

May 12, 2026

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

**RE: S-3272 – Net Metering**

Dear Chairman DiPalma:

On behalf of Rhode Island Energy, I write in **strong opposition** to S-3272, which proposes significant amendments to the state’s net metering program. Throughout this and past legislative sessions, our Company has testified to the need for prudent reforms that address the escalating cost impacts on our customers from this policy while allowing for the continued safe and reliable integration of clean energy resources.<sup>1</sup> To this end, over the past several months, Rhode Island Energy has participated in productive conversations with stakeholders, the Administration, and others. While this bill mirrors some of the proposed changes that came out of that process, it goes a step further by mandating long-term, thirty-year contracts between Rhode Island Energy and private solar developers with higher costs to ratepayers. This approach raises significant legal and policy concerns, including the constitutionality of the proposed bill. For these and other reasons, we respectfully urge the Committee to explore alternative net metering reform pathways.

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.

For context, the net metering program remains one of the largest public policy cost drivers on electric bills today and is financially unsustainable for our customers. For emphasis, the existing net metering program cost Rhode Island electric customers more than \$115 million in 2025 – a 200%+ increase in annual costs in just five years’ time. This summer, a typical residential electric customer (500kWh/mo.) is paying nearly \$8.00 per month to support this single program, equating to 5.5% of their total electric bill.

S-3272 ensures that these costs will continue to escalate over the next thirty years. And, because of the way the bill is drafted, it will not be possible for future legislatures to go back and fix these escalating costs: if this bill becomes law, the costs will be locked in with a 2.75% escalator that compounds annually – meaning that the effective rate will double during that period. Our courts have long recognized the importance of active legislative authority, such that, generally, “one legislature cannot abridge the powers of a succeeding legislature.” U.S. v. Winstar Corp., 518 U.S. 839, 873 (U.S. 1996) (citation modified). However, as proposed, S-3272 attempts to do just that. Indeed, the bill purports to strip the General Assembly – and all future General Assemblies – of the ability to amend, update, or revise the rate-setting mechanism, even if the mechanism proves excessive or unworkable over the next thirty decades

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<sup>1</sup> 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.

(proposed § 39-26.4-2(22)(v)–(xi)). We are not aware of another category of utility contracts in Rhode Island that is statutorily insulated from legislative revision in this manner without previously undergoing significant agency review.

In addition, S-3272 unnecessarily exposes Rhode Islanders to increased energy costs. Because the credit rate is locked in on the aforementioned escalating thirty-year schedule, customers will be on the hook for the delta between the specified contract rate and the market value of the energy produced, which then must be spread across other customers' rates

Put another way, there are a finite number of ways to allocate the risk of changes in the energy market. The risk can be borne either by (A) the solar developers, (B) the utility, (C) ordinary Rhode Islanders, or (D) some combination of the three. S-3272 attempts to remove the developers from the equation entirely, necessarily shifting the risk of increased future costs onto the utility – which could raise serious constitutional concerns – and, ultimately, electric ratepayers. From a public policy perspective, this strategy is inequitable and unreasonable.

To that effect, S-3272 confers an immense benefit on existing renewable energy project owners and developers: they get a statutorily guaranteed payment rate compounding at 2.75% annually for three decades. In addition, they will continue to retain all economic value associated with any Renewable Energy Certificates (RECs) produced. That is a significant windfall to developers, especially in comparison to alternative statutory programs also supporting local renewable development (i.e., the Renewable Energy Growth Program or REG Program) and as discussed above, it will be paid for by Rhode Island families and businesses.

That outcome runs afoul of Article I, Section 2 of the Rhode Island Constitution, which directs that the burdens of government be fairly distributed and its benefits equally enjoyed. While this provision is generally advisory, we raise it because the structural facts of this bill are unusually pointed. S-3272 does not simply benefit a sector, it creates a narrowly defined class of contract holders – namely, the owners of systems above 1 MWac who receive a contract under proposed §39-26.4-2(22) – and grants that class a thirty-year, escalating, market-decoupled annuity, while imposing the costs and the price-risk on ratepayers. The legitimate public policy interest in advancing renewable generation is not in question. What is in question is the choice to exempt developers and their projects from assuming any market risk over the next thirty years and shifting those costs, in full, to captured Rhode Islanders without any opportunity for discretionary regulatory oversight to help balance the equation.

