

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a RHODE ISLAND ENERGY’S SOLICITATION : **DOCKET NO. 23-50-EL**
OF LONG-TERM CONTRACTS PURSUANT TO :
R.I. GEN. LAWS § 39-26.1-1 to 9 :

REPORT AND ORDER

I. Summary

On December 29, 2023, The Narragansett Electric Company d/b/a National Rhode Island Energy (RI Energy or Company) filed with the Public Utilities Commission (PUC or Commission) a draft Request for Proposals (RFP) for approval pursuant to the Long-Term Contracting Standard for Renewable Energy, and in accordance with the “Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy (Rules),” promulgated by the Commission.^{1,2} The Company sought the Commission’s approval of the draft RFP as a reasonable, open, and competitive method of soliciting proposals for long-term contracts for renewable energy supply as well as Renewable Energy Certificates (RECs) and related attributes from up to 150 megawatts (MW) of newly developed renewable energy resources. The RFP included the Company’s proposed method of solicitation, products being sought, eligibility requirements for bidders and facilities, threshold requirements, other minimum requirements, evaluation criteria, and a solicitation timetable. The RFP was based on the one approved in Docket No. 4822 with some changes based on lessons learned and a desire to expand participation to offshore wind projects.

¹ The Long-Term Contracting Standard requirements can be found in R.I. Gen. Laws § 39-26.1-1 to 9. The Commission’s regulations were adopted in accordance with R.I. Gen. Laws § 39-26.1-5(e) and codified at 810-RICR-40-05-1.

² All filings in this docket can be accessed on the PUC’s website at: <https://ripuc.ri.gov/Docket-23-50-EL> or at the PUC’s offices at 89 Jefferson Blvd., Warwick, RI 02888.

The PUC reviewed the proposed RFP, testimony from the Division of Public Utilities and Carriers (Division) and held a public hearing at which no members of the public provided comment and at which additional testimony from the parties' witnesses was elicited. Following the hearing, on May 8, 2024, the Company filed an amended RFP to include additional changes responsive to Division and Commission concerns. On May 9, 2024, the PUC reviewed the amended proposed RFP and approved it as consistent with the Long Term Contracting Standard law and PUC Rules.

II. Background

Under the Long-Term Contracting Standard, RI Energy is obligated to procure a minimum long-term contract capacity of 90 MW. As of November 17, 2023, RI Energy had executed contracts for approximately 81% of the minimum long-term contract capacity required by the Long-Term Contracting Standard. RI Energy is required by Section 5.3 of the Commission's Rules to solicit the remaining approximately 19% of its Long-Term Contracting Standard capacity, resulting from a terminated long-term contract, the equivalent of approximately 17.22 MW.³ RI Energy is not obligated to enter into contracts for any additional capacity above this obligation.⁴

The Company proposed to issue an RFP to procure the energy and RECs from eligible newly developed renewable resources with a nameplate capacity of at least 20MW and up to 150MW.⁵ The Company explained that "the primary purpose of the RFP is to procure the remaining long-term contract capacity resulting from a terminated long-term contract to meet the statutory minimum long-term contract capacity."⁶ However, to maximize competition, the Company explained that it has included provisions in the RFP that would allow small portions of offshore wind from a currently ongoing multi-state procurement the opportunity to bid in any

³ Filing Letter at 2, n. 4.

⁴ R.I. Gen. Laws § 39-26.1-3(c)(1)

⁵ Filing Letter at 1-2.

⁶ Filing Letter at 2.

uncontracted-for capacity. The Company will utilize the results of the larger offshore wind procurement solicitation to inform the amount of capacity it chooses to contract for in the subject LTC solicitation.⁷

III. Commission Findings and Analysis

A. Standard of Review

The Long-Term Contracting Standard sets out the standard of review and criteria for the solicitation method and process, as well as the standard of review and criteria the Commission must use in deciding on long-term contracts for renewable energy resulting from such solicitation.⁸ The Commission's standard of review for procurements that exceed the statutory obligation is also guided by the System Reliability and Least Cost Procurement statute.⁹ Based on its review of the law, the terms of the proposed RFP, testimony by Division witness, Ellen Cool, a consultant from Levitan Associates, and hearing testimony by the Company's witnesses, the PUC makes the following findings.

⁷ Reply Test. at 10. During the pendency of this matter, the Offshore Wind solicitation process was extended by two months. The Company proposed extending each event date in the schedule in the instant RFP by a corresponding time period. Reply Test. at 11.

⁸ R.I. Gen. Laws § 39-26.1-3(b). The Commission shall approve a long-term contract for renewable energy if it determines that: (1) The contract is commercially reasonable, meaning that the terms and pricing are reasonably consistent with what an experienced power market analyst would expect to see in transactions involving newly developed renewable energy resources, the project has a credible operation date, as determined by the Commission, although a project need not have completed the requisite permitting process to be considered commercially reasonable; (2) the requirements for the annual solicitation have been met; and (3) the contract is consistent with the purposes of R.I. Gen. Laws § 39-26-1. The Long-Term Contracting Standard directs that no contract should be awarded unless its price is below the forecasted market price of energy and renewable energy certificates over the term of the proposed contract, using common industry standard forecasting methodologies as have been previously used by the Commission. In such solicitations, the electric distribution company may elect not to acquire capacity but shall acquire all environmental attributes and energy. Finally, as a condition of contract approval, the Commission must require that all approved projects, regardless of their location, provide other direct economic benefits to Rhode Island, such as job creation, increased property tax revenues, or other similar revenues, deemed substantial by the Commission. R.I. Gen. Laws §§ 39-26.1-3, 39-26.1-5(e).

