



Republic of Palau
Office of the President

Tommy E. Remengesau, Jr.
President

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January 23, 2018
Serial No.18-470

The Honorable Hokkons Baules
President of the Senate
10th Olbiil Era Kelulau
Ngerulmud, Palau National Capitol
Republic of Palau 96939

Re: PNEC Amendments to Title 37 of the Palau National Code

Dear President Baules:

It is my pleasure to submit for your consideration the following recommendations of the Palau National Energy Committee (PNEC). The PNEC, following up on the findings and recommendations of the Palau Energy Summit, has proposed the following amendments to Chapters 4, 6, and 7 of Title 37 of the Palau National Code. I believe that these proposed changes will be important first steps toward realizing the *Palau Energy Summit's Summit Findings and Action Plan*.

The purpose of the Palau Energy Summit was to find a way to achieve our goals under the Paris Climate Agreement: to achieve a 22% greenhouse gas emissions reduction; to generate at least 45% of our energy from renewable sources; and to significantly increase energy efficiency. Palau has committed to reach all of these targets by the year 2025. As an important first step, the Energy Summit determined that "urgent legislative action" was needed "to reconcile the language of RPPL 9-4, RPPL 9-54, and the Net Metering Act" in order to "clarify roles and authorities of the PPUC to the PEA." The Energy Summit members further determined that the "PEA should be established as Palau's regulatory authority."

I believe that these proposed amendments will serve the dual purposes of harmonizing the current laws and of establishing the PEA as Palau's regulatory authority in the energy sector, thus accomplishing an important first step.

In the proposed amendment to Chapter 4, also known as RPPL 9-4, the PEA is granted sole regulatory authority "in the area of energy production, purchase, and sale", thus establishing the PEA's role as regulator not only of the PPUC but of Palau's entire energy sector. As an extension of this regulatory authority, the PEA would also take over the responsibility of approving the PPUC's



major business negotiations, such as entering into Power Purchase Agreements, and of promulgating regulations “establishing the manner in which prior approval to enter into business negotiations is requested and subsequently granted or denied.” Similarly, the PPUC would be required to “propose standards and guidelines for adoption by the Palau Energy Administration, pursuant to applicable regulations, that allow the PPUC to receive energy generated by hotels and other Independent Power Producers [IPPs] into the PPUC electrical grid[.]” The need to bring IPPs into the mainstream electrical grid, which will increase renewable energy deployment, was a primary finding of the Energy Summit.

The proposed amendments to Chapter 6, otherwise known as the Net Metering Act, serve simply to harmonize Chapter 6 with Chapters 4 and 7, and to balance the incentive to accelerate deployment of rooftop solar panels while still maintaining the financial viability of the PPUC. Section 605 in particular was amended to allow the PPUC to “propose, subject to approval by the PEA, regulations establishing a maximum limit for the installed capacity of net metered renewable energy systems connected to the PPUC grid for each system of renewable energy technology and for residential and commercial classes.” The PEA would also be required to “establish regulations to determine whether to approve the adoption of the PPUC’s regulations.”

The proposed amendments to Chapter 7, otherwise known as RPPL 9-54, in addition to harmonizing Chapters 4, 6, and 7, also accomplish an additional goal of the *Summit Findings*: establishing a “provision of an ‘indicative list’ of standards and regulations to be promulgated by the PEA.” This indicative list includes, among other things, establishing technical standards for grid connection, relevant grid connection standards, net electricity metering regulations, procedures for approving or denying rate changes, and minimum requirements for Power Purchase Agreements with Independent Power Producers.

As you can see, the proposed amendments serve several purposes, and will accomplish important steps set forth in the *Findings*. I believe that these amendments will put Palau in a position to accomplish our Paris Agreement goals and become the global leader in clean energy. I sincerely appreciate the invaluable contributions of you, Speaker Anastacio, Chairman Kyota, Chairman Rudimch, Senator Reklai, Chairman Basilius, Delegate Ngemaes, Delegate Marino, Delegate Otobed, and all other participants at the Energy Summit who helped make these amendments possible. My office stands ready to provide any further information that you might require. I look forward to continuing this work together.

Sincerely,

Tommy H. Remengesau, Jr.
President of the Republic of Palau



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Serial No.18-470

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Speaker of the House of Delegates
10th Olbiil Era Kelulau
Ngerulmud, Palau National Capitol
Republic of Palau 96939

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Sincerely,

A handwritten signature in black ink, appearing to read "Tommy H. Remengesau, Jr.", written over a faint, larger version of the same signature.

