

**GOVERNMENT OF PUERTO RICO
PUBLIC SERVICE REGULATORY BUREAU
PUERTO RICO ENERGY BUREAU**



IN RE: REGULATION FOR ENERGY
COOPERATIVES IN PUERTO RICO

CASE NO.: NEPR-MI-2019-0004

SUBJECT: Adoption of the Regulation on
Energy Cooperatives in Puerto Rico

RESOLUTION

I. Introduction and Brief Background

Through this Resolution, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") adopts and publishes the *Regulation on Energy Cooperatives in Puerto Rico* ("Final Regulation"). As further explained below, the Final Regulation on Energy Cooperatives sets the legal and regulatory framework to establish the requirements for the organization and operation of Energy Cooperatives in Puerto Rico and to frame the jurisdiction of the Energy Bureau over their certification, supervision and regulation. The Energy Bureau adopts and publishes this Final Regulation pursuant to its regulatory power established on Act 57-2014,¹ Act 258-2018,² and Act 38-2017.³

Energy cooperatives were developed in the United States and other countries as a mechanism to provide electric service to residents of remote areas. They have been a model of innovation, participatory democracy and community support; sometimes serving areas or communities that have particular needs.

Act 258-2018 was enacted on December 14, 2018 to promote the development of Energy Cooperatives in Puerto Rico. On March 15, 2019, the Energy Bureau published the proposed draft of the *Regulation on Electric Cooperatives in Puerto Rico*. Pursuant to Act 38-2017, the Energy Bureau provided a 30-day period for the general public to file written comments regarding the proposed draft. The original deadline for written comments was April 15, 2019,⁴ however, the Energy Bureau extended the deadline until May 15, 2019.⁵ A public hearing was scheduled for April 22, 2019 at the Energy Bureau Hearing Room.

¹ *The Puerto Rico Energy Transformation and RELIEF Act*, as amended.

² *The Puerto Rico Energy Cooperatives Act*.

³ *The Uniform Administrative Procedure of the Government of Puerto Rico Act* ("LPAU" for its Spanish acronym), as amended.

⁴ See Notice about Proposed Regulation Adoption, *Primera Hora* Newspaper, March 15, 2019.

⁵ See Notice about Extension of Public Comment Period, *Primera Hora* Newspaper, April 16, 2019.

The Energy Bureau received written comments from the following entities:

(1) *Sector Cooperativo* composed of the following entities:

- (a) Asociación de Ejecutivos de Cooperativas⁶
- (b) Banco Cooperativo⁷
- (c) Grupo Cooperativo Seguros Múltiples⁸
- (d) Fondo de Inversión y Desarrollo Cooperativo (FIDECOOP)⁹
- (e) Liga de Cooperativas¹⁰
- (f) National Rural Electric Cooperative Association (NRECA)¹¹
- (g) Unidos por Utuado, Inc.¹²

(2) National Public Finance Guarantee Corporation (NPFGC)¹³

(3) Oficina Independiente de Protección al Consumidor (OIPC)¹⁴

(4) Cooperative Development Commission¹⁵

The public hearing was held as scheduled. At the public hearing, the Energy Bureau received oral testimony from the following persons:

⁶ Non-profit entity composed of chief executive officers of cooperatives.

⁷ Created by Act 88 of June 21, 1966, as amended.

⁸ Organized under Act 239-2004 as amended, known as the *General Cooperative Associations Act of 2004*; Chapter 34 of Act 77-1957 the Puerto Rico Insurance Code, as amended and its Regulation.

⁹ Created by Act 198-2002 as amended, known as *Enabling Law of the Investment and Cooperative Development Fund of Puerto Rico*.

¹⁰ Private organization that represents Puerto Rico cooperatives. Organized under Act 239-2004, as amended, Chapter 28, from Article 28.0 to Article 28.4.

¹¹ Private organization that organizes and represents more than 900 energy cooperatives, as well as public energy districts and public utility districts in the United States.

¹² Community-based nonprofit entity incorporated in order to "help residents of the municipality of Utuado".

¹³ National Public Finance Guarantee (NPF) is a wholly owned and independently capitalized subsidiary of MBIA Inc. MBIA is a monoline insurer primarily of municipal bonds and on asset-backed securities and mortgage-backed securities.

¹⁴ Entity created by Act 57-2014, as amended, from Article 6.40 to Article 6.43.

¹⁵ Public agency ruled by Act 247-2008 as amended, known as the *Organic Law of the Cooperative Development Commission of Puerto Rico*.

- (1) Mr. David Álvarez
- (2) Mr. Carlos Parés
- (3) Jaime G. Cuevas Merced representing Sector Cooperativo
- (4) Mr. Christopher P. Smith representing Unidos por Utuado¹⁶
- (5) Whadzen Denton

After reviewing the comments submitted as part of the public comment period and the testimonies provided at the public hearing, the Energy Bureau amended the proposed draft in order to incorporate several suggestions made by the aforementioned participants. Part II of this Resolution provides a detailed explanation of the main modifications the Energy Bureau made to the proposed draft.

II. Main Revisions and Amendments Incorporated into the Final Regulation on Energy Cooperatives

This Part identifies and addresses the main revisions and amendments incorporated into the Final Regulation. Besides these amendments, the Energy Bureau made additional changes to clarify certain language and to provide uniformity throughout the Regulation. Attachment A to this Resolution contains a redline version of the Final Regulation.

1. Section 1.01- Title

The concept of "Electric Cooperative" was changed to "Energy Cooperative" throughout the Final Regulation in order to provide uniformity. Although Act 258-2018 uses the terms "Electric Cooperative" and "Energy Cooperative" as interchangeable, the Energy Bureau determined to use the term "Energy Cooperative" to avoid confusion. As such the title of the Final Regulation was amended to *Regulation on Energy Cooperatives in Puerto Rico*.

2. Section 1.08 – Definitions

- a. The Energy Bureau revised the definitions included in the Proposed Regulation on Energy Cooperatives in order to simplify its content and to provide more clarity.
- b. The Energy Bureau removed several terms that were not used in the body of the regulation.
- c. The definition of the term *Preferred Member* was modified to clarify that it refers to a person to which the Energy Cooperative issues Preferred Shares in accordance with Section 2.09 of the Final Regulation. A *Preferred Member* is different than a *Cooperative Member*. In order to clearly establish their distinction,

¹⁶ Also included in the Sector Cooperativo written comments.

the definition of the terms *Cooperative Member* and *Preferred Members* was amended to state that *Cooperative Members* does not include a Preferred Member.

- d. The term "Preferred Shares" was added to refer to those shares issued in relation to Preferred Members.

3. *Section 2.04 - Constituting Requirements*

This section was modified to establish that the proponents of an Energy Cooperative shall submit the proposed articles of incorporation and bylaws of the Energy Cooperative to the Energy Bureau for its review and approval. This process is designed to ensure all proposed Energy Cooperatives meet the requirements of Act 258-2018 and the Final Regulation.

4. *Section 2.06 - Bylaws*

This section was modified to include a provision to require that the notice of the meeting to amend the bylaws must include the language or a summary of the proposed amendment to the bylaws.

5. *Section 2.07 - Cooperative Members*

This section was modified to establish that the Energy Cooperative's bylaws may provide for Cooperative Members to vote in person, by proxy, by mail, and/or electronically and, to receive notifications electronically.

6. *Section 2.09 - Preferred Members*

This section was modified to clarify the language regarding Preferred Members. In addition, the Energy Bureau established a process to regulate the issuance of Preferred Shares to Preferred Members.

Unidos por Utuado, Inc. recommended to analyze if there are circumstances in which an exception is warranted to the limit of forty-five percent (45%) of the Energy Cooperative total capital associated with Preferred Shares.¹⁷ The 45% limit is statutory. As such, the Energy Bureau cannot waive this requirement.

7. *Section 2.10 - Finance by Federal Agencies*

This section was modified to expand its applicability to other Federal Agencies, instead of limiting it to the United States Department of Agriculture's Rural Utilities Service.

8. *Section 2.11- Reorganization, Dissolution or Conversion*

¹⁷ Unidos por Utuado written comments, p. 3.

This section was modified to clarify the Energy Cooperative dissolution process. In addition, the modifications provide a procedure for alternatives to dissolution, such as to be converted into a new business model, whether through merger, consolidation or any other form of legal mechanism, provided that the Energy Bureau authorizes such process and, the new business model complies with the requirements established by the Energy Bureau.

9. Article 3

A new Article 3 was added to the Final Regulation to provide for the certification of Energy Cooperatives as Electric Service Companies. Section 3.01 details the requirements for certification and the specific sections of Regulation 8701¹⁸ with which Energy Cooperatives must comply. Section 3.02 contains the reports all Energy Cooperative must submit to the Energy Bureau. These reports include the reports required by Regulation 8701, as applicable, as well as certain operational aspects of the Energy Cooperative.

Sector Cooperativo recommended to exempt Energy Cooperatives from the requirements of Regulation 8701.¹⁹ *Sector Cooperativo* argued that Regulation 8701 was developed for purposes other than those served by Energy Cooperatives; that much of the information required by Regulation 8701 will be provided by Energy Cooperatives to other entities, such as *Corporación Pública para Supervisión y Seguro de Cooperativas de Puerto Rico* ("COSSEC") and the U.S. Department of Agriculture Rural Utilities Service; and that the annual fee required in Regulation 8701 is not appropriate for Energy Cooperatives.²⁰ In the alternative, *Sector Cooperativo* recommended to apply the provisions of Regulation 8701 to Energy Cooperatives with a capacity of 5 MW or greater.

It is important to note that Article 36.5 of Act 239-2004 specifically states that Energy Cooperatives will not be under COSSEC's jurisdiction. As such, Energy Cooperatives will not have any reporting requirements with COSSEC. Therefore, all reports must be submitted to the Energy Bureau, in accordance with the provisions of the Final Regulation.

Moreover, Energy Cooperatives will provide electricity services to its customers, which include Cooperative Members and Affiliate Members. As such, from the operational standpoint, Energy Cooperatives will act as any other Electric Service Company, independently of its organizational structure. Therefore, the requirement to be a certified Electric Service Company stems from the service the Energy Cooperative will provide rather than the cooperative structure. To that effect, we must point out that the Energy Bureau also requires microgrids to be certified as Electric Service Companies.²¹

¹⁸ Amendment to Regulation No. 8618, on Certification, Annual Fees, and Operational Plans for Electric Service Companies in Puerto Rico, February 5, 2016.

¹⁹ *Sector Cooperativo* written comments, pp. 5 – 10.

²⁰ *Id.*

²¹ See Section 5.02, *Regulation on Microgrid Development*, Regulation 9028, May 18, 2018.

Sector Cooperativo argued that Energy Cooperatives are non-profit entities that operate at cost. According to *Sector Cooperativo*, contrary to for-profit entities, Energy Cooperatives have no profits from which they can pay the Annual Fee required by Regulation 8701, and as a consequence, such fee will be borne by its customers.²² Contrary to *Sector Cooperativo's* assertion, the Annual Fee is considered an operational cost, and as such, it is normally recovered from the Electric Service Company's customers, independently if the company is for-profit or not.

As we stated before, *Sector Cooperativo* proposed to apply the provisions of Regulation 8701 to Energy Cooperatives with a capacity of 5 MW or greater. Regulation 8701 establishes that certain provisions contained therein apply to Electric Service Companies with an aggregate capacity of 1 MW or greater. Regulation 9028 established a similar standard for Microgrids. Therefore, Section 3.01 of the Final Regulation establishes that all Energy Cooperatives must obtain a certification as an Electric Service Company, however, it clarifies that Sections 3.07(A)(1)(a), 3.07(A)(2) and Article IV of Regulation 8701 will be applicable to Energy Cooperatives with an aggregate capacity of 1 MW or greater.

