

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION**

**IN RE: 2025 RENEWABLE ENERGY GROWTH – :  
CLASSES, CEILING PRICES, AND CAPACITY :  
TARGETS AND 2025 RENEWABLE ENERGY : DOCKET NO. 24-50-REG  
GROWTH PROGRAM – TARIFFS AND SOLICITATION :  
AND ENROLLMENT PROCESS RULES :**

**OFFICE OF ENERGY RESOURCES (OER) AND/OR DISTRIBUTED GENERATION  
BOARD (DG BOARD) RESPONSE TO PUBLIC UTILITIES COMMISSION’S THIRD  
SET OF DATA REQUESTS  
Issued January 17, 2025  
Due January 31, 2025**

- 3-1. In their testimony, Mr. Kennerly and Mr. Armstrong state, “Assuming historical subscription and commercial operation levels, the incremental cost to ratepayers associated with adder payments is equivalent to \$1.8 million, while the incremental cost would be \$3.7 million if all projects were selected and reached commercial operation.”
- a. Please recalculate these totals in nominal dollars.

**On a nominal non-net present value (NPV) basis, assuming historical subscription and commercial operation levels, the incremental cost to ratepayers associated with adder payments is equivalent to \$3.0 million, while the incremental cost would be \$5.8 million if all projects were selected and reached commercial operation.**

- 3-2. In Docket No. 23-44-REG:

The Commission stated that “the purpose of the pilot should be to align improved siting in the Renewable Energy Growth program with other programs and ratepayers’ interests. At a minimum, any such [Pilot adder] proposal shall consider the design of the incentive, the level of compensation, total program size, and alignment with other sources of funding for similar policy outcomes including, but not limited to the Renewable Energy Fund’s Brownfield incentive, Rhode Island Infrastructure Bank (RIIB) Brownfields Revolving Loan Fund, and the Department of Environmental Management’s Brownfield Site Preparation and Remediation Grant. (Order No. 25141 at 26 and Ordering Paragraph 8) (emphasis added).

The Commission invited the DG Board to investigate existing programs with similar goals and return with a proposal that is aligned with the Renewable Energy Fund Brownfields Solar PV grant program. A new submission should explore flexible forms of the adder. The DG Board must consider alternatives to a cents per kWh rate such as dollars per kW, dollars per acre, or an adder based on actual remediation costs. Additionally, the proposal must consider the possibility of compensating Renewable Energy Growth developers with a grant payment structure, which can be on-going or one-time, the latter of which is similar to the Renewable Energy Fund. It should also align with the parameters of other programs,

including the amount of compensation, per project maximum compensation, and total funds available per year or for multi-year caps, and integration with RIIB's Brownfields Revolving Loan Fund, Department of Environmental Management's Brownfield Site Preparation and Remediation Grant. (Order No. 25141 at 28).

- a. Please review the design of the REF Brownfield incentive and assume \$1.8 million is available in PY 2025 and PY 2026 to provide grants to eligible projects in the Large Solar I and Large Solar II categories.
  - i. Based on the REF criteria, what level of grant would be comparable (i.e. scaled) for a Large Solar I or Large Solar II project?

**As discussed in p. 31 of SEA's amended Direct Testimony, for third-party-owned projects, the REF offers up-front incentives of \$800/kW, subject to a \$175,000 cap (e.g., maxing out at approximately 219 kW). Removing this cap to allow the full grant value to be applied to Large Solar I or Large Solar II would result in a grant value of \$4 million for Large Solar I and \$8 million for Large Solar II. SEA notes that this incentive would exceed the estimated incremental revenue requirements associated with adder-eligible projects by a considerable margin (equal to an adder in excess of 7 cents/kWh).**

**If, instead of utilizing the REF's upfront incentives, the upfront grant value was scaled to only meet an adder-eligible project's incremental revenue requirement, this would result in grants approximating \$140/kW<sub>DC</sub> for Large Solar I and \$180/kW<sub>DC</sub> for Large Solar II. Please see p. 28 of SEA's amended Direct Testimony for a discussion of why the calculated incentive for Large Solar II is higher than the calculated incentive for Large Solar I. For clarity, OER interprets "upfront" in this context to mean an incentive paid in full following a project's interconnection.**

**Please see attached "RI\_REG\_2025\_CREST\_Large Solar I Brownfield\_Upfront Adder Calc.xlsx" and "RI\_REG\_2025\_CREST\_Large Solar II Brownfield\_Upfront Adder Calc.xlsx" for copies of the public CREST model populated with inputs applicable to the Large Solar I and Large Solar II brownfield cases with the above grant values applied. As seen in the attachments, the application of the above grant values to the adder cases produces an equivalent model result as the non-adder cases, demonstrating that such grant values cover incremental costs associated with development on an unremediated brownfield.**

- ii. How many MW could be served at the grant level identified in (i)?

**With \$1.8 million in total funding:**

- **A grant of \$800/kW<sub>DC</sub> could support 2.25 MW<sub>DC</sub> of either Large Solar I or Large Solar II,**
- **A grant of \$180/kW<sub>DC</sub> could support 10.00 MW<sub>DC</sub> of either Large Solar I or Large Solar II, and**

- **A grant of \$140/kW<sub>DC</sub> could support 12.86 MW<sub>DC</sub> of Large Solar I (given that, based on SEA’s calculations, Large Solar II would require \$180/kW<sub>DC</sub> to be economical).**

3-3. Did SEA consider any of the following:

- a. Requiring a minimum score by the DEM Review Committee for eligibility for the adder?