Tommy H. Remengesau, Jr.
President of the Republic of Palau

A BILL FOR AN ACT

To amend Chapters 4, 6, and 7 of Title 37 of the Palau National Code conferring on the Palau Energy Administration regulatory authority concerning power generation, and to implement additional determinations of the *2017 Palau Energy Summit and Paris Agreement Implementation Workshop*.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIIL ERA KELULAU DO ENACT
AS FOLLOWS:

1 **Section 1.** Legislative Findings. As a result of the *2017 Palau Energy Summit and*
2 *Paris Agreement Implementation Workshop*, the OEK acknowledges the need to reconcile three
3 chapters of Title 37 so as to establish the Palau Energy Administration as the regulatory
4 authority in the area of energy production, purchase, and sale.

5 **Section 2.** Chapter 4 of Title 37 of the Palau National Code is amended as follows:

6 “**§402. Definitions.**

7 In this chapter:

8 (a) “Board of Directors” or “Board” means the Board of Directors of the Palau Public
9 Utilities Corporation.

10 ...

11 (e) “Palau Energy Administration” or “PEA” means the Administration as established
12 in Chapter 7 of this Title.

13 ...

14 **§403. Creation of corporation; general provisions.**

15 (a) There is created a public corporation, to be called the Palau Public Utilities
16 Corporation (PPUC), which shall operate in the form and manner prescribed by this chapter, and
17 which shall be subject to regulations as promulgated by the Palau Energy Administration.

18 (b) PPUC is exempt from all national and state taxes or fees ~~and from all state~~
19 ~~government regulations or control~~. However, nothing in this chapter shall exempt employees,
20 suppliers, and independent contractors of PPUC from their tax obligations, and PPUC shall be
21 liable for employees’ contributions to the Social Security System, Medical Savings Fund, and
22 the Civil Service Pension Plan of the Republic in a manner provided by law.

23 **§404. The PPUC Board of directors; terms, vacancies, quorum and**
24 **compensation.**

1 (a) The affairs of the PPUC shall be directed, and its corporate powers exercised, by a
2 Board of Directors, as regulated by the Palau Energy Administration, per §419.

3 . . .

4 (c) Composition.

5 (1) The ~~PPUC~~ Board shall consist of seven (7) voting members that shall be
6 called "Directors," which shall be appointed by the President with the advice and consent of the
7 Senate.

8 (2) Four (4) Board member positions shall be held by individuals in possession
9 of a bachelor degree and with at least two (2) years experience in electric utilities management,
10 water utility management, waste water management, utility engineering experience, finance,
11 management, public administration, or law.

12 . . .

13 **§ 406. Chief Executive Officer.**

14 (a) The Board shall appoint one (1) person to be the Chief Executive Officer of PPUC and
15 to serve as a non-voting member of the Board. The Board shall use its best efforts to appoint as
16 Chief Executive Officer a person with appropriate training, broad experience and demonstrated
17 ability in the operational, financial, personnel, and other aspects of managing an electricity, water
18 and waste water services company, or similar installation.

19 . . .

20 (c) The Chief Executive Officer shall have, in accordance with the oversight of and
21 policies established by the Board, charge and control of the operation and maintenance of the
22 facilities of the PPUC, and of construction of any additions, modifications in or replacement of
23 any part of such PPUC facilities. The powers of the Chief Executive Officer shall include:

24 (1) To ensure that all rules and regulations of the PPUC, and all rules and
25 regulations governing the PPUC, are enforced;

26 . . .

27 **§ 407. Review of contracts.**

28 The Chief Executive Officer, ~~and the Board,~~ and the PEA shall ensure that all legal
29 agreements and contracts are reviewed and approved as to form and legality by an attorney with
30 responsibility for assisting the PPUC or the PEA or by the Attorney General.

1 **§ 408. Review of major business negotiations.**

2 (a) Whenever the PPUC enters into business negotiations involving the transfer of
3 operating or managerial control to a party other than the PPUC, it shall notify the President of the
4 Republic of Palau and the presiding officers of the Olbiil Era Kelulau in writing of these
5 negotiations, and secure prior approval of the ~~President and the Olbiil Era Kelulau~~ Palau Energy
6 Administration. The PEA shall create regulations establishing the manner in which prior
7 approval to enter into business negotiations is requested and subsequently granted or denied.

8 (b) The approval to enter into business negotiations is separate from, and has no bearing
9 upon, the contract review process required in § 407 or the contract approval process required in §
10 707.

11 ...

12 **§ 410. General Corporate Powers.**

13 (a) The PPUC shall have the power to do all things necessary or convenient to be done in
14 connection with or incidental to the performance of the functions and all things related to the
15 performance of its functions, including the following:

16 (1) to have succession and to sue and be sued in its corporate name;

17 ...

