Article 11 – Relating to Affordability (GBA# 7)

The Governor submitted a budget amendment on April 29, 2026, (GBA #7) that modifies the ratepayer relief proposals included in Article 11 of the recommended FY2027 Budget. Specifically, the amendment proposes new modifications to the Renewable Energy standard and includes reforms to the virtual net metering program.

FISCAL IMPACT

Article 11 intends to provide rate payer relief by amending the State's energy policy in response to increasing electricity costs and recent federal clean-energy incentive changes which have introduced uncertainty into energy markets.

The original budget article projected saving state ratepayers $151.8 million in FY2027 and $1.0 billion over the next 5-years. The projected $151.8 million in ratepayer savings included $146.0 million from energy savings initiatives and $5.8 million from a reduction in utility companies' gross earnings tax.

GBA #7 decreases the projected savings in FY2027 by $26.1 million to $125.7 million but increases the projected 5-year savings by $14.1 million to $1,015.5 billion. The projected revised ratepayer savings includes $120.8 million from energy savings initiatives and $4.8 million from a reduction in utility companies' gross earnings tax. The Office of Revenue Analysis estimated that the reduction in public utility gross earnings tax receipts from electric companies based on the Governor's proposals will be $2.3 million in FY2027 and $39.1 million over the next 5 calendar years.

The following table summarizes the proposed revised savings to ratepayers for each initiative by the Office of Energy Resources, which projects state ratepayer savings of $125.7 million in CY2027 and $1.0 billion over the next 5-years.

			GBA #7 Revised		Change Revised to Original	
Energy Initiative	**CY2027 Ratepayer Savings**	**Projected 5-Year Savings FY2027 - FY2031**	**CY2027 Ratepayer Savings**	**Projected 5-Year Savings FY2027 - FY2031**	**CY2027 Ratepayer Savings**	**Projected 5-Year Savings**
Renewable Energy Standard	$63.8	$572.2	$53.4	$528.3	($10.4)	($43.9)
Net Metering Program	35.0	175.0	25.3	257.4	(9.7)	82.4
Energy Efficiency Programs	21.0	105.0	21.0	105.0	-	-
Paving Expenses	16.0	60.0	16.0	60.0	-	-
Reduce EE Infrastructure Bank Allocation	2.5	12.5	2.5	12.5	-	-
Alternative Compliance Payments	5.0	25.0	-	-	(5.0)	(25.0)
Long Term Contracting Incentive	2.5	12.3	2.5	12.3	-	-
ISO New England Incentive	0.2	0.9	0.2	0.9	-	-
Total Initiatives	**$146.0**	**$962.9**	**$120.8**	**$976.4**	**($25.1)**	**$13.5**
Gross Earnings Tax Savings	5.8	38.5	4.8	39.1	(1.0)	0.6
Total Ratepayer Savings	**$151.8**	**$1,001.4**	**$125.7**	**$1,015.5**	**($26.1)**	**$14.1**

$ in millions

Revised figures based on GBA #7 April 29, 2026

ANALYSIS AND BACKGROUND:

Energy Ratepayer Relief

Article 11 sections 3 through 11 amends the State's energy policy in response to increasing electricity costs and recent federal clean-energy incentive changes which have introduced uncertainty into energy markets. These sections attempt "to preserve long-term decarbonization objectives while moderating near-term cost pressures borne by ratepayers and aligning State policy more closely with regional practice." As originally presented, the Governor projected these changes would save state ratepayers $151.8 million in CY2027 and $1.0 billion over the next five years, leaving the average household with an annual savings of $180 off their energy bills.

GBA #7 decreases the projected savings in FY2027 by $26.1 million to $125.7 million but increases the projected 5-year savings by $14.1 million to $1,015.5 billion. The projected revised ratepayer savings includes $120.8 million from energy savings initiatives and $4.8 million from a reduction in utility companies' gross earnings tax.

Renewable Energy Standards: Sections 7 and 8 of the original Article 11 modify the State's Renewable Energy Standard (RES) with the goals of reducing upward pressure on renewable energy certification (REC) prices during periods of elevated electricity costs, which may otherwise be passed through to ratepayers, while maintaining the Act on Climate objective of reaching net-zero emissions by 2050.

- **Renewable Energy Act of 2004:** The Act implemented a Renewable Energy Standard (RES) in Rhode Island and requires electricity providers to supply 100.0 percent of their retail electricity sales from renewable resources by 2033. The requirement began at 3.0 percent in 2007, increasing each year in incremental rates to the goal of 100.0 percent in 2033.
- **Renewable Energy Certificate (REC):** REC is a market-based, tradable instrument representing the environmental and non-power attributes of one megawatt-hour (MWh) of electricity generated from a renewable source. Utilities use these RECs to achieve the state mandated RES each year.

Article 11 as originally proposed expanded the pool of eligible zero-emission energy sources to include nuclear and large-scale hydroelectric generation; moderated the trajectory for the State to achieve 100.0 percent renewable energy supply from 2033 to 2050; increased the banking of excess RECs from 2 years to 3 years; and created a new alternative compliance payment (ACP) category. Preliminary third-party estimates provided by OER suggest the proposed changes to the State's RES could reduce ratepayer costs by approximately $63.8 million in calendar year 2027, and $572.2 million over five years.

