February 3, 2023

Ecogy Energy

559 Thames St. Suite 1

Newport, RI 02840

VIA EMAIL
Commission Clerk
RI Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island

IN RE: PREFILED DIRECT TESTIMONY OF Michael W. Brennan, Consultant On Behalf of Rhode Island Division of Public Utilities and Carriers January 24, 2023

Dear Commission Clerk Luly Massaro,

Ecogy Energy ("Ecogy"), based in Newport, RI and founded in 2010, is an experienced developer, financier, and owner-operator of distributed generation projects across the U.S. and Caribbean. Ecogy Energy respectfully submits these comments regarding Docket No. 22-39-REG The Narragansett Electric Co. d/b/a Rhode Island Energy and The RI Distributed Generation Board 2023 Renewable Energy Growth Program.

Ecogy's focus and niche is on the <1 MW arena, particularly on systems sited on rooftops, parking lots and brownfields. Ecogy believes that with sound planning, proper development and fair incentives for these types of projects, the State, its residents, and the clean energy industry as a whole will ultimately be more successful. **By focusing on such projects constructed in and on the built environment, the development community can preserve precious and limited natural resources while directing the benefits of the REG program to local small businesses, property owners, nonprofits and other organizations that need them most.** These benefits, including new revenue streams and discounted electricity (through CRDG), will in turn allow such organizations to continue their operations serving the Ocean State, creating jobs, expanding municipal tax bases and stimulating local economies.

Ecogy is focused on quality over quantity; with proper due diligence done upfront to minimize project risks and shorten estimated project development timelines. Our portfolio in Rhode Island spans 22 projects, 12 municipalities, totaling 5.8MW with an average system size of 250 kW dc.

Ceiling Price Recommendations

Cost Pressures

Ecogy appreciates the Rhode Island Division of Public Utilities and Carriers ("Division") acknowledgment of continued upward pressure on key inputs to renewables construction and increased labor costs, at historically high levels on page 4, which has an impact on projects bidding into the Renewable Energy Growth Program ("REG Program").

This echoes our previous comments to Sustainable Energy Advantage (SEA) submitted on September 9, 2022 in response to the 1st draft 2023 Proposed REG Program Ceiling Prices regarding cost pressures such as rising prices for steel and other inputs interrupting the long-term decline in costs, supply chain constraints increasing the risks related to project development in this uncertain environment, and how in no other jurisdiction where we work other than Rhode Island are we required to have electricians install racking that has no electrical risk nor skill needed. This, along with the requirements for apprentice/journeyman ratios significantly increase the cost to build a commercial solar project in Rhode Island.[1]

Ecogy also discussed that inflationary pressures would continue and holds that project costs have not come down, with all economic indicators pointing to challenges well into 2023 due to high prices and regulatory uncertainties. There is no data that suggest factors driving costs higher will reverse; therefore, the Division should not make any recommendations for ceiling price decreases without the data and forecasts as evidence of such positive changes.

Passage of the Inflation Reduction Act (IRA)

While the restored and extended investment will provide a lot of value to the industry, it is important to assess how this benefit matches up to the latest cost pressures and financing mechanisms. This is discussed further below, regarding bonus depreciation.

Increasing Interest Rates

Ecogy appreciates the Division's acknowledgement that the cost of borrowing has increased. This echoes our previous comments to Sustainable Energy Advantage (SEA) on October 7, 2022 in response to the 2nd Draft 2023 Proposed Renewable Energy Growth REG Program Ceiling Prices which discussed the frequency of Federal Reserve officials raising interest rates. We believe it is important to have flexibility within the REG Program to capture rapidly changing market conditions.

Post Tariff Market Value

On page 5, the Division reiterates that "these assets have value beyond the term of the RE Growth tariff and that this value should be factored into the development of the ceiling prices." Throughout REG Program engagement over the past 3-years, Ecogy expressed concern about the Post Tariff Revenue Assumption under the program because it is uncertain, unquantifiable, and unrealistic.

[1] Department of Labor and Training and Office of Energy Resources – Questions and Answers on Solar Installations

Our most detailed comments regarding this matter can be found in our August 20th 2021 comments to Jim Kennerly in response to 2022 Proposed RE Growth Ceiling Prices, September 30th, 2021 comments to Jim Kennerly in response to 2022 Proposed RE Growth Ceiling Prices, February 22, 2022 comments in response to the 2022 Renewable Energy Growth ("REG") Program Tariff and Rule Changes Docket No. 5202 - Rebuttal Testimony to Direct Testimony of Michael Brennan - Division of Public Utilities, and September 9, 2022 comments discussed previously.

