

Governor's FY 2027 Budget: Articles

Staff Presentation to the House Finance
Committee
May 6, 2026

Introduction

- Governor has requested 7 amendments
 - All posted on Assembly & OMB websites
 - Some technical in nature
 - Many noted in hearings to date
- GBA # 7 – Revisions to Article 11
 - Section 10 omitted from March 5th review with the expectation of a future proposal pursuant to 2/9 Executive Order
 - GBA also amends sections 7 and 8 from the version heard on 3/5

Executive Order 26-01 - Feb 9

- Directs OER to develop & provide options for a new virtual net metering proposal
 - Replace Section 10 of Article 11
 - OMB by April 24
 - To Assembly by May 1
- Long-term review of both net metering & Renewable Energy Growth programs
 - Policy & legislative options to the Governor's Office & OMB by Oct. 1, 2026
- DPUC must track & evaluate ratepayer impacts of significant energy legislation pending in Assembly

March 5 Hearing Topics

	Topics	Article	Sections
7127	Green Economy & Clean Energy Bonds	6	Question 5
	Green Buildings		3
	Office of Energy Resources Weatherization Assistance Prog. Benchmarking & Performance		4, 5, 16 & 17
	Big River Management Area	3	6, 7 & 19-21
	Financial Asst. for Lakes Mgmt.		22 & 23
	Energy Programs Electric Distribution Companies	11	3-9 & 11
7126	RI Infrastructure Bank Transfer	1	7

Article 11, Sections 3 – 9 & 11

- Affordability initiatives to lower electric bills
 - Restructure renewable energy standard
 - Reduces short-term cost of compliance
 - Cap energy efficiency surcharges
 - Repeal incentives that increase rates
- Governor estimates ratepayer savings of \$150M in CY 2027
 - FY 2027 budget assumes \$2.3 million less from general revenues
 - 4% gross earnings tax on electricity charges
 - Assumes \$115M annual savings on charges subject to tax
 - 5-year savings ~ \$1B

Article 11 hearing – 3/5

Article 11	Sections
Energy Programs	
Energy Efficiency/Demand-Side	3 & 5
Renewable Energy Standard	5, 7 & 8
<i>Renewable Energy Fund</i>	
<i>Alternative Compliance Payments</i>	
Electric Distribution Companies	
Regional Membership	4
Road Repairs	6
Financial Incentives	9 & 11

Renewable Energy

- Renewable Energy Standard (RES) - 2004
 - 3% of retail electricity sales from renewable energy sources in 2007
 - *Max of 2% from sources in operations by 12/1997*
 - Grows at an increasing rate until 100% in 2033
 - *Current law: calendar year 2027 = 48% w/2% from older*

CY	Total Min.	Max. Pre-1998
2007	3.0%	2.0%
2017	13.0%	
2021	17.5%	
2025	34.0%	
2026	41.0%	
2027	48.0%	
2028	55.5%	
2029	63.5%	
2030	72.0%	
2031	81.0%	

Energy Boards and Councils

Entity	Responsibilities
Energy Efficiency & Resource Management Council (EERMC) “Efficiency Council”	Oversee development and implementation of energy efficiency investments – Demand Sides/Least-Cost Procurement
Distributed Generation Board	Oversees development and implementation of Renewable Energy Growth Program
Executive Climate Change Coordinating Council (EC4)	Develops and tracks plan to achieve net-zero emissions

Renewable Energy

PUC is charged with implementing RES & ensuring obligated entities comply

- Obligated entity = sells electrical energy to end-use customers in Rhode Island
 - Excludes Block Island Power Company & Pascoag Utility District
 - 2025 Report (for 2023) 26 entities
- Produces annual compliance report
 - Contains information on the availability and cost of renewable energy resources

Renewable Energy

Obligated Entity

Renewable Energy Certificates

Electricity is from a
renewable source

Purchased in energy
market

Meets renewable
energy standard

“Bank” excess compliance
– 2 yrs not to exceed 30%

Alternative Compliance Payments

Fee paid in lieu of
certificate

Per megawatt hour
of RES requirement

Renewable Energy

- Alternative compliance payment rate is set in statute – growing by inflation
 - PUC is required to publish by Jan. 31 annually
- Per megawatt hour
 - Receipts deposited into Renewable Energy Fund

