

Ecogy Energy

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VIA ELECTRONIC FILING

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**RE: Rhode Island Renewable Energy Growth Program: Research, Analysis, & Discussion in Support of First Draft 2024 Program Year Ceiling Price Recommendations For Projects Less Than or Equal To 5 MW**

Dear SEA and OER,

Ecogy Energy, based in Newport, RI and founded in 2010, is an experienced developer, financier, and owner-operator of distributed generation projects across the U.S. and Caribbean.

Ecogy's focus and niche is on the <1 MW arena, particularly on systems sited on rooftops, parking lots, and brownfields. Ecogy believes that with sound planning, proper development, and fair incentives for these types of projects, the State, its residents, and the clean energy industry as a whole will ultimately be more successful. Ecogy firmly believes that by focusing on such projects constructed in and on the built environment, the development community can preserve precious and limited natural resources while directing the benefits of local solar to small businesses, property owners, nonprofits, low-income individuals and other organizations that need them most.

Please accept the comments below as Ecogy Energy's response with regard to the Rhode Island Renewable Energy Growth Program: Research, Analysis, & Discussion in Support of First Draft 2024 Program Year Ceiling Price Recommendations For Projects Less Than or Equal To 5 MW.

1. Please describe any specific modifications to the modeling implications described in the “Overview of Key Stakeholder Feedback and Modeling Implications” shared on pages 10-28 of the stakeholder presentation linked above, including any specific documentation to substantiate these changes. Please note that SEA will hold this documentation (which may include all appropriate redactions as needed) in strict confidence.

**Slide 15: Year-on-Year Cost Decline Assumptions (Solar)**

**Table 1.** SEA Year-on-Year Cost Decline Assumptions (Solar) Graph

Solar Class	2023 → 2024 Cost Decline	2023 → 2025 Cost Decline	2023 → 2026 Cost Decline
Small Solar I & II	1.9%	3.8%	5.7%
Medium/Commercial Solar	1.4%	2.9%	4.3%
Large Solar	1.6%	3.1%	4.6%

SEA’s assumptions have suggested year-on-year (YoY) cost declines for solar for the 2021, 2022, 2023, and current ceiling price development for 2024-2026, however in Ecogy Energy’s experience, we have not seen costs decline since the COVID-19 pandemic in 2020. Assuming cost declines as in past years is unnecessary given continued uncertainties in the market.

The US Inflation Rate is at 3.67%, compared to 3.18% last month and 8.26% last year. This is higher than the long term average of 3.28%.<sup>1</sup> A YoY cost decline for medium/commercial solar by 1.4% does not reflect what has been happening in the market and is unlikely to forecast the reality of the future - showing a disconnect with National Renewable Energy Laboratory’s (NREL’s) Annual Technology Baseline (ATB) data. SEA should seek out market data from neighboring states to analyze actual costs, similar to what was done with installed cost data trends. When accounting for inflation volatility plus costs, solar development would need to come down 5.1% in order to decline to 2.9% from 2023 to 2025.

**Slide 19: Other Solar >25 kW Capital Cost Assumptions (2)**

Ecogy has been impacted by Meter Reconfiguration Costs regarding Rhode Island Energy’s Electric System Bulletin now containing requirements that customers upgrading their service must relocate their meter outside of the building in question at the customer’s expense. While Ecogy understands that market participants surveyed have provided a significant range of costs, reflecting site-specific nature of costs, applying \$30,000 additional upfront costs to Medium and Commercial I Solar on the low-end underrepresents the magnitude of costs this change is causing. \$30,000 is only .06% of the \$500,000 in costs we are seeing at our OSJL Pawtucket location, up from 100K prior to meter relocation costs. As a result, projects will not come to

<sup>1</sup> [US Inflation Rate \(1:USIR\)](#).

fruition for school districts, universities, shopping plazas and others where Ecogy is increasingly having these challenges at - all perfect land use sites for these types of projects which are perfect to meet Rhode Island preferred siting goals.

### **Slide 28: Bonus Depreciation and Tax Credit Transferability Provisions**

Ecogy understands that SEA assumes that investors continue to utilize the five-year schedule of the Modified Accelerated Cost Recovery System (MACRS) for depreciation. Not all developers use 5-year MACRS and may instead use 12-year ADS depreciation. Particularly, developers that will own and operate the system for the life of the asset which increases those developers' costs to capital in the near term. By using a blanket 5-years MACRS depreciation you may inadvertently cause harm to owner-operator developers.

2. Should the inputs marked in green in the "Characterization of Frequency of Change in [Cost of Renewable Energy Spreadsheet Tool] CREST Model Inputs" section contained on pages 29-35 of the stakeholder presentation linked above be the only inputs to the CREST model that should change on an annual basis during a potential three-year REG program filing? Why or why not?

### **Slide 32: Operating Expense Input Characterization (1)**

Variable O&M Expense, Yr 1 is reflected as a red cell which indicates that no change appears feasible absent a change in law or policy. Variable O&M is uncontracted O&M so even if a developer has a fixed O&M contract, there are still site activities with various costs such as loading and unloading trucks, equipment/material replacements that are not accounted for, etc. Therefore, it should be in the green or yellow to reflect some change.

Insurance, Yr 1 (% of Total Cost) is reflected as a yellow cell to indicate that values have not tended to change substantially from one year to the next. How is SEA modeling an escalator for insurance costs? Does SEA anticipate insurance increasing due to increased climate risk and inflationary pressures?

3. Please describe any requested changes to specific input values shown in "Appendix A: Detailed Cost, Performance and Financing Assumptions" section contained on pages 38-46 of the stakeholder presentation linked above, including any specific documentation to substantiate these changes. Please note that SEA will hold this documentation (which may include all appropriate redactions as needed) in strict confidence.

### **Slide 42: Summary: Solar >25 kW Financing Assumptions**

The debt term (years) for the Medium Solar category should be based on 10 years due to 10 years being more in line with the reality of the market for a Medium Solar portfolio in Rhode Island as proven in the term sheet from a debt financier SEA accessed in redacted form after the First Draft 2023 Program Year Ceiling Price Recommendations.



The lender's fee of 1% does not include the legal costs associated with closing the transaction which is real and significant. In addition to legal costs, developers are subject to large commitment fees, audited financial statement fees, and associated required reporting and costs. To better account for such costs in Rhode Island, the lender's fee should fall between 2-3.5% because Ecogy believes that such costs should also be accounted for in assumptions.

We thank you for your careful consideration of these comments and Ecogy appreciates your continued support of the clean energy industry in the Ocean State.

Warmest regards,

/s/

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