10. Article 4

The former Article 3 was renumbered as Article 4. Some of the sections were modified as described below.

11. Section 4.03- Rate Review and Approval

A new Section 4.03 was added to establish a mandatory procedure for Energy Bureau review and approval of the Energy Cooperative's rate structure. Such procedure requires the Energy Cooperative to notify the Independent Consumer Protection Office, who, at its discretion, may decide to participate in the rate evaluation process. It also establishes the circumstances in which petitions for rate review may be brought by customers or the Energy Cooperative.

The Energy Bureau adopted these modifications based upon National Public Finance Guarantee²³ and the Independent Consumer Protection Office's recommendations.²⁴

12. Section 4.04 - Billing

Section 4.04 was amended to establish that the proprietary information of the Energy Cooperative will not be shared or sold to private parties or entities except when necessary

²² *Sector Cooperativo* written comments, p. 9.

²³ See National Public Finance Guarantee written comments, pp. 1 – 2.

²⁴ See Independent Consumer Protection Office written comments, pp. 4 – 5.

to accomplish the goals and purpose of the Energy Cooperative, and following the process and requirements established in the bylaws for such purpose.

13. Section 4.05 – Bill Objections and Suspension of Service

Section 4.05 was amended to clarify the process Energy Cooperatives must adopt for bill objections and the suspension of service. The section details the way Regulation 8863²⁵ will be implemented by the Energy Cooperative.

14. Section 4.06 – Complaint Procedure

Section 4.06 was amended to establish that the proposed procedure for addressing complaints, other than bill disputes, a Cooperative Members and/or Affiliated Consumers may have with regards to Energy Services and/or other Grid Services will be submitted to the Energy Bureau for its approval.

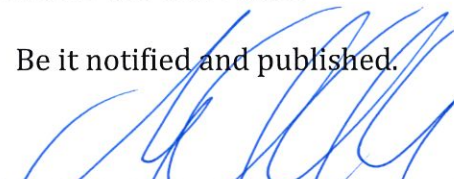
15. Article 5

A new Article 5 was added to establish the procedure to submit to the Energy Bureau any request for reconsideration of a final determination made by the Energy Bureau, as well as the process for judicial review of such final determination.


III. Conclusion

For all of the above, the Energy Bureau **APPROVES** the Regulation on Energy Cooperatives in Puerto Rico.


Be it notified and published.



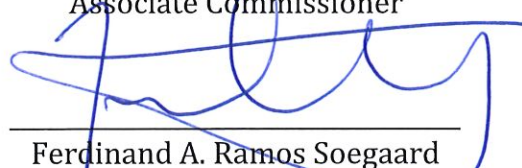
Edison Avilés Deliz
Chairman



Lillian Mateo Santos
Associate Commissioner



Ángel R. Rivera de la Cruz
Associate Commissioner



Ferdinand A. Ramos Soegaard
Associate Commissioner


²⁵ Regulation on the Procedure for Bill Review and Suspension of Electric Service, as amended, December 1, 2016.

CERTIFICATION

I hereby certify that the Puerto Rico Energy Bureau has so agreed on October 8, 2019. I also certify that on October 9, 2019 a copy of this Resolution, with its Attachments was notified by electronic mail to the following: John.jordan@nationalpfg.com; hriviera@oipc.pr.gov; jaime@seguros multiples.com; martha.duggan@nreca.coop; mildred@liga.coop; presidencia-secretarias@seguros multiples.com; alsaez@bancoop.com; Arleen.medina@cosvi.com; rlopez@fidecoop.coop; josejulian@ejecutivos.coop; cpsmith@unidosporutuado.org; info@cdoop.pr.gov; and ramonluisnieves@rlnlegal.com.

I also certify that today, October 9, 2019, I have proceeded with the filing of the Resolution issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, today October 9, 2019.



Wanda I. Cordero Morales
Clerk



GOVERNMENT OF PUERTO RICO

Public Service Regulatory Board
Puerto Rico Energy Bureau

REGULATION ON ENERGY COOPERATIVES IN PUERTO RICO

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REGULATION ON ENERGY COOPERATIVES IN PUERTO RICO

CHAPTER I - GENERAL PROVISIONS

ARTICLE 1 - GENERAL PROVISIONS

Section 1.01.- Title.

This Regulation shall be known as the Regulation on Energy Cooperatives in Puerto Rico.

Section 1.02.- Legal Basis.

This Regulation is adopted pursuant to Act 258-2018, known as the “Puerto Rico Energy Cooperatives Act”; Act 57-2014, as amended, known as the “Puerto Rico Energy Transformation and RELIEF Act”; Act 239-2004, as amended, known as “General Cooperative Associations Act of 2004”; and Act 38-2017, as amended, known as the “Uniform Administrative Procedure of the Government of Puerto Rico Act” (“LPAU”, for its Spanish acronym).

Section 1.03.- Purpose and Executive Summary.

On December 14, 2018 the Government of Puerto Rico enacted Act 258-2018 to authorize the organization of Energy Cooperatives in Puerto Rico. Act 258-2018, mandates the Puerto Rico Energy Bureau to prescribe the regulatory framework for Energy Cooperatives. This Regulation is adopted to establish the requirements for the organization of Energy Cooperatives, their certification as electric service companies, to regulate the rates to be charged to customers of Energy Cooperatives and to frame the jurisdiction of the Energy Bureau over the Energy Cooperatives.

The Energy Bureau, through the adoption of this Regulation, contributes to the public policy established by the Government of Puerto Rico to promote the development of a de-centralized energy model capable of providing renewable energy options to the residents of Puerto Rico, which strengthens the electric system resilience to natural disasters.

Section 1.04.- Applicability.

This Regulation shall apply to all Energy Cooperatives that intend to operate and provide services in Puerto Rico.

Section 1.05.- Interpretation.

This Regulation shall be interpreted in a way that promotes the public interest and the protection of the interests of the residents of Puerto Rico, and in such a way that all procedures are carried out expeditiously, justly, and economically.

Section 1.06.- Provisions of Other Regulations.

This Regulation may be supplemented by the provisions of other regulations of the Puerto Rico Energy Bureau that are compatible with the provisions of this Regulation.

Section 1.07.- Unforeseen Proceedings.

When a specific proceeding has not been provided for in this Regulation, the Energy Bureau may attend to it in any way that is consistent with Act 57-2014 and Act 258-2018.

Section 1.08.- Definitions.

- A. These definitions are to be used for this Regulation and are not intended to modify the definitions used in any other Energy Bureau regulation or order.
- B. For the purposes of this Regulation, the following terms will have the meaning established below, except when the context of the content of any provision clearly indicates something else:
 - 1. "Affiliated Consumer" means any Person, as such term is defined herein, who consumes or uses electric power or energy services from an Energy Cooperative, through an agreement with the Energy Cooperative.
 - 2. "Bill" refers to the document sent periodically by the Energy Cooperative to a customer listing all the components, charges, and rates that make up the final cost each customer must pay for electric service.
 - 3. "Board of Directors" shall mean the Board of Directors of an Energy Cooperative.
 - 4. "Bylaws" shall mean the rules by which an Energy Cooperative shall govern its nature, purpose and objectives; its operations; and the duties and responsibilities of its members, managers, officials, and Affiliate Consumers.
 - 5. "Cooperative Development Commission" means the entity created under Act 247-2008, known as the Puerto Rico Cooperative Development Commission Organic Act.
 - 6. "Cooperative Member" shall mean any Person, who is admitted as a member of an Energy Cooperative pursuant to this Regulation, Act 258-2018 and the bylaws of said Energy Cooperative, provided that, for-profit juridical persons shall not be accepted as Cooperative Members. A Preferred Member cannot be a Cooperative Member.

7. "Distribution Infrastructure" means the physical equipment used to distribute electric power at voltages below 38,000 volts, including, but not limited to, poles, primary lines, secondary lines, service drops, transformers and Meters.
8. "Energy Cooperative" or "Electric Cooperative" means cooperatives organized in accordance with Act 258-2018; with the purpose of satisfying the individual and common needs of electric energy services of its members and their communities, through systems of and/or communities through electric power generation, transmission and distribution, in accordance with the Energy Bureau Regulations. "Cooperative Microgrids", as defined in Regulation 9028¹, shall not be considered Energy Cooperatives or Electric Cooperatives, as defined in this Regulation.
9. "Electric Power Grid" means the electric power Transmission and Distribution Infrastructure of the Commonwealth of Puerto Rico.
10. "Energy Bureau" means the Puerto Rico Energy Bureau, a specialized independent entity in charge of regulating, supervising, and enforcing the energy public policy of the Government of Puerto Rico, created by Act 57-2014 and renamed and reorganized by virtue of the Reorganization Plan of the Puerto Rico Public Service Regulatory Board and Act 211-2018, formerly known as the Puerto Rico Energy Commission.
11. "Energy Service" means electricity service provided to a customer in Puerto Rico by an Energy Cooperative.
12. "Electric Service Company" shall have the same meaning as in Section 1.08(A)(5) of Regulation 8701,² or its successor.
13. "Meter" means the equipment used to measure consumption and/or generation of energy at the point of connection between an Energy Cooperative customer and the Distribution Infrastructure, as well as associated communications and control capabilities.
14. "Microgrid" means a group of interconnected loads and Distributed Energy Resources within clearly defined electrical boundaries that acts as a single controllable entity that can connect and disconnect from the

¹ Regulation on Microgrid Development.

² Amendment to Regulation No. 8618 on Certification, Annual Fees, and Operational Plans for Electric Service Companies in Puerto Rico.

Electric Power Grid to enable it to operate in either grid-connected or off-the-grid (islanded) mode.

15. "Person" means a natural person; a legal entity created, organized, or existing under the laws of the Commonwealth of Puerto Rico, the United States of America, any state of the union, or any foreign state or country; a Municipality or a consortium of Municipalities; or a government entity (other than PREPA).
 16. "Preferred Shares" means the shares issued by any Energy Cooperative where the amount, term and interest that will accrue, if any, are established. Preferred Shares will be part of the Energy Cooperative's social capital and may never exceed forty-five percent (45%) of the total social capital of the Energy Cooperative. The power of an Energy Cooperative to issue Preferred Shares must be previously consented to by the general assembly of Energy Cooperative Members.
 17. "Preferred Members" means a Person to which the Energy Cooperative issues Preferred Shares in accordance with Section 2.09 of this Regulation. A Preferred Member cannot be a Cooperative Member.
 18. "PREPA" means the Puerto Rico Electric Power Authority, a corporate entity created by virtue of Act No. 83 of May 2, 1941, as amended, and any successor distribution and/or transmission owner or operator.
 19. "Rates" shall mean the rates charged by the Energy Cooperative for the provision of service. The Rate includes any compensation, tariff, charge, fare, toll, rental or classifications that is directly or indirectly demanded, observed, charged, or collected by an Energy Cooperative for any service, product, or commodity.
 20. "Transmission Infrastructure" means the physical equipment used to transmit electric power at voltages of at least 38,000 volts, including but not limited to poles, lines and transformers.
- C. Every word used in the singular in this Regulation shall be understood to also include the plural unless the context indicates otherwise.

Section 1.09.- Controlling Version.

Should any discrepancy between the Spanish version and the English version of this Regulation arise, the provisions of the English version shall prevail.

Section 1.10.- Severability.