This is exactly the opposite of how Rhode Island's established ratemaking process is designed to work. Rhode Island has built a thoughtful regulatory framework under chapter 39-26.1 by which the PUC reviews proposed long-term renewable contracts on the factual record, subject to transparent, public hearings, and a statutory requirement under § 39-26.1-3(f) that pricing be below the forecasted market price of energy and renewable energy certificates over the term of the contract. That process exists precisely so ratepayers, utilities, and other interested parties can test whether a proposed rate is just and reasonable. Proposed § 39-26.1-3(g) would exempt every contract executed under the new § 39-26.4-2(22) framework from those requirements in their entirety. In addition:

- Long-term contracts for renewable energy resources are subject to market competition, with proposals solicited via periodic Requests for Proposals (RFP). This helps ensure that electric ratepayers subsidizing these investments are paying the lowest reasonable cost to advance state policy goals. S-3272 does not provide for any such market competition.

- Long-term contracts for renewable energy resources are subject to regulatory oversight by the PUC and the state's ratepayer advocate (Division of Public Utilities & Carriers). S-3272 provides virtually no discretion to state regulators to review net metering contract terms and pricing.
- The state's long-term renewable contracting laws provide the electric distribution company with the opportunity to leverage the environmental attributes (i.e., Renewable Energy Certificates or RECs) associated with the project and return that value to its customers who are subsidizing the underlying investment. S-3272 specifically states that developers would retain that value stream *in addition to* a guaranteed, annually escalating payment rate.

With respect, we believe the departure from the PUC's evidentiary process proposed by § 39-26.4-2(22) raises serious procedural concerns and undermines a well-tested, balanced regulatory framework.

As discussed, Rhode Island Energy supports responsible and thoughtfully designed programs to promote clean energy development while ensuring that our energy systems remain safe and reliable. The state already has one such program that strives to strike that important balance. Rhode Island's Renewable Energy Growth (REG) Program aligns with other states in the northeast that have revised their renewable energy 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:

- **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 is in stark contrast to the VNM paradigm proposed here, which would offer a 30-year payment stream with annually escalating rates.** And, as previously noted, this does not factor in the additional monetary value associated with RECs produced by that system, which also accrue to the developer under this proposed legislation. As a result, under this net metering proposal, a 5 MW solar project built today will qualify to receive more than \$0.36 per kWh by 2051. On the other hand, under the REG Program, that same exact project would receive \$0.1725 per kWh and only for 20 years, with the value of RECs returned to ratepayers.
- **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.
- **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.
- **Under the REG Program, Rhode Island Energy is granted title to the Renewable Energy Certificates (RECs) generated by locally developed renewable projects and returns that value**

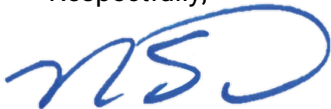
**stream to electric customers subsidizing these investments.** In doing so, the REG Program creates additional savings (estimated at \$9 million for the 2026-2027 REG Program year alone) and helps the state achieve its ambitious Renewable Energy Standard (RES) goals. S-3272 leaves those RECs in the hands of renewable developers who benefit from that revenue source *in addition* to a proposed guaranteed, annually escalating per-kWh payment rate.

Respectfully, in addition to the points above:

- **Further reducing program capacity would protect in-queue<sup>2</sup> projects and reign in future costs.** As proposed, reducing the VNM program cap from 275 MW to 225 MW would result in some future ratepayer savings and protect the 92 MW of projects in queue to interconnect to the system. However, by shifting incremental capacity beyond projects in the queue to the REG Program, customers would save ~\$61.5 million over the next five years and ~\$800 million over thirty years.<sup>3</sup>
- **As drafted, the proposal would provide a substantial windfall for existing, operational projects, which could obtain new thirty-year fixed rate contracts despite already completing their financing and benefiting from revenues tied to their operation.** S-3272 does not distinguish between new and existing project contracts, such that existing, fully financed solar projects would be eligible for the exact same contracts as projects yet to be constructed. If solar projects are *already* financially viable and operational without long term contract agreements, how can it be said that fixed-rate thirty-year contracts are *necessary* to attract and retain developers? And, relatedly, why would a system already operating require the same 30-year elevated payment stream as a project yet to be constructed?

We are grateful for the Committee's careful consideration of these issues and for the opportunity to be heard.

Respectfully,



Nicholas S. Ucci  
Director of Government Affairs

CC: The Honorable Members of the Senate Finance Committee

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<sup>2</sup> Pursuant to R.I. Gen. Laws §39-26.4-3(a)(1)(vi), the Company administers the queue of aggregate capacity for ground-mounted eligible remote net metering. The queue is updated monthly and publicly available:

<https://portalconnect.rienergy.com/RI/servlet/servlet.FileDownload?file=015Nu00000F6YhV>

<sup>3</sup> 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.