

September 1, 2023

**VIA ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**RE: Docket No. 23-29-EL- 2024 Renewable Energy Standard Procurement Plan**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a Rhode Island Energy (“Rhode Island Energy” or the “Company”), enclosed, please find the Company’s Renewable Energy Standard (“RES”) Procurement Plan for 2024 (“2024 RES Plan”) which is described herein. The 2024 RES Plan is being submitted to the Public Utilities Commission (“PUC” or “Commission”) in accordance with 810-RICR-40-05-2.9. Pursuant to 810-RICR-40-05-2.9(C), all the components of the 2024 RES Plan are subject to PUC review and approval. The Company respectfully requests that the PUC approve the 2024 RES Plan as filed.

In Docket No. 22-43-EL, the PUC approved the Company’s 2023 RES Procurement Plan, the standard RES Certificate Purchase Agreement (“CPA”), the standard RES request for proposal (“RFP”) Notice template, and the standard RES RFP Summary template. The Company is not changing these documents in this 2024 RES Procurement Plan filing, and will continue to use the previously approved CPA, RES RFP Notice, and RES RFP Summary.

The Rhode Island Renewable Energy Standard, R.I. Gen. Laws § 39-26-4, requires the Company to obtain a statutorily established percentage of its energy supply from eligible renewable energy resources. The 2024 RES Plan is designed to meet the statutory obligations set forth by the RES. The 2024 RES Plan does not include significant adjustments to the 2023 RES Plan which was approved by the PUC at an Open Meeting on March 29, 2023 in Docket No. 22-43-EL.

# Robinson+Cole

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
September 1, 2023  
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Thank you for your attention to this filing. If you have any questions or concerns, please do not hesitate to contact me at 401-709-3337.

Sincerely,



Leticia C. Pimentel

cc: Docket 22-02-EL Service List  
John Bell, Division  
Jon Hagopian, Esq.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate were electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Heidi J. Seddon

September 1, 2023

Date

**Docket No. 22-02-EL – Narragansett Electric Co. d/b/a Rhode Island Energy  
– 2023 Last Resort Service Procurement Plan  
Service List updated 4/19/23**

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## 2024 Renewable Energy Standard Procurement Plan

### I. Objectives

- A. This plan satisfies 810-RICR-40-05-2.9(B) and 810-RICR-40-05-2.9(C) of the Rhode Island Public Utilities Commission’s (“PUC”) Rules and Regulations Governing the Implementation of a Renewable Energy Standard (“RES Regulations”), which is codified as 810, RICR-40-05-2. Under the RES Regulations, The Narragansett Electric Company (“the Company”) is required to submit annually a Renewable Energy Standard Procurement Plan (“RES Plan”) that details the Company’s procedures for obtaining resources that satisfy its obligations under the Rhode Island Renewable Energy Standard (“RES”), R.I. Gen. Laws § 39-26-1 et seq.
  
- B. The plan is for the procurement of the RES renewable energy certificates (“RECs”) to meet the obligations associated with provision of Last Resort Service (“LRS”) for 2024. The Company will use a competitive procurement process for all 2024 requirements for Existing Renewable Energy Resources (“Existing RECs”). The Company expects to use New Energy Resources (“New RECs”) obtained through the Distributed Generation Standard Contracts Act and the Long-Term Contracting Standard for Renewable Energy (collectively, “Long-Term Renewable Contracts”) and the Renewable Energy Growth (“RE Growth”) Program for all 2024 requirements for New RECs.
  
- C. This plan includes the sale of the New RECs for when the Company acquires RECs more than its RES obligation for its LRS customers.

### II. Requirements

The following table details the anticipated number of RECs that will be necessary to satisfy RES Regulations in 2024.

Year	Percentage from New Renewable Energy Resources	Percentage from <i>either</i> New <i>or</i> Existing Renewable Energy Resources	Total RES Target Percentage	Estimated LRS Load (MWhs)	LRS Existing RES Obligation (RECs)	LRS New RES Obligation (RECs)
2024	26.0	2.0	28.0	3,259,413	65,189	847,448

### III. REC Procurement

The Company would obtain RECs through the following market-based actions to meet the 2024 RES requirement for its LRS customers.

