
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 production, and to implement additional determinations of the 2017 Palau Energy Summit and Paris Agreement Implementation Workshop.

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

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

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

7 “§402. Definitions.

8 In this chapter:

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

11 ...

12 (e) “Energy Production” means the field of activities focused on obtaining energy
13 from natural resources or processes. These activities include the production of energy
14 from conventional, alternative, and renewable sources of energy, and for the recovery
15 and reuse of energy that would otherwise be wasted.

16 (f) “Major business negotiations” means negotiations regarding the transfer of
17 operating or managerial control to a party other than the PPUC, including Grid
18 Connection Agreement negotiations and Power Purchase Agreement negotiations.

19 (g) “Palau Energy Administration” or “PEA” means the Administration as
20 established in Chapter 7 of this Title.

21 (h) ...

22 (i) ...

23 (j) ...

24 §403. Creation of corporation; general provisions.

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

5 (b) PPUC is exempt from all national and state taxes or fees. However, nothing in
6 this chapter shall exempt employees, suppliers, and independent contractors of PPUC
7 from their tax obligations, and PPUC shall be liable for employees' contributions to the
8 Social Security System, Medical Savings Fund, and the Civil Service Pension Plan of the
9 Republic in a manner provided by law.

10 §404. The PPUC Board of directors; terms, vacancies, quorum and
11 compensation.

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

14 ...

15 (c) Composition.

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

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

23 ...

24 § 406. Chief Executive Officer.

25 (a) The Board shall appoint one (1) person to be the Chief Executive Officer of
26 PPUC and to serve as a non-voting member of the Board. The Board shall use its best
27 efforts to appoint as Chief Executive Officer a person with appropriate training, broad
28 experience and demonstrated ability in the operational, financial, personnel, and other

1 aspects of managing an electricity, water and waste water services company, or similar
2 installation.

3 ...

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

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

11 ...

12 § 407. Review of contracts.

13 (a) The Chief Executive Officer and the Board shall ensure that all legal
14 agreements and contracts are reviewed and approved as to form and legality by an
15 attorney with responsibility for assisting the PPUC or by the Attorney General, subject to
16 subsection (b) of this section. For contracts requiring the prior approval of the PEA
17 pursuant to 37 PNC § 408, 37 PNC § 707, or any other provision of law, the PPUC shall
18 coordinate with the PEA to ensure timely submission of the contract to the PEA for
19 review.

20 (b) If the PPUC transfers any ownership interest or operating control to a private
21 entity, the Attorney General's Office shall no longer be eligible to review contracts under
22 this section.

23 § 408. Review of major business negotiations.

24 (a) PPUC shall secure approval from the PEA before entering into major
25 business negotiations. If the PEA grants approval to enter into negotiations, PPUC shall
26 notify the President of the Republic of Palau and the presiding officers of the Olbiil Era
27 Kelulau in writing of these negotiations. The PEA shall create regulations establishing

1 the manner in which prior approval to enter into major business negotiations is requested
2 and subsequently granted or denied.

3 (b) PPUC shall submit to PEA for review any contracts that finalize agreements
4 resulting from major business negotiations. Such contracts may not be signed by PPUC
5 unless PEA approves the contract.

6 ...

7 § 410. General Corporate Powers.

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

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

12 ...

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

19 ...

20 § 411. Powers and responsibilities of the PPUC.

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

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

26 ...

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

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

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

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

11 ...

12 § 412. Rates; rate making process; restriction of tariff raises by Palau Public
13 Utilities Corporation.

14 (a) The rates set by PPUC for the electricity operations of the Republic that are
15 in effect on the effective date of the amendment of this Title shall be the rates of PPUC
16 on the effective date of the amendment of this Title, provided, however, that PPUC shall
17 not increase any tariffs on utilities until after June 30, 2018; PPUC shall also provide a
18 supplemental report to the President of the Republic, the Presiding Officers of the Olbiil
19 Era Kelulau, and the Office of the Public Auditor on or before May 31, 2018. Such
20 report shall include but not be limited to the following:

21 ...

22 ...

23 (c) Future electricity rates shall be designed on the equitable basis of meeting
24 PPUC's operational costs and recovering the cost of capital of PPUC. Future
25 electricity rates shall be established pursuant to the following procedure:

26 (1) If the Board elects to adjust electricity rates in the Republic, it shall
27 notify the PEA of the proposed rate change and seek prior approval.

1 (2) If PEA approves the proposed rate change, PPUC shall then comply
2 with the requirements of subsection (f) of this section.

3 ...

4 (e) The Board may propose rates distinguishing between commercial and
5 residential users and preferential rates for individuals or households with low demand or
6 low income. Any proposed rate changes must comply with the procedural requirements
7 of this section. Additionally, any proposed electricity rate changes must be consistent
8 with any applicable PEA rules and regulations.

9 (f) Rate making process. Prior to the proposed adoption of new rates or a new rate
10 structure, the PPUC shall provide not less than thirty (30) calendar days' notice of the
11 proposed action by posting written notice at the President's Office, at the Judiciary
12 Building, all state offices and public bulletin boards on businesses, at least once a week in
13 a newspaper with national circulation, and announced on the radio at least four (4) times
14 daily on ten (10) consecutive business days, within the first twenty-five days after it is
15 posted.