If any article, provision, word, sentence, paragraph, or section of this Regulation is disputed, for any reason, before a court and declared unconstitutional or void, such ruling shall not affect, damage, or invalidate the remaining provisions of this Regulation, but their effect shall be limited to the article, provision, word, sentence, paragraph, or section that is declared unconstitutional or void. The nullity or invalidity of any article, word, sentence, paragraph, or section in any specific case, shall not affect or jeopardize in any way its application or validity in any other case, except if it specifically and expressly invalidates all cases.

Section 1.11.- Forms.

The Energy Bureau shall establish the forms it deems necessary to conduct the proceedings pursuant to this Regulation and shall inform the public via its website. Notwithstanding, the fact that the Energy Bureau has not adopted one or more forms, is in the process of reviewing them, or the Internet website is out of service, shall not release any party of its obligation to comply with the provisions stated herein, provide the information required by this Regulation or otherwise comply with any applicable Energy Bureau order.

Section 1.12.- Mode of Submission.

- A. The forms, documents, and appearances required by virtue of this Regulation or any order of the Energy Bureau must be submitted before the Energy Bureau in electronic format according to the instructions which, from time to time, the Energy Bureau establishes through an order in relation to the electronic filing system.
- B. If the electronic filing system is temporarily not operating or functioning, the forms, documents, and appearances required by virtue of this Regulation or by any order of the Energy Bureau shall be submitted before the Energy Bureau in accordance with any instructions that the Energy Bureau shall provide at that time through an order.

Section 1.13.- Effect of Submission.

In filing any document before the Energy Bureau, the party undersigning such document shall be deemed to have certified that the content of said document is true and that, according to the signer's best knowledge, information, and belief, formed after reasonable inquiry, the document is based on reliable and trustworthy facts, arguments, judicial sources, and information.

Section 1.14.- Confidential Information.

If in compliance with the provisions of this Regulation or any of the Energy Bureau's orders, a person has the duty to disclose information to the Energy Bureau considered to be confidential, a commercial or industrial secret under Act 80-2011, or privileged pursuant to applicable evidentiary privileges, said person shall identify the alleged confidential or privileged information and request in writing for the Energy Bureau to treat such information as confidential, pursuant to Article 6.15 of Act 57-2014. In identifying privileged information and requesting confidential treatment by the Energy Bureau, the requesting party shall follow the rules and procedures established by the Energy Bureau in Resolution CEPR-MI-2016-0009, as may be amended from time to time, for the filing, handling and treatment of confidential information. Except for information protected under the attorney-client privilege, the claim of confidential or privileged nature of the information shall not be grounds for withholding its filing with the Energy Bureau.

Section 1.15.- Validity.

Pursuant to Section 2.8 of the LPAU, this Regulation shall enter into effect thirty (30) days after its submission to the Department of State and the Legislative Library of the Office of Legislative Services.

Section 1.16.- Penalties for Non-Compliance.

Any Person who fails to comply with any of the requirements set forth in this Regulation may be subject to the provisions of Regulation 8543³ and may be subject to any other applicable administrative sanction or penalty deemed appropriate by the Energy Bureau.

CHAPTER II – ENERGY COOPERATIVES PROVISIONS

ARTICLE 2.- ESTABLISHMENT AND ORGANIZATION OF ENERGY COOPERATIVES

Section 2.01.- Establishment of Energy Cooperatives.

Energy Cooperatives shall be duly organized pursuant to the requirements established in this Regulation and Act 258-2018

Section 2.02.- Number of Persons Required.

- A. Energy Cooperatives shall be organized by a minimum of five (5) Cooperative Members. The number of Cooperative Members shall be determined by the Energy Cooperative production resources and its generation, transmission and distribution capacity.

³ Regulation on Adjudicative, Notice of Noncompliance, Rate Review and Investigation Procedures.

- B. Once the capacity of generation, transmission or distribution of the Energy Cooperative has been reached, it shall not be required to keep or admit new Cooperative Members.

Section 2.03.- Constituting Assembly.

Interested parties shall hold an assembly to consider and approve the articles of incorporation and the bylaws of the Energy Cooperative, and to elect the Board of Directors.

Section 2.04.- Constituting Requirements.

- A. The promoters of an intended Energy Cooperative shall submit the proposed articles of incorporation and bylaws of the Energy Cooperative to the Energy Bureau for its review and approval. The Energy Bureau shall review the proposed articles of incorporation and bylaws for compliance with the provisions of this Regulation and Act 258-2018. Within thirty (30) days of receiving the proposed articles of incorporation and bylaws, the Energy Bureau shall issue a resolution approving them or, in the alternative, notifying the identified deficiencies which must to be corrected prior to their approval. The approval resolution must establish the provisions of the proposed articles of incorporation and bylaws that will require the Energy Bureau's approval prior to its modification.
- B. After the proposed articles of incorporation and bylaws have been approved by the Energy Commission, the proponents of the Energy Cooperative shall submit them at the Cooperative Development Commission for its review in accordance with the provisions of Act 247-2008. Notwithstanding any revision by the Cooperative Development Commission, the Energy Bureau retains the final authority to determine if the certificate of incorporation and the bylaws of an Energy Cooperative comply with Act 258-2018 and this Regulation.

Section 2.05.- Articles of Incorporation.

The articles of incorporation of every Energy Cooperative shall include the following information:

- 1. The name of the Energy Cooperative which must accompany the words 'Energy Cooperative' or an abbreviation thereof;
- 2. The objectives, ends or purposes of its organization;
- 3. The address of its principal office;

4. The names and addresses of the incorporators and the numbers of shares subscribed by each one;
5. The number of members that will organize the Energy Cooperative;
6. The names and addresses of the members of the Board of Directors;
7. Procedure regarding amendments to its content;
8. The total amount of capital with which the Energy Cooperative shall begin operations, should it decide to have it;
9. The value and the rights pertaining to the contributions or shares, whether common or preferred;
10. Any other provision which regulates the administration of the affairs, businesses, activities or services of the Energy Cooperative, provided they are consistent with this Regulation and Act 258-2018.

Section 2.06.- Bylaws.

- A. At the time the constituting assembly is held, the members of the Energy Cooperative shall approve their bylaws, which shall specify the provisions contained in the articles of incorporation. The bylaws shall set forth the rights and duties of Cooperative Members and may contain other provisions for the regulation and management of the affairs of the Energy Cooperative or deemed convenient for the best operation of the Energy Cooperative, provided they do not contradict the provisions of the articles of incorporation.
- B. After the initial approval of the bylaws, the Cooperative Members shall amend or repeal the bylaws by the affirmative vote of a majority of those Cooperative Members voting thereon at a meeting of the Cooperative Members provided the notice of the meeting included the language, or a summary of the proposed bylaws amendment.

Section 2.07.- Cooperative Members.

- A. Each incorporator of an Energy Cooperative shall be a Cooperative Member thereof. No other person may become a Cooperative Member of the Energy Cooperative unless that person agrees to use electric energy or other services furnished by the Energy Cooperative when they are made available through its facilities.
- B. Regardless of the quantity or value of business done with the Energy Cooperative, a Cooperative Member is entitled to cast one, and no more than one vote on each matter voted upon by Cooperative Members.

- C. The Energy Cooperative's bylaws may provide for Cooperative Members to vote in person, by proxy, by mail, and/or electronically and, to receive notifications electronically.
- D. Any Cooperative Member of an Energy Cooperative who agrees to use electric energy shall cease to be a Cooperative Member if said member does not use electric energy supplied by the Energy Cooperative within six (6) months after it has been made available to said Cooperative Member, or if electric energy is not made available to said Cooperative Member by the Energy Cooperative, within two (2) years after commencing the membership agreement, or within such lesser period as the bylaws of the Energy Cooperative may provide. Membership in an Energy Cooperative shall not be transferable, except as provided in the bylaws.
- E. The bylaws of the Energy Cooperative may prescribe additional qualifications and limitations with respect to membership.
- F. The retiring of any capital, property, or rights contributed by a Cooperative Member who is withdrawing from the Energy Cooperative which has the foreseeable consequence of affecting in the short- or medium-term the financial stability or the operations of the Energy Cooperative, may be contingent on the establishment by the Board of Directors of an investment repayment plan, whose purpose shall be to guarantee at all times during the process, the financial stability of the Energy Cooperative and the continuity of its operations.

Section 2.08.- Board of Directors.

- A. The business of an Energy Cooperative shall be managed under the oversight of a Board of Directors of not less than five (5) Board Members, each of whom shall be a Cooperative Member of the Energy Cooperative. The bylaws shall prescribe the number of Board Members, their qualifications, other than those prescribed herein, and, the manner the Board of Directors may hold its meetings and how they may elect successors to Board Members who resign, die or otherwise are incapable of discharging its duties and responsibilities. The bylaws may also provide for the removal of Board Members from office and for the election of their successors. The bylaws may provide that a fixed fee and expenses may be allowed to each Board Member for attendance at each Board of Directors' meeting and other meetings and events determined by the Board of Directors.
- B. The Board Members of an Energy Cooperative named in any articles of incorporation shall hold office until the next annual meeting of the Cooperative Members and until their successors are elected and have qualified. At each annual meeting or, in case of failure to hold the annual

meeting as specified in the bylaws, at a special meeting called for that purpose, the Cooperative Members shall elect Board Members to hold office until the next annual meeting of the Cooperative Members, except as otherwise provided herein. Each Board Member shall hold office for the term for which he or she is elected and until his/her successor is elected.

- C. Instead of electing all the Board Members annually, the bylaws may provide that half of them, or a number as near thereto as possible, shall be elected to serve until the next annual meeting of the Cooperative Members and that the remaining Board Members shall be elected to serve until the second succeeding annual meeting. Thereafter, as Board Members' terms expire, the Cooperative Members may elect their successors to serve until the second succeeding annual meeting after their election.
- D. A majority of the Board of Directors shall constitute a quorum, unless the bylaws of the Energy Cooperative prescribe otherwise. Under no circumstances, quorum can be established by less than one third of the number of Board Members.
- E. The Board of Directors may exercise all of the powers of an Energy Cooperative not conferred upon the Cooperative Members by its articles of incorporation or bylaws.
- F. The Energy Bureau shall exercise its regulatory powers with respect to Energy Cooperatives always taking into consideration their particular nature as cooperative enterprises that are owned, governed and operated for the benefit of their Cooperative Members.
- G. The Energy Bureau may intervene in administrative matters for the purpose of implementing guidelines and parameters that allow for order and proper operation to be restored in Energy Cooperatives when by a majority vote of its Cooperative Members, they determine they have lost trust in their Board of Directors and there has been an unsuccessful effort to elect new Board Members.

Section 2.09.- Preferred Members.

- A. An Energy Cooperative may, but is not required to, issue Preferred Shares to be acquired by Preferred Members.
- B. Combined contributions of Preferred Members through the acquisition of Preferred Shares shall not exceed forty-five percent (45%) of the total social capital of the Energy Cooperative.
- C. Cooperative Members shall own jointly not less than fifty-five percent (55%) the total social capital of the Energy Cooperative.