- A. Under the RES Regulations, the Company may bank 30% of the New RES Obligation for a compliance year to satisfy the RES requirement over the following two years. The Company will use any New RECs it banked in previous years to satisfy its 2024 RES requirement. RECs banked from prior years would have been obtained through market-based actions.
- B. To comply with the Long-Term Renewable Contracts, the Company enters into transactions with renewable energy resources that include New RECs. As first approved in PUC Docket No. 4315, the Company proposes to continue using these RECs to satisfy its New RES requirements for the LRS load. The Company believes that LRS customers will benefit from this approach because it minimizes transaction expenses.

To comply with the RE Growth Program, codified at R.I. Gen. Laws § 39-26.6-1 et seq., the Company enrolls eligible renewable energy resources and pays them a fixed price for their generation. Under the RE Growth Law, the Company receives title to the RECs for all projects that participate in the RE Growth Program. Effective June 27, 2016, pursuant to Rhode Island law, the Company has the option of selling these RECs or using them to comply with the RES.<sup>1</sup> As first approved in PUC Docket No. 4556, the Company proposes to continue using these RECs to satisfy its New RES requirements for the LRS load to further minimize transaction expenses.

- C. The Company will issue standalone REC Requests for Proposals (“RFPs”) to procure the remaining REC amounts for each REC class necessary to satisfy the RES Regulations. The Company intends to issue one or more REC RFPs in 2024 for Existing RECs. The Company does not anticipate issuing an RFP for New RECs because it expects that New RECs from the Long-Term Renewable Contracts and RE Growth Program will meet its New RES requirement. However, in the event the New RECs from the Long-Term Renewable Contract and RE Growth Program do not meet its New RES requirement, the Company will solicit New RECs in its RFPs.

The principal criteria to be used in evaluating REC RFP proposals will be the lowest evaluated bid price. In the event of identical low bids, the Company will allocate the offered RECs to all bidders with identical prices based on the quantities bid and the quantities solicited. For example, the Company solicits 5,000 RECs and receives two identical low bid prices. Bidder A offers 5,000 RECs and Bidder B offers 2,500

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<sup>1</sup> See R.I. Gen. Laws § 39-26.6-21(3).

- RECs. Bidder A will receive 3,333 RECs ( $5,000 / 7,500 * 5,000$ ) and Bidder B will receive 1,667 RECs ( $2,500 / 7,500 * 5,000$ ).
- D. The Company may also evaluate offers or make bids to purchase RECs through environmental brokers, online broker platforms, or from other market participants.
  - E. If the Company still has an obligation shortfall in a calendar year, the Company will make an Alternative Compliance Payment to the Rhode Island Commerce Corporation for the unmet obligation.

#### **IV. Transfer Prices**

The Company proposes to determine the market costs for reconciliation of the New RECs from Long-Term Renewable Contracts and the RE Growth Program that are used for the LRS New RES requirements by using the most representative data sources, such as recent solicitation results, broker sheets, and market indices. This procedure is described and first approved in Docket No. 4338. The market costs will be charged to LRS customers for the New RECs used for their RES obligation, and the same amount will be credited to all delivery customers. On a quarterly basis, the Company will obtain market prices for a period of ten business days before the opening of a NEPOOL GIS trading period and ten business days after. The Company will then average those market prices to calculate a REC market value which will be used to reconcile the Long-Term Contracting for Renewable Energy Recovery (“LTC Recovery”) Factor and RE Growth Factor. Any difference between this REC market value and the estimate used to forecast the LTC Recovery Factor and RE Growth Factor will flow through the reconciliation mechanism. The price used to charge LRS customers and credit delivery customers is referred to as the Transfer Price.

#### **V. REC Sales**

Under the RES Regulations, the Company may bank up to 30% of the New RES obligation for a compliance year to satisfy the RES requirement over the following two years. Once the RECs from Long-Term Renewable Contracts and the RE Growth Program exceed the allowable banking limit, the Company must sell these RECs or they will expire with no value.

