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Peter F. Neronha
Attorney General

March 13, 2024

Via Electronic Mail

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

RE: 24-08-EL RI Energy 2024 Renewable Energy Standard (RES) Charge and Reconciliation Filing

Dear Ms. Massaro:

On behalf of the Division of Public Utilities and Carriers, please accept for filing the attached Memorandum from James Rouland and Aliea Afnan Munger of Daymark Energy Advisors, which provides the Division's position in the above-entitled docket.

Thank you for your attention to this submission.

Very truly yours,

/s/ Gregory S. Schultz

Gregory S. Schultz
Special Assistant Attorney General
On behalf of the Division of Public Utilities and Carriers

Enclosure

cc: 24-08-EL Service List
Linda George, Esq., Division Administrator
Christy Hetherington, Esq., Division Chief Legal Counsel
Paul Roberti, Esq., Division Chief Economic and Policy Analyst

To: Rhode Island Division of Public Utilities and Carriers

From: James Rouland and Aliea Afnan Munger
DAYMARK ENERGY ADVISORS

Date: March 13, 2024

Subject: 2024 Renewable Energy Standard Charge and Reconciliation Filing
Docket No. 24-08-EL

INTRODUCTION

On February 26, 2024, Rhode Island Energy (“RI Energy” or the “Company”) filed its proposed 2024 Renewable Energy Standard (“RES”) Charge and Reconciliation Filing with the Public Utilities Commission (“Commission”). In its filing, the Company seeks approval for a proposed 2024 RES Charge of \$0.01200 per kWh. The charge consists of two components. The first component is the estimated cost of complying with the RES for 2024, estimated by RI Energy to be \$0.01109 per kWh. The second component is the adjustment charge to reconcile previous estimates of the cost of complying with prior years’ RES with actual costs, which was calculated at \$0.00091 per kWh. The proposed 2024 RES Charge represents an increase on a 500 kWh/month Last Resort Service residential customer’s bill of 1.1% (an increase of \$1.90 per month).

The Rhode Island Division of Public Utilities and Carriers (“Division”) retained Daymark Energy Advisors (“Daymark”) to review the filing along with all the attachments to ensure that the two components that make up the 2024 RES Charge were accurately calculated and are in accordance with the relevant tariffs. This memorandum presents the full results of our review. In summary, Daymark finds that RI Energy calculated all the charges appropriately based on the underlying data the Company presented and the relevant tariff. Therefore, Daymark recommends approval. We do have the following recommendation:

1. RI Energy should consider a mechanism in this filing to confirm and quantify the Renewable Energy Certificates (“RECs”) procured, either through the market or through a Company managed program such as the Renewable Energy Growth Program or Long-term Contracting.

RENEWABLE ENERGY STANDARD CHARGE AND RECONCILIATION

COMPONENT #1: ESTIMATED COST FOR 2024 RES COMPLIANCE

The first component of the proposed 2024 RES Charge, calculated at \$0.01109 per kWh, is based upon REC prices of \$39.15 for New RECs and \$4.35 for Existing RECs. The estimated prices for both the New and Existing RECs were based on broker quotes as of February 1, 2024. The estimated costs for both New and

Existing RI RECs appear consistent with Daymark’s outlook of the current REC market for Vintage 2023 and 2024 RECs.

The Company’s estimated prices for both New and Existing RECs with 2023 and 2024 vintages fell within the range of market-based prices. Vintage 2023 New REC average prices used were \$39.00 versus a market-based median range of \$39.19. Prices rose \$0.15 to \$39.15 for Vintage 2024 New RECs, nearly matching actual market-based median prices of \$39.13. Overall, New REC prices continue to rise, nearly returning to previous highs around \$40 as experienced in 2021. Figure 1 below shows that while prices continue to forecast an increase, market prices are moderately variable within a \$1.00 band. Given the variability, the prices used by the Company appear reasonable and supported by market data.

In contrast, Existing REC prices have fallen throughout the year for both 2023 and 2024 vintages. The Company estimated 2023 vintage Existing RECs at \$3.35 compared to a market median price of \$7.38 and a minimum price of \$4.25. The average price used for Vintage 2024 RECs was \$4.35, a \$1.00 increase per REC, compared to the market median price of \$6.25 and a minimum price of \$4.75. As provided in Figure 2 below, Existing REC prices have fallen, supporting the Company’s use of a \$4.35 per REC.