18 (6) to obtain the services of suppliers, employees, agents, attorneys, auditors, and
19 independent contractors upon such terms and conditions as it deems appropriate, in accordance
20 with any applicable rules and regulations; however, no health insurance shall be provided to
21 PPUC employees, other than Palau Health Insurance. There shall be no prohibition of private
22 health insurance for employees acquiring such health insurance at their own expense;

23 ...

24 **§ 411. Powers and responsibilities of the PPUC.**

25 (a) Subject to applicable rules and regulations as promulgated by the PEA, the PPUC
26 shall be responsible for the electricity operations of the Republic, which shall include the
27 following powers and responsibilities:

28 (1) To generate, acquire, exchange, transport, distribute, market, and otherwise
29 supply electricity;

30 ...

1 (7) To adopt electricity service regulations to set electrical standards for the power
2 system and any renewable energy systems, subject to approval by the PEA; and

3 (8) To refuse any substandard connection that does not meet the requirements of
4 subsection (7) above;

5 (9) To propose standards and guidelines for adoption by the Palau Energy
6 Administration, pursuant to applicable regulations, that allow the PPUC to receive energy
7 generated by hotels and other Independent Power Producers into the PPUC electrical grid; and

8 (10) ~~PPUC shall~~ To propose for adoption establish and implement a structure of
9 rates and to implement the rate structure as established by the Palau Energy Administration as in
10 § 704, for its electrical services ~~and facilities~~ calculated to ensure that adequate and equitable
11 charges are imposed for its services.

12 ...

13 **§ 412. Rates; rate making process.**

14 (a) The rates set by the PPUC for the electricity operations of the Republic that are in
15 effect on the effective date of the amendment of this act ~~Title~~ shall be the rates of PPUC on the
16 effective date of the amendment of this Act ~~Title~~.

17 ...

18 (e) The Board may ~~adopt~~ propose, subject to approval by the PEA, rates distinguishing
19 between commercial and residential users, and may set preferential rates for individuals or
20 households with low demand or low income, pursuant to any applicable PEA rules and
21 regulations.

22 (f) Rate making process. Pursuant to any applicable PEA rules and regulations, prior ~~Prior~~
23 to the proposed adoption of new rates or a new rate structure, the PPUC shall provide not less
24 than thirty (30) calendar days notice of the proposed action by posting written notice at the
25 President's Office, at the Judiciary Building, all state offices and public bulletin boards on
26 businesses, at least once a week in a newspaper with national circulation, and announced on the
27 radio at least four (4) times daily on ten (10) consecutive business days, within the first
28 twenty-five days after it is posted.

29 (g) The notice required by subsection (e) shall include all of the following:

- 1 (1) The legal authority for the rate ~~increase~~change.
- 2 (2) A short statement that sets forth the reasons for the rate increase.
- 3 (3) The time and place of the public hearing, as required in subsection (h).
- 4 (4) Where, when, and how interested persons may present their views on the rate
- 5 increase.
- 6 (h) The ~~Board~~Palau Energy Administration shall conduct a public hearing at
- 7 which the views of the public may be heard.

8 (i) Rate changes for electricity service shall not take effect until approved by the PEA,

9 pursuant to any applicable PEA regulations.

10 (j) Only after having complied with the provisions of this Section and receiving approval

11 from the PEA may the PPUC Board adopt the proposed tariff schedule. All rates and charges

12 must be in the tariff schedule, and shall be filed at the President’s office. The effective date of the

13 rates shall be the day the tariff schedule is filed at the President’s office. The new tariff schedule

14 shall also be publicized and be made available to the general public.

15 . . .

16 **§ 415. Prohibition of free or discounted services**

17 (a) No officer or employee of the Palau Public Utilities Corporation or the Palau Energy

18 Administration may receive free utility service, or any discount for such service that is not

19 generally available to customers of PPUC.

20 . . .

21 **§419. Palau Energy Administration as energy regulator.**

22 The Palau Energy Administration shall have sole regulatory authority in the area of

23 energy production, purchase, and sale, as further established in Chapters 6 and 7 of this Act.

24 The PPUC shall have no authority to issue or revise national regulations governing energy

25 production.”

26 **Section 3.** Chapter 6 of Title 37 of the Palau National Code is amended as follows:

27 **“§ 603. Metering.**

28 Consistent with the other provisions of this chapter, electric energy measurement for net

29 metering systems shall be calculated in the following manner:

1 (a) The PPUC shall measure the net electricity produced or consumed during the
2 customer's billing period using either multiple meters or a single meter designed for net
3 metering use.