In 2024 the Company anticipates that New RECs obtained from the Long-Term Renewable Contracts and the RE Growth Program will exceed the RES obligation but will not exceed the allowable banking limit. The Company expects the New RECs will be less than the allowable banking limit until the Revolution Wind Farm becomes operational.

In addition to RECs that are sold when the New RECs exceed the allowable banking limit, the Company may sell RECs rather than bank if it is financially advantageous to do so as described

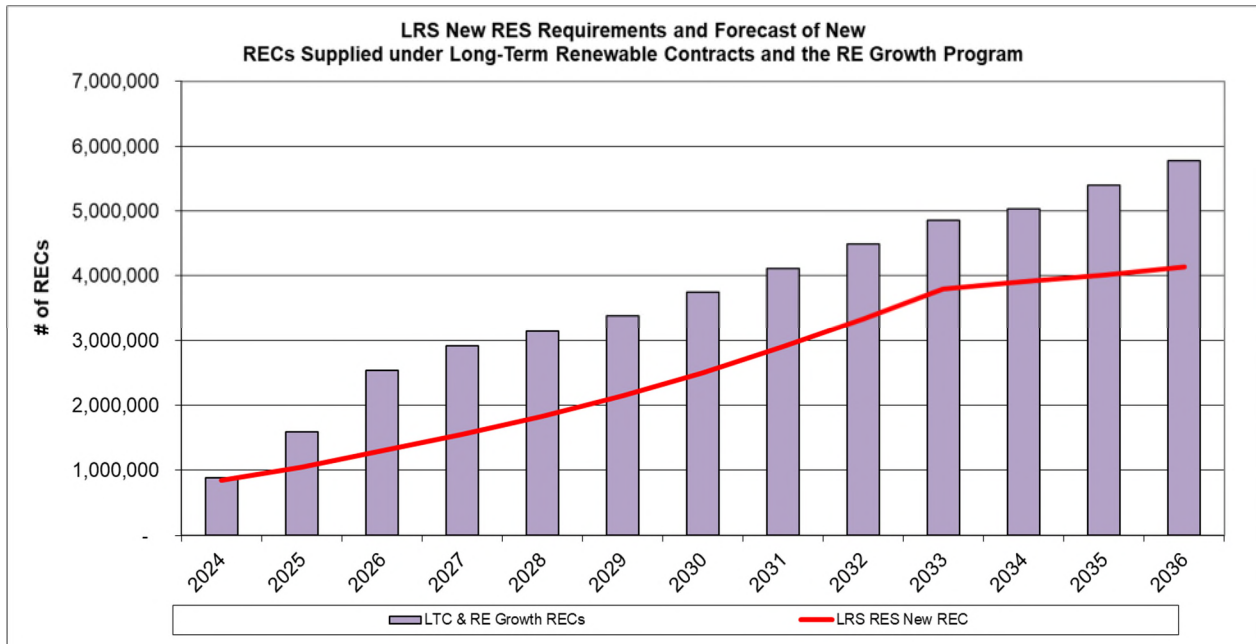
in Section VII. Therefore, the Company will perform REC sales transactions to manage the REC portfolio in the event that the New REC inventory exceeds the RES obligation and/or the banking limit.

The Company will sell the RECs in a timely manner to monetize the value of the RECs on behalf of delivery customers. The Company will sell the RECs using methods that are similar to the methods the Company uses to procure RECs. These methods include:

- A. The Company may issue a Request for Bids (“RFB”) or auction for RECs to solicit bids for the sale of the RECs. The RFB would allow multiple participants to bid for various volumes up to the quantity offered.
- B. The Company may participate in REC RFPs or auctions in the market conducted by utilities, brokers, or other market participants.
- C. The Company may also make offers or evaluate bids to sell RECs through environmental brokers, online broker platforms, or to other market participants.

**VI. Forecast of RECs from Long-Term Renewable Contracts and the RE Growth Program and RES Requirements**

The chart below shows a projection of the New RES requirement for LRS customers compared to the estimated output of RECs obtained through the Long-Term Renewable Contracts and the RE Growth Program.