- D. A Cooperative Member shall not hold individually more than thirty-five percent (35%) of the total social capital of the Energy Cooperative.
- E. An Energy Cooperative's power to issue Preferred Shares shall have the previous consent of the Cooperative Members' general assembly. Preferred Members may participate, but shall not be entitled to vote, in the deliberative assemblies of the Energy Cooperative where matters directly related to the financial results of the Energy Cooperative or the valuation or payment of its return on stock are discussed.
- F. If a Preferred Members' withdrawal affects the financial or operational stability of the Energy Cooperative due to the impact of the Preferred Member's retiring of his investment therein, the repayment of such capital shall be contingent on the Board of Directors' approval of an investment repayment plan, whose purpose shall be to guarantee at all times during the process the financial stability of the Energy Cooperative and the continuity of its operations.
- G. The inclusion and participation of the Preferred Members is subject to terms and conditions established by the Cooperative Members. The process to regulate the issuance of Preferred Shares to Preferred Members in the Energy Cooperative includes:
 - 1. Establish the terms and conditions for admission.
 - 2. Require information necessary to analyze the effect of their integration into the cooperative.
 - 3. Establish an analysis process on an individual Preferred Member (or seen in conjunction with the effect of other additional Preferred Members) on which the Board of Directors will present its findings and recommendations for the assembly to deliberate and vote upon.
 - 4. Carry out a discussion process among the members in the assembly regarding the admission of the aspiring Preferred Member.
 - 5. Establish the terms and conditions for the issuance of Preferred Shares to Preferred Members, including the percentage and class of capital shares they will hold in accordance with the provisions of the this Regulation and Act 258-2018.
 - 6. Integrate in the by-laws and the internal regulations the mechanisms necessary to ensure an informed decision by the Cooperative Members.

- F. Preferred Members do not have the right to be part of the Board of Directors or the Supervisory Committee. However, they may be invited by these bodies to lend their knowledge and skills, in addition to offering advice on specialized matters. They may also collaborate or be part of the other auxiliary committees as determined by the Board of Directors. Their collaboration will be under the terms and conditions established by the Board of Directors via resolution or by the internal regulations of the Energy Cooperative.

Section 2.10.- Finance by the Federal Agencies

If an Energy Cooperative intends to benefit from financing, grants, guarantees or similar programs provided by the United States Department of Agriculture's Rural Utilities Service ("RUS"), the United States Department of Energy or other federal agencies, the incorporators or Cooperative Members of the Energy Cooperative must ensure that it complies with the requirements established from time to time by the RUS or the corresponding agency for the certificate of incorporation, the by-laws and other applicable certification process as an Energy Cooperative.

Section 2.11.- Dissolution or Conversion

- A. Before beginning the dissolution process established herein, the Board of Directors must submit a report to the Energy Bureau describing the reasons for the proposed dissolution. Within thirty (30) days of receiving the report, the Energy Bureau will convene one or more meetings with the Board of Directors to discuss the situation and possible alternatives to dissolution, including reorganization or merging with another Energy Cooperative. The Energy Bureau may request the assistance of the Cooperative Development Commission in this process.
- B. Within sixty (60) days after the last meeting with the Board of Directors, as set forth in Paragraph (A) of this Section, the Energy Bureau may issue a resolution granting leave to commence the dissolution process or any other suitable remedy, at the Energy Bureau's discretion.
- C. An Energy Cooperative which has not commenced business may be dissolved by delivering to the Secretary of State articles of dissolution, which shall be executed and acknowledged on behalf of the Energy Cooperative by a majority of the incorporators and shall state:
1. the name of the Energy Cooperative;
 2. the address of its principal office;
 3. that the Energy Cooperative has not commenced business;

4. that any sums received by the Energy Cooperative, less any part thereof disbursed for expenses of the Energy Cooperative, have been returned or paid to those entitled thereto;
 5. that no debt of the Energy Cooperative is unpaid; and
 6. that a majority of the incorporators elect that the Energy Cooperative be dissolved.
- D. An Energy Cooperative which has commenced business may be dissolved in the following manner:
1. The Cooperative Members at a meeting that has been notified to all Cooperative Members within thirty (30) days in advance and stated the purpose of voting upon the dissolution of the Energy Cooperative in its notice, shall approve, by the affirmative vote of not less than two-thirds (2/3) of those Cooperative Members voting thereon at such meeting, a proposal that the Energy Cooperative be dissolved.
 2. Upon such approval, the Energy Cooperative shall issue a certificate of election to dissolve, executed and acknowledged on behalf of the Energy Cooperative by its president or vice president under its seal, attested by its secretary, and stating:
 - a. The name of the Energy Cooperative,
 - b. the address of its principal office and
 - c. that the Cooperative Members of the Energy Cooperative have voted that the Energy Cooperative be dissolved, shall, together with an affidavit made by its president or vice president or equivalent officer of the Energy Cooperative executing the certificate, stating that the statements in the certificate are true, be submitted to the Secretary of State for filing.
- E. Upon the filing of the certificate and affidavit with the Secretary of State, the Energy Cooperative shall cease to carry on its business except to the extent necessary for the winding up thereof. The board of trustees shall immediately cause notice of the dissolution proceedings to be mailed to each known creditor of and claimant against the Energy Cooperative and to be published once a week for two successive weeks in a newspaper of general circulation in the town in which the principal office of the Energy Cooperative is located.
- F. The Board of Directors shall wind up and settle the affairs of the Energy Cooperative, collect sums owing to it, liquidate its property and assets, pay and discharge its debts, obligations and liabilities and do all other things required

to wind up its business, and, after paying or discharging or adequately providing for the payment or discharge of all of its debts, obligations and liabilities, shall distribute any remaining sums among its actual and former Cooperative Members in proportion to the patronage of the respective actual and former Cooperative Members during a period specified in the bylaws, which period shall be at least ten (10) years next preceding the date of the filing of the certificate with the Secretary of State or, if the Energy Cooperative has not been in existence for such period, then during the period of its existence prior to such filing.

- G. The Board of Directors shall thereupon authorize the execution of articles of dissolution, which shall be executed and acknowledged on behalf of the Energy Cooperative by its president or vice president and its seal shall be affixed thereto and attested by its secretary. The articles of dissolution shall recite that they are executed pursuant to this chapter and shall state:

1. The name of the Energy Cooperative;
2. the address of its principal office;
3. the date on which the certificate of election to dissolve was filed with the Secretary of State;
4. that there are no actions or suits pending against the Energy Cooperative;
5. that all debts, obligations and liabilities of the Energy Cooperative have been paid and discharged or that adequate provision has been made therefor; and
6. that the preceding provisions of this subsection have been complied with. The president or vice president executing the articles of dissolution shall make and annex thereto an affidavit stating that the statements made therein are true.

- H. The Energy Cooperative could also be converted into a new business model, whether through merger, consolidation or any other form of legal business, provided that it obtains authorization from the Energy Bureau and, the new business model complies with the requirements established by the Energy Bureau.

Section 2.12.- Disposition of Property

- A. The Board of Directors of an Energy Cooperative shall have full power and authority, without authorization by the Cooperative Members thereof, to authorize the execution and delivery of a mortgage or mortgages or a deed or

deeds of trust of, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Energy Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors determines, to secure any indebtedness of the Energy Cooperative to any lender or other entity.

- B. A Energy Cooperative may not otherwise sell, mortgage, lease or otherwise dispose of or encumber all or a substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized by the affirmative vote of not less than a majority of all the Cooperative Members of the Energy Cooperative. To that effect the Board of Directors must prepare and present to its members for approval, a report detailing the proposed course of action.

ARTICLE 3.- CERTIFICATIONS

Section 3.01.- Energy Cooperative Certifications

- A. In addition to complying with the requirements set forth in this Regulation, all Energy Cooperatives shall be certified as Electric Service Companies.
- B. Energy Cooperatives shall submit to the Energy Bureau an application for certification as Electric Service Company, and shall comply with any and all applicable requirements set forth in Regulation 8701.
- C. For the purposes of this Regulation, an Energy Cooperative with an aggregate generating capacity of more than one megawatt (1 MW) shall comply with the requirements of Section 3.07(A)(1)(a), 3.07(A)(2) and Article IV of Regulation 8701.

Section 3.02 Reporting Requirements

- A. Energy Cooperatives shall submit to the Energy Bureau any and all reports, required by Regulation 8701.
- B. Energy Cooperatives shall also be required to submit to the Energy Bureau, an annual report on fuel usage, generation, and sales. This report shall include:
 - 1. Electric generation by resource type;
 - 2. Thermal generation by resource type, if applicable;
 - 3. Fuel use by resource type;
 - 4. Capacity factor by month and year, if applicable;

5. Total sales in kWh and in dollars (\$);
 6. Any change in the number of customers, including additions and departures of customers; and
 7. Any other information that the Energy Bureau may require.
- C. Energy Cooperatives shall take into consideration the following elements and inform the Cooperative Members on a yearly basis, or more often, how they are complying with them:
1. Socioeconomic and technical empowerment through the cooperative model - Development and integration of the community; alliances for intercommunity, municipal and regional collaboration. Enhancement of the necessary capital through cooperative financial entities and management of special federal funds. Operational and economic sustainability of the cooperative. Economic model of the service.
 2. Decentralization of energy sources - Production of energy close to community consumption sources. Options for isolated and special communities.
 3. Reduction of dependence on fossil fuels - Use of sources formally recognized as renewable including solar, hydroelectric and wind.
 4. Technical aspects and technological innovation - Modern energy system with advanced technologies, such as solar communities, microgrids, intelligent controls, storage technologies and back-up options.
 5. Resilience to natural disasters - Emphasize designed, constructed and reinforced systems such as: underground; mounting and anchorage resistant to winds; location outside of areas where they can be affected by landslides; protection of controls and electronic systems against floods; panels and equipment built with resistant materials. To promote underground systems in areas of critical service facilities and urban centers.
 6. Reliability, continuity and stability of the system - Ability to operate autonomously (Off-the-grid); enough generation capacity and energy storage systems. Flexible, robust, reliable and efficient systems. Continuous and stable energy service. Planning for different eventualities.

7. Design, construction and operation - Connectivity and integration with existing systems. Attention to the different elements of the system: generation, distribution, storage, metering and billing.
 8. Guarantees and maintenance of the systems - Uniformity and modernization; maintenance of the infrastructure.
 9. Provision of appropriate, reasonable and transparent services - Affordable, fair and reasonable system cost. Sustainable economic model and cost-effective. Flexibility before a competitive market.
- D. As part of the operational report submitted to the Energy Bureau pursuant Regulation 8701, Energy Cooperatives shall include a copy of the most recent report provided to its members pursuant to Paragraph (C) of this Section.

ARTICLE 4.- SERVICES

Section 4.01.- Energy Cooperative Services.

- A. Energy Cooperatives shall generate, transmit, purchase and/or distribute electric power primarily to meet the electric power needs of their members and communities thereof. However, Energy Cooperatives may also enter into agreements to sell electric power to Affiliated Consumers, as well as sell the excess power and other grid services to PREPA (or PREPA's successor entity). All types of users who are consumers of electric power, service providers and/or electric power workers and producers, including natural persons or nonprofit juridical persons, may be Cooperative Members of the Energy Cooperatives.
- B. Any Energy Cooperative that intends to provide services to its Cooperative Members and/or Affiliated Consumers through a Microgrid shall comply with the provisions of Regulation 9028⁴, any amendment of said regulation or any other regulation adopted by the Energy Bureau regarding Microgrids. Furthermore, any Energy Cooperative that intends to provide energy services through wheeling shall comply with the regulations issued by the Energy Bureau to that effect.

Section 4.02.- Rates for Service.

- A. Energy Cooperatives shall operate in a non-profit manner, since its main purpose shall be to provide electric power services to their customers that are uninterrupted, stable, efficient, reliable and at the lowest possible cost. Rates and other fees charged by an Energy Cooperative to its customers shall be sufficient to pay the operating and maintenance expenses required by the

⁴ Regulation on Microgrid Development.

electric power system, as well as their financial obligation in order to provide the continuity, stability, efficiency, and reliability of services, meeting the needs of future developments.

- B. Energy Cooperatives must charge uniform rates across all customers of the same customer-class. Within a customer-class, charges may be structured in any non-discriminatory manner, including but not limited to energy rates varying by usage block, time of use, season, system load and condition. The rate at which energy and grid services are sold shall be cost-based, supported by substantial documentation.