4 ...

5 (c) Where electricity generated by the customer exceeds the electricity supplied by the
6 electric company, the customer shall be credited for the excess kilowatt-hours generated at the
7 applicable tariff(s) to be adopted by the PEA pursuant to applicable regulations, during the
8 billing period with this kilowatt-hour credit shown on the following month's bill as an offset
9 for kilowatt-hours supplied from the grid for that month.

10 **§ 604. Implementation of this chapter by PPUC.**

11 The PPUC:

12 (a) shall develop a standard contract providing for net energy metering, which shall
13 adhere to any applicable rules, guidelines, and regulations set forth by the Palau Energy
14 Administration, and shall, upon request, make this contract available to eligible
15 customer-generators;

16 (b) shall ~~prepare~~ use appropriate technical standards for grid connection of renewable
17 energy systems, pursuant to any applicable rules, guidelines, and regulations set by the Palau
18 Energy Administration, and inspect and provide a license for those renewable energy
19 installations that meet the technical standards developed by PPUC and the other provisions of
20 this Chapter. Issuance of a license shall be solely to show that the PPUC has approved the
21 interconnection of the customer's renewable energy system and the PPUC grid and shall not be
22 interpreted to impose liability or approval by the PPUC for any part of the renewable energy
23 system, its design, or its method of implementation. The technical standards imposed will be
24 based solely on those necessary to ensure the safety of PPUC personnel and for the
25 maintenance of PPUC power quality. Standards and technical requirements shall be consistent
26 with existing technical practices for similar types of installations in the United States, Australia,
27 or the European Union.

28 **§ 605. Total capacity.**

29 ~~The PPUC may establish a maximum limit for the installed capacity of renewable energy~~
30 ~~systems connected to the PPUC grid for each technology of renewable energy system. The limit~~

1 ~~set shall be reviewed annually and adjusted in accordance with changes in renewable energy~~
2 ~~technologies and in accordance with the current operating conditions of the PPUC. The PPUC~~
3 ~~shall propose, subject to approval by the PEA, regulations establishing a maximum limit for the~~
4 ~~installed capacity of net metered renewable energy systems connected to the PPUC grid for each~~
5 ~~system of renewable energy technology and for residential and commercial classes. The Palau~~
6 ~~Energy Administration shall establish regulations to determine whether to approve the adoption~~
7 ~~of the PPUC’s regulations. The limit set shall be reviewed every two (2) years by the PEA with a~~
8 ~~view to both accelerating deployment of renewable energy and maintaining the financial viability~~
9 ~~of the PPUC, and shall be adjusted as necessary in accordance with changes in renewable energy~~
10 ~~technologies and in accordance with the current operating conditions of the PPUC.~~

11 **§ 606. Regulations.**

12 Within one hundred and eighty (180)~~ninety (90)~~ days of the effective date of this
13 ~~chapter~~the amendment of this Title, the ~~Board of the PPUC~~ Palau Energy Administration shall
14 promulgate rules and regulations necessary or appropriate to effectuate the provisions of this
15 chapter. Such regulations shall be exempt from the notice and hearing requirements set forth in
16 37 PNC § 413(a), and shall be promulgated in accordance with the Administrative Procedures
17 Act, 6 PNC Chapter 1. Such rules and regulations shall have the force and effect of law.”

18 **Section 4.** Chapter 7 of Title 37 of the Palau National Code is amended as follows:

19 **“§ 703. Definitions.**

20 (a) “Central electricity grid” means the electricity infrastructure that is operated by the
21 Palau Public Utilities Corporation for the purpose of supplying electricity to customers in Koror,
22 Babeldaob, Iouladaob, and the outer islands.

23 (b) “Energy Administration” or “Palau Energy Administration” means the key agency
24 within the executive branch of the Government of Palau with responsibility for the regulation
25 of the energy sector.

26 . . .

