSEB and its partners possess unique, multidisciplinary capabilities and experiences working with the governments, utilities, businesses, industries, and universities of its member states and territories," Bryant said.

"In this mission, I am pleased to report that we have found a willing partner in the U.S. Department of Energy and we are indebted to U.S. Energy Secretary Rick Perry and his team for their gracious assistance, their technical expertise, and their enthusiastic response to support Puerto Rico. We presently are finalizing a scope of work which provides optimum value for Puerto Rico residents."



- Over the past 10 years, the demand for energy on the Island has decreased by 18%
 - Industrial sector demand reduction has reached 48%
- Primary generation units are located in the south, while the highest energy demand is in the north
- Generation system is 28 years older than the average system in the domestic electric power industry
- PREPA – administrative challenges - virtual monopoly on power generation
- Infrastructure maintenance - abandoned over the past decade

PREPA Legacy (continued)



- Energy generation infrastructure is dependent on petroleum
- 63% of the PREPA's annual budget – FUEL
- and resulting in the service being more costly, more polluting and less efficient.
- Overall dependence on oil - expensive, polluting, and less efficient.
- Energy generation and distribution system - deficient and obsolete
- Subpar service, frequent interruptions, and high rates.
- Electric grid stunted Puerto Rico's economic development.



- Section 9 - SSEB – advise/evaluate on energy public policy and the regulatory framework
 - Technical assistance - necessary in the formulation of complex issues
- Governor and the Legislative Leadership - form a working group to receive SSEB input
 - Puerto Rico can develop, through a participative, reliable and transparent process, the energy public policy and the fundamental regulatory framework to have a clear scenario of what is the energy vision necessary to achieve objectives
- Transformative technologies can overcome challenges for sustainable energy generation
- First step – implement a consumer-centered model – options for citizens

House Bill No. 1481

Energy Policy (continued)



- Puerto Rico will begin the process for the adoption of an innovative model
 - Affordable, reliable, resilient, sustainable resources and technologies
- Options include distributed generation, micro-networks, combined heat & power, renewable energy
- System - resilient to atmospheric phenomena such as natural disasters
- Legislation is a leap toward the a revitalized and modernized of Puerto Rico
- Legislative changes will benefit all stakeholders
- Changes benefit most vulnerable sectors (single mothers, our retirees and the elderly)

Goals of the SSEB Project



1. Work with the Governor and Legislature of Puerto Rico to establish a reliable, affordable, and sustainable electric energy grid system for the Commonwealth, and for other purposes.
2. Develop a policy and legal framework to provide a regulatory regime for a possibly privatized electric energy grid system in Puerto Rico.

Statement of Project Objectives



Tasks and Subtasks

- Administer Project Management & Planning
- Facilitate Outreach
 - Prepare a Stakeholder Engagement Strategy and Outreach Materials
 - Host a Puerto Rico Energy Summit
- Assess the Economic, Financial, and Insurance Impacts of PREPA's Privatization
- Develop a Regulatory Framework
 - Assess Existing United States Regulatory Agencies and Existing Legal Framework
 - Create and Solicit Input from a Blue Ribbon Task Force
 - Prepare a Regulatory Blueprint
 - Final Report