Section 4.03.- Rate Review and Approval

- A. Energy Cooperatives shall submit, for the Energy Bureau's approval, a proposed rate structure, including all supporting documentation. The Energy Bureau retains jurisdiction to review and approve at any time it deems appropriate, the rates and other fees charged by Energy Cooperatives to ensure that such rates are just and reasonable and to prevent discriminatory restrictions or additional requirements from being applied thereto for having been organized as an Energy Cooperative, in accordance with applicable regulations.
- B. Upon filing the proposed rate structure with the Energy Bureau for its evaluation and approval, the Energy Cooperative shall notify the Independent Consumer Protection Office, who, at its discretion, may decide to participate in the rate evaluation process.
- C. The Energy Cooperative or any customer of an Energy Cooperative may petition the Energy Bureau to conduct a rate review for the service provided by the Energy Cooperative, subject to the following restrictions and requirements:
 - 1. Energy Cooperative rates shall not be subject to review by the Energy Bureau during the first three (3) years after the Energy Bureau approves them.
 - 2. Petitions for rate review may be brought by customers or the Energy Cooperative as follows:
 - a. Customers may petition for rate review on the basis of unjust or unreasonable rates, on the basis of undue burden, or on the basis of imprudence or inadequate service on the part of the Energy Cooperative.

- b. Energy Cooperatives may petition for rate review on the basis of unjust or unreasonable rates or on the basis of insufficient cost recovery.

Section 4.04.- Billing.

- A. Electric Bills shall be rendered in regular periodic intervals as established by the Energy Bureau for all Cooperative Members and Affiliated Consumers receiving service from the Energy Cooperative, in accordance with the terms of the contract of service. Payment shall be due within thirty (30) days of the issuance of the Electric Bill which may be issued electronically or by mail.
- B. All Electric Bills must be drafted clearly and plainly so that they are easy to understand without requiring that readers possess any specialized knowledge for their comprehension and must include the contact information of the Energy Bureau and the Independent Consumer Protection Office. The format for electric bills must be submitted to the Energy Bureau for its approval.
- C. The Energy Cooperatives electronic billing systems will offer complete privacy to their member. The proprietary information of the cooperative will not be shared or sold to private parties or entities except when necessary to accomplish the goals and purpose of the Energy Cooperative, and following the process and requirements established in the bylaws for such purpose.

Section 4.05.- Bill Objections and Suspension of Service.

- A. All Electric Bill objections and suspension of service procedures will be conducted in accordance with Regulation 8863, Regulation on the Procedure for Bill Review and Suspension of Electric Service, or any future regulation approved by the Energy Bureau to that effect.
- B. The Board of Directors will determine the person responsible for initially adjudicating objections to Electric. Depending on the size, number of members and administrative capacity of the Energy Cooperative, a person or committee will be delegated the ability to make such initial determination. The person or committee may be composed of voluntary members, members of the Board of Directors, administrative staff or the Chief Executive Officer of the Cooperative. If the customer is not satisfied with the initial determination, the customer can appeal such decision to the Board of Directors or to a special committee, as designated in the bylaws or by the Board of Directors. The proposed process to adjudicate objections to Electric Bills will be submitted to the Energy Bureau for approval.
- C. If a customer is not satisfied with the final decision of the Energy Cooperative regarding an objection to an Electric Bill, the customer can request a formal review by the Energy Bureau, in accordance with Regulation 8863.

Section 4.06.- Complaint Procedure.

- A. Energy Cooperatives shall develop and publish an internal procedure for addressing any complaints, other than bill disputes, a Cooperative Members and/or Affiliated Consumers may have with regards to the Energy Services and/or other Grid Services provided to the customer. The procedures shall clearly describe the process through which a Customer may file any complaint or grievance with the Energy Cooperative and the process through which the Energy Cooperative will address said complaint or grievance, including the time period within which such complaints or grievances will be addressed. The proposed procedure will be submitted to the Energy Bureau for its approval.
- B. If a Cooperative Member and/or Affiliated Consumer does not agree with a determination made by the Energy Cooperative in relation to a complaint or grievance made pursuant to this Section may file a complaint with the Energy Bureau for review of such determination. The complaint shall be filed pursuant to Regulation 8543.

ARTICLE 5.- RECONSIDERATION AND JUDICIAL REVIEW

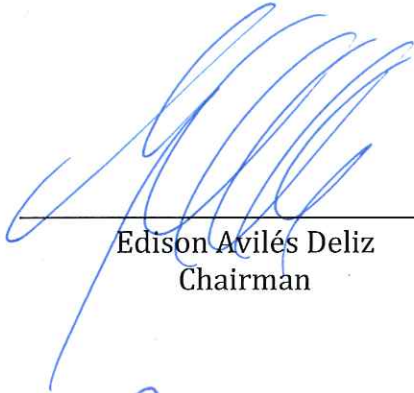
Section 5.01.- Request for Reconsideration

Any person that is not satisfied with a final decision made by the Energy Bureau under this Regulation may file, within the term of twenty (20) days from the date copy of the notice of such decision is filed by the Energy Bureau's Clerk, a request for reconsideration before the Energy Bureau wherein the petitioner sets forth in detail the grounds that support the request and the decisions that, in the opinion of the petitioner, the Energy Bureau should reconsider.

Section 5.02.- Judicial Review

Any person dissatisfied with a final decision of the Energy Bureau under this Regulation may, within thirty (30) days from the date copy of notice of a final decision addressing a request for reconsideration is filed by the Energy Bureau's Clerk, or within thirty (30) days from the date copy of the notice of a Commission final decision is filed by the Energy Bureau's Clerk, if a request for reconsideration has not been filed, appear before the Court of Appeals of the Commonwealth of Puerto Rico by way of writ of judicial review, pursuant to Section 4.2 of LPAU and the applicable Rules of the Court of Appeals.

Agreed upon by the Puerto Rico Energy Bureau, in San Juan, Puerto Rico, on October 08, 2019.



Edison Avilés Deliz
Chairman



Ángel R. Rivera de la Cruz
Associate Commissioner



Lillian Mateo Santos
Associate Commissioner



Ferdinand A. Ramos Soegaard
Associate Commissioner



GOVERNMENT OF PUERTO RICO

Public Service Regulatory Board
Puerto Rico Energy Bureau

REGULATION ON ENERGYELECTRIC COOPERATIVES IN PUERTO RICO

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REGULATION ~~ON ENERGY~~FOR ~~ELECTRIC~~ COOPERATIVES IN PUERTO RICO

CHAPTER I - GENERAL PROVISIONS

ARTICLE 1 ~~---~~ GENERAL PROVISIONS

Section 1.01.- Title.

This Regulation shall be known as the Regulation on ~~Energy~~~~Electric~~ Cooperatives in Puerto Rico.

Section 1.02.- Legal Basis.

This Regulation is adopted pursuant to Act 258-2018, known as the “Puerto Rico Energy Cooperatives Act”; Act 57-2014, as amended, known as the “Puerto Rico Energy Transformation and RELIEF Act”; Act 239-2004, as amended, known as “General Cooperative Associations Act of 2004”; and Act 38-2017, as amended, known as the “Uniform Administrative Procedure ~~Act~~ of the Government of Puerto Rico Act” (“LPAU”, for its Spanish acronym).

Section 1.03.- Purpose and Executive Summary.

On December 14, 2018 the Government of Puerto Rico enacted Act 258-2018 to authorize the organization of ~~Energy~~~~Electric~~ Cooperatives in Puerto Rico. Act 258-2018, mandates the Puerto Rico Energy Bureau to prescribe the regulatory framework for ~~Energy~~~~Electric~~ Cooperatives. This Regulation is adopted to establish the requirements for the organization of ~~Energy~~~~Electric~~ Cooperatives, their~~its~~ certification as electric service companies, to regulate the rates to be charged to customers of Energy Cooperatives and to~~and~~ frame the jurisdiction of the Energy Bureau over the ~~Energy~~~~Electric~~ Cooperatives.

The Energy Bureau, through the adoption of this Regulation, contributes to the public policy established by the Government of Puerto Rico to promote the development of a de-centralized energy model capable of providing renewable energy options to the residents of Puerto Rico, which strengthens the electric system resilience to natural disasters.

Section 1.04.- Applicability.

This Regulation shall apply to all ~~Energy~~~~Electric~~ Cooperatives that intend to operate or that already operate and provide services in Puerto Rico.

Section 1.05.- Interpretation.

This Regulation shall be interpreted in a way that promotes the public interest and the protection of the interests of the residents of Puerto Rico, and in such a way that all procedures are carried out expeditiously, justly, and economically.

Section 1.06.- Provisions of Other Regulations.

This Regulation may be supplemented by the provisions of other regulations of the Puerto Rico Energy Bureau that are compatible with the provisions of this Regulation.

Section 1.07.- Unforeseen Proceedings.

When a specific proceeding has not been ~~provided~~planned for in this Regulation, the Energy Bureau may attend to it in any way that is consistent with Act 57-2014 and Act 258-2018.

Section 1.08.- Definitions.

- A. These definitions are to be used for this Regulation and are not intended to modify the definitions used in any other Energy Bureau regulation or order.
- B. For the purposes of this Regulation, the following terms will have the meaning established below, except when the context of the content of any provision clearly indicates something else:
 - 1. "Affiliated Consumer" means any Person, as such term is defined herein, who consumes or uses electric power or energy services from an ~~Energy~~Electric Cooperative, through an agreement with the ~~Energy~~Electric Cooperative.
 - 2. "Bill" refers to the document sent periodically by the ~~Energy~~Electric Cooperative to a ~~customer~~Customer listing all the components, charges, and rates that make up the final cost each ~~customer~~Customer must pay for electric service.
 - 3. "Board of Directors" shall mean the Board of Directors of an ~~Energy~~Electric Cooperative.
 - 4. "Bylaws" shall mean the ~~rules by which regulations of an~~ Energy~~Electric~~ Cooperative shall govern its nature, purpose and objectives; its operations; and the duties and responsibilities of its members, managers, officials, and Affiliate Consumers.
 - 5. "Cooperative Development Commission" means the entity created under Act 247-2008, known as the Puerto Rico Cooperative Development Commission Organic Act.

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6. "Cooperative Member" shall mean any ~~Person~~person, who is admitted as a member ~~of~~into an ~~Energy~~Electric Cooperative pursuant to ~~this Regulation, Act 258-2018~~239-2004 and the ~~general~~bylaws of said ~~Energy~~Electric Cooperative, provided that, for-profit juridical persons shall not be accepted as Cooperative Members. A Preferred Member cannot be a Cooperative Member.
7. "Distribution Infrastructure" means the physical equipment used to distribute electric power at voltages below 38,000 volts, including, but not limited to, poles, primary lines, secondary lines, service drops, transformers and Meters.
8. "Energy Cooperative" or "Electric Cooperative" means cooperatives organized ~~in accordance with Act 258-2018; with~~under the ~~provisions of Act 239-2004, for the main purpose of satisfying the meeting individual and common electric power needs of electric energy services of its members and their communities through systems of Cooperative Members, Affiliated Consumers and/or communities through electric power generation, transmission and/or distribution, in accordance with the Energy Bureau Regulations. "Cooperative Microgrids", as defined in Regulation 9028¹, shall not be considered Energy Cooperatives or Electric Cooperatives, as defined in this Regulation.~~systems.
9. "Electric Power Grid" means the electric power Transmission and Distribution Infrastructure of the Commonwealth of Puerto Rico.
10. "Energy Bureau" means the Puerto Rico Energy Bureau, a specialized independent entity in charge of regulating, supervising, and enforcing the energy public policy of the Government of Puerto Rico, created by Act 57-2014 and renamed and reorganized as established by virtue of the Reorganization Plan of the Puerto Rico Public Service Regulatory Board and Act 211-2018, formerly known as the Puerto Rico Energy Commission.
11. "Energy Service" means electricity service provided to a ~~customer~~Customer in Puerto Rico by an ~~Energy~~Electric Cooperative.
12. "~~Electric~~Energy Service Company" shall have the same meaning as in Section 1.08(A)(5) of Regulation 8701,² or its successor.