GBA #7

- **Clean Energy Standard:** The amendment establishes a new definition titled Clean Energy Standard (CES) in 2027 increasing each year in incremental rates to the goal of 25.0 percent goal in 2036. The CES defines eligible clean energy sources such as nuclear and large-scale hydropower.
- **Emission Targets:** GBA #7 revises the renewable energy schedule to require electricity providers to supply 75.0 percent (down from 100 percent) of their retail electricity sales from renewable resources by 2050. The remaining 25.0 percent would be from the newly-defined clean sources.
- **Excess Compliance:** Currently when energy is produced in excess of the standard, producers may "bank' up to 30 percent of standard for up to two years. The GBA would allow for banking excess credits for up to three years, with no cap on the overage amount that may be carried forward.
- **Oversight:** The amendment expands the Public Utility Commission's authority to oversee both renewable and clean energy programs.
- **Alternative Compliance Payments:** The GBA alters the alternative compliance payment (ACP). Current law is $50 per megawatt hour of renewable energy obligation and that is deposited in the Renewable Energy Fund. Article 11 proposed a tiered fee per megawatt hour of $40 for new renewable energy and zero emission sources and $11 per megawatt hour for existing renewable energy and zero emission sources. The budget amendment changes the tiered ACP fee to $50 for the renewable energy obligation and $12 per megawatt hour for a clean energy obligation. As proposed, 50.0 percent of ACPs would be deposited into the Renewable Energy Fund, and 50.0 percent would be used to provide ratepayer relief.
- **Ratepayer Savings:** The third-party estimates provided by OER suggest the proposed amendment changes to the State's RES could reduce ratepayer costs by approximately $53.4 million in calendar year 2027, and $528.3 million over five years.

Virtual Net Metering: Section 10 of the original Article 11 proposed various changes to the State's net-metering program, by which Rhode Island ratepayers with solar or other on-site generation currently receive bill credits, often near the full retail rate, for excess electricity they export to the grid (renewable energy systems that offset their energy bills by generating their own electricity including selling energy back to the grid).

Preliminary third-party estimates originally provided to the Budget Office suggested that the proposed grid access fee could contribute approximately $20.0 million toward ratepayer relief annually. Large electric solar project developers do not pay an access fee. The purpose of this change is to shift approximately 25.0 percent of a residential ratepayer's bill over to the large-scale developers, thereby lowering the cost burden on residential ratepayers for the grid infrastructure. The article as originally proposed included language stating that the access fee payment must be used to offset distribution costs associated with net metering systems that would otherwise be paid by ratepayers.

The section of the original article would freeze the virtual net metering credit to July 1, 2026, levels to limit future cost escalation. Passage of this change was projected to provide approximately $15.0 million toward ratepayer savings. Together these two initiatives were projected to save ratepayers $35.0 million in CY2027, and $175.0 million over 5 years.

GBA #7

- GBA #7 revises the Virtual Net Metering (VNM) program for large-scale solar projects. VNMs are offsite solar systems that provide energy into the electric grid. They are large solar farms with limits of 10 megawatts per site.
- **Tariff System Changes:** All operating and non-operating VNM projects will be given a choice to opt into a new alternate fixed-rate tariff system within 90 days after the Public Utilities Commission (PUC) approves a tariff (the term that the PUC uses for rates and terms for utility services), or 60 days after the execution of an interconnection agreement (the contract between a renewable energy generator and Rhode Island Energy (RIE); or remain on the current "C-06" retail rate tariff for their compensation term. The C-06 rate for April 1, 2026, to September 30, 2026, is $0.10485 per kWh.
    - The option to go into the new alternate tariff system is a voluntary one-time irrevocable election.
    - The current C-06 tariff is a PUC approved rate schedule that is subject to future regulatory changes including the restructuring of rate components
    - The new fixed-rate tariff system schedule will be set by statute at $0.19 per kWh in 2027 (equivalent to the 2025 rate) and will increase by 2.75 percent annually over a 25-year term. This option will provide developers with the certainty of receiving a fixed rate fee for the full term that cannot be altered by future revisions through the PUC rules process.
- **VNM Cap:** The GBA lowers the VNM cap that was set in 2023 from 275 megawatts to 125 megawatts to shift future projects to the Renewable Energy Growth Program. The State is running two separate compensation programs for large scale solar projects. Currently there is 90 to 99 megawatts of production in the interconnection que.
    - The average large scale solar development project size is 3 to 5 megawatts.
    - This change would leave 32.8 megawatts available
- **Deadlines:** Extends the construction deadline to be within the VNM cap from July 1, 2030, to December 31, 2032.
- **Ratepayer Savings:** The third-party estimates provided by OER suggest the proposed amendment changes to the State's Net Metering Program could reduce ratepayer costs by approximately $25.3 million in calendar year 2027, and $257.4 million over five years.