

May 12, 2026

The Honorable Louis P. DiPalma
Chairman, Senate Finance Committee
Rhode Island State House
Providence, Rhode Island 02908

RE: H-7127 Article 11, Sections 7, 8 & 10 – Governor’s Budget Amendment #7

Dear Chairman DiPalma:

On behalf of Rhode Island Energy, I write regarding recently proposed amendments to Article 11, Sections 7 & 8 (Renewable Energy Standard) and Section 10 (Net Metering), collectively referred to as the Governor’s Budget Amendment #7. **We applaud Governor McKee and other leaders for considering prudent reforms to these two policy mandates which, today, account for more than 11% (~\$16) of a typical monthly residential electric bill – costs which are projected to increase year-over-year for the foreseeable future.**

Rhode Island Energy provides essential energy services to more than 770,000 customers across the Ocean State through the delivery of electricity and natural gas. Our team of 1,300+ union and non-union employees is dedicated to helping Rhode Island customers and communities thrive, while supporting the transition to a cleaner energy future in a safe, reliable, and affordable manner.

Article 11, Sections 7 & 8: Renewable Energy Standard

Rhode Island Energy supports the proposed amendments to the Renewable Energy Standard (RES) as a viable pathway to advance the adoption of clean energy resources, reduce long-term emissions from the electric sector, and, importantly, contain the growth in costs ultimately borne by utility ratepayers.

Since 2014, Rhode Island Energy customers alone have paid ~\$254 million to support this mandate, with compliance costs projected to increase sharply between now and 2033. For example, in 2024, our customers paid more than \$34 million in RES costs; by 2033, we expect annual costs to approach \$100 million, representing a 180% increase. Note that this estimate does not represent total statewide cost impacts; in fact, more than half of statewide electricity demand is now met by third-party entities, such as municipal aggregators, which must also comply with the RES. Importantly, Rhode Island Energy makes no “profit” on the RES; our compliance costs are a direct pass through to customers, embedded in supply charges, and fully regulated by the PUC.

For additional context, a typical Rhode Island Energy residential customer (500 kWh/mo.) is now paying \$8.02 per month just to support RES compliance, accounting for more than 5% of that customer’s total electric bill. This bill impact has more than doubled over the past five years and increases or decreases based upon monthly electric consumption. Practical, prudent reform measures, such as those proposed in this suite of amendments, can help contain the growth in program costs over time while continuing to incrementally support development of new clean energy resources and reducing power sector emissions consistent with Act on Climate goals.

The Governor proposes several important adjustments to the RES that will help mitigate cost impacts on electric customers, enhance compliance flexibility, and foster greater alignment with our neighbors – all without sacrificing Rhode Island’s long-term commitment to a clean energy future:



- **If Rhode Island is to achieve its Act on Climate mandates while ensuring the continued delivery of safe and reliable energy, it will need to leverage all available no-to-low emission resources – particularly carbon-free, dispatchable resources like nuclear and large hydropower. This is a moment to acknowledge that reality and align with other New England states in this regard.** The proposed legislation would recognize nuclear and large hydropower as eligible carbon-free resources under a new Clean Energy Standard (CES) that works alongside the RES. It also builds on action taken by the General Assembly in 2025 when it established a clear statutory pathway for electric distribution utilities to competitively procure long-term contracts with the region’s nuclear generation fleet – a process now underway in coordination with other New England states.
- **Rhode Island Energy also supports adjusting the Alternative Compliance Payment (ACP) rate, which serves as a price ceiling for Renewable Energy Certificates (RECs) and, thus, total program costs.** Today, Rhode Island has the highest ACP rate in the region, far outpacing similar rates set in neighboring states. By aligning us with our neighbors, we can reduce customer cost exposure and, potentially, generate new state revenues for re-investment back into the green economy when REC markets are short on supply. **To further reduce cost exposure for electric customers, we respectfully urge that the ACP for “new” renewable resources be set at a fixed \$40/MWh, as found in Massachusetts and Connecticut and as originally proposed by the Governor.**
- **Our Company also supports the proposed amendments to the RES’ banking provisions, which will foster greater compliance flexibility within the regional REC marketplace and may help reduce program costs over time.** Like Vermont, Rhode Island should allow electric suppliers to bank RECs for up to 3 years’ time without limit.
- **Rhode Island Energy respectfully urges the Committee to advance practical adjustments to the RES compliance schedule to reduce near-term utility bill impacts and account for market uncertainty driven by changes in federal policy.** While we acknowledge those concerned with shifting the 100% RES goal beyond 2033, we must also recognize that Rhode Island electric customers are being asked to bear the full cost of ramping clean energy supplies at a far more aggressive rate than any of their neighbors. A 100% by 2050 clean energy standard, as proposed by the Governor, is aligned with the Act on Climate and likely to drive the greatest level of long-term ratepayer savings when compared to the status quo. However, to the extent policymakers and stakeholders cannot agree on that timeline, **we respectfully urge consideration of a 100% by 2040 standard, which would still drive significant ratepayer savings and support achievement of the Act on Climate’s mid-term emission reduction target (80% below 1990 levels by 2040).**

Article 11, Section 10: Net Metering

Rhode Island Energy appreciates the efforts made by the Governor and his Administration in gathering key stakeholders to consider prudent reforms to the state’s virtual net metering program. Our Company shares the goal of reducing near- and long-term cost impacts born by electric distribution customers from this mandate while continuing to support the safe and reliable integration of local renewable resources in an affordable manner.