In the Division's October 7, 2022 memorandum to Jim Kennerly, Tobin Armstrong, and Jason Gifford, they stated, "Indeed, it is common for renewable project developers to model 30 year lives for these assets and panel warranties often extend for 25 years." Ecogy would like to know where this data was sourced and if the Division can provide supporting documentation that developers are modeling projects for 30 years. Ecogy has not and does not model 30 year projects, and our experience with other developers in the industry suggests the same. For whom is the "reasonable estimate" for post-tariff revenue reasonable?

Ecogy holds that the assumption of any post-tariff revenue is inaccurate and should not be used as a modeling assumption. This is due to the system needing to be removed at the end of the warranty to reroof the property which is generally 15-20 years, site owners being unwilling to sign a longer lease agreement than twenty years because of the fact that Ecogy can only guarantee certain lease payments for twenty years due to the REG tariff term and the majority of our agreements having mutual extension options instead of developer-only extensions, lenders not allowing us to assign value to any project past the twenty-year feed in tariff value term, uncertainty regarding the size and design of future net metering programs, the additional company bandwidth and project management costs that will be required to reapply old RE Growth projects into a new net metering program, and the additional costs for re-engineering a solar facility that switching to net metering compensation would require. A REG program site lease is to rent a rooftop for a front of the meter ("FTM") project for 20 years, not to design systems for an extended term with behind the meter ("BTM") implications. Ecogy strongly believes there needs to be guidance and clarification regarding net metering for future planning because at present, it is something Ecogy does not see as being economically feasible.

Bonus Depreciation

The Division recommended that Bonus Depreciation be incorporated into the ceiling price calculations and noted that the IRA included tax credit transferability provisions that should enable projects to more efficiently utilize all tax incentives available, including bonus depreciation.

Details regarding tax credit transferability have not been disclosed by the IRS to date and even when disclosed, it will take time for the tax equity market and developers to digest the new regulations. It is also uncertain if tax credit pricing under transferability provisions will be advantageous to current methods to raise tax equity capital as there is no active market for these tax credits today and market makers will likely charge high fees to be the first mover in that role. Although some long term benefit may occur, there is no implied benefit to the transferability provisions of the IRA in the near term.

Projects being installed using 2023 ceiling prices will still raise tax equity under existing structures. As a developer, we see no benefit or changes to the economics around tax incentives other than clarity that tax credit percentages have been given clear visibility over the next ten years. Therefore, we believe no changes should be made to how ceiling prices are determined and in particular bonus depreciation should continue to not be included in the ceiling prices until further provisions of the IRA are disclosed by the IRS and able to be understood and implemented by the market.

2020 Open Enrollment Periods

Ecogy agrees with the Division that the number of projects and MWs that participated in the three open enrollment periods during the 2022 enrollment process was significantly lower than it had been in prior years. This is not a coincidence. Ecogy has stated previously that the lower number of projects is an indication of the unviability of these projects within the current ceiling prices. Failing to support a fully subscribed medium-scale solar category undermines efforts to achieve the recently passed legislative target of one hundred percent (100%) renewable energy by 2030 in the state of Rhode Island.

Conclusion on Proposed 2023 Ceiling Prices

Ecogy supports ceiling prices calculated without using post-tariff market prices. Ecogy believes these should not be further modified to include bonus depreciation for all classes, as we've never used bonus depreciation in the past. Ecogy understands the need for a provision that allows Rhode Island Energy, the Rhode Island Office of Energy Resources ("OER"), and the Distributed Generation Contracts Board ("DG Board") to mutually agree to allocate megawatts from one class to another class within the RE Growth Program without Commission approval as long as the re-allocated targets would not exceed the annual MW target. It is important to note that large-scale solar fields are contributing to deforestation in Rhode Island; therefore, all parties should consider reallocating MWs to the Small Solar, Medium, and Commercial Solar categories. While larger scale classes may have better economies of scale, there are negative externalities such as societal and environmental negative impacts. The lowest cost Small Solar, Medium, and Commercial Solar in the built environment is desired by ratepayers, legislators, and environmental organizations.

Warmest regards,

/s/

Brock D. Gibian
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