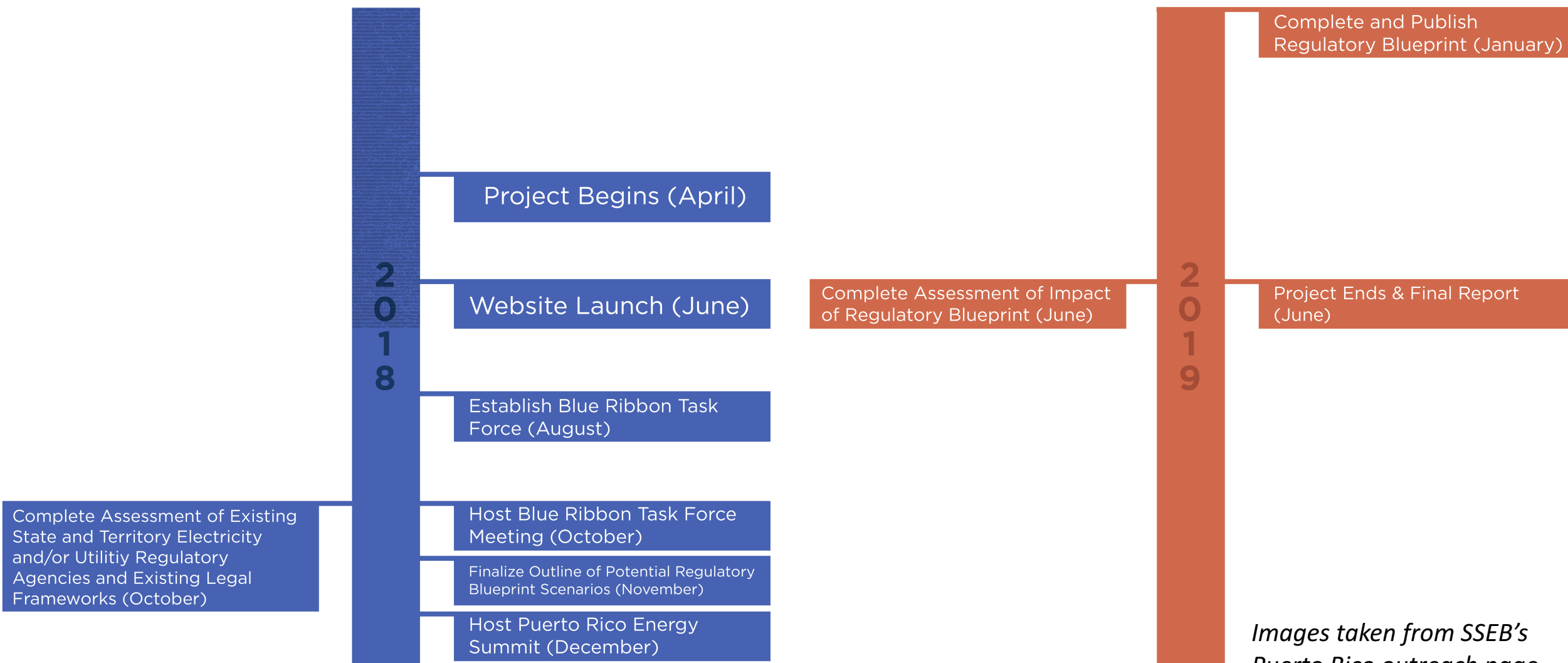
- Managing the project in accordance with the accepted Project Management Plan;
- Collecting data and performing an analysis of the economic, financial, and insurance impacts of PREPA's potential privatization to inform the development of regulatory framework models;
- Identifying components of PREPA's privatization (e.g., generation, transmission, distribution) economics, priority, rate structure, feasibility, and transparency aspects to balance the needs of the Puerto Rico Government with interest from the private investment community;
- Establishing a Blue-Ribbon Task Force and soliciting input from the Task Force on the possible regulatory framework models that provide Puerto Rico with a transparent and robust regulatory regime;

Scope of Work (continued)



- Developing a blueprint of regulatory framework models, incorporating recommendations from the Blue Ribbon Task Force;
- Identifying stakeholders and preparing a stakeholder engagement strategy, outreach materials, and dedicated webpage that will inform the stakeholders of the project and its various stages and outcomes;
- Coordinating and convening a Puerto Rico Energy Summit during which the regulatory blueprint will be presented; and
- Coordinating and convening subsequent Puerto Rico energy workshops or briefings related to specific stakeholder objectives and goals (e.g., financial workshop in New York City).

Project Schedule



*Images taken from SSEB's
Puerto Rico outreach page
at sseb.org/strategizing-pr/*

Accomplishments



- SSEB Board passed Resolution 13.2017
- Collaborated with and presented to the Departments of Energy, Interior, Agriculture, FEMA & Army Corps of Engineers
- SSEB selected by Department of Energy (Office of Electricity) for this project
- SSEB negotiated agreement; awarded April 2018
- Identified subcontractors and negotiated agreements
- Developed internal document sharing portal
- Developed project website (<http://www.sseb.org/strategizing-pr/>)
- Obtained two candidate positions in the prestigious 2018 Legislative Energy Horizons Institute

Accomplishments (continued)



- Reviewed documents related to privatization of utilities in real world situations
- Identified & cataloged initial privatization issues
- Researched and developed a list of candidates for the Blue Ribbon Task Force
- Presented the list of Blue Ribbon Task Force candidates to La Fortaleza and Legislative Leadership
- Provided project briefings to Puerto Rico elected leadership (Governor, Legislature)
- Research on Comparable Public Utility Power Privatizations
- Numerous meetings with potential investment community



- SSEB has been working with Puerto Rico since the late 1960s
- SSEB has worked in Puerto Rico with government and industry on a variety of energy projects
- SSEB has been responsible for energy policy matters in all Southern states for over 58 years
- SSEB is referenced in Section 9 of House Bill 1481 as a key organization in the energy transformation process
- SSEB, staff, and consultants stand ready assist Puerto Rico by providing options for a regulatory framework that supports an affordable, reliable, resilient, and sustainable energy grid system.
- Blue Ribbon Task Force & SSEB Energy Summit will bring together experts from Puerto Rico, the energy industry and SSEB to provide transformational energy solutions



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