

State of Rhode Island Public Utilities Commission

In Re: 2024-2026 Renewable Energy Growth Program Classes, Ceiling Prices, and Capacity Targets and 2024-2026 Renewable Energy Growth Program Tariffs and Solicitation and Enrollment Rules

Docket No. 23-44-REG

**Gridwealth's
Post Hearing Comments**

April 22, 2024

Introduction

Gridwealth appreciates the opportunity to participate in this Renewable Energy Growth (REG) approval proceeding in which a three-year program proposal from the Distributed Generation (DG) Board is under consideration. Gridwealth has proposed an alternative megawatt (MW) allocation plan that is well-rooted in the urgently restated purpose of the REG law, supported by the DG Board's revised Benefit Cost Analysis (BCA), showing much higher benefits that were not appreciated in any reconsidered allocation, and informed by the realities of interconnection. The DG Board's proposed MW allocation plan provides proportionately less volume to Medium, Commercial I and Commercial II categories than prior years even though those classes can better serve the REG program's purpose to use preferred sites that avoid environmental impact and are much easier to interconnect than larger projects.

Gridwealth's alternative proposed allocation received no rebuttal. The REG law and the Act on Climate require rapidly scaled installation of clean renewable electricity in Rhode Island that is needed to serve electrification of our thermal and transportation sectors. The Commission's adoption of Gridwealth's three-year allocation plan is needed to serve the General Assembly's urgent purpose.

i. A Three-Year Allocation is Necessary to Serve the Purpose of the REG Law and the Act on Climate.

Last session, the general assembly amended the REG law to allow that the program enrollment targets and ceiling prices can be recommended by the DG Board not annually but every three years, subject to commission approval. 2023 R.I. Pub. Laws §§300-301 amending R.I. Gen. Laws §§39-26.6-3(2); 39-26.6-12(b). That change was made together with an amendment of the purpose of the law to "enable the state to meet its climate and resilience goals, including those established in the act on climate" and expansion of the annual target to up to 300MW. *Id.* at §§39-26.6-1; 39-26.6-10(c). As confirmed in the testimony and public comment in this docket, the legislature has now set very bold goals and expectations for the REG program.¹

The REG program has been drastically under-enrolled in the last two years. Msrs. Kennerly and Armstrong, the DG Board and OER witnesses, said the program had only enrolled 55% of its enrollment goal in 2022 and 12% as of the time of filing in 2023.² The testimony indicates three causes of under-enrollment: ceiling prices that underestimated project development costs (especially the impact of raised interest rates), interconnection delays and costs (especially given new Affected System Operator requirements for projects over 1 MW), and a lack of predictability of REG program

¹ RIE Direct, p. 5; OER/Board Direct, pp. 5, 24); DPUC Direct, p. 6; Revity Energy LLC Comment; International Brotherhood of Electrical Workers Comment; Climate Jobs Rhode Island Comment; AFL-CIO Comment; Nature Conservancy Comment (4/9/24 Hearing Part 1 @ min.13:40).

² OER/Board Direct, p. 23.

allocations and pricing.³ Testimony from both the OER/DG Board and the Division witnesses indicated that the third factor is most important, and incorporates the other two.⁴

Developers have preferred net metering because it is more predictable in terms of the both the pricing and the lack of any allocation restrictions. Developers cannot predict what is going to happen with the pricing and allocations in the REG program, because it has been subject to altering annual recommendations, review and Commission amendment and approval. Program applicants must be able to predict both their level of financial support and the availability of capacity. The testimony clearly and indisputably establishes that three-year allocations and ceiling prices are essential to ensure robust program participation and satisfaction of the purposes of the REG law and the Act on Climate by creating a clear market signal of available capacity and known ceiling prices. In the absence of such a robust three-year REG program, developers will continue to gravitate toward net metering for their projects.⁵

The Commission's comments at the end of the hearing indicate that its concern about total program cost leads it to lean toward one-year approvals.⁶ But, for the Commission to focus on program costs without consideration of the more than offsetting benefits would be inconsistent with Docket 4600 and the RI Test. None of the parties advocated to limit the program to annual allocations and pricing except only that the Division suggested it for one class of REG participants, Small Solar.⁷ The Division affirmatively testified that it otherwise agreed with the three-year allocations and pricing and that annual program pricing and allocations should only be reconsidered if and when a BCA changes to render any class that was net positive net negative.⁸

Gridwealth urges the Commission to approve a predictable and stable three-year REG program to enable fulfillment of the general assembly's purpose.