For context, **the net metering program remains one of the largest public policy cost drivers on the electric bill today and is financially unsustainable for our customers if left unchecked. In 2025, the net metering program cost Rhode Island electric customers more than \$115 million – a 200%+ increase in annual costs in just five years’ time. This summer, a typical residential electric customer**

(500 kWh/mo.) is paying nearly \$8.00 per month to support this single initiative or 5.5% of their total electric bill.

Pursuant to Rhode Island General Laws, net metering program costs are passed through to electric distribution customers with no utility “mark-up” or profit. **Because net metering compensates at the full retail rate, unchecked program growth and expansion is leading to a shrinking pool of customers paying for distribution and transmission infrastructure vital to grid reliability and achievement of Act on Climate goals. The effect is one of shifting system costs from one set of energy customers to another, leading to regressive outcomes that disproportionately impact low-income and other vulnerable populations.**

While the Governor’s revised virtual net metering (VNM) proposal would help contain the growth in program costs over time compared to the status quo, we feel additional ratepayer savings could be achieved while still attracting new renewable development. For example:

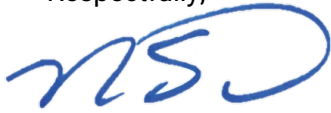
- **Further reducing program capacity would protect in-queue projects and reign in future costs.** As proposed, reducing the cap from 275 MW to 125 MW will result in ratepayer savings and protect the 92 MW of projects in queue to interconnect to the system. However, reducing the program capacity to 100 MW would create additional customer savings. We estimate that capping the VNM program at the capacity of in-queue projects and transitioning the remaining 33 MW of VNM capacity to the RE Growth program would save customers \$15 million over the next five years and \$106 million by 2060. Importantly, this cap does not apply to small-scale “rooftop” solar being adopted by many Rhode Islanders today; those systems are not impacted by the reforms proposed here.
- **Adjusting the treatment of Renewable Energy Certificates (RECs) generated by these projects – and returning that value stream to electric customers subsidizing these investments – would create additional savings and help the state achieve its ambitious Renewable Energy Standard (RES) goals.** This is not a novel concept. In fact, the General Assembly has enacted this very requirement as part of the state’s Renewable Energy Growth (REG) Program, returning millions of dollars in value (estimated at \$9 million for the 2026-2027 program year alone) back to electric customers and allowing Rhode Island Energy to retire those RECs to meet state RES compliance requirements. The revised VNM proposal before you now leaves those RECs in the hands of renewable developers who benefit from that revenue source *in addition to* a proposed guaranteed, annually escalating per-kWh payment rate.
- **Existing programs with fair developer compensation rates provide better opportunities for ratepayer savings and align with regional models.** While the VNM program was effective in attracting new solar development in Rhode Island, it is important to assess the costs and benefits of such programs after they are implemented. The significant growth of solar development in the state has benefits, but it also increases utility bills with net costs borne by electric ratepayers. In contrast to the VNM program, the REG Program aligns with other states in the northeast that have revised their compensation structures to better reflect current resource values. The REG Program, *which establishes rates based upon industry and stakeholder inputs*, still offers a competitive compensation rate for renewable developers with additional enhancements and ratepayer protections. For instance:
 - **Rates set in the REG Program are subject to regulatory oversight by the Public Utilities Commission, providing an important layer of protection for electric ratepayers**

subsidizing renewable investments through their utility bills. The VNM program proposed here offers no such discretion to state regulators.

- **The REG Program offers a fixed rate over 20 years**, providing financial certainty to renewable developers while insulating electric customers from unjustified costs. This contrasts with the VNM program proposed here, which would offer a 25-year payment stream with annual escalators. As a result, a 5 MW VNM solar project built today will qualify to receive more than \$0.36 per kWh by 2051. And, as previously noted, this does not factor in the additional monetary value associated with any RECs produced by that system, which also accrue to the developer. On the other hand, under the REG Program, that same exact project would receive \$0.1725 per kWh produced and only for 20 years.
- **The proposed VNM compensation structure offers no flexibility to account for current and/or future federal or state industry subsidies**. The REG Program, which develops rates annually, does not face that same limitation and can be adjusted over time as the market landscape changes, thereby protecting customers from paying twice for the same benefits – once as a ratepayer and the other as a taxpayer.
- **The REG Program leverages competition and presents an opportunity to compensate projects based on facility type and size**. This granularity ensures compensation reflects differentiations between resource types and actual project development costs. The proposed VNM program offers no such benefit. Furthermore, the REG Program awards performance based incentives through a competitive bidding process, which ensures ratepayers are getting the best value from proposed projects.

Thank you for your consideration of these comments.

Respectfully,



Nicholas S. Ucci
Director of Government Affairs

CC: The Honorable Members of the Senate Finance Committee