**No, OER and SEA did not consider this approach because it creates unnecessary complexity by introducing non-price-related evaluation criteria. Given that all adder-eligible projects are expected to produce benefits associated with remediation, in addition to the “baseline” benefits associated with solar generation, OER and SEA’s view is that all adder-eligible projects selected through the competitive process should deliver sufficient benefits to be awarded the adder.**

- b. Requiring projects to compete for adder awards based on the DEM Review Committee score?

**OER and SEA did not consider this option for the reasons discussed above in SEA’s answer to question 3-3(a).**

- c. Requiring projects to compete for adder awards based on incremental costs per MW?

**OER and SEA considered this option, as discussed in p. 35 of SEA’s amended Direct Testimony. SEA and OER concluded, in pertinent part:**

*“...administering such an incentive would be complex and administratively burdensome, as it would require unique CREST model calculations for each project, significant data collection, and data validation. In addition, many project costs would not be known at the time incentives are calculated, such as certain project operating expenses, requiring the use of estimates. Based on SEA’s market research, brownfield projects face significant development hurdles that greatly increase the development risk of pursuing such projects. As such, reducing an incentive to only cover realized costs would reduce the incentive to pursue more challenging projects. Lastly, under the proposed ¢/kWh adder, competitive dynamics will allow adder-eligible projects to bid more aggressively for their base compensation, thereby allowing lowest-cost projects.”*

- d. Requiring projects to competitively bid on the adder?

**As discussed above, the proposed adder pilot program would, in effect, allow projects to competitively bid on the adder. As discussed on p. 29 of SEA’s amended Direct Testimony, “capacity available under the pilot would not be set aside from the total capacity offered for a given renewable energy class. As such,**

***adder-eligible projects would be competing for program awards alongside non-adder eligible projects to maximize competitive dynamics.*** Given this, projects qualifying for the adder that believe the adder provides excess revenue relative to expected incremental costs could use such headroom to more aggressively bid under the ceiling price, passing savings associated with least-cost adder-eligible projects to ratepayers. In addition, as discussed on p. 29 of SEA's amended Direct Testimony, SEA verified (in collaboration with Rhode Island Energy and DEM) that there are an excess of potentially adder-eligible projects relative to the proposed pilot capacity, supporting healthy competition under the pilot program.

- e. If the answer to these questions is "yes," did SEA consider a maximum allowable adder?

**OER and SEA considered and are recommending a maximum allowable adder of 1.6 cents/kWh.**

- f. If the answer to questions a-d are no, why were these types of design elements not chosen?

**Please see the above responses for design-element-specific reasoning for any recommendations not explicitly considered.**

- 3-4. In testimony, Mr. Kennerly and Mr. Armstrong state, "Upfront Grants: Upfront incentives have the potential to reduce the total adder required (due to the operation of the time value of money), but present risks regarding achievement of benefits, as well as the front-loaded nature of the cost to ratepayers. Such benefits did not outweigh the potential risks of an upfront adder."
  - a. If a grant was administered like the REF grant where "Commerce RI reserves the right to inspect all projects before final funding is released" alleviate the stated concern with an upfront grant?

**OER and SEA agree that inspections of projects prior to the release of funding could alleviate a degree of concern with an upfront grant. Nevertheless, there would still be a degree of risk associated with project performance post-commercial operation relating to a project's continued operation and the project's volume of production relative to its capacity.**

- 3-5. SEA asks itself in pre-filed testimony, "If, as RI Energy claims, the PUC was certain that it only wanted to consider an adder on the precise terms of the REF Brownfield incentive, would it have been redundant for it to have ordered OER and the DG Board to examine (in any re-proposal) the potential contribution of other state brownfield-focused programs to project economics in developing an adder pilot proposal?" (emphasis added).
  - a. Please identify where in the PUC Order, the Commission made this order.

As described in the pre-filed testimony, OER and SEA's interpretation was based on p. 33 of the August 29 Report and Order, in which the PUC orders that, in pertinent part (emphasis added):

*“Parties may file a new pilot proposal at least 105 days prior to the proposed commencement of the pilot. The purpose of the pilot should be to align improved siting in the Renewable Energy Growth program with other programs and ratepayers’ interests. At a minimum, the proposal shall consider the design of the incentive, the level of compensation, total program size, and **alignment with other sources of funding for similar policy outcomes including, but not limited to the Renewable Energy Fund’s Brownfield incentive, Rhode Island Infrastructure Bank Brownfields Revolving Loan Fund, and DEM’s Brownfield Site Preparation and Remediation Grant.” [emphasis and underline added]***

It appeared unambiguous, in OER and SEA's good-faith interpretation of the wording of the Report and Order, that any proposed adder should consider compensation styles, levels and approaches from other brownfield remediation programs in Rhode Island that pilot-eligible projects may also be eligible for, rather than simply serve as an exact reproduction the REF Brownfield Incentive. Furthermore, OER and SEA understood “alignment” to also include consideration of the ability to leverage funds from other non-REF programs and sources applicable to adder-eligible projects, such that the final incentive offered to adder-eligible projects through the REG program is aligned with such potential third-party funding. The above interpretation was assumed throughout the 2025 program year development process, as provided in SEA Schedules 1 through 3.

Since 2011, SEA's methodology for developing recommended ceiling prices and compensation rate adders has been centered on project costs and incremental costs for *typical* eligible project types, and whether a *typical* eligible project (in this case, one sited on a brownfield requiring remediation) can reasonably rely on a given incentive's availability and level such that it could close financing. As the Direct Testimony showed, the REF Brownfield Incentive, with per-project caps as currently designed, fails to provide sufficient funding to close financing for a typical project, particularly in the context of a program like REG in which the program administrator is granted all forms of wholesale and environmental attribute market revenue from the project. Thus, such an adder, if it is to be effective, would need at minimum to cover incremental costs associated with the desired attributes (brownfield remediation).