CY	Rate
2026	\$89.77
2025	\$86.19
2024	\$83.37
2023	\$80.59
2022	\$75.34
2021	\$72.51
2020	\$71.58
2019	\$70.45

Renewable Energy Fund

- Provides grants, loans & other financing for renewable energy projects
 - Produce electricity in a cleaner manner
 - Administered by Commerce Corporation
 - 0.3 mills per kilowatt-hour on customers
 - Surcharge in effect through Dec. 2028
- Article 11
 - Extends surcharge 3 yrs. through 2031
 - Expands use to include clean transportation and energy storage

Renewable Energy Fund

Fund Income	2022	2023	2024	2025
Energy Surcharge	\$2.2	\$0.9	\$3.6	\$2.1
Alternative Compliance Payments	0.2	0.5	0.6	0.3
Repayment Loans & Other	2.8	0.2	1.8	1.1
Regional Greenhouse Gas Funds	2.6	11.7	5.8	1.6
Total	\$7.9	\$13.3	\$11.8	\$5.2

\$ in millions

- 2025 fund balance was \$27.8M
 - \$10M obligated to projects of January 2026
 - \$12M unobligated restricted to RGGI

Renewable Energy – March 5

Element	Current Law	Article 11
Qualifying Energy	Renewable only	Adds “zero emissions” to count nuclear energy & large-scale hydroelectric
100% Target	2033	2050
Existing Resources	Max 2% of total from pre-1998	Max. 25% of total using expanded definition
Excess Compliance	May bank 2 yrs up to 30% of current year	May bank 3 years with no cap
Alternative Compliance Payment	Per required megawatt hour - \$90 in 2026 (indexed to CPI)	Tiered fee per MW hr. obligation - no CPI \$11 - existing; \$40 - new
APC Fees	Renewable Energy Fund	50% REF; 50% rate relief

Renewable Energy – GBA #7

Element	Article 11	GBA #7
Qualifying Energy	<u>Adds</u> “zero emissions” to count nuclear energy & large-scale hydroelectric	Establishes separate definition of clean energy resources
100% Target	2050	
Existing Resources	Max. 25% of total using expanded definition	Renewable = 2% plus 25% clean energy source
Excess Compliance	May bank 3 years with no cap	
Alternative Compliance Payment	Tiered fee per MW hr. obligation - no CPI \$11 - existing; \$40 - new	Renewable= \$50 MW hr. CES = \$12 -2027 to 2029 \$25 starting 2030
APC Fees	50% REF; 50% rate relief	

Renewable/Clean Energy – GBA #7

Element	Current Law	Article 11- GBA #7
Qualifying Energy	Renewable only	Nuclear energy & large-scale hydroelectric defined separately as Clean Energy
100% Target	2033	2050 75% Renewable +25% Clean
Existing Resources	Max 2% of total from pre-1998	Renewable =2% plus 25% clean energy source
Excess Compliance	May bank 2 yrs up to 30% of current year	May bank 3 years with no cap
Alternative Compliance Payment	Per required megawatt hour - \$90 in 2026 (indexed to CPI)	Renewable= \$50 MW hr. CES = \$12 -2027 to 2029 \$25 starting 2030
APC Fees	Renewable Energy Fund	50% REF; 50% rate relief

Current Law vs Proposed

CY	Current Law	Art 11 GBA #7
2007	3.0%	n/a
2021	17.5%	
2025	34.0%	
2026	41.0%	34%
2027	48.0%	
2028	55.5%	35%
2029	63.5%	37%
2030	72.0%	39%
2031	81.0%	42%
2032	90.5%	47%
2033	100%	52%

CY	Current Law	Art 11 GBA #7
2034	100%	57%
2035		62%
2036		66%
2037		68%
2038		70%
2039		72%
2041		76%
2043		80%
2045		85%
2047		91%
2050		100%