## VII. Procurement, Sales, and Bank Strategy

As first approved in the 2021 RES Plan, the first step of the Company's strategy to satisfy its RES requirement is to allocate RECs banked from the prior year. In the event the Company has banked RECs from a prior compliance year, it proposes to allocate the banked RECs evenly over each quarter of the current year to partially satisfy its New RES requirements for LRS load in each quarter.

The Company then proposes quarterly purchases of New RECs from Long-Term Renewable Contracts and the RE Growth Program equal to LRS customers' RES requirement minus the banked allocation.

Finally, in the event the New RECs from Long-Term Renewable Contracts and the RE Growth Program exceed the New RES requirements for LRS load in a quarter, the Company may sell and/or bank the excess RECs. In the first three quarters of 2024, the Company will assess its expected New RES requirements and expected New REC supply, both quarterly and annually, and decide to sell or purchase the excess RECs as they are created. In the fourth quarter the Company proposes to use New RECs from Long-Term Renewable Contracts and the RE Growth Program for its New RES requirements for LRS load. The Company also proposes to bank 5% of the 2024 New RES obligation for the 2024 compliance year (to prevent the possibility of a shortfall) with New RECs from Long-Term Renewable Contracts and the RE Growth Program. Finally, the Company then proposes to bank or sell the New RECs that exceed the total of the RECs banked (5%) and the New RES requirements for LRS load.

This strategy is illustrated in the following table assuming 36,000 banked RECs from the prior year and a RES requirement of 850,000 RECs:<sup>2</sup>

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- <sup>2</sup>(a) REC Supply is the expected New RECs from Long-Term Renewable Contracts and the RE Growth Program. In this illustration, the Company included examples of the quarterly number of RECs that may be produced throughout the year and totaling to 890,000 RECs.
- (b) RES requirement is the expected number of New RECs required to meet the LRS customers' RES requirement. In this illustration, the Company included examples of the quarterly number of RECs necessary to meet the LRS customers' New RES requirements throughout the year and totaling to 850,000 RECs.
- (c) Banked RECs are the number of RECs from the prior year that will be banked for the next year's RES compliance. In this illustration, the Company included 36,000 banked RECs from the prior year. The Company's proposal in the 2024 RES Plan is to equally allocate banked RECs evenly from the prior year. Therefore, the quarterly RECs of 9,000 is 36,000 divided by four quarters.
- (d) RECs to Purchase are the quarterly number of RECs to purchase from the REC Supply, if available, to meet the quarterly LRS customers' RES requirement. In this illustration the Company calculated the LRS RES requirement for the quarter, subtracted the allocated Banked RECs for the quarter, and determined the number of New RECs to purchase from the REC Supply.
- (e) Banked & Purchased RECs are the sum of Banked RECs and RECs available to purchase. If this column equals column (b), RES Requirement, it demonstrates that the quarterly RES requirements were fully met by a supply of New RECs from Banked RECs and RES Purchases from the REC Supply.

**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a RHODE ISLAND ENERGY  
RIPUC DOCKET NO. 23-29-EL  
2024 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN  
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	<b>(a) REC Supply</b>	<b>(b) RES Requirement</b>	<b>(c) Banked RECs</b>	<b>(d) RECs to Purchase (= b - c)</b>	<b>(e) Banked &amp; Purchased RECs (= min(a,d) + c)</b>	<b>(f) 4th Qtr Bank 5%</b>	<b>(g) Surplus or Shortfall RECs (= a + c - b - f)</b>
Q1	230,000	200,000	9,000	191,000	200,000	0	39,000
Q2	220,000	190,000	9,000	181,000	190,000	0	39,000
Q3	200,000	260,000	9,000	251,000	260,000	0	-51,000
Q4	240,000	200,000	9,000	191,000	200,000	42,500	6,500
Total	890,000	850,000	36,000	814,000	850,000	42,500	33,500

In this example, for the year there are 76,000 RECs in excess of the RES requirement for LRS customers (890,000 RECs in column (a) plus 36,000 RECs in column (c) minus 850,000 RECs in column (b)). As described above, the Company proposes to bank 42,500 of these RECs (5% x 850,000 RES requirement). The remaining 33,500 RECs (76,000 RECs minus 42,500 RECs) will either be banked or sold throughout the year. In the fourth quarter the Company will bank any excess RECs above its planned bank of 42,500 RECs if the current year's price, as determined by the proposed procedure to establish market costs for the reconciliation, is materially lower than next year's spot market price. If the current year's price is higher than the next year's price, the Company will sell the excess RECs. The decision to bank or sell RECs will be made immediately following the procedure to establish market costs.