27 **§ 704. Energy Administration; establishment, duties and power.**

28 (a) There is established an Energy Administration which shall:

29 (1) be a separate entity within the Ministry of Public Infrastructure, Industries
30 and Commerce;

- 1 (2) be responsible for the proper and effective administration of this Act; and
- 2 (3) report to the Minister on its key regulatory responsibilities; and
- 3 (4) promulgate standards, rules, or regulations for all matters related to energy
- 4 generation, transmission, storage, and sale in the Republic of Palau, such as, but not limited to,
- 5 establishing:
- 6 (i) appropriate technical standards for grid connection of
- 7 renewable-energy systems between the PPUC and any hotel or other Independent Power
- 8 Producer;
- 9 (ii) other relevant grid connection standards, such as, but not limited to,
- 10 procedures that ensure compliance with Sections 707(d) and (e);
- 11 (iii) rules and rates for net electricity metering, feed-in tariffs, capacity
- 12 limits, and related rules;
- 13 (iv) procedures for approving or denying rate changes, and changes to
- 14 total capacity, proposed by the PPUC;
- 15 (v) standards related to the sale and purchase of oil, propane, and other
- 16 fuel sources; and
- 17 (vi) Minimum requirements for Power Purchase Agreements with hotels
- 18 and any other Independent Power Producers.
- 19 (b) The general duties and powers of the Energy Administration are to:
- 20 (1) monitor all energy-related matters in the Republic and prepare the Palau
- 21 Annual Energy Report, as specified by Section 706 of this Act;
- 22 ...
- 23 (5) coordinate maintenance contracts for solar-facilities owned by the
- 24 Government of Palau; and
- 25 (6) regulate and establish electricity and service guidelines, including, but not
- 26 limited to, those related to net metering, feed-in, and electricity tariff standards, and electrical
- 27 standards for the power system and any renewable-energy systems; and
- 28 (67) promulgate additional regulations as necessary to carry out the provisions
- 29 of this Act.
- 30 ...

1 (e) Standards, rules, and regulations established in compliance with this section shall be
2 binding on any and all energy producers and generating bodies, including, but not limited to,
3 the PPUC and any hotel or other Independent Power Producer.

4 **§ 707. Independent Power Producers.**

5 (a) The Energy Administration shall set standards for different categories of
6 renewable-energy providers, and shall provide the information necessary for Independent Power
7 Producers to participate in a solicited or unsolicited process whereby a proposal is made for the
8 development of a renewable-energy project.

9 ...

10 (d) In the event the PPUC desires, based on established guidelines, to accept an
11 application for grid connection, the PPUC shall submit the application to the Palau Energy
12 Administration for approval, subject to this Title. In the event the PPUC does not desire to accept
13 an application for grid connection, no further action need be taken. In either event, the PPUC
14 shall communicate the final decision in writing to the applicant within sixty (60) days.~~PPUC~~
15 ~~shall decide based on the established guidelines whether to accept or reject an application for grid~~
16 ~~connection. The Energy Administration will also review the application based on the~~
17 ~~established guidelines and provide its recommendations regarding the application to PPUC,~~
18 ~~which must take such recommendations under consideration when making a decision regarding~~
19 ~~the application. PPUC shall communicate its final decision in writing to the applicant and the~~
20 ~~Energy Administration.~~

21 (e) The PPUC shall enter into a Grid Connection Agreement and Power Purchase
22 Agreement with successful applicants after submitting the proposed agreements to the Energy
23 Administration for its review and taking into consideration the Energy Administration's
24 comments regarding the agreements securing approval from the PEA as required under this Title.

25 ...

26 **§ 708. Electricity tariffs.**

27 (a) The Energy Administration shall ~~develop guidelines~~promulgate regulations under
28 which it will review and approve or deny the PPUC's proposed electricity tariffs schedule and
29 tariff formula.

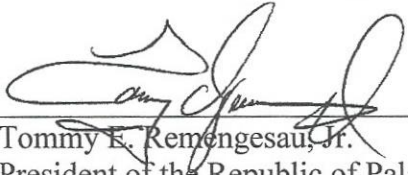
30 (b) ~~PPUC will submit its proposed tariff schedule to the Energy Administration for~~

1 ~~review and comments. Concerns raised by the Energy Administration must be considered by~~
2 ~~PPUC in formulating its schedule.~~No change to the tariff schedule shall take effect until it is
3 approved by the Palau Energy Administration, as per PEA regulations.”

4 **Section 5.** Effective Date. These amendments will take effect upon their approval by
5 the President of the Republic, or upon becoming law without such approval.

Date: 11/23/18

Introduced by:



Tommy E. Remengesau, Jr.
President of the Republic of Palau

A BILL FOR AN ACT

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19 ~~government regulations or control.~~ However, nothing in this chapter shall exempt employees,
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22 the Civil Service Pension Plan of the Republic in a manner provided by law.

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4 (c) Composition.