- ii. *The Board should have had the opportunity to reconsider its allocation according to the revisited AESC and revamped BCA study according to its statutory authority to make allocations.*

This proceeding was delayed beyond the statutory timetable because, in part, it awaited an updated assessment of Avoided Energy Supply Components in New England ("AESC"). R.I. Gen. Laws §§39-26.6-10; §39-26.6-3(16) (program to be recommended and approved before start of each program year, beginning April 1). The AESC had last been assessed in 2021 and a new edition of the study was published on February 7, 2024.

³ *Id.* at pp. 19, 20, 29; 4/9/24 Hearing Part 3 @ min 20:00-34:00.

⁴ 4/9/24 Hearing Part 3 @ min 20:00-34:00 (OER/Board on importance of program stability/foreseeability for enrollment); 4/10/24 Hearing Part 3, @ mins 1:30-3:30 (DPUC agreeing with OER/Board testimony that foreseeability drives enrollment and interconnection).

⁵ *Id.*

⁶ 4/10/24 Hearing Part 4, @ min. 45:40.

⁷ 4/10/24 Hearing Part II, @ min. 40:30.

⁸ *Id.* @ min. 40:45.

The exhibits and testimony in this docket clearly and indisputably establish that the updated AESC had a dramatic impact on the BCA for the REG program.⁹ Indeed, the OER/DG Board witnesses issued a revised BCA based on the updated AESC which made classes net positive where they had previously been net negative. However, OER never presented the updated AESC or BCA to the Board for reconsideration of its allocation or pricing program recommendations.

The REG law is clear that the DG Board is to set the class allocations. R.I. Gen. Laws §§39-26.6-7(c). However, the OER/DG Board witness was clear that OER has set the allocations, generally without expert consultation or DG Board consideration; OER made the allocations itself, only engaging SEA's consultation this year due to changing BCAs and the enactment of Chapter 300.¹⁰ OER's disregard of its obligation to consult with the DG Board about allocations, given a substantially changed BCA, deprived the Board of its statutory authority.

The OER/DG Board testimony is clear that the BCA was a foundational factor that informed decision-making on allocations.¹¹ OER approached the DG Board for reconsideration of its position on including remediation costs in the landfill adder given the Division's objection on that issue. As a result, the DG Board voted to revise its recommendation to the Commission.¹² OER clearly had the capacity to consult with the DG Board regarding the substance of its recommendations. Yet, it neglected to do so on a very substantially revised BCA, a central element of the recommended allocations.¹³ The Commission should reconsider OER's proposed allocations in light of the updated AESC and revised BCA.

iii. The Commission should approve Gridwealth's unrebutted alternative three-year allocation plan for the REG program.

The testimony and exhibits make it clear that Gridwealth's alternative proposed three-year allocation plan better serves the purposes of the statute and the Act on Climate for three reasons.

First, as explained above, the BCA provided the foundational support for the allocations. The new AESC and revised BCA demonstrate that the benefits of expansion now outweigh the costs for Medium, Commercial I Solar and Commercial II Solar categories over the three years.¹⁴ These classes that were perceived as a net economic cost to ratepayers before the revised BCA are now shown to produce net economic benefits. The changed BCA warrants reallocation to these classes as Gridwealth proposes.

⁹ See e.g., DG/Board Direct, rev. Sch. 12 (3/15/24); 4/9/24 Hearing @ min. 39:00.

¹⁰ OER/Board Direct, pp. 56-57.

¹¹ *Id.* at 57.

¹² OER/Board Letter to provide two updates regarding the 2024-2026 RE Growth Plan (2/28/24).

¹³ 4/9/24 Hearing Part 1 @ min. 39:00-41:00.

¹⁴ DG/Board Direct, rev. Sch. 12 (3/15/24), slide 44; 4/9/24 Hearing Part 1 @ min. 42:00.