The market costs will be charged to LRS customers for their RES obligation, and the same amount will be credited to delivery customers. For the first three quarters, the Company will charge LRS customers only the number of RECs necessary to meet that quarter's RES obligation for LRS customers and any RECs it purchases to meet a different quarter's New RES Requirement. The Company may also sell the RECs above the quarterly RES obligation as described in Section V. In the fourth quarter the Company will charge LRS customers for the number of RECs necessary to meet that quarter's RES obligation in addition to any RECs it purchases for a prior period's New RES Requirement and for the RECs equal to 5% (or less) of the New RES obligation for the following compliance year. The Company may sell the excess RECs above the quarterly RES obligation and the 5% bank, bank the excess RECs and charge LRS customers, or a combination of the two. Any banked RECs will be included in the fourth

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- (f) In the fourth quarter the 2024 RES Plan requires RECs to bank equal to 5% of the New RES obligation.
- (g) Surplus or Shortfall RECs are the number of New RECs that may be sold, that may be purchased for the RES Requirement for a different quarter, or that may be below the New RES Requirement in the first three quarters. The quarterly amounts for the first three quarters are the REC Supply and Banked RECs in excess of the RES Requirement. In the fourth quarter, the number of New RECs in Column (g) are the REC Supply and Banked RECs in excess of the RES Requirement and the 5% bank.

quarter's valuation as determined by the proposed procedure to establish market costs for the reconciliation and will be credited to delivery customers.

The decision to bank or sell RECs will be made immediately following the procedure to establish market costs for the fourth quarter RES obligations which occurs at the end of April or beginning of May. At that time, the Company's Transfer Price methodology will charge LRS customers for its remaining New RES obligation and also RECs banked equal to 5% of its 2024 RES obligation. If the current year's Transfer Price is lower than next year's spot market price, it will bank the excess RECs above the 5% of its banking allowance up to its 30% limit. The Company's Transfer Price methodology will charge LRS customers for these additional banked RECs. Any excess RECs above the 30% banking limit will be sold.

If the current year's Transfer Price is higher than next year's spot market price, the Company will sell the excess RECs above the 5% of its banking allowance. It is possible that the Company may not be able to sell the excess RECs above the 5% of its banking allowance. If the Company cannot sell RECs to the banked amount of 5% because of market liquidity, or if the market prices decrease and the financial incentive to sell RECs is removed, the Company will bank the 2024 RECs for 2025 compliance to prevent them from expiring worthless.

In the event the Company is unable to sell the RECs and decides to bank REC for a future compliance year, the Company proposes to use a similar Transfer Price methodology to establish the value of these additional banked RECs. LRS customers will be charged a new Transfer Price for these RECs that are in excess of the 5% banked which have already been valued. This Transfer Price methodology will be for a period of ten business days prior to the decision to bank rather than sell, and ten business days after. For example, if prices decrease and on May 15th the Company decides there is no longer a financial advantage to sell, the Company will obtain market prices for ten business days before May 15th and ten days after. The new average market price will be the Transfer Price for any banked RECs above the 5% that had already been banked. If ten business days after the decision date are not available, the Company will use available data for the smaller time period.

If there are sales of excess New RECs in a quarter, the Company will include the sales revenue in its reconciliation of the Long-Term Renewable Contracts and the RE Growth Program. The revenue from the sales of excess New RECs will be separate and independent from the market costs for reconciliation for the New RECs used for New RES requirements for LRS load. REC Sales are further described in Section V.

The following processes describe the step by step compliance with the New RES obligation and the revenue for New RECs from the Long-Term Renewable Contracts and the RE Growth Program.

