STATE OF RHODE ISLAND

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To: Sustainable Energy Advantage, LLC
Rhode Island Office of Energy Resources

From: Division of Public Utilities & Carriers

Date: July 24, 2026

Re: Renewable Energy Growth Program – Comments on Draft Ceiling Prices

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Sustainable Energy Advantage, LLC (SEA) has requested stakeholder comments on several issues related to the development of ceiling prices for the Renewable Energy Growth Program. The sections highlighted in black below identify the topics and questions presented by SEA for comment. The Division's response follows each section.

A Potential Three-Year MW Allocation Plan and Interactions with Assumed Cost Quartiles Used in Modeling (Relevant for All Classes)

The Division supports developing a three-year MW allocation plan and looks forward to reviewing the proposed allocations for 2028 and 2029, including whether any MW capacity should be allocated to Large Solar III. Separately, the Division recommends using median installed-cost data as the basis for calculating ceiling prices across all project classes. This recommendation applies regardless of whether a three-year allocation plan is adopted.

Policy Options to Address Federal Tax Credit Uncertainty (Relevant for Non-Small Solar)

Of the policy options presented, the Division believes the approach described on slide 22 best balances the risks created by the transition away from federal tax credits. Establishing all ceiling prices on the assumption that tax credits will be available could prevent projects that ultimately do not qualify for credits from participating. Conversely, assuming that no projects will receive tax credits could produce excess returns for projects that do qualify. A single blended or average ceiling price presents similar risks of under- and overcompensation. Although establishing two ceiling prices for every class could more precisely account for tax-credit status, that approach would significantly complicate enrollment because the number of projects that will fall into each category is not known in advance.

The Division therefore supports the proposed framework, which establishes three categories of ceiling prices:

- Projects with a high degree of certainty that they will qualify for tax credits: one ceiling price calculated on the assumption that tax credits will be available.
- Projects with little or no likelihood of qualifying for tax credits: one ceiling price calculated on the assumption that tax credits will not be available.
- Projects with some possibility of qualifying for tax credits: a ceiling price calculated on the assumption that tax credits will be available, subject to a fixed class-specific adjustment if the credits ultimately are unavailable.

The Division generally agrees with SEA's proposed assignment of REG classes to the first two categories by program year. For program year 2027, however, the Division recommends that SEA consider including Commercial I, and potentially Commercial II, in the first category.

For projects in the third category, the Division also supports providing an incentive to pursue tax-credit eligibility. A project that successfully qualifies for the credits would receive a modestly higher return than otherwise assumed, while a project that does not qualify would receive the applicable fixed adjustment. This structure preserves the existing open-enrollment process and reduces the risk of materially under- or overcompensating projects. The premium should be calibrated so that ratepayers retain a substantial portion of the difference between the ceiling price calculated with tax credits and the ceiling price calculated without them.

Finance Assumptions for Post-CEIC Projects (Relevant for All Classes)

The Division agrees that a 0.5-percentage-point reduction in the assumed equity IRR for projects that do not receive federal tax credits is reasonable because those projects face less tax-credit qualification risk. The presentation states that this reduction would apply in both 2028 and 2029. The table on slide 36 appears to apply the reduction in both years for Large Solar, but only in 2028 for Small, Medium, and Commercial Solar. Please clarify whether the 2029 figures for those classes are a typographical error. If the difference is intentional, please explain the basis for using different 2029 IRR assumptions among the project classes.

Component-Level Cost Categories and Inputs for Solar over 5 MW (Relevant for Large Solar II–IV)

The proposed cost categories for projects larger than 5 MW appear reasonable. The Division supports SEA's effort to collect project-specific cost data on an anonymous basis because those data should support more accurate estimates of current and future capital expenditures. The Division understands that the capital-expenditure assumptions on slide 30 do not yet incorporate either the year-over-year cost declines discussed on slide 25 or the adjustments applicable to projects that do not qualify for tax credits. If that understanding is incorrect, please clarify the assumptions in the second presentation. The Division also requests that SEA identify the source and scope of the Solar Installed Cost Over Time data shown on slide 31, including whether the chart reflects median costs reported after commercial operation and whether it is limited to REG projects or includes a broader data set.

Appropriate Ownership Assumptions/Host-Owned Finance Assumptions (Relevant for Medium/Commercial Solar)

The Division supports further evaluation of Medium Solar and Commercial Solar under a host-owned financing scenario. One useful approach would be to calculate the ceiling price required to achieve a six-year simple payback and then determine the resulting after-tax IRR. SEA could compare that result with the assumed required IRR under the third-party-owned scenario. This analysis would show whether a ceiling price based on a six-year payback produces a return that is reasonable relative to the return assumed for third-party-owned projects.

Other Comments

As noted above, the Division recommends using median installed-cost data as the basis for capital-expenditure assumptions across all project classes. The Division also continues to oppose discounting post-tariff revenue by as much as 40% without additional support for the magnitude and application of that discount. The Division agrees, however, with applying the statutory 20% reduction to larger-scale projects based on the expectation that the statutory cap will be reached.

The Division requests the following clarifications in the second iteration of SEA's analysis of the assumptions identified on slide 67:

- SEA proposes to discount non-wholesale post-tariff revenue, with the discount scaling up to 40%, to account for policy and forecasting uncertainty. Please explain the scaling methodology and the basis for selecting a maximum discount of 40%.
- SEA states that the proposed discount mirrors the treatment applied by financiers when evaluating post-tariff revenue. Please identify the source of that assumption and provide additional supporting detail. If the assumption is based on input from debt financiers, please explain why post-tariff revenue is relevant when the assumed debt tenor provides for full repayment before the REG tariff term expires.
- SEA is evaluating whether a smaller discount may be appropriate for residential projects co-located with load because those projects may face less risk that future incentives will materially diverge from retail rates. The Division supports evaluating this alternative and looks forward to reviewing the results of SEA's analysis.