STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
Legal Section
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March 10, 2023

Ms. Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, R.I. 02888

Re: Docket 22-43-EL 2023 Renewable Energy Standard Procurement Plan

Dear Ms. Massaro:

On behalf of the Division of Public Utilities & Carriers, please accept the attached memorandum, authored by Jennifer Kallay of Synapse Energy Economics which provides the Division's comments regarding the above referenced docket.

Very Truly Yours,

Margaret L. Hogan, Esq. (#5006)

Enclosure

cc: 22-43-EL Service List
Linda D. George, Esq., Administrator
John Spirito, Esq., Deputy Administrator
Christy Heatherington, Esq., Chief Legal Counsel
Paul Roberti, Esq., Chief Economic & Policy Analyst

Memorandum

TO: JOHN BELL, CHIEF ACCOUNTANT, RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

FROM: JENNIFER KALLAY, SENIOR ASSOCIATE, SYNAPSE ENERGY ECONOMICS

DATE: MARCH 10, 2023

RE: DOCKET 22-43-EL: 2023 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN COMMENTS

The purpose of this memo is to provide my comments on The Narragansett Electric Company d/b/a Rhode Island Energy's ("Company") Docket 22-43-EL 2023 Renewable Energy Standard Procurement Plan ("2023 RES Plan"). These comments are based on my review of the 2023 RES Plan filing.

The Renewable Energy Standard Regulations identify the specified percentage of the Company's energy supply that it is required to obtain from a mix of new and existing renewable energy resources. The 2023 RES Plan is the first RES Plan subject to higher renewable energy requirements under new legislation (2022-H 7277A, 2022-S 2274A) which increases the requirements in order to achieve a 100 percent RES by 2033. In 2023, the Company is required to procure Renewable Energy Credits ("RECs") for sales equivalent to 23 percent of its load or 834,902 RECs. 21 percent or 762,301 RECs will come from new renewable energy resources and the additional 2 percent or 72,601 RECs will come from new or existing renewable energy resources. The higher RES obligations drive the need for more new RECs.

In the 2022 RES Plan, the Company expected that new REC supply would exceed the RES obligation plus allowable banking for the next few years. The Company's expectations changed in the 2023 RES Plan due to several uncertainties, including uncertainties in the new REC supply and the load forecast which impacts the demand for new RECs. Regarding the new REC supply, the projected new REC supply from Long-Term Renewable Contracts decreased due to the termination in the Gravel Pit Solar II, LLC Power Purchase Agreement and reduced generation from an operational wind farm. The reduction in the new REC supply from Long-Term Renewable Contracts and the increase in renewable energy requirements are making it more challenging for the Company to achieve the RE requirements in the short term, using RECs from Long-Term Renewable Contracts and the RE Growth Program only.

Regarding the load forecast, the Company projects a significant increase in municipal aggregation in 2023, with 24 percent of the Company's Last Resort Service (LRS) load expected to switch to nonregulated power producers. The estimated LRS load in the 2022 RES Plan was 3,920,160 MWhs. The estimated LRS load in the 2023 RES Plan is 3,630,004 MWhs, 7 percent lower than in 2022. In its 2023 RES Plan the Company identified that LRS load estimates are less certain, likely given the combined impact of rising load due to electrification and declining load due to the increase in municipal aggregation.

The Company estimated the net impact of these factors on the need for more new RECs in its 2023 RES Plan. In 2023 and 2024, the Company anticipates that new REC supply will exceed the RES obligation, but not the RES obligation plus the allowable banking. The Company anticipates that the new REC supply will again exceed the RES obligation plus allowable banking when the Revolution Wind Farm becomes operational around 2025.

As a result of the net impacts described above and ongoing uncertainties related to new REC demand and supply, the Company proposes one change to allow for more flexibility in managing the REC portfolio. In the 2023 RES Plan, the Company proposes that it continue to make quarterly REC sales when necessary and that it be given the discretion to bank RECs each quarter in addition to at the end of the year. Given the uncertainties in new REC demand and supply outlined by the Company in the 2023 RES Plan, I find that the Company's proposed adjustment to the transaction methodology is reasonable and is in ratepayers' best interest and I support the proposed change.