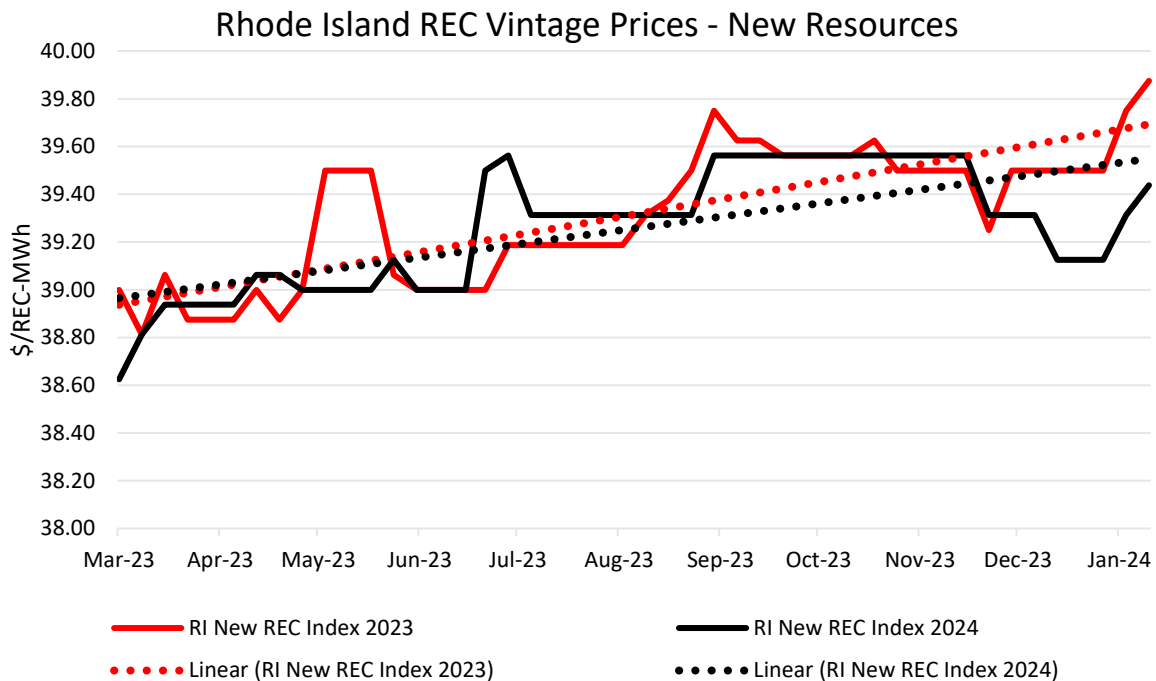


Figure 1: Broker Quotes for RI New RECs¹

¹ S&P Global REC Price data – pulled 29 February 2024; based upon weekly market-based prices.