Second, the delays and costs of interconnecting projects over 1 MW makes clear that more allocation to the Commercial I Solar, Commercial II Solar and Medium Solar classes is necessary to fulfill the general assembly's enrollment goals. The OER/DG Board witnesses testify that "interconnection study timelines have increased substantially as an increasing number of projects greater than 1 MW (whether measured in DC or AC) have entered the company's queue."¹⁵ They state that "Projects greater than or equal to 1 MW_{AC} are subject to the greatest degree of interconnection scrutiny and delays, given that both Rhode Island Energy and the Affected System Operator (ASO) must extensively analyze them; and Projects less than or equal to 1 MW_{AC} tend to emerge from the interconnection process much more quickly than those larger than 1 MW_{AC}."¹⁶ At hearing the OER/DG Board witnesses agreed that expanding the capacity available to faster to connect projects would support the legislative intent to rapidly increase the amount of renewable energy operating in Rhode Island, and advance the mandates of the Act on Climate.¹⁷ The witnesses saw no reason not to expand the Commercial I Solar, Commercial II Solar and Medium Solar classes to better fulfill those purposes.¹⁸ The Division agreed that the current interconnection queue is not the right indicator for capacity to deliver projects because once a three-year REG program is set with the right allocations and pricing (and is, therefore, sufficiently stable and predictable), developers can be expected to propose and increasing number of Commercial I Solar, Commercial II Solar and Medium Solar projects.¹⁹

Finally, the testimony reinforces that Gridwealth's allocation plan would better serve the newly amended purposes of the REG law to encourage development of distributed renewable energy generation systems *while protecting important core forest areas essential to climate resilience and reducing environmental impacts by siting of renewable energy projects in the load zone of the electric distribution company and in preferred areas that have already been disturbed by industry or other uses.* 2023 R.I. Pub. Laws §§300-301 amending R.I. Gen. Laws §39-26.6-1. The uncontroverted testimony established that Commercial I Solar, Commercial II Solar and Medium Solar projects are more likely to be developed on rooftops and previously disturbed "preferred sites" than are larger solar projects.²⁰ The OER/DG Board witnesses confirmed that it would be more in line with the statutory intent to avoid environmental impacts and encourage development in previously disturbed areas that are more likely to be utilized by smaller than 1 MW projects.²¹ That requires expanding allocation capacity in the Commercial I Solar, Commercial II Solar and Medium Solar classes.

Despite all of this, the OER's allocation plan provides a lower relative percentage of Commercial I Solar, Commercial II Solar and Medium Solar classes than has been

¹⁵ OER/Board Direct at p. 58; 4/9/24 Hearing Part 2 @ min 50:00 – 52:00.

¹⁶ *Id.* at p. 59.

¹⁷ 4/9/24 Hearing Part 2 @ min. 52:00.

¹⁸ *Id.*

¹⁹ 4/10/24 Hearing Part 3 @ min 3:00.

²⁰ 4/9/24 Hearing Part 2 @ min 44:00 – 48:00.

²¹ *Id.* @ min 48:00.

allocated in past years.²² In the past two years, 2022 and 2023, the allocation to these three classes (excluding the CRDG element) was 17 MW in each year - 42.5% of the statutory capacity of the 40 MW target for each of those program years, or 28% and 26% of the offered capacity if you also add the reoffer of unused prior years capacity. This year's proposed allocation plan offers just 21% for these classes in 2024 compared to the total program offering, declining over the three years to 17.8% in 2026. The OER/DG Board's witnesses agreed that it would be more in line with the statutory intent to avoid environmental impacts, particularly on forested areas, and encourage development in previously disturbed areas, which are more likely to be utilized by smaller than 1 MW projects, by increasing that allocated opportunity.²³

Commission questioning at the hearing suggested a need to comprehensively plan to serve Rhode Island's load requirements and consider our options before maximizing the general assembly's authorization to allocate up to 300MW per year. Gridwealth agrees with the Commission that it is unfortunate that Rhode Island does not have a comprehensive plan to fully understand and best serve its clean energy load requirements. Renewable energy stakeholders have long sought such a plan. However, even in the absence of such a sorely needed plan, the State's existing plans and studies clearly show that the Act on Climate does not afford us time to stall on programs needed to develop the clean renewable energy needed to serve future load requirements. RI's Energy Plan (Energy 2035) (2017) calls out the immediate and urgent security need to transition from reliance on natural gas for our electrical supply:

