

***UNOFFICIAL TRANSLATION***

**COMMONWEALTH OF PUERTO RICO**

17<sup>th</sup> Legislative  
Assembly

1<sup>st</sup> Special  
Session

**SENATE OF PUERTO RICO**

**S. B. 841**

November 20, 2013

Introduced by Mr. *Bhatia-Gautier*

*Referred to the Committee on Energy Affairs and Water Resources*

**AN ACT**

To create the Municipal Energy Efficiency Act in order to devise energy savings strategies that reduce electric power consumption in the municipalities; establish incentives to achieve energy savings and sanctions for failure to achieve them; entrust the Office of the Commissioner of Municipal Affairs with the adoption of the necessary regulations for the implementation of the established incentives; create municipal boards to grant incentives; and provide that the Puerto Rico Electric Power Authority shall enjoy preferred creditor status to collect any amounts owed by municipalities, among other matters.

**STATEMENT OF MOTIVES**

Municipal governments receive a credit on their electric bill provided by the Puerto Rico Electric Power Authority in lieu of their taxes. Regardless of the merits of this agreement, the truth is that, other than a sense of social responsibility, municipalities lack incentives to implement energy efficiency programs.

The expenses incurred by municipalities to cover the cost of electricity have increased alarmingly in the last decades. PREPA's audited financial statements for fiscal years ending on June 30, 2010 and 2012 show that the contribution made by this public corporation to the 78 municipalities was of \$187,686,000 in 2009; \$196,490,000 in 2010; \$212,462,000 in 2011; and \$244,462,000 in 2012. The foregoing reflects a 30.2% collective consumption increase in four years and a 15% increase in the last two years alone. This sometimes inadequate use of electricity is one of the reasons for the increase in the cost of energy in the Island, which is ultimately paid by the people through their electric bills.

Currently, the lights in some municipal offices and buildings are left on even when they are not being used. Likewise, the lighting systems in recreational areas and sports facilities remain on twenty-four (24) hours a day, because the photocells that would normally turn the lights off during the daytime are not working. Furthermore, a large number of municipal facilities have obsolete lighting systems and appliances that may be easily replaced with more efficient ones. All these factors that are under the control of municipalities excessively increase their consumption of electric power.

In light of this reality, this Legislative Assembly has the responsibility of adopting a mechanism to ensure that municipalities use energy resources efficiently and wisely. For such purposes, an electric power consumption subsidy is hereby established for each municipality based on a contribution per number of inhabitants, taking into account the municipal contribution or consumption for the year 2011, as shown in the records of the Puerto Rico Electric Power Authority. Such subsidy shall be adjusted gradually within a period of several years so that the contribution of the Authority to municipalities is similar to that made in 2009. This mechanism seeks to encourage municipalities to replace inefficient equipments with higher efficiency ones, repair equipment intended for energy

conservation, and ensure the conservation of energy in municipal facilities that are not being used. It also seeks to enable the development of renewable energy generation projects in municipal facilities.

In the same way, this Legislative Assembly deems it necessary to compensate those municipalities that reduce their energy consumption by granting consumption credits to entities that provide community service or to promote job creation. Likewise, discouraging measures shall be taken with respect to those municipalities that fail to implement initiatives to reduce their consumption of energy.

For all of the foregoing, this Legislative Assembly hereby adopts the Municipal Energy Efficiency Act as a means to promote energy savings in municipalities.

***BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:***

1           Section 1.- Title.-

2           This Act shall be known as the “Municipal Energy Efficiency Act.”

3           Section 2.- Declaration of Public Policy.-

4           It is hereby declared public policy of the Commonwealth of Puerto Rico that  
5 energy resources available in the Island shall be used wisely and efficiently. Thus,  
6 all government components shall be required to take actions and measures to  
7 reduce or eliminate those activities or practices that waste or inefficiently use  
8 energy resources in government facilities. Therefore, our strategy shall consist of  
9 establishing specific initiatives to achieve energy efficiency in municipalities.

1 Section 3.- Definitions.-

2 The following terms shall have the meaning stated below:

3 (a) "Puerto Rico Electric Power Authority" means the public corporation  
4 created by virtue of Act No. 83 of May 2, 1941, as amended.

5 (b) "Municipal Revenue Collections Center" means the body created by  
6 virtue of Act No. 83 of August 30, 1991, as amended.

7 (c) "2010 Census" means the population statistics of the municipalities of  
8 Puerto Rico, as collected and published by the U.S. Census Bureau for 2010.

9 (d) "Baseline Energy Use" means the dollar amount arising from the  
10 number of inhabitants in each municipality, as provided in the 2010 Census,  
11 multiplied by the amount of the electric power subsidy set forth in Section 4 of this  
12 Act.

13 (e) "Energy Savings Credit" means an electric power consumption  
14 authorization issued by the Puerto Rico Electric Power Authority to a municipality  
15 whose actual energy savings were in excess of the baseline energy use established  
16 for such municipality. The amount of the credit shall be determined by the energy  
17 savings generated as measured by the difference between the baseline energy use  
18 and the actual electric power consumption of the municipality.

