



June 16, 2016

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Mr. Agustín Carbó-Lugo
President
Puerto Rico Energy Commission
268 Muñoz Rivera Ave.
World Plaza 702
San Juan, P.R. 00918

Re: Comments regarding PREPA Revitalization Corporation's
Petition for Approval of Restructuring Order
Case No. CEPR-AP-2016-0001
Sunnova Energy Corporation

Dear Mr. Carbó-Lugo:

Pursuant to the Puerto Rico Energy Commission's (the "Commission") Resolution dated June 9, 2016, Sunnova Energy Corporation ("Sunnova") respectfully submits its comments regarding the Puerto Rico Electric Power Authority ("PREPA") Revitalization Corporation's Petition for Approval of Restructuring Order (the "Petition") under the PREPA Revitalization Act, Act 4-2016 (the "Revitalization Act").

As the Commission is aware, Sunnova supplies its customers with energy generated by solar photovoltaic systems installed on said customers' residential rooftops. Residential solar systems positively contribute to the grid by helping with fuel price hedging, reducing line losses, and providing voltage support, among other benefits.¹ Net-metering customers also alleviate the load on PREPA's transmission and distribution system. PREPA also reduces its operating expenses by receiving energy exported by

¹ For a more detailed cost/benefit analysis of distributed solar photovoltaic systems, please see: http://www.rmi.org/cms/Download.aspx?id=10793&file=eLab_DERBenefitCostDeck_2nd_Edition&title=A+Review+of+Solar+PV+Benefit+and+Cost+Studies

such net metering systems at a lower cost than what it costs the public utility to produce it.

Public policy and applicable law overwhelmingly encourage net-metering systems. However, the development of net-metering systems in Puerto Rico is extremely complicated given the extent of resistance from PREPA.

The PREPA Revitalization Corporation's Petition proposes to impose a Transition Charge upon net-metering customers for the purpose of distributing the Financing Costs, as this term is defined by Article 31.(13) of the Revitalization Act. The proposed Transition Charge does not comport with applicable law with respect to net metering customers. In addition, the approval of this Transition Charge upon net-metering residential customers, instead of supporting the deployment of more residential solar energy systems, will artificially make such systems more expensive. Moreover, Sunnova is convinced that the Transition Charge, if allowed to go forward as currently proposed, would critically harm the residential solar sector. With this introduction, Sunnova hereby provides its comments to the amended Petition filed on June 6, 2016, and supplemented on June 7, 2016.

Transition Charges

Article 31.(13) of the Revitalization Act defines Transition Charges" as "those rates and charges that are separate from rates and charges of PREPA and that are imposed pursuant to a Restructuring Resolution on Customers to recover the Ongoing Financing Costs, and shall include a pro rata share of any late payment fee imposed in respect of any past-due bill for electric service that includes in such bill an amount for Transition Charges." Revitalization Act, Article 31.(6). For its part, "Ongoing Financial Costs" are "Financing Costs"² specifically related to the issuance, compliance, repayment or refinance of "Restructuring Bonds".³

Transition Charge upon net-metering customers is contrary to Article 29 of the Revitalization Act

Act 114-2007 was enacted to promote the distributed generation of renewable energy under a net-metering program. Act 114-2007 recognized Puerto Rico's excessive dependency on fossil fuels to generate electricity resulting in environmental pollution, and high energy costs. For this very reason, the Government of Puerto Rico decided to

² "Ongoing Financial Costs" excludes certain initial costs associated with the implementation of the Revitalization Act. See Revitalization Act, Articles 31.(14) y (16).

³ See Revitalization Act, Article 31.(13)

incentivize the renewable sector to increase its share in the energy portfolio. As stated by the Puerto Rico Legislature in the Statement of Motives of Act 114-2007: “[n]et metering translates into benefits for the customer because it promotes the use of clean and inexpensive energy, and the customer receives compensation for the excess electricity generated and **only pays for the net electricity supplied by PREPA.**” (Emphasis Added).

In consideration of the above policy, the Puerto Rico Legislature amended Article 4 of Act 114-2007 (amended through Article 29 of the Revitalization Act) (“Article 4 Amendment”), to clarify which charges can be imposed upon net-metering customers and the criteria to be used in such determination.

Pursuant to said amendment, the Commission has the authority to evaluate and decide which charges shall apply to net-metering customers, such as the Contribution In Lieu of Taxes, Securitization, Subsidies, and Grants. The Article 4 Amendment provides that before assessing any charges upon net metering customers, the Commission shall take into account that (i) the proposed charge is for “**operating and administrative expenses of the grid services that receives any customer that entered into a Net Metering Agreement**”, and (ii) it shall never be “**excessive or established in such a manner as to constitute an obstacle to the development of renewable energy projects.**”

Sunnova respectfully submits that the proposed Transition Charge does not comply with any of the foregoing criteria with respect to net-metering customers. First, the proposed Transition Charge is not related whatsoever to “**operating and administrative expenses of the grid services that receives any customer that entered into a Net Metering Agreement**”. As explained above, the Transition Charge contemplated under the Revitalization Act is restricted “to recover the Ongoing Financing Costs” specifically related to the issuance, compliance, repayment or refinance of “Restructuring Bonds”.

Second, the proposed Transition Charge would “**constitute an obstacle to the development of renewable energy projects.**” Transition Charges imposed upon net-metering customers would immediately destabilize the renewable sector and disincentivize homeowners who would like to invest in solar energy. The proposed Transition Charge would prevent homeowners from realizing the full benefit of the solar systems installed on their homes. While solar customers would not pay for energy generated by the systems, customers would pay Transition Charges for energy generated behind the meter. Sunnova estimates that the proposed Transition Charge of approximately \$0.03 per kWh would increase its average customer’s bill for utility-related charges by more than 600%⁴. Evidently, the proposed Transition Charge would

⁴ In the case of non-grandfathered systems.

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make net-metering systems artificially more expensive and discourage the installation of new systems.

With regards to this second criterion, it is important to note that in Section 48 of its Petition, as revised on June 7, 2016, the Corporation concluded that the proposed Transition Charge (i) "will be just and ... will cover operational and administrative costs of network services received by a net metering customer..." and that it will (ii) "never be excessive or established in such a way that it becomes an obstacle to the deployment of renewable energy projects." However, the Corporation fails to provide any evidence in support of its conclusion. The Corporation simply states the conclusion without demonstrating that the Transition Charge is just and shall not become an obstacle to net-metering projects.

Also, the Corporation's Petition concluded that the Transition Charge "... will cover operational and administrative costs of network services received by a net metering customer...". However, the Corporation does not provide any evidence of what costs correspond to "operational and administrative costs of network services received by net-metering customers", and what costs relate to Ongoing Financing Costs" specifically related to the issuance, compliance, repayment or refinance of "Restructuring Bonds". Such allocation was not included in the Petition.

Based on the foregoing, Sunnova respectfully submits that the proposed Transition Charge to be assessed upon net-metering customers is (1) contrary to the clear mandate of Act 114-2007, as amended by the Revitalization Act, and (2) not supported with evidence that such charge is just and that it shall not become an obstacle to the development of renewable energy projects.

Respectfully submitted,

 June 16, 2016 | 14:53 CDT

Karla Zambrana
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