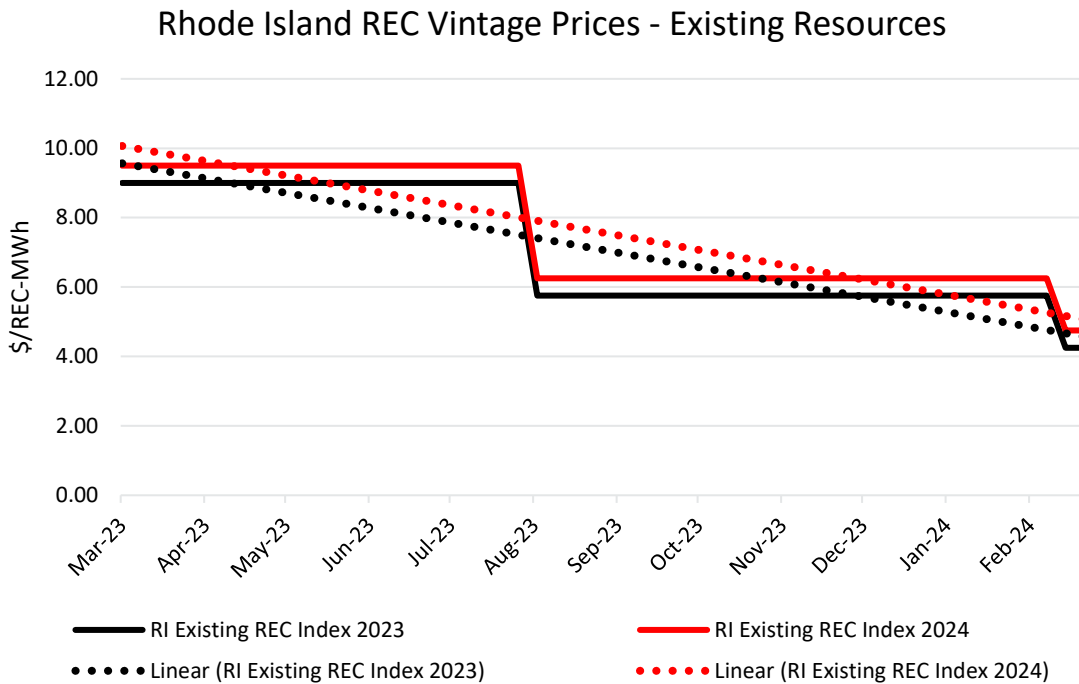


Figure 2: Broker Quotes for RI Existing RECs¹

The proposed charge is based upon the 2024 RES values that require New RECs to be 26% of the supply obligation and Existing RECs to be 2.0%. Using the above assumptions, Daymark concurs with the Company’s calculation of the \$0.01109 per kWh figure.

COMPONENT #2: RECONCILIATION CHARGE FOR PREVIOUS RES COMPLIANCE

The second component of the proposed 2024 RES Charge, the proposed reconciliation charge, was calculated at \$0.00091 per kWh in order to adjust for the estimated under-recovery through the 2023 Compliance Year. The Company estimates an under-collected amount of \$1,596,272 for the expense incurred for Compliance Year 2023. The 2023 RES Reconciliation filing by the Company reported at \$1,509,302 over-collection; therefore, the year-over-year from 2023 to 2024 results in a net swing of \$3,105,574 – from an overcollection to an under-collection.

Additionally, for Compliance Year 2022, the Company estimated an under-collection of \$1,395,156, compared to a prior year estimate of a \$144,770 under-collection. Supporting documentation from the Company finds that the 2023 RES Reconciliation filing estimated to actual Ending Balance resulted in a net adjustment to the estimate of \$6,360, signifying the estimate was reasonable.² Analysis of the RES Reconciliation through December 31, 2022 finds continuous under-collections from April 2023 through

¹ S&P Global REC Price data – pulled 29 February 2024; based upon weekly market-based prices.

² See 24-08-EL Confidential_NECO_RES_2024, “Att 2 P3 PY Rec” tab, line 18.

the forecast period of April 2024. This is driven by the RES Planning Year Reconciliation Factor approved in Docket 5190, Schedule 1 of (\$0.00042). This brings the total estimated under-recovery through Compliance Year 2023 to \$2,991,428. Given the substantial under-recovery the Company's proposed RES Adder of \$0.00091 appears warranted and supported by facts provided.

Based upon the above discussion, we find the proposed 2024 Renewable Energy Standard (RES) Charge of \$0.01200 per kWh to be reasonable and recommend that it be approved as filed.

ADDITIONAL CONSIDERATIONS

REC Tracking

Daymark reviewed all workpapers provided by the Company to confirm the values used appropriately aggregate to the filed RES Charges and RES Reconciliation rates. While no errors were identified within the calculations and supporting workpapers, in numerous instances Rhode Island Energy hard-codes REC obligations. These values constitute the monthly Rhode Island RES obligations, which aggregate to annual values and translate to an associated charge to customers as found in this rate filing. Calculations indicate inclusion of actual kWh sales and forecast kWh sales, based upon the availability of associated data. Because values are hard-coded and do not provide references to other filings or reports that may otherwise provide supporting documentation behind the calculation of these figures, Daymark was unable to confirm the accuracy of the REC quantities.

Further, Daymark was also unable to confirm and qualify the RECs procured, either through the market or through a Company managed program such as the Renewable Energy Growth Program or Long-Term Contracting. This made it difficult to understand how RECs acquired, especially from Company managed programs, are being used or banked at any given time – and ultimately being recovered in the rate filing.

If the Company provides a formal report or RES filing to the Commission that aligns with the values provided in this rate filing, it should be referenced to enable confirmation. If this does not occur, an ideal alternate solution to enable the Division and Commission to confirm the quantity of RECs procured and estimated are accurate is to include a REC tracking sheet. This sheet would include customer kWh sales per month (actual or forecast), actual and forecast New and Existing REC obligations per the Rhode Island RES, and the source of those RECs – either sold from a Company administered program, procured from the market, or to be procured from the market in a future solicitation. Such a tracker would ensure RECs purchased or sold appropriately flow through to the RES Charge and/or RES Reconciliation documentation.