The Company, for each quarter and the compliance year, will project the REC supply from Long-Term Renewable Contracts and the RE Growth Program, the New RES requirement for

LRS customers, the allocation of RECs banked from the prior year, and determine if the REC supply and banked RECs exceed the New RES requirement. Intermittent renewable generation, increased migration of load to nonregulated power producers, and the increase in the RES may increase the possibility that the New RES requirement may be higher than the expected REC supply and banked RECs in a given quarter. Therefore, the Company may not sell excess RECs in a particular quarter to meet the shortfall of RECs from a different quarter.

First, Second, and Third Quarters:

1. Determine REC supply from Long-Term Renewable Contracts and the RE Growth Program.
2. Determine the New RES requirement for LRS customers using actual load data.
3. Determine the number of RECs required to meet the New RES requirement for LRS customers by subtracting the allocated banked RECs from the prior year for the quarter from the New RES requirement (which is determined in step 2).
  - a. The number of RECs used to meet the New RES requirement will be valued using the Transfer Price methodology in Section IV.
4. Determine the number of banked RECs and REC supply (which is determined in step 1) that can be used to meet the New RES requirement (which is determined in step 3).
5. In the event the banked RECs and REC supply are lower than the New RES requirement, no action is required.
6. In the event that the banked RECs and REC supply are higher than the New RES requirement, determine number of RECs to sell or to purchase for the annual New RES requirement. After projecting the REC supply and New RES requirement for all quarters, the Company may decide to purchase the excess RECs to make up for a different quarter that may have a shortfall of RECs.
  - a. Sell the RECs by the methods included in Section V.
  - b. The Company will include the sales revenue in its reconciliation of the Long-Term Renewable Contracts and the RE Growth Program (as applicable). The revenue from the sales of excess New RECs will be separate and independent from the Transfer Price methodology.
  - c. The number of RECs purchased to meet the New RES requirement will be valued using the Transfer Price methodology in Section IV.

Fourth Quarter:

1. Determine REC supply from Long-Term Renewable Contracts and the RE Growth Program.
2. Determine the New RES requirement for LRS customers using actual load data.
3. Determine the number of RECs required to meet the New RES requirement by subtracting the allocated banked RECs from the prior year for the quarter from the New RES requirement (which is determined in step 2).
  - a. The number of RECs used to meet the New RES requirement will be valued using the Transfer Price methodology in Section IV.
4. Determine the number of RECs that are equal to 5% of the current year's New RES requirement.
  - a. The number of RECs that are equal to 5% of the New RES requirement will be valued using the Transfer Price methodology in Section IV.
5. Determine the number of RECs, if any, that exceed the maximum allowable bank. The Company is allowed to bank RECs up to 30% of the current year's New RES requirement.
  - a. Sell these RECs that exceed the 30% of the current year's New RES requirement by the methods included in Section V.
  - b. The Company will include the sales revenue in its reconciliation of the Long-Term Renewable Contracts and the RE Growth Program (as applicable). The revenue from the sales of excess New RECs will be separate and independent from the Transfer Price methodology.
6. Determine the number of RECs, if any, that exceed the 5% bank (which is determined in step 4) and below the maximum 30% allowable bank (which is determined in step 5). These RECs will either be sold in the fourth quarter or banked for a future compliance year.
  - a. If the current year's fourth quarter Transfer Price is lower than next year's spot market price, the Company will bank RECs.
    - i. The number of RECs that are banked will be valued using the Transfer Price methodology in Section IV.

- b. If the current year's fourth quarter Transfer Price is higher than next year's spot market price, the Company will sell the excess RECs above the 5% of its banking allowance.
  - i. Sell the RECs by the methods included in Section V.
  - ii. The Company will include the sales revenue in its reconciliation of the Long-Term Renewable Contracts and the RE Growth Program (as applicable). The revenue from the sales of excess New RECs will be separate and independent from the Transfer Price methodology.
  - iii. If the Company cannot sell the RECs it planned to sell in excess of the 5% bank because of market liquidity, or if the market prices decrease and the financial incentive to sell RECs is removed, the Company will bank the RECs for future compliance to prevent them from expiring worthless.
    - 1. The number of RECs that are banked will be valued using the Transfer Price methodology in Section IV, but for a different period of prices. This Transfer Price methodology will be for a period of ten business days prior to the date that the decision is made to bank rather than sell, and ten business days after.