

To: Rhode Island Division of Public Utilities and Carriers

From: Louisa Lund and Aliea Afnan Munger, DAYMARK ENERGY ADVISORS
On Behalf of the Division of Public Utilities and Carriers

Date: March 17, 2025

Subject: 2025 Renewable Energy Standard Charge and Reconciliation Filing
Docket No. 25-05-EL

INTRODUCTION

On February 25, 2025, Rhode Island Energy (“RI Energy” or the “Company”) filed its proposed 2025 Renewable Energy Standard (“RES”) Charge and Reconciliation Filing with the Public Utilities Commission (“Commission”). In its filing, the Company seeks approval for RES Charge of \$0.01461 per kWh, effective April 1, 2025. The charge consists of two components. The first component is the estimated cost of complying with the RES for 2025, estimated by RI Energy to be \$0.01379 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 \$0.00082 per kWh. The proposed 2024 RES Charge represents an increase on a 500 kWh/month Last Resort Service residential customer’s bill of 0.8%, an increase of \$1.36 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 2025 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.

RENEWABLE ENERGY STANDARD CHARGE AND RECONCILIATION

COMPONENT #1: ESTIMATED COST FOR 2025 RES COMPLIANCE

The first component of the proposed 2025 RES Charge, calculated at \$0.01379 per kWh, is based upon REC prices of \$39.75 for New RECs and \$5.81 for Existing RECs. The estimated prices for both the New and Existing RECs were based on broker quotes as of February 19, 2025. The estimated costs for New RI RECs appear consistent with Daymark’s outlook on the current REC market for vintage 2024 and 2025 RECs.

The Company’s estimated prices for New RECs with 2024 and 2025 vintages fell within the range of market-based prices. Vintage 2024 New REC average prices used were \$40.03 versus a market-based median of \$40.01. Prices fell \$0.28 to \$39.75 for Vintage 2025 New RECs, with actual market-based median prices of

\$40.13. Overall, New REC prices continue to rise, nearly returning to previous highs of around \$40 as experienced in 2021. Figure 1 below shows that while linear price trends continue to be upward-sloping, 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 2024 vintages. The Company estimated 2024 vintage Existing RECs at \$4.50 compared to a market median and minimum price of \$4.25. The average received for vintage 2025 RECs was \$5.81. This compares to market pricing in which the available information suggests that Existing RI RECs are priced at a near-zero value.¹ As provided in Figure 2 below, Existing REC prices are not available on S&P for a 2025 vintage. There is no public data that suggests 2025 vintage Existing RECs are selling at a higher price than 2024 vintage. Given the scale of Existing REC prices and supply obligation, Daymark does not oppose the average price that RIE has proposed.

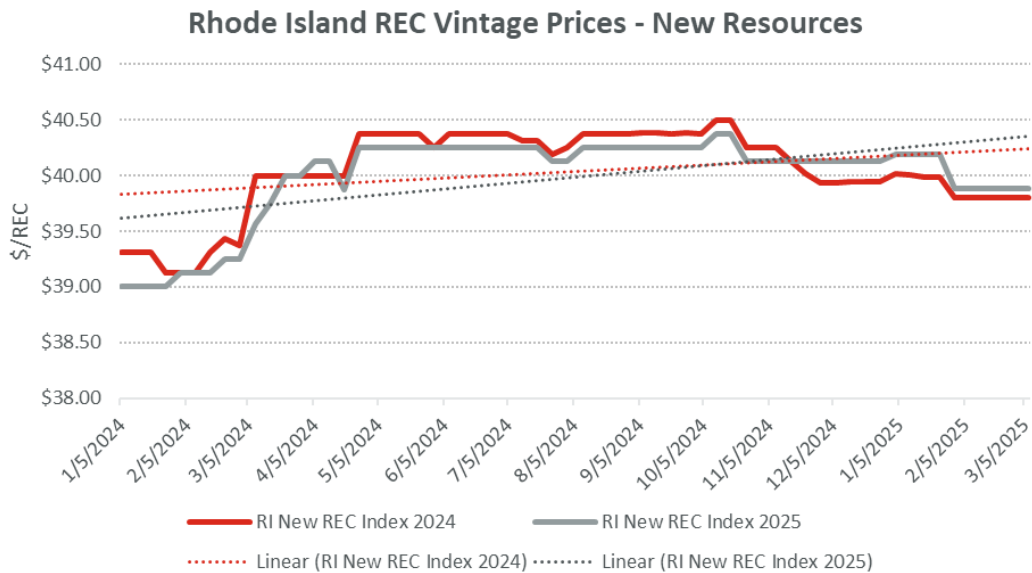


Figure 1: Broker Quotes for RI New RECs²

¹ Based on market pricing and broker quotes that Daymark independently researched.