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¹ Regulation on Microgrid Development.

² Amendment to Regulation No. 8618 on Certification, Annual Fees, and Operational Plans for Electric Service Companies in Puerto Rico.

13. "Meter" means the equipment used to measure consumption and/or generation of energy at the point of connection between an ~~Energy individual~~ ~~Affiliated~~ ~~Consumer~~ or Cooperative ~~customer~~ ~~Member~~ and the Distribution Infrastructure, as well as associated communications and control capabilities.
14. "Microgrid" means a group of interconnected loads and Distributed Energy Resources within clearly defined electrical boundaries that acts as a single controllable entity that can connect and disconnect from the Electric Power Grid to enable it to operate in either grid-connected or off-the-grid (islanded) mode.
15. "Person" means a natural person; a legal entity created, organized, or existing under the laws of the Commonwealth of Puerto Rico, the United States of America, any state of the union, or any foreign state or country; a Municipality or a consortium of Municipalities; or a government entity (other than PREPA).
16. "Preferred Shares" means the shares issued by any Energy Cooperative where the amount, term and interest that will accrue, if any, are established. Preferred Shares will be part of the Energy Cooperative's social capital and may never exceed forty-five percent (45%) of the total social capital of the Energy Cooperative. The power of an Energy Cooperative to issue Preferred Shares must be previously consented to by the general assembly of Energy Cooperative Members.
17. "Preferred Members" means a Person to which the Energy Cooperative issues Preferred Shares in accordance with Section 2.09 of this Regulation. A Preferred Member cannot be a Cooperative Member.
- ~~16. "Preferred Members" shall have the meaning provided in Section 2.09 of this Regulation.~~
- ~~17-18~~ "PREPA" means the Puerto Rico Electric Power Authority, a corporate entity created by virtue of Act No. 83 of May 2, 1941, as amended, and any successor distribution and/or transmission owner or operator.
- ~~18-19~~ "Rates" shall mean the rates charged by the ~~Energy~~ ~~Electric~~ Cooperative for the provision of service. The Rate includes any compensation, tariff, charge, fare, toll, rental or classifications that is directly or indirectly demanded, observed, charged, or collected by an ~~Energy~~ ~~Electric~~ Cooperative for any service, product, or commodity.
- ~~19-20~~ "Transmission Infrastructure" means the physical equipment used to transmit electric power at voltages of at least 38,000 volts, including but not limited to poles, lines and transformers.

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- C. Every word used in the singular in this Regulation shall be understood to also include the plural unless the context indicates otherwise.

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Section 1.09.- Controlling Version.

Should any discrepancy between the Spanish version and the English version of this Regulation arise, the provisions of the English version shall prevail.

Section 1.10.- Severability.

If any article, provision, word, sentence, paragraph, or section of this Regulation is disputed, for any reason, before a court and declared unconstitutional or void, such ruling shall not affect, damage, or invalidate the remaining provisions of this Regulation, but their effect shall be limited to the article, provision, word, sentence, paragraph, or section that is declared unconstitutional or void. The nullity or invalidity of any article, word, sentence, paragraph, or section in any specific case, shall not affect or jeopardize in any way its application or validity in any other case, except if it specifically and expressly invalidates all cases.

Section 1.11.- Forms.

The Energy Bureau shall establish the forms it deems necessary to conduct the proceedings pursuant to this Regulation and shall inform the public via its website. Notwithstanding, the fact that the Energy Bureau has not adopted one or more forms, is in the process of reviewing them, or the Internet website is out of service, shall not release any party of its obligation to comply with the provisions stated herein, provide the information required by this Regulation or otherwise comply with any applicable Energy Bureau order.

Section 1.12.- Mode of Submission.

- A. The forms, documents, and appearances required by virtue of this Regulation or any order of the Energy Bureau must be submitted before the Energy Bureau in electronic format according to the instructions which, from time to time, the Energy Bureau establishes through an order in relation to the electronic filing system.
- B. If the electronic filing system is temporarily not operating or functioning, the forms, documents, and appearances required by virtue of this Regulation or by any order of the Energy Bureau shall be submitted before the Energy Bureau in accordance with any instructions that the Energy Bureau shall provide at that time through an order.

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Section 1.13.- Effect of Submission.

In filing any document before the Energy Bureau, the party undersigning such document shall be deemed to have certified that the content of said document is true and that, according to the signer's best knowledge, information, and belief, formed after reasonable inquiry, the document is based on reliable and trustworthy facts, arguments, judicial sources, and information.

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Section 1.14.- Confidential Information.

If in compliance with the provisions of this Regulation or any of the Energy Bureau's orders, a person has the duty to disclose information to the Energy Bureau considered to be confidential, a commercial or industrial secret under Act 80-2011, or privileged pursuant to applicable evidentiary privileges, said person shall identify the alleged confidential or privileged information and request in writing for the Energy Bureau to treat such information as confidential, pursuant to Article 6.15 of Act 57-2014. In identifying privileged information and requesting confidential treatment by the Energy Bureau, the requesting party shall follow the rules and procedures established by the Energy Bureau in Resolution CEPR-MI-2016-0009, as may be amended from time to time, for the filing, handling and treatment of confidential information. Except for information protected under the attorney-client privilege, the claim of confidential or privileged nature of the information shall not be grounds for withholding its filing with the Energy Bureau.

Section 1.15.- Validity.

Pursuant to Section 2.8 of the LPAU, this Regulation shall enter into effect thirty (30) days after its submission to the Department of State and the Legislative Library of the Office of Legislative Services.

Section 1.16.- Penalties for Non-Compliance.

Any Person who fails to comply with any of the requirements set forth in this Regulation may be subject to the provisions of Regulation 8543³ and may be subject to any other applicable administrative sanction or penalty deemed appropriate by the Energy Bureau.

CHAPTER II – ENERGY ELECTRIC COOPERATIVES PROVISIONS

³ Regulation on Adjudicative, Notice of Noncompliance, Rate Review and Investigation Procedures.

ARTICLE 2.- ESTABLISHMENT AND ORGANIZATION OF ENERGYELECTRIC COOPERATIVES

Section 2.01.- Establishment of EnergyElectric Cooperatives.

EnergyElectric Cooperatives shall be duly organized pursuant to the requirements established in this Regulation, ~~Act 258-2018, to the extent that there is no inconsistent requirements with the aforementioned,~~ and Act ~~258-2018~~239-2004.

Section 2.02.- Number of Persons Required.

A. EnergyElectric Cooperatives shall be organized by a minimum of five (5) Cooperative Members, ~~to be duly organized.~~ The number of Cooperative Members ~~and Affiliated Consumers~~ shall be determined by the EnergyElectric Cooperative production resources and its generation, transmission and distribution capacity.

B. Once the capacity of generation, transmission or distribution of the EnergyElectric Cooperative has been reached, it shall not be required to keep or admit new Cooperative Members ~~and/or Affiliated Consumers.~~

Section 2.03.- Constituting Assembly.

Interested parties shall hold an assembly to consider and approve the articles of incorporation and the bylaws of the EnergyElectric Cooperative, and to elect the Board of Directors.

Section 2.04.- Constituting Requirements.

A. ~~The promoters of~~Any group that intends to organize as an intended EnergyElectric Cooperative shall ~~submit~~file the proposed articles of incorporation and ~~the proposed~~ bylaws of the Energy Cooperative to the Energy Bureau for its review and approval. The Energy Bureau shall review the proposed articles of incorporation and bylaws for in-compliance with the provisions of requirements set forth in this Regulation and Act 258-2018. Within thirty (30) days of receiving the proposed articles of incorporation and bylaws, the Energy Bureau shall issue a resolution approving them or, in the alternative, notifying the identified deficiencies which must to be corrected prior to their approval. The approval resolution must establish the provisions of the proposed articles of incorporation and bylaws that will require the Energy Bureau's approval prior to its modification.

B. After the proposed articles of incorporation and bylaws have been approved by the Energy Commission, the proponents of the Energy Cooperative shall submit them at the Cooperative Development Commission for its review in accordance with the provisions of Act 247-2008. Notwithstanding any

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revision by the Cooperative Development Commission, the Energy Bureau retains the final authority to determine if the certificate of incorporation and the bylaws of an Energy Cooperative comply with Act 258-2018 and this Regulation.

Section 2.05.- Articles of Incorporation.

The articles of incorporation of every EnergyElectric Cooperative shall include the following information:

- A. The name of the EnergyElectric Cooperative which must accompany the words 'Energyword'-'Electric Cooperative' or an abbreviation thereof;
- B. The objectives, ends or purposes of its organization;
- C. The address of its principal office;
- D. The names and addresses of the incorporators and the numbers of shares subscribed by each one;
- E. The number of members that will organize the EnergyElectric Cooperative;
- F. The names and addresses of the members of the Board of Directors;
- G. Procedure regarding amendments to its content;bylaws—and—any organizational-governance-documents.
- H. The total amount of capital with which the Energy Cooperativecooperative shall begin operations, should it decide to have it;
- I. The value and the rights pertaining to the contributions or shares, whether common or preferred;
- J. Any other provision which regulates the administration of the affairs, businesses, activities or services of the EnergyElectric Cooperative, provided they are consistent with this Regulation and Act 258-2018.

Section 2.06.- Bylaws.

- A. At the time the constituting assembly is held, the members of the EnergyElectric Cooperative shall approve their bylaws, which shall specify the provisions contained in the articles of incorporation. The bylaws shall set forth the rights and duties of Cooperative Members and may contain other provisions for the regulation and management of the affairs of the

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EnergyElectric Cooperative or deemed convenient for the best operation of the EnergyElectric Cooperative, provided they do not contradict the provisions of the articles of incorporation.

- B. After the initial approval of the bylaws ~~Thereafter~~, the Cooperative Members shall amend or repeal the bylaws by the affirmative vote of a majority of those Cooperative Members voting thereon at a meeting of the Cooperative Members provided the notice of the meeting included the language, or a summary of the proposed bylaws amendment.

Section 2.07.- Cooperative Members.

- A. Each incorporator of an EnergyElectric Cooperative shall be a Cooperative Member thereof. No other person may become a Cooperative Member of the EnergyElectric Cooperative unless that person agrees to use electric energy or other services furnished by the EnergyElectric Cooperative when they are made available through its facilities.
- B. Regardless of the quantity ~~quantity~~ or value of business done with the EnergyElectric Cooperative, a Cooperative Member is entitled to cast one, and no more than one, vote on each matter voted upon by Cooperative Members.
- C. The Energy ~~As provided in the~~ Electric Cooperative's bylaws may provide for, Cooperative Members to ~~may~~ vote in person, by proxy, by mail, and/or electronically and, to receive notifications. ~~As provided in the Electric Cooperative's bylaws, notices may be sent~~ electronically.
- D. Any Cooperative Member of an EnergyElectric Cooperative who agrees to use electric energy shall cease to be a Cooperative Member if said member does not use electric energy supplied by the EnergyElectric Cooperative within six (6) months after it has been made available to said Cooperative Member, or if electric energy is not made available to said Cooperative Member by the EnergyElectric Cooperative, within two (2) years after commencing the membership agreement, or within such lesser period as the bylaws of the EnergyElectric Cooperative may provide. Membership in an Energy ~~a Electric~~ Cooperative shall not be transferable, except as provided in the bylaws.
- E. The bylaws of the Energy Cooperative may prescribe additional qualifications and limitations with respect to membership.
- F. The retiring of any capital, property, or rights contributed by a Cooperative Member who is withdrawing from the EnergyElectric Cooperative which has the foreseeable consequence of affecting in the short- or medium-term the financial stability or the operations of the EnergyElectric Cooperative, may be contingent on the establishment by the Board of Directors of an investment repayment plan, whose purpose shall be to guarantee at all times during the

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process, the financial stability of the [EnergyElectric](#) Cooperative and the continuity of its operations.