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9 of a bachelor degree and with at least two (2) years experience in electric utilities management,
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21 policies established by the Board, charge and control of the operation and maintenance of the
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23 any part of such PPUC facilities. The powers of the Chief Executive Officer shall include:

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1 **§ 408. Review of major business negotiations.**

2 (a) Whenever the PPUC enters into business negotiations involving the transfer of
3 operating or managerial control to a party other than the PPUC, it shall notify the President of the
4 Republic of Palau and the presiding officers of the Olbiil Era Kelulau in writing of these
5 negotiations, and secure prior approval of the ~~President and the Olbiil Era Kelulau~~ Palau Energy
6 Administration. The PEA shall create regulations establishing the manner in which prior
7 approval to enter into business negotiations is requested and subsequently granted or denied.

8 (b) The approval to enter into business negotiations is separate from, and has no bearing
9 upon, the contract review process required in § 407 or the contract approval process required in §
10 707.

11 ...

12 **§ 410. General Corporate Powers.**

13 (a) The PPUC shall have the power to do all things necessary or convenient to be done in
14 connection with or incidental to the performance of the functions and all things related to the
15 performance of its functions, including the following:

16 (1) to have succession and to sue and be sued in its corporate name;

17 ...

18 (6) to obtain the services of suppliers, employees, agents, attorneys, auditors, and
19 independent contractors upon such terms and conditions as it deems appropriate, in accordance
20 with any applicable rules and regulations; however, no health insurance shall be provided to
21 PPUC employees, other than Palau Health Insurance. There shall be no prohibition of private
22 health insurance for employees acquiring such health insurance at their own expense;

23 ...

24 **§ 411. Powers and responsibilities of the PPUC.**

25 (a) Subject to applicable rules and regulations as promulgated by the PEA, the PPUC
26 shall be responsible for the electricity operations of the Republic, which shall include the
27 following powers and responsibilities:

28 (1) To generate, acquire, exchange, transport, distribute, market, and otherwise
29 supply electricity;

30 ...

1 (7) To adopt electricity service regulations to set electrical standards for the power
2 system and any renewable energy systems, subject to approval by the PEA; and

3 (8) To refuse any substandard connection that does not meet the requirements of
4 subsection (7) above;

5 (9) To propose standards and guidelines for adoption by the Palau Energy
6 Administration, pursuant to applicable regulations, that allow the PPUC to receive energy
7 generated by hotels and other Independent Power Producers into the PPUC electrical grid; and

8 (910) ~~PPUC shall~~ To propose for adoption establish and implement a structure of
9 rates and to implement the rate structure as established by the Palau Energy Administration as in
10 § 704, for its electrical services and facilities calculated to ensure that adequate and equitable
11 charges are imposed for its services.

12 ...

13 **§ 412. Rates; rate making process.**

14 (a) The rates set by the PPUC for the electricity operations of the Republic that are in
15 effect on the effective date of the amendment of this Act shall be the rates of PPUC on the
16 effective date of the amendment of this Act.

17 ...

18 (e) The Board may ~~adopt~~ propose, subject to approval by the PEA, rates distinguishing
19 between commercial and residential users, and may set preferential rates for individuals or
20 households with low demand or low income, pursuant to any applicable PEA rules and
21 regulations.

22 (f) Rate making process. Pursuant to any applicable PEA rules and regulations, prior ~~Prior~~
23 to the proposed adoption of new rates or a new rate structure, the PPUC shall provide not less
24 than thirty (30) calendar days notice of the proposed action by posting written notice at the
25 President's Office, at the Judiciary Building, all state offices and public bulletin boards on
26 businesses, at least once a week in a newspaper with national circulation, and announced on the
27 radio at least four (4) times daily on ten (10) consecutive business days, within the first
28 twenty-five days after it is posted.

29 (g) The notice required by subsection (ef) shall include all of the following:

-
-
- 1 (1) The legal authority for the rate ~~increase~~change.
- 2 (2) A short statement that sets forth the reasons for the rate increase.
- 3 (3) The time and place of the public hearing, as required in subsection (h).
- 4 (4) Where, when, and how interested persons may present their views on the rate
- 5 increase.

6 (h) The ~~Board~~Palau Energy Administration shall conduct a public hearing at

7 which the views of the public may be heard.

8 (i) Rate changes for electricity service shall not take effect until approved by the PEA,

9 pursuant to any applicable PEA regulations.

10 (j) Only after having complied with the provisions of this Section and receiving approval

11 from the PEA may the PPUC Board adopt the proposed tariff schedule. All rates and charges

12 must be in the tariff schedule, and shall be filed at the President's office. The effective date of the

13 rates shall be the day the tariff schedule is filed at the President's office. The new tariff schedule

14 shall also be publicized and be made available to the general public.

15 . . .

16 **§ 415. Prohibition of free or discounted services**

17 (a) No officer or employee of the Palau Public Utilities Corporation or the Palau Energy

18 Administration may receive free utility service, or any discount for such service that is not

19 generally available to customers of PPUC.