Rhode Island's primary challenge is to move away from its heavy reliance on natural gas, which today supplies more than 50 percent of Rhode Island's energy needs. Dependence on natural gas exposes the state to a substantial amount of price risk and potentially a supply risk, since Rhode Island sits at the end of a long stretch of pipeline infrastructure. The challenge is underscored by natural gas's important role across multiple sectors: natural gas provides fuel for nearly all in-state generating capacity, and is the dominant heating fuel in the thermal sector. Moreover, natural gas generation accounts for more than 50 percent of regional electric generation, so electricity imports to Rhode Island are also heavily dependent on natural gas.²⁴

On cost effectiveness, Energy 2035 states that "pursuing aggressive fuel diversity and / or greenhouse gas (GHG) reduction performance measure targets is likely to present more cost-effective courses of action for the state than business-as-usual policies, and would actually bolster Rhode Island's long-term economic health."²⁵ The Commission's consultant analyzing the Future of Gas in docket 22-01-NG recently conducted a

²² Gridwealth Direct at pp. 8, 13.

²³ 4/9/24 Hearing Part 2 @ mins 48:00, 52:30.

²⁴ Energy 2035, pp. 43-44 (10/8/15).

²⁵ *Id.* at pp. 46-47; also see p. 63 ("Supporting the growth of in-state renewable energy generation will bring economic development, system reliability, and job creation benefits to the state").

technical analysis and found that “[b]y 2050, 40-60% of final energy demand is served by electricity; scenarios with high levels of electrification see nearly doubling load by 2050 compared to today’s levels.”²⁶ Rhode Island must act quickly and steadily to serve this projected electric load with clean electricity. With such security, cost and increasing load concerns, now is the time to embrace the immediate potential of the REG program, as Gridwealth’s proposed, revised allocation plan will do.

Conclusion

Gridwealth’s witness, Ian Springsteel, helped Narragansett Electric implement the REG program and sat on the Distributed Generation Board for seven years. He testified that the legislative changes made last year bring new urgency to program implementation, incorporating the Act on Climate, improving program design with three-year terms, and hugely expanding the authorized program capacity to fulfill on its newly scaled up purpose. Based on his extensive experience, Gridwealth urges that expanding the allocation to the Medium, Commercial I and Commercial II solar classes is necessary to meet this urgency. These categories promise to scale as needed to meet the legislative demands while avoiding environmental damage and bringing net benefit to ratepayers and Rhode Island.

Ratepayer cost has been the historic concern moderating program expansion. But the new AESC study demonstrates that the benefits of expansion outweigh the costs over the three-year term of the plan. The alternative of scaling with projects over 1 MW has been severely hampered by ASO studies which have made timely enrollment and delivery too difficult to predict. Since the ASO studies began, REG enrollment has dropped off severely (SEA reports 55% enrollment in 2022 and 12% in 2023). And, with FERC Order 2023 and new cluster studies putting the ASO processes on further hold, this will not change soon.²⁷

The Medium, Commercial I and Commercial II solar classes do not deserve less proportionate allocations they have had in past years – they need to have increased allocation to fulfill on this program’s promise and the General Assembly’s new mandates from the Act on Climate.

Gridwealth’s testimony, and its proposed allocation plan, has not been rebutted. Mr. Springsteel received no questions at hearing. All the witness testimony supported Gridwealth’s allocation plan. For all of these reasons, Gridwealth asks the Commission to approve its alternative proposal for MW allocation.

²⁶ Docket 22-01-NG Investigation Into the Future of the Regulated Gas Distribution Business in Rhode Island in Light of the Act on Climate (6/9/22); Energy & Environmental Economics, *RI Investigation into the Future of the Regulated Gas Distribution Business, Technical Analysis Report* (April 2024), page 56.

²⁷ 4/10/24 Hearing @ min 1:21:00.