Section 2.08.- Board of Directors.

- A. The business of an [EnergyElectric](#) Cooperative shall be managed under the oversight of a Board of Directors of not less than five (5) Board Members, each of whom shall be a Cooperative Member of the [EnergyElectric](#) Cooperative. The bylaws shall prescribe the number of Board Members, their qualifications, other than those prescribed herein, and, the manner the Board of Directors may hold its meetings and how they may elect successors to Board Members who resign, die or otherwise are incapable of discharging its duties and responsibilities. The bylaws may also provide for the removal of Board Members from office and for the election of their successors. The bylaws may provide that a fixed fee and expenses may be allowed to each Board Member for attendance at each Board of Directors' meeting and other meetings and events determined by the Board of Directors.
- B. The Board Members of an [EnergyElectric](#) Cooperative named in any articles of incorporation shall hold office until the next annual meeting of the Cooperative Members and until their successors are elected and have qualified. At each annual meeting or, in case of failure to hold the annual meeting as specified in the bylaws, at a special meeting called for that purpose, the Cooperative Members shall elect Board Members to hold office until the next annual meeting of the Cooperative Members, except as otherwise provided herein. Each Board Member shall hold office for the term for which he or she is elected and until his/her successor is elected.
- C. Instead of electing all the Board Members annually, the bylaws may provide that half of them, or a number as near thereto as possible, shall be elected to serve until the next annual meeting of the Cooperative Members and that the remaining Board Members shall be elected to serve until the second succeeding annual meeting. Thereafter, as Board Members' terms expire, the Cooperative Members may elect their successors to serve until the second succeeding annual meeting after their election.
- D. A majority of the Board of Directors shall constitute a quorum, unless the bylaws of the [EnergyElectric](#) Cooperative prescribe otherwise. Under no circumstances, quorum can be established by less than one third of the number of Board Members.
- E. The Board of Directors may exercise all of the powers of an [EnergyElectric](#) Cooperative not conferred upon the Cooperative Members by its articles of incorporation or bylaws.

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- F. The Energy Bureau shall exercise its regulatory powers with respect to EnergyElectric Cooperatives always taking into consideration their particular nature as cooperative ~~enterprises~~entreprises that are owned, governed and operated ~~for~~in the benefit of ~~their~~its Cooperative Members.
- G. The Energy Bureau may intervene in administrative matters for the purpose of implementing guidelines and parameters that allow for order and proper operation to be restored in EnergyElectric Cooperatives when by a majority vote of its Cooperative Members, they determine they have lost trust in their Board of Directors and there has been an unsuccessful effort to elect new Board Members.

Section 2.09.- Preferred Members.

- A. An EnergyElectric Cooperative may, but is not required to, issue Preferred Shares to be acquired by ~~have Preferred Members and issue capital stock to Preferred Members.~~
- B. Combined Preferred Members' combined contributions of Preferred Members through the acquisition of Preferred Shares shall not exceed forty-five percent (45%) of the total social capital of the EnergyElectric Cooperative.
- C. whose Cooperative Members shall own jointly not less than fifty-five percent (55%) ~~of the~~ total social capital of the EnergyElectric Cooperative.
- D. A No Preferred Member nor any Cooperative Member ~~shall not~~may hold individually more than thirty-five percent (35%) of the total social capital of the EnergyElectric Cooperative.
- E. An EnergyElectric Cooperative's power to issue ~~capital stocks to~~ Preferred ~~Shares~~Members shall have the previous consent of the Cooperative Members' general assembly. Preferred Members may participate, but shall not be entitled to vote, in the deliberative assemblies of the EnergyElectric Cooperative where matters directly related to the financial results of the EnergyElectric Cooperative or the valuation or payment of its return on stock are discussed.
- F. If a Preferred Members' withdrawal affects the financial or operational stability of the EnergyElectric Cooperative due to the impact of the Preferred Member's~~member's~~ retiring of his investment therein, the repayment of such capital shall be contingent on the Board of Directors' approval of an investment repayment plan, whose purpose shall be to guarantee at all times during the process the financial stability of the EnergyElectric Cooperative and the continuity of its operations.

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G. The inclusion and participation of the Preferred Members is subject to terms and conditions established by the Cooperative Members. The process to regulate the issuance of Preferred Shares to Preferred Members in the Energy Cooperative includes:

1. Establish the terms and conditions for admission.
2. Require information necessary to analyze the effect of their integration into the cooperative.
3. Establish an analysis process on an individual Preferred Member (or seen in conjunction with the effect of other additional Preferred Members) on which the Board of Directors will present its findings and recommendations for the assembly to deliberate and vote upon.
4. Carry out a discussion process among the members in the assembly regarding the admission of the aspiring Preferred Member.
5. Establish the terms and conditions for the issuance of Preferred Shares to Preferred Members, including the percentage and class of capital shares they will hold in accordance with the provisions of the this Regulation and Act 258-2018.
6. Integrate in the by-laws and the internal regulations the mechanisms necessary to ensure an informed decision by the Cooperative Members.

F. Preferred Members do not have the right to be part of the Board of Directors or the Supervisory Committee. However, they may be invited by these bodies to lend their knowledge and skills, in addition to offering advice on specialized matters. They may also collaborate or be part of the other auxiliary committees as determined by the Board of Directors. Their collaboration will be under the terms and conditions established by the Board of Directors via resolution or by the internal regulations of the Energy Cooperative.

Section 2.10.- Finance by the ~~Federal Agencies United States Department of Agriculture Rural Development's Rural Utilities Service~~

If an ~~EnergyElectric~~ Cooperative intends to benefit from financing, grants, guarantees or similar programs provided by the United States Department of Agriculture's Rural Utilities Service ("RUS"), the United States Department of Energy or other federal agencies, the incorporators or Cooperative Members of the ~~EnergyElectric~~ Cooperative must ensure that it complies with the requirements established from time to time by the RUS or the corresponding agency for the certificate of incorporation, the by-laws and other ~~applicable~~ certification process as an ~~EnergyElectric~~ Cooperative.

Section 2.11.- Dissolution or Conversion.

A. Before beginning the dissolution process established herein, the Board of Directors must submit a report to the Energy Bureau describing the reasons for the proposed dissolution. Within thirty (30) days of receiving the report, the Energy Bureau will convene one or more meetings with the Board of Directors to discuss the situation and possible alternatives to dissolution, including reorganization or merging with another Energy Cooperative. The Energy Bureau may request the assistance of the Cooperative Development Commission in this process.

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B. Within sixty (60) days after the last meeting with the Board of Directors, as set forth in Paragraph (A) of this Section, the Energy Bureau may issue a resolution granting leave to commence the dissolution process or any other suitable remedy, at the Energy Bureau's discretion.

A. C. An ~~Energy~~Electric Cooperative which has not commenced business may be dissolved by delivering to the Secretary of State articles of dissolution, which shall be executed and acknowledged on behalf of the ~~Energy~~Electric Cooperative by a majority of the incorporators and ~~which~~ shall state:

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(1. ~~the~~) The name of the ~~Energy~~Electric Cooperative;

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(2.) the address of its principal office;

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(3.) that the ~~Energy~~Electric Cooperative has not commenced business;

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(4.) that any sums received by the ~~Energy~~Electric Cooperative, less any part thereof disbursed for expenses of the ~~Energy~~Electric Cooperative, have been returned or paid to those entitled thereto;

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(5.) that no debt of the ~~Energy~~Electric Cooperative is unpaid; and

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(6.) that a majority of the incorporators elect that the ~~Energy~~Electric Cooperative be dissolved.

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B. D. An ~~Energy~~Electric Cooperative which has commenced business may be dissolved in the following manner:

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1. The Cooperative Members at a meeting that has been notified to all Cooperative Members within thirty (30) days in advance and stated the purpose of voting upon the dissolution of the ~~Energy~~Electric Cooperative in its notice, shall approve, by the affirmative vote of not less than two-thirds (2/3) of those Cooperative Members voting

thereon at such meeting, a proposal that the EnergyElectric Cooperative be dissolved.

2. Upon such approval, the Energy Cooperative shall issue a certificate of election to dissolve, executed and acknowledged on behalf of the EnergyElectric Cooperative by its president or vice president under its seal, attested by its secretary, and stating:

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a. (1) The name of the EnergyElectric Cooperative,

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b. (2) the address of its principal office and

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c. (3) that the Cooperative Members of the EnergyElectric Cooperative have voted that the EnergyElectric Cooperative be dissolved, shall, together with an affidavit made by its president or vice president or equivalent officer of the EnergyElectric Cooperative executing the certificate, stating that the statements in the certificate are true, be submitted to the Secretary of State for filing.

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EC. Upon the filing of the certificate and affidavit with the Secretary of State, the EnergyElectric Cooperative shall cease to carry on its business except to the extent necessary for the winding up thereof, ~~but its corporate existence shall continue until articles of dissolution have been filed with the Secretary of State~~. The board of trustees shall immediately cause notice of the dissolution proceedings to be mailed to each known creditor of and claimant against the EnergyElectric Cooperative and to be published once a week for two successive weeks in a newspaper of general circulation in the town in which the principal office of the EnergyElectric Cooperative is located.

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FD. The Board of Directors shall wind up and settle the affairs of the EnergyElectric Cooperative, collect sums owing to it, liquidate its property and assets, pay and discharge its debts, obligations and liabilities and do all other things required to wind up its business, and, after paying or discharging or adequately providing for the payment or discharge of all of its debts, obligations and liabilities, shall distribute any remaining sums among its actual and former Cooperative Members in proportion to the patronage of the respective actual and former Cooperative Members during a period specified in the ~~bylaws~~ laws, which period shall be at least ten (10) years next preceding the date of the filing of the certificate with the Secretary of State or, if the EnergyElectric Cooperative has not been in existence for such period, then during the period of its existence prior to such filing.

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GE. The Board of Directors shall thereupon authorize the execution of articles of dissolution, which shall be executed and acknowledged on behalf of the EnergyElectric Cooperative by its president or vice president and its seal shall

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be affixed thereto and attested by its secretary. The articles of dissolution shall recite that they are executed pursuant to this chapter and shall state:

- (1.) The name of the EnergyElectric Cooperative;
- (2.) the address of its principal office;
- (3.) the date on which the certificate of election to dissolve was filed with the Secretary of State;
- (4.) that there are no actions or suits pending against the EnergyElectric Cooperative;
- (5.) that all debts, obligations and liabilities of the EnergyElectric Cooperative have been paid and discharged or that adequate provision has been made therefor; and
- (6.) that the preceding provisions of this subsection have been complied with. The president or vice president executing the articles of dissolution shall make and annex thereto an affidavit stating that the statements made therein are true.

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H. The Energy Cooperative could also be converted into a new business model, whether through merger, consolidation or any other form of legal business, provided that it obtains authorization from the Energy Bureau and, the new business model complies with the requirements established by the Energy Bureau.

Section 2.12.- Disposition of Property.