20 . . .

21 **§419. Palau Energy Administration as energy regulator.**

22 The Palau Energy Administration shall have sole regulatory authority in the area of

23 energy production, purchase, and sale, as further established in Chapters 6 and 7 of this Act.

24 The PPUC shall have no authority to issue or revise national regulations governing energy

25 production.”

26 **Section 3.** Chapter 6 of Title 37 of the Palau National Code is amended as follows:

27 **“§ 603. Metering.**

28 Consistent with the other provisions of this chapter, electric energy measurement for net

29 metering systems shall be calculated in the following manner:

1 (a) The PPUC shall measure the net electricity produced or consumed during the
2 customer's billing period using either multiple meters or a single meter designed for net
3 metering use.

4 ...

5 (c) Where electricity generated by the customer exceeds the electricity supplied by the
6 electric company, the customer shall be credited for the excess kilowatt-hours generated at the
7 applicable tariff(s) to be adopted by the PEA pursuant to applicable regulations, during the
8 billing period with this kilowatt-hour credit shown on the following month's bill as an offset
9 for kilowatt-hours supplied from the grid for that month.

10 **§ 604. Implementation of this chapter by PPUC.**

11 The PPUC:

12 (a) shall develop a standard contract providing for net energy metering, which shall
13 adhere to any applicable rules, guidelines, and regulations set forth by the Palau Energy
14 Administration, and shall, upon request, make this contract available to eligible
15 customer-generators;

16 (b) shall ~~prepare~~ use appropriate technical standards for grid connection of renewable
17 energy systems, pursuant to any applicable rules, guidelines, and regulations set by the Palau
18 Energy Administration, and inspect and provide a license for those renewable energy
19 installations that meet the technical standards developed by PPUC and the other provisions of
20 this Chapter. Issuance of a license shall be solely to show that the PPUC has approved the
21 interconnection of the customer's renewable energy system and the PPUC grid and shall not be
22 interpreted to impose liability or approval by the PPUC for any part of the renewable energy
23 system, its design, or its method of implementation. The technical standards imposed will be
24 based solely on those necessary to ensure the safety of PPUC personnel and for the
25 maintenance of PPUC power quality. Standards and technical requirements shall be consistent
26 with existing technical practices for similar types of installations in the United States, Australia,
27 or the European Union.

28 **§ 605. Total capacity.**

29 ~~The PPUC may establish a maximum limit for the installed capacity of renewable energy~~
30 ~~systems connected to the PPUC grid for each technology of renewable energy system. The limit~~

1 ~~set shall be reviewed annually and adjusted in accordance with changes in renewable energy~~
2 ~~technologies and in accordance with the current operating conditions of the PPUC. The PPUC~~
3 ~~shall propose, subject to approval by the PEA, regulations establishing a maximum limit for the~~
4 ~~installed capacity of net metered renewable energy systems connected to the PPUC grid for each~~
5 ~~system of renewable energy technology and for residential and commercial classes. The Palau~~
6 ~~Energy Administration shall establish regulations to determine whether to approve the adoption~~
7 ~~of the PPUC's regulations. The limit set shall be reviewed every two (2) years by the PEA with a~~
8 ~~view to both accelerating deployment of renewable energy and maintaining the financial viability~~
9 ~~of the PPUC, and shall be adjusted as necessary in accordance with changes in renewable energy~~
10 ~~technologies and in accordance with the current operating conditions of the PPUC.~~

11 **§ 606. Regulations.**

12 Within one hundred and eighty (180)~~ninety (90)~~ days of the effective date of ~~this~~
13 ~~chapter~~the amendment of this Title, the ~~Board of the PPUC Palau Energy Administration~~ shall
14 promulgate rules and regulations necessary or appropriate to effectuate the provisions of this
15 chapter. Such regulations shall be exempt from the notice and hearing requirements set forth in
16 37 PNC § 413(a), and shall be promulgated in accordance with the Administrative Procedures
17 Act, 6 PNC Chapter 1. Such rules and regulations shall have the force and effect of law.”

18 **Section 4.** Chapter 7 of Title 37 of the Palau National Code is amended as follows:

19 **“§ 703. Definitions.**

20 (a) “Central electricity grid” means the electricity infrastructure that is operated by the
21 Palau Public Utilities Corporation for the purpose of supplying electricity to customers in Koror,
22 Babeldaob, Iouldaob, and the outer islands.

23 (b) “Energy Administration” or “Palau Energy Administration” means the key agency
24 within the executive branch of the Government of Palau with responsibility for the regulation
25 of the energy sector.

