

**Environmental Law, Energy & Land Use Practice Group**

June 21, 2018

**NOTICE TO CLIENTS AND FRIENDS**

**PR Development: Privatization of the Puerto Rico Electric Power Authority**

On June 20, 2018, Puerto Rico's Governor, Ricardo Rosselló, signed the Act for the Transformation of the Puerto Rico Electrical System (the "Act"), which establishes the legal framework for the sale or transfer of the Puerto Rico Electric Power Authority ("PREPA") generation assets via a Public Private Partnership Contract. This mechanism will also be applicable to transactions with PREPA regarding the distribution and transmission of energy, among other PREPA services.

Under the Act, PREPA is required to designate a Partnership Committee, in accordance with the provisions of Act 29-2009, as amended to, among other things, evaluate and select the Proponents for the Transactions with PREPA, establish and negotiate the terms and conditions that it deems appropriate for the Sale Contracts and the Public Partnership Contracts.

The Puerto Rico Legislature will have a period of no more than 45 days to issue a Concurrent Resolution approving or denying a transaction for regarding the transfer or sale of PREPA assets. If the Legislature does not act during the foregoing period, the transaction will be deemed approved. The Act requires the Puerto Rico Energy Commission ("PREC"), to issue an Energy Compliance Certificate for any contracts executed by and between PREPA and a private entity to ensure the contract's compliance with applicable energy policy and regulatory provisions. The PREC has 15 business days to review the report issued by the Partnership Committee and the preliminary contract and issue or deny the issuance of such certificates. If the PREC does not act within the foregoing period, the contract will be deemed as compliant.

Among other things, the Act requires the issuance of a separate Request for Proposal for the sale of each asset; establishes that a party to a Partnership Contract for the concession or operation of the electric grid cannot be also a party to a Sale Contract or Partnership Contract regarding generation assets; and that the generation assets cannot be transferred or sold to a single party.

The Act also requires the Puerto Rico Legislature to establish the energy public policy and regulatory framework within 180 days from June 20, 2018. No Sale Contract or Partnership Contract can be executed until the foregoing period has elapsed. Note, however that this is not a limitation to the Legislature's powers to approve legislation regarding energy public policy and regulatory framework after such period. Finally, the Act requires the relevant regulatory agencies to develop the necessary framework to implement its provisions, with 180 days from June 20, 2018.

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This document has been prepared for information purposes only and is not intended as, and should not be relied upon as legal advice. Should you have any questions about the matters hereby discussed, wish to obtain more information on their potential impacts on policy or operational matters, or need assistance to participate in the commenting process, please feel free to contact us at your convenience.

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