

## Extending the Federal Renewable Energy Investment Tax Credit (ITC) Program in Puerto Rico Case Summary

**Proposal:** Eliminate the phase-down and delay the phase-out of the renewable energy ITC and, as necessary the Production Tax Credit (PTC), programs through 2022, to allow renewable energy facilities until 2022 to commence construction and receive the full benefit of the existing ITC/PTC programs.

**Current ITC program:** (ITC = Percentage shown of eligible project costs shown below.)

Technology	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	Future Years
PV, Solar Water Heating, Solar Space Heating/Cooling, Solar Process Heat	30%	30%	30%	30%	26%	22%	10%	10%
Hybrid Solar Lighting, Fuel Cells, Small Wind	30%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Geothermal Heat Pumps, Microtubines, Combined Heat and Power Systems	10%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Geothermal Electric	10%	10%	10%	10%	10%	10%	10%	10%
Large Wind	30%	24%	18%	12%	N/A	N/A	N/A	N/A
Biomass, Small Irrigation, Municipal Solid Waste, Hydropower, and Marine and Hydrokinetic	30%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Proposed ITC Program for Puerto Rico (modifications in GREEN):**

Technology	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	Future Years
PV, Solar Water Heating, Solar Space Heating/Cooling, Solar Process Heat	30%	30%	30%	30%	30%	30%	30%	10%
Hybrid Solar Lighting, Fuel Cells, Small Wind	30%	30%	30%	30%	30%	30%	30%	N/A
Geothermal Heat Pumps, Microtubines, Combined Heat and Power Systems	10%	10%	10%	10%	10%	10%	10%	N/A
*Geothermal Electric, Large Wind, Biomass, Small Irrigation, Municipal Solid Waste, Hydropower, and Marine and Hydrokinetic	30%	30%	30%	30%	30%	30%	30%	N/A

Note: \* Final three categories have been consolidated.

**Support Summary:**

1. The Puerto Rico Electric Power Authority (PREPA) is undergoing a restructuring and revitalization program.
2. The advancement and substantial completion of this process is needed to maximize the renewable energy potential that the island's resources can provide and that PREPA's system can support.
3. The implementation of the restructuring program has encountered numerous challenges; however, it has been able to maintain steady, but slow progress. The fact that the bondholder forbearance agreements have been extended more than 10 times, the Chief Restructuring Officer's contract has been extended six times, and the Restructuring Support Agreement (RSA), signed in November 2015, has already been amended at least four times, attests to the challenges the process faces and the steady, but slow progress it continues to make.
4. It is hoped that the passage of H.R. 5278, better known as the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA), and the establishment of the corresponding Oversight Board will help to accelerate this process; however, it is only prudent that additional plans are made to ensure the viability of the anticipated renewable energy capacity should the implementation of the restructuring program continue at its current pace.
5. As part of PREPA's efforts to align the incorporation of additional renewable energy into its portfolio with its increased capacity to support this primarily intermittent energy, PREPA is aggressively seeking to further reduce the energy price paid to these facilities and to delay their construction until after 2020, when the capacity upgrades are complete. (See Section 5 and 6 of the April 25, 2016 Siemens Supplemental Integrated Resource Plan (IRP)).
6. The combination of a delayed/extended development horizon, reduced energy pricing, the economic instability of Puerto Rico as a whole, and the below investment grade rating of PREPA, the primary, if not sole, revenue source for these facilities, makes Puerto Rico far less attractive to renewable energy developers than other locations in the U.S..
7. The extension of the ITC/PTC program, would provide Puerto Rico's renewable energy sector with both:
  - a. An added incentive to help offset the economic challenges that Puerto Rico and PREPA pose, thereby allowing the sector to better attract experienced capable renewable energy developers and the much needed investments, jobs and environmental benefits that these facilities offer, and
  - b. Better alignment between the availability of these critical incentives and the anticipated timing of the development of these facilities, based on the Siemens / PREPA IRP and the slow pace of the implementation of the restructuring program.
8. Finally, it is important to note that the extent of the associated ITC benefits is limited in both time and quantity based on the fact that:
  - a. The proposed program modification does not create a new benefit, but rather it simply extends the existing benefits for up to an additional six years, thus limiting the duration of this benefit.
  - b. The quantity of ITCs is also limited, as PREPA's restructured system will only be able to incorporate a specified amount of renewable energy, thus limiting the total amount of ITCs that can be generated. Once PREPA's renewable energy targets are finalized, the maximum potential ITCs can be calculated.