26 . . .

27 **§ 704. Energy Administration; establishment, duties and power.**

28 (a) There is established an Energy Administration which shall:

29 (1) be a separate entity within the Ministry of Public Infrastructure, Industries
30 and Commerce;

1 (2) be responsible for the proper and effective administration of this Act; ~~and~~
2 (3) report to the Minister on its key regulatory responsibilities; and
3 (4) promulgate standards, rules, or regulations for all matters related to energy
4 generation, transmission, storage, and sale in the Republic of Palau, such as, but not limited to,
5 establishing:

6 (i) appropriate technical standards for grid connection of
7 renewable-energy systems between the PPUC and any hotel or other Independent Power
8 Producer;

9 (ii) other relevant grid connection standards, such as, but not limited to,
10 procedures that ensure compliance with Sections 707(d) and (e);

11 (iii) rules and rates for net electricity metering, feed-in tariffs, capacity
12 limits, and related rules;

13 (iv) procedures for approving or denying rate changes, and changes to
14 total capacity, proposed by the PPUC;

15 (v) standards related to the sale and purchase of oil, propane, and other
16 fuel sources; and

17 (vi) Minimum requirements for Power Purchase Agreements with hotels
18 and any other Independent Power Producers.

19 (b) The general duties and powers of the Energy Administration are to:

20 (1) monitor all energy-related matters in the Republic and prepare the Palau
21 Annual Energy Report, as specified by Section 706 of this Act;

22 ...

23 (5) coordinate maintenance contracts for solar-facilities owned by the
24 Government of Palau; ~~and~~

25 (6) regulate and establish electricity and service guidelines, including, but not
26 limited to, those related to net metering, feed-in, and electricity tariff standards, and electrical
27 standards for the power system and any renewable-energy systems; and

28 (67) promulgate additional regulations as necessary to carry out the provisions
29 of this Act.

30 ...

1 (e) Standards, rules, and regulations established in compliance with this section shall be
2 binding on any and all energy producers and generating bodies, including, but not limited to,
3 the PPUC and any hotel or other Independent Power Producer.

4 **§ 707. Independent Power Producers.**

5 (a) The Energy Administration shall set standards for different categories of
6 renewable_energy providers, and shall provide the information necessary for Independent Power
7 Producers to participate in a solicited or unsolicited process whereby a proposal is made for the
8 development of a renewable_energy project.

9 ...

10 (d) In the event the PPUC desires, based on established guidelines, to accept an
11 application for grid connection, the PPUC shall submit the application to the Palau Energy
12 Administration for approval, subject to this Title. In the event the PPUC does not desire to accept
13 an application for grid connection, no further action need be taken. In either event, the PPUC
14 shall communicate the final decision in writing to the applicant within sixty (60) days.~~PPUC~~
15 ~~shall decide based on the established guidelines whether to accept or reject an application for grid~~
16 ~~connection. The Energy Administration will also review the application based on the~~
17 ~~established guidelines and provide its recommendations regarding the application to PPUC,~~
18 ~~which must take such recommendations under consideration when making a decision regarding~~
19 ~~the application. PPUC shall communicate its final decision in writing to the applicant and the~~
20 ~~Energy Administration.~~

21 (e) The PPUC shall enter into a Grid Connection Agreement and Power Purchase
22 Agreement with successful applicants after submitting the proposed agreements to the Energy
23 Administration for its review and taking into consideration the Energy Administration's
24 comments regarding the agreements securing approval from the PEA as required under this Title.

25 ...

26 **§ 708. Electricity tariffs.**

27 (a) The Energy Administration shall ~~develop guidelines~~promulgate regulations under
28 which it will review and approve or deny the PPUC's proposed electricity tariffs schedule and
29 tariff formula.

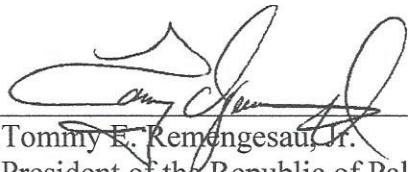
30 (b) ~~PPUC will submit its proposed tariff schedule to the Energy Administration for~~

1 ~~review and comments. Concerns raised by the Energy Administration must be considered by~~
2 ~~PPUC in formulating its schedule.~~ No change to the tariff schedule shall take effect until it is
3 approved by the Palau Energy Administration, as per PEA regulations.”

4 **Section 5. Effective Date.** These amendments will take effect upon their approval by
5 the President of the Republic, or upon becoming law without such approval.

Date: 1/23/18

Introduced by:



Tommy E. Remengesau Jr.
President of the Republic of Palau