19 (f) "Consumption Rate Deficiency" means the dollar amount of the  
20 actual electric power that a municipality consumed in excess of its baseline energy  
21 use, which the Puerto Rico Electric Power Authority shall charge to such  
22 municipality through an electric bill.

23 (g) "Office of the Commissioner of Municipal Affairs" means the body  
24 created by virtue of Act No. 81 of August 30, 1991, as amended.

1           Section 4.- Energy Savings Plan for Municipalities.-

2           It shall be the duty and responsibility of municipal governments to  
3 implement strategies that reduce electric power consumption in the facilities under  
4 its jurisdiction. To such ends, every municipality shall take any actions and  
5 measures geared toward reducing their annual consumption of electric power.  
6 Thus, an annual baseline energy use subsidy is hereby established for each  
7 municipality, to be paid every month by the Puerto Rico Electric Power Authority  
8 through complimentary electric power service, which shall be computed as  
9 follows:

10           (a) For the first year in which this Act is effective, the subsidy shall be  
11 fifty-seven dollars (\$57.00) multiplied by the number of inhabitants of each  
12 municipality.

13           (b) For the second year in which this Act is effective, the subsidy shall be  
14 fifty-six dollars (\$56.00) multiplied by the number of inhabitants of each  
15 municipality.

16           (c) For the third year in which this Act is effective, the subsidy shall be  
17 fifty-five dollars (\$55.00) multiplied by the number of inhabitants of each  
18 municipality.

19           (d) For the fourth year in which this Act is effective, the subsidy shall be  
20 fifty-four dollars (\$54.00) multiplied by the number of inhabitants of each  
21 municipality.

22           (e) For the fifth year in which this Act is effective, the subsidy shall be  
23 fifty-three dollars (\$53.00) multiplied by the number of inhabitants of each  
24 municipality.

1 (f) For the sixth year in which this Act is effective, the subsidy shall be  
2 fifty-two dollars (\$52.00) multiplied by the number of inhabitants of each  
3 municipality.

4 (g) For the seventh year in which this Act is effective, the subsidy shall be  
5 fifty-one dollars (\$51.00) multiplied by the number of inhabitants of each  
6 municipality.

7 (h) For the eighth and subsequent years in which this Act is effective, the  
8 subsidy shall be fifty dollars (\$50.00) multiplied by the number of inhabitants of  
9 each municipality.

10 Section 5.- Incentives for Energy Savings.-

11 Any municipality whose efforts to reduce electric power consumption have  
12 achieved savings in their actual consumption of electric power in excess of the  
13 baseline energy use established therefor shall be entitled to receive an energy  
14 savings credit issued by the Puerto Rico Electric Power Authority, which may be  
15 used as an incentive for industries and businesses in its jurisdiction to generate new  
16 economic activity and create jobs. The municipality may also transfer such credit  
17 to institutions providing services to the citizenry, such as shelters, schools, and  
18 elderly care centers, among others. Municipalities may share their energy savings  
19 credits through municipal consortia for the benefit of industries and businesses that  
20 are located in the municipalities belonging to such consortia.

21 The Office of the Commissioner of Municipal Affairs, in conjunction with  
22 the Department of Economic Development and Commerce and the Electric Power  
23 Authority, shall promulgate the necessary regulations to identify the activities and  
24 entities that may benefit from the energy savings credits, and define the credit  
25 granting process. The regulations herein required shall be adopted within a term  
26 that shall not exceed one hundred and eighty (180) days after the effective date of  
27 this Act.



1           Each municipality shall create a Board composed of three (3) members  
2 designated among municipal employees, to be appointed by the Mayor and  
3 confirmed by the Municipal Legislature. Such Board shall be entrusted with  
4 carrying out all that pertains to granting energy savings credits issued by the  
5 Electric Power Authority. If the benefit is distributed through a municipal  
6 consortium, the Board of the municipality where the trade or business receiving the  
7 incentive is located shall be in charge of processing the energy savings credits.  
8 Each Board shall adopt bylaws to carry out its operations in accordance with the  
9 procedure to be established by the Office of the Commissioner of Municipal  
10 Affairs for such purposes.

11           Section 6.- Failure to Achieve Energy Savings.-

12           Any municipality that fails to reach the baseline energy use established in  
13 Section 4 of this Act shall pay the Puerto Rico Electric Power Authority the  
14 amount corresponding to the consumption rate deficiency. The Electric Power  
15 Authority shall be a preferred creditor and shall charge any consumption rate  
16 deficiency to the corresponding municipality. Given the preferred creditor status of  
17 the Authority, such agency is hereby empowered to collect any outstanding  
18 invoices causing the Municipal Revenue Collection Center to deduct the amount  
19 owed from the real and property taxes collected by the municipality in question.  
20 Any municipality that has outstanding debts with the Puerto Rico Electric Power  
21 Authority in connection with energy service may not request advances from the  
22 Municipal Revenue Collection Center, provided, that the Electric Power Authority  
23 has notified the Municipal Revenue Collection Center of such debt, until the same  
24 is paid in full.

25           Section 7.- This Act shall take effect immediately after its approval.