- A. The Board of Directors of an Energya-Electric Cooperative shall have full power and authority, without authorization by the Cooperative Members thereof, to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust of, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the EnergyElectric Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors determines, to secure any indebtedness of the EnergyElectric Cooperative to any lender or other entity.
- B. A EnergyElectric Cooperative may not otherwise sell, mortgage, lease or otherwise dispose of or encumber all or a substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized by the affirmative vote of not less than a majority of all the Cooperative Members of the Energy Cooperative. To that effect the Board of

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Directors must prepare and present to its members for approval, a report detailing the proposed course of action. Electric Cooperative.

ARTICLE 3.- SERVICES CERTIFICATIONS

Section 3.01.- Energy Cooperative Certifications

- A. In addition to complying with the requirements set forth in this Regulation, all Energy Cooperatives shall be certified as Electric Service Companies.
- B. Energy Cooperatives shall submit to the Energy Bureau an application for certification as Electric Service Company, and shall comply with any and all applicable requirements set forth in Regulation 8701.
- C. For the purposes of this Regulation, an Energy Cooperative with an aggregate generating capacity of more than one megawatt (1 MW) shall comply with the requirements of Section 3.07(A)(1)(a), 3.07(A)(2) and Article IV of Regulation 8701.

Section 3.02 Reporting Requirements

- A. Energy Cooperatives shall submit to the Energy Bureau any and all reports required by Regulation 8701.
- B. Energy Cooperatives shall also be required to submit to the Energy Bureau, an annual report on fuel usage, generation, and sales. This report shall include:
1. Electric generation by resource type;
 2. Thermal generation by resource type, if applicable;
 3. Fuel use by resource type;
 4. Capacity factor by month and year, if applicable;
 5. Total sales in kWh and in dollars (\$);
 6. Any change in the number of customers, including additions and departures of customers; and
 7. Any other information that the Energy Bureau may require.
- C. Energy Cooperatives shall take into consideration the following elements and inform the Cooperative Members on a yearly basis, or more often, how they are complying with them:

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1. Socioeconomic and technical empowerment through the cooperative model - Development and integration of the community: alliances for intercommunity, municipal and regional collaboration. Enhancement of the necessary capital through cooperative financial entities and management of special federal funds. Operational and economic sustainability of the cooperative. Economic model of the service.
2. Decentralization of energy sources - Production of energy close to community consumption sources. Options for isolated and special communities.
3. Reduction of dependence on fossil fuels - Use of sources formally recognized as renewable including solar, hydroelectric and wind.
4. Technical aspects and technological innovation - Modern energy system with advanced technologies, such as solar communities, microgrids, intelligent controls, storage technologies and back-up options.
5. Resilience to natural disasters - Emphasize designed, constructed and reinforced systems such as: underground; mounting and anchorage resistant to winds; location outside of areas where they can be affected by landslides; protection of controls and electronic systems against floods; panels and equipment built with resistant materials. To promote underground systems in areas of critical service facilities and urban centers.
6. Reliability, continuity and stability of the system - Ability to operate autonomously (Off-the-grid); enough generation capacity and energy storage systems. Flexible, robust, reliable and efficient systems. Continuous and stable energy service. Planning for different eventualities.
7. Design, construction and operation - Connectivity and integration with existing systems. Attention to the different elements of the system: generation, distribution, storage, metering and billing.
8. Guarantees and maintenance of the systems - Uniformity and modernization; maintenance of the infrastructure.
9. Provision of appropriate, reasonable and transparent services - Affordable, fair and reasonable system cost. Sustainable economic model and cost-effective. Flexibility before a competitive market.

D. As part of the operational report submitted to the Energy Bureau pursuant Regulation 8701, Energy Cooperatives shall include a copy of the most recent report provided to its members pursuant to Paragraph (C) of this Section.

ARTICLE 4.- SERVICES

Section 4.01.- Energy Cooperative Services.

A. EnergyElectric Cooperatives shall generate, transmit, purchase and/or distribute electric power primarilymainly to meet the electric power needs of theirthe members and communities thereofit serves. However, EnergyElectric Cooperatives may also enter into agreements to sell electric power to Affiliated Consumers, as well as sell the excess power and other grid services to PREPA (, or PREPA's successor entity).. All types of users who are consumers of electric power, service providers and/ or electric power workers and producers, including natural persons or nonprofit juridical persons, may be Cooperative Members of the EnergyElectric Cooperatives.

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B. Any EnergyElectric Cooperative that intends to provide services to its Cooperative Members and/ or Affiliated Consumers through a Microgrid shall comply with the provisions of Regulation 9028⁴, Regulation on Microgrid Development, any amendment of said regulationRegulation or any other regulation adopted by the Energy Bureau regarding Microgrids. Furthermore, any EnergyElectric Cooperative that intends to provide energy services through wheeling shall comply with the regulations issued by the Energy Bureau to that effect.

Section 4.02.- Certification.

In addition to complying with the requirements set forth in this Regulation, an Electric Cooperative shall be certified as an Electric Service Company, and shall comply with any and all applicable requirements set forth in Regulation 8701.

Section 4.03.- Rates for Service.

A. EnergyElectric Cooperatives shall operate in a non-profit manner, since its main purpose shall be to provide electric power services to their customersCooperative Members and Affiliated Consumers that are uninterrupted, stable, efficient, reliable and at the lowest possible cost. Rates and other fees charged by an EnergyElectric Cooperative to its customersCooperative Members and Affiliated Consumers shall be sufficient to pay the operating and maintenance expenses required by the electric power system, as well as their financial obligation in order to provide the continuity,

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⁴ Regulation on Microgrid Development.

stability, efficiency, and reliability of services, meeting the needs of future developments.

- B. ~~Energy/Electric~~ Cooperatives must charge uniform rates across all ~~customers~~ Customers of the same customer-class. Within a customer-class, charges may be structured in any non-discriminatory manner, including but not limited to energy rates varying by usage block, time of use, season, system load and condition. The rate at which energy and grid services are sold shall be cost-based, supported by substantial documentation.

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Section 4.03.- Rate Review and Approval

- A. ~~Energy/Electric~~ Cooperatives ~~shall~~may submit, for the Energy Bureau's approval, a proposed rate structure, including all supporting documentation. The Energy Bureau retains jurisdiction to review and approve at any time it deems appropriate, the rates and other fees charged by ~~Energy/Electric~~ Cooperatives to ensure that such rates are just and reasonable and to prevent discriminatory restrictions or additional requirements from being applied thereto for having been organized as an ~~Energy/Electric~~ Cooperative, in accordance with applicable regulations.
- B. Upon filing the proposed rate structure with the Energy Bureau for its evaluation and approval, the Energy Cooperative shall notify the Independent Consumer Protection Office, who, at its discretion, may decide to participate in the rate evaluation process.
- C. The Energy Cooperative or any customer of an Energy Cooperative may petition the Energy Bureau to conduct a rate review for the service provided by the Energy Cooperative, subject to the following restrictions and requirements:
1. Energy Cooperative rates shall not be subject to review by the Energy Bureau during the first three (3) years after the Energy Bureau approves them.
 2. Petitions for rate review may be brought by customers or the Energy Cooperative as follows:
 - a. Customers may petition for rate review on the basis of unjust or unreasonable rates, on the basis of undue burden, or on the basis of imprudence or inadequate service on the part of the Energy Cooperative.

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- b. Energy Cooperatives may petition for rate review on the basis of unjust or unreasonable rates or on the basis of insufficient cost recovery.

Section 43.04.- Billing.

- A. Electric Bills shall be rendered in regular periodic intervals as established by the Energy Bureau for all Cooperative Members and Affiliated Consumers receiving service from the Energy Electric Cooperative, and in accordance with the terms of the contract of service. Payment shall be due within thirty (30) days of the issuance of the Electric Bill which may be issued electronically or by mail.
- B. All Electric Bills must be drafted clearly and plainly so that they are easy to understand without requiring that readers possess any specialized knowledge for their comprehension and must include the contact information of the Energy Bureau and the Independent Consumer Protection Office. The format for electric bills must be submitted to the Energy Bureau for its approval.
- C. The Energy Cooperatives electronic billing systems will offer complete privacy to their member. The proprietary information of the cooperative will not be shared or sold to private parties or entities except when necessary to accomplish the goals and purpose of the Energy Cooperative, and following the process and requirements established in the bylaws for such purpose.

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Section 43.05.- Bill Objections and Suspension of Service.

- A. All Electric Bill objections and suspension of service procedures will be conducted in accordance with Regulation 8863, Regulation on the Procedure for Bill Review and Suspension of Electric Service, or any future regulation approved by the Energy Bureau to that effect.
- B. The Board of Directors will determine the person responsible for initially adjudicating objections to Electric. Depending on the size, number of members and administrative capacity of the Energy Cooperative, a person or committee will be delegated the ability to make such initial determination. The person or committee may be composed of voluntary members, members of the Board of Directors, administrative staff or the Chief Executive Officer of the Cooperative. If the customer is not satisfied with the initial determination, the customer can appeal such decision to the Board of Directors or to a special committee, as designated in the bylaws or by the Board of Directors. The proposed process to adjudicate objections to Electric Bills will be submitted to the Energy Bureau for approval.

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C. If a customer is not satisfied with the final decision of the Energy Cooperative regarding an objection to an Electric Bill, the customer can request a formal review by the Energy Bureau, in accordance with Regulation 8863.

Section 43.06.- Complaint Procedure.

A. EnergyElectric Cooperatives shall develop and publish an internal procedure for addressing any complaints, other than bill disputes, a Cooperative Members and/or Affiliated Consumers may have with regards to the Energy Services and/or other Grid Services provided to the customer Customer. The procedures shall clearly describe the process through which a Customer may file any complaint or grievance with the EnergyElectric Cooperative and the process through which the EnergyElectric Cooperative will address said complaint or grievance, including the time period within which such complaints or grievances will be addressed. The proposed procedure will be submitted to the Energy Bureau for its approval.

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B. If a Cooperative Member and/or Affiliated Consumer does not agree with a determination made by the EnergyElectric Cooperative in relation to a complaint or grievance made pursuant to this Section may file a complaint with the Energy Bureau for review of such determination. The complaint shall be filed pursuant to Regulation 8543.

ARTICLE 5.- RECONSIDERATION AND JUDICIAL REVIEW

Section 5.01.- Request for Reconsideration

Any person that is not satisfied with a final decision made by the Energy Bureau under this Regulation may file, within the term of twenty (20) days from the date copy of the notice of such decision is filed by the Energy Bureau's Clerk, a request for reconsideration before the Energy Bureau wherein the petitioner sets forth in detail the grounds that support the request and the decisions that, in the opinion of the petitioner, the Energy Bureau should reconsider.

Section 5.02.- Judicial Review

Any person dissatisfied with a final decision of the Energy Bureau under this Regulation may, within thirty (30) days from the date copy of notice of a final decision addressing a request for reconsideration is filed by the Energy Bureau's Clerk, or within thirty (30) days from the date copy of the notice of a Commission final decision is filed by the Energy Bureau's Clerk, if a request for reconsideration has not been filed, appear before the Court of Appeals of the Commonwealth of Puerto Rico by way of writ of judicial review, pursuant to Section 4.2 of LPAU and the applicable Rules of the Court of Appeals.

Agreed upon by the Puerto Rico Energy Bureau, in San Juan, Puerto Rico, on October
_____, 2019.

Edison Avilés Deliz
Chairman

Ángel R. Rivera de la Cruz
Associate Commissioner

R

Lillian Mateo Santos
Associate Commissioner

Ferdinand A. Ramos Soegaard
Associate Commissioner