16 (g) The notice required by subsection (f) shall include all of the following:

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

22 (h) The Board shall conduct a public hearing at which the views of the public may
23 be heard. If the public hearing concerns a change in electricity rates, a representative of
24 the PEA shall also attend.

25 (i) Only after having complied with the provisions of this Section, including
26 securing prior approval from the PEA for any electricity rate change, may the PPUC
27 Board adopt the proposed tariff schedule. All rates and charges must be in the tariff
28 schedule, and shall be filed at the President's office. The effective date of the rates shall be

1 the day the tariff schedule is filed at the President's office. The new tariff schedule shall
2 also be publicized and be made available to the general public.

3 ...

4 § 415. Prohibition of free or discounted services

5 (a) No officer or employee of the Palau Public Utilities Corporation or the Palau
6 Energy Administration may receive free utility service, or any discount for such service
7 that is not generally available to customers of PPUC.

8 ...

9 ...

10 §419. Palau Energy Administration as energy regulator.

11 The Palau Energy Administration shall have sole regulatory authority in the area
12 of energy production, purchase, and sale, as further established in Chapters 6 and 7 of
13 this Act. The PPUC shall have no authority to issue regulations governing energy
14 production and any existing regulations governing energy production shall be rendered
15 void upon the promulgation of regulations by PEA.”

16 Section 3. Amendment. Chapter 6 of Title 37 of the Palau National Code is
17 amended as follows:

18 “§ 603. Metering.

19 Consistent with the other provisions of this chapter, electric energy measurement
20 for net metering systems shall be calculated in the following manner:

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

24 ...

25 (c) Where electricity generated by the customer exceeds the electricity supplied
26 by the electric company, the customer shall be credited for the excess kilowatt-hours
27 generated at the applicable tariff(s) to be adopted by the PEA pursuant to applicable
28 regulations, during the billing period with this kilowatt-hour credit shown on the

1 following month's bill as an offset for kilowatt-hours supplied from the grid for that
2 month.

3 § 604. Implementation of this chapter by PPUC.

4 The PPUC:

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

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

21 ...

22 § 605. Total capacity.

23 The PEA shall by regulation establish a maximum limit for the installed capacity
24 of net metered renewable energy systems connected to the PPUC grid for each system of
25 renewable energy technology and for residential and commercial classes. The limit set
26 shall be reviewed every two (2) years by the PEA with a view to both accelerating
27 deployment of renewable energy and maintaining the financial viability of the PPUC, and
28 shall be adjusted as necessary in accordance with changes in renewable energy

1 technologies and in accordance with the current operating conditions of the PPUC. The
2 PPUC shall advise the PEA regarding its current operating conditions and financial
3 viability during the maximum limit review and shall provide any recommendations for
4 preferred maximum limit.

5 § 606. Regulations.

6 Within one hundred and eighty (180) days of the effective date of the amendment
7 of this Title, the Palau Energy Administration shall promulgate rules and regulations
8 necessary or appropriate to effectuate the provisions of this chapter. Such regulations
9 shall be exempt from the notice and hearing requirements set forth in 37 PNC § 413(a),
10 and shall be promulgated in accordance with the Administrative Procedures Act, 6 PNC
11 Chapter 1. Such rules and regulations shall have the force and effect of law.”

12 Section 4. Amendment. Chapter 7 of Title 37 of the Palau National Code is
13 amended as follows:

14 “§ 703. Definitions.

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

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

21 ...

22 § 704. Energy Administration; establishment, duties and power.

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

- 24 (1) be a separate entity within the Ministry of Public Infrastructure,
25 Industries and Commerce;
- 26 (2) be responsible for the proper and effective administration of this Act;
- 27 (3) report to the Minister on its key regulatory responsibilities; and
- 28 (4) promulgate standards, rules, or regulations for all matters related to

1 energy production, as defined in Chapter 4, transmission, storage, and sale in the
2 Republic of Palau, such as, but not limited to, establishing:

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

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

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

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

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

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

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

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

20 ...

21 (5) coordinate maintenance contracts for solar-facilities owned by the
22 Government of Palau;

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

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

1 ...

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

5 ...

6 **§ 707. Independent Power Producers.**

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

11 ...

12 (d) Grid connection with PPUC shall require the approval of the PPUC and the
13 PEA. Applications for grid connection shall first be reviewed by the PPUC. If the PPUC
14 approves an application, the PPUC shall submit the application to the Palau Energy
15 Administration for approval, as required by Section 408(a) of this Title. The PEA shall
16 approve or deny the application for grid connection and shall respond to PPUC within
17 forty-five days. PPUC shall communicate the final decision in writing to the applicant
18 within sixty (60) days of the date PPUC submitted the application to PEA for review.

19 (e) The PPUC may enter into a Grid Connection Agreement and Power Purchase
20 Agreement after securing approval from the PEA as required by Section 408(b) of this
21 Title.

22 ...

23 **§ 708. Electricity tariffs.**

24 (a) The Energy Administration shall promulgate regulations under which it will
25 review and approve or deny the PPUC's proposed electricity tariff schedule and tariff
26 formula.

27 (b) Any change to the electricity tariff schedule requires approval by the Palau
28 Energy Administration prior to implementation.”

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

PASSED: April 23, 2018

Approved this 17th day of APRIL, 2018



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