² S&P Global REC Price data – as of 10 March 2025; based upon weekly market-based prices.

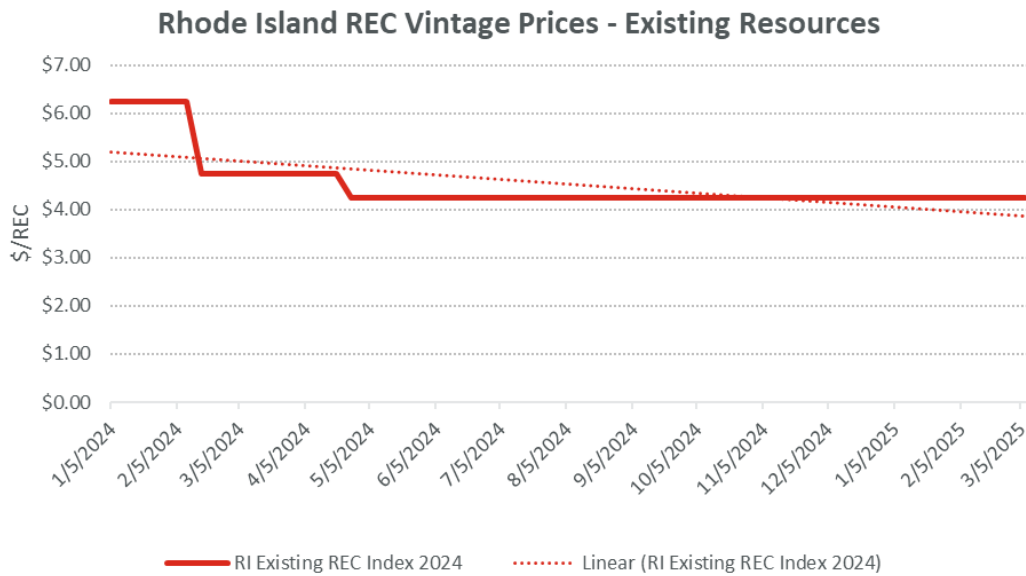


Figure 2: Broker Quotes for RI Existing RECs¹

The proposed charge is based upon the 2025 RES values that require New RECs to be 32% of the supply obligation and Existing RECs to be 2%. Using the above assumptions, Daymark concurs with the Company’s calculation of the \$0.01379 per kWh figure.

COMPONENT #2: RECONCILIATION CHARGE FOR PREVIOUS RES COMPLIANCE

The second component of the proposed 2025 RES Charge, the proposed reconciliation charge, was calculated at \$0.00082 per kWh in order to adjust for the estimated under-recovery through the 2024 Compliance Year. The Company estimates an under-collected amount of \$1,785,679 for the expense incurred for Compliance Year 2024. The Company’s 2024 RES Reconciliation filing by the Company estimated a \$1,596,272 under-collection for Compliance Year 2024; therefore, the year-over-year change from 2024 to 2025 results in an increased under-collection of \$189,407.

Additionally, for Compliance Year 2023, the Company estimated an under-collection of \$928,347, compared to a prior year estimate of a \$1,395,156 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 \$4,189, signifying the estimate was reasonable.² Analysis of the RES Reconciliation through December 31, 2023, finds continuous under-collections from April 2024 through the forecast period of April 2025. This is driven by the RES Planning Year Reconciliation Factor approved in Docket 24-08-EL, Schedule 1 of \$0.00091. This brings the total estimated under-recovery through

¹ S&P Global REC Price data – as of 10 March 2025; based upon weekly market-based prices.

² 25-05-EL Confidential_NECO_RES_2025, “Att 2 P3 PY Rec” tab, line 18.

Compliance Year 2024 to \$2,714,026. Given the substantial under-recovery the Company's proposed RES Adder of \$0.00082 appears warranted and supported by facts provided.

Based upon the above discussion, we find the proposed 2025 Renewable Energy Standard (RES) Charge of \$0.01461 per kWh to be reasonable and recommend that it be approved as filed.