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**PREPA's Governing Board Adopts a New Vision for the Transformation
Announced by the Governor of Puerto Rico**

SAN JUAN, PR 02/01/18: At its board meeting yesterday, the Governing Board of the Puerto Rico Electric Power Authority formally adopted a Vision for the Future of Power in Puerto Rico to provide focus to efforts to transform the power utility, in accordance with the privatization plan presented by Governor Ricardo Roselló.

According to Ernesto Sgroi, the Chair of the Governing Board, "Our goal is not just emergence from bankruptcy and restoration of power, but instead, the establishment of a model for power generation and delivery in Puerto Rico that sets a global example for cost, resilience, sustainability, and customer engagement and empowerment. PREPA's privatization is a key step to its recovery in the short-and medium-term and indispensable to its transformation in the long-term."

The vision for the future electric system in Puerto Rico was developed with the extensive involvement of PREPA's Transformation Advisory Council (TAC), a group of utility industry executives and thought leaders who are volunteering their time to provide guidance to PREPA's board and management team.

David Owens, Chair of the TAC and a former Executive Vice President of the Edison Electric Institute stated, "The topic of power sector transformation is being addressed by utilities all over the country. The TAC provides a way for PREPA to access best-in-class perspectives on how the utility business model is changing."

Cris Eugster, Co-Chair of the TAC and Chief Operating Officer of CPS Energy in San Antonio added, "We are pleased to support Puerto Rico in its journey towards establishing a more sustainable and customer focused utility system of the future."

The Vision for the Future of Power in Puerto Rico adopted by the Governing Board has 5 key pillars:

*First and foremost, the system is **Customer-Centric***

The system serves the customer with affordable, reliable power, with transparent metrics for quality of service and with equitable consideration across all customers. Quality/Reliability can be





differentiated for customers in a manner that serves their total cost and risk objectives. Customers are engaged by innovative products and value added services that provide choice among rate plan and risk management options, and provide access to wholesale contracting options for large customers. Customers are empowered with behind-the-meter alternatives for energy efficiency, demand management, and distributed generation, with the ability to become prosumers if they so choose.

*Second, the system promotes **Financial Viability***

The system is premised on positive economics on both sides of the meter. Rates are reasonable and create value for the customer, while pricing is sufficient to cover costs. Rate and market design create incentives to purchase, consume or produce energy in a manner that benefits the entire system. Subsidies are minimized, and those that remain have a non-distortionary impact. Operational excellence and sound long term planning reduce the cost to serve. Rates are affordable within a model that allows the utility to earn a reasonable rate of return and service its debt. The business model is robust to changes such as outmigration and reduction in energy demand, and does not create disincentives for adoption of cheaper energy resources, either at the grid level or at the customer premises.

*Third, the system is **Reliable and Resilient***

The grid is thoughtfully planned, well maintained and safely operated to achieve defined reliability and resiliency goals. There is visibility into the system at all levels, and control where appropriate. Standards for recoverability create a measure for resilience. The choice of architecture (distributed vs. regionalized vs. centralized) is intentionally made to balance reliability/resilience and cost objectives while also taking advantage of advancements in technology and innovation.

*Fourth, the system is a **Model of Sustainability***

There is a progressive focus on diversifying energy resources and reducing the carbon intensity of the power sector, in both primary generation and backup generation. Power generation is efficient and minimizes emissions. Customers have incentives to use energy wisely and to generate their own clean energy. The grid and grid





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systems are designed to take maximum advantage of increasingly cost effective renewable power generation alternatives and to integrate emerging technologies.

*Finally, the power system serves as an **Economic Growth Engine** for Puerto Rico*

The quality, reliability, and cost of power attracts new commercial and industrial development to Puerto Rico, and encourages existing commercial and industrial customers to expand their operations. Transformation and reinvestment in the power system creates new jobs. Innovation in the generation and delivery of power creates a local ecosystem of businesses that provide for evolving needs for equipment, technology and services in Puerto Rico and beyond.

In order to achieve this vision for the power sector in Puerto Rico, the Governing Board is working closely with the Governor of Puerto Rico to propose and enact reforms in the overall industry structure and to transform the Puerto Rico Electric Power Authority. “Along with a legal and regulatory framework for a privatized utility, we need to create a framework for how that utility coexists with a wide array of customer-centric options such as microgrids that buy and sell power to the grid. This reform needs to be part of a single, coordinated effort integrating multiple planning activities, while also leveraging studies being conducted by other groups,” explained Mr. Sgroi.

Todd Filsinger, PREPA’s Chief Financial Advisor will lead the effort for further development of the coordinated transformation plan, liaising with counterparts from the Governor’s office, and coordinating with the Financial Oversight and Management Board (FOMB), the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) and other stakeholders. As part of the transformation, PREPA is developing an updated Integrated Resource Plan (IRP) that will serve as one of the building blocks for the future of Puerto Rico’s power generation.

As previously announced, the Governing Board is in middle of a search process for a new, world-class Executive Director for PREPA. Once onboard, PREPA’s new Executive Director will be responsible for execution and shepherding PREPA through the transformation to the customer-focused utility of the future.

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