⁹ Least cost procurement shall comprise system reliability and energy efficiency and conservation procurement as provided for in R. I. Gen. Laws § 39-1-27.7. It includes supply procurement as provided for in R.I. Gen. Laws § 39-1-27.8, as complementary but distinct activities. These activities have as a common purpose meeting electrical and natural gas energy needs in Rhode Island, in a manner that is optimally cost-effective, reliable, prudent, and environmentally responsible. R.I. Gen. Laws § 39-1-27.7.

1. The solicitation process is consistent with the Long-Term Contracting Act process requirements

The PUC must determine whether RI Energy has proposed a timetable and method for solicitation and execution of the contracts that are consistent with the Long-Term Contracting Standard process requirements.¹⁰ RI Energy has proposed that it will issue the approved RFP, including associated forms and evaluate bids in consultation with the Rhode Island Office of Energy Resources (OER) and the Division. RI Energy is responsible for negotiation and execution of final contracts, if any. The revised solicitation schedule was set out in Reply Testimony and proposes a total schedule of just over one year from issuance of the RFP to submission of contract(s) for PUC approval.¹¹

2. The solicitation will facilitate contracts that are consistent with the purposes of the Long-Term Contracting Act

The primary purpose of the Long-Term Contracting Standard is to encourage and facilitate the creation of commercially reasonable long-term contracts between electric distribution companies and developers or sponsors of newly developed renewable energy resources. Other purposes include stabilizing long-term energy prices, enhancing environmental quality, and creating jobs in Rhode Island in the renewable energy sector. Yet another purpose is to facilitate the financing of renewable energy generation within the jurisdictional boundaries of the state or adjacent state or federal waters or provide direct economic benefit to the State.

The RFP will enable the Company, and ultimately the Commission, to determine whether the resulting contracts are consistent with the purposes of the Long-Term Contracting Standard. The RFP generally describes the price and non-price evaluation criteria and metrics that will be used to evaluate bids and inform bidders about the relative weighting between the price (80%) and

¹⁰ R.I. Gen. Law § 39-26.1-3(b).

¹¹ RI Energy Reply Test. at 11, Filing Letter at 2.

non-price (20%) factors. Following the first two stages of evaluation, the Company considers how to select the proposals that provide the greatest value consistent the objectives of the RFP and preferred projects will provide low cost renewable energy with limited risk and some degree of resource diversity.¹² Following the final stage of review, the Company will conditionally select one or more projects for contract negotiations.¹³

In the RFP, the Company increased the development period security relative to the previously approved RFP from \$20,000 to \$30,000 multiplied by the Contract Maximum Amount. In her testimony, Dr. Cool advised that other jurisdictions have also imposed an even higher level of development security for developers who have previously terminated a contract prior to commercial operation. Therefore, she recommended that the Company include in the RFP language to allow the Company to impose such conditions.¹⁴ In its reply testimony, RI Energy agreed that the recommendation was reasonable and proposed additional language, noting, however, that rather than being required to impose a higher development security, the Company retain the flexibility to determine whether the higher level should be required based on the underlying facts of prior contract cancellations by the developer.¹⁵ At the hearing, Dr. Cool testified that the Company's approach was reasonable. On May 8, 2024, the Company submitted a revision to the RFP to reflect this agreement.

The RFP will also solicit information on non-price criteria, including environmental impacts, financing, and economic benefits to Rhode Island.¹⁶ These non-price criteria will facilitate the reviewer's ability to determine whether the bids will provide other direct economic

¹² RFP at Sections 2.1 through 2.3.

¹³ RFP at Section 2.4.

¹⁴ Cool Test. at 8-9.

¹⁵ Reply Test. at 9.

¹⁶ *Id.* at 16.

benefits to Rhode Island, such as increased tax revenues or other similar revenues. This information is important because in reviewing PPAs, the Commission is required to find that the project provides other direct economic benefits to Rhode Island.¹⁷

The Long-Term Contracting statute also contains the requirement that “no contracts shall be awarded unless the pricing under such contract(s) is below the forecasted market price of energy and [RECs] over the term of the proposed contract...”¹⁸ In response to Commission concerns at the hearing that this requirement was not prominently displayed in the regulatory approvals section, the Company added it more prominently to Section 1.2 and included it in Section 2.6 (Regulatory Approval) of the RFP.

RI Energy will require bidders to submit bids with a contract term of 10 to 15 years but allows them to submit non-conforming bids of up to 30 years. Dr. Cool testified that this provision together with other changes specific to offshore wind development are beneficial additions to the RFP and can increase the likelihood of participation of offshore wind to diversify the eligible technologies competing in the instant procurement. Allowing non-conforming bid durations is consistent with prior Commission findings that requiring conforming bids but allowing for conforming and non-conforming bids will facilitate the determination of whether the resulting contracts are optimally cost-effective, reliable, and prudent.¹⁹

Accordingly, it is hereby,

(25056) ORDERED:

The Narragansett Electric Company d/b/a Rhode Island Energy’s Request for Proposals filed on May 8, 2024, is hereby approved.

¹⁷ R.I. Gen. Laws § 39-26.1-5(e).

¹⁸ R.I. Gen. Laws § 39-26.1(f).

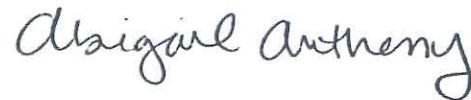
¹⁹ Order No. 23460 (Docket No. 4822) at 8.

EFFECTIVE AT WARWICK, RHODE ISLAND, ON MAY 9, 2024, PURSUANT TO AN OPEN MEETING DECISION ON MAY 9, 2024. WRITTEN ORDER ISSUED MAY 13, 2024.

PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairman



Abigail Anthony, Commissioner



John C. Revens, Jr., Commissioner



NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.