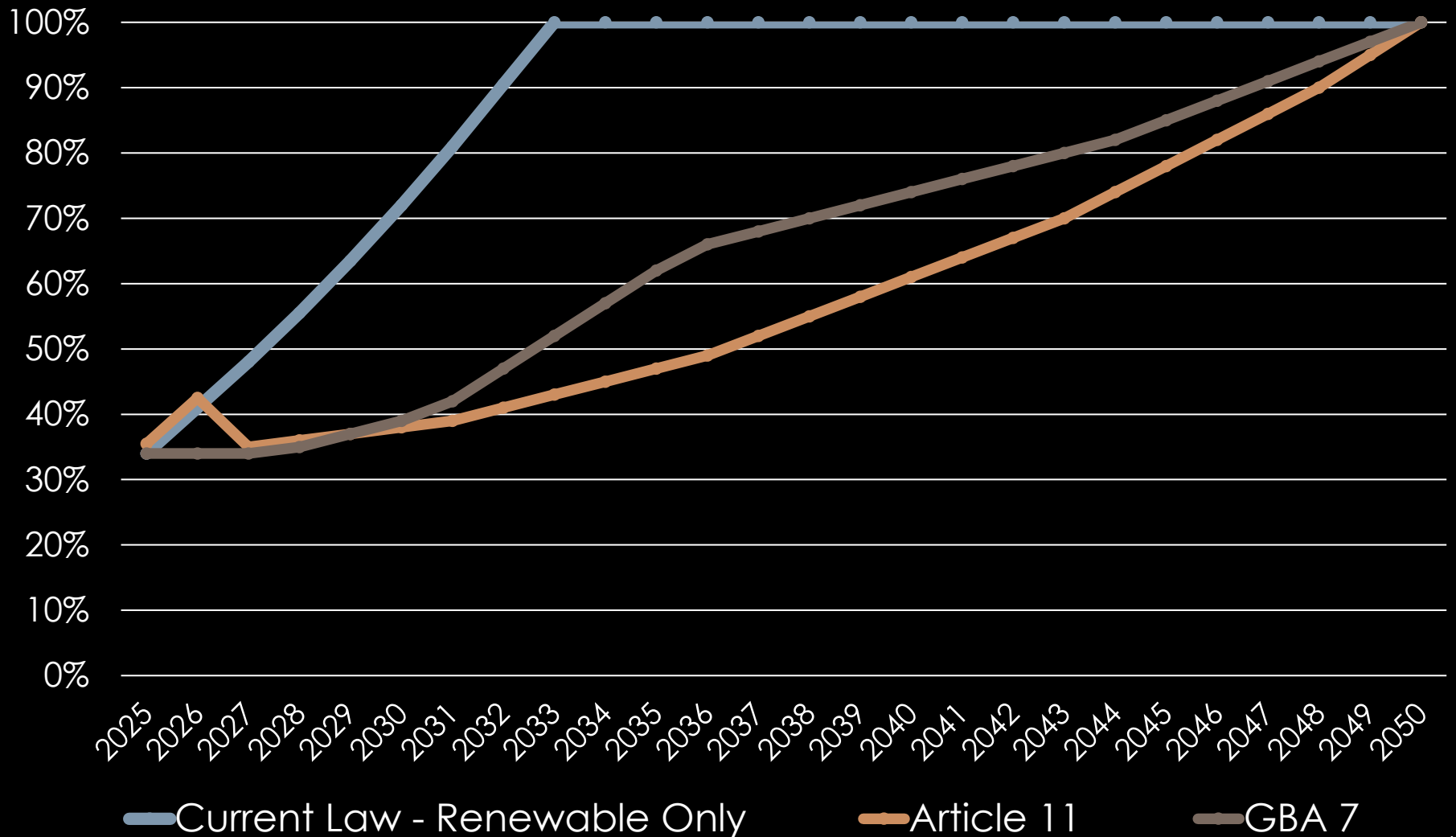
Renewable/Clean Splits:

GBA #7

- Clean energy shares of the total will grow to a maximum of 25% by 2036
- Renewables grow at a slower pace through 2050 to 75%

CY	Renewable	Clean	Total
2027	31%	3%	34%
2028	31%	4%	35%
2029	31%	6%	37%
2030	31%	8%	39%
2031	31%	11%	42%
2032	33%	14%	47%
2033	35%	17%	52%
2034	37%	20%	57%
2035	39%	23%	62%
2036	41%	25%	66%
2050	75%	25%	100%

Renewable & Clean Energy Standards



Article 11, Sections 3 – 9 & 11

Affordability Initiatives	Sections
Energy Programs	
<i>Virtual Net Metering</i>	10
Energy Efficiency/Demand-Side	3 & 5
Renewable Energy Standard	5, 7 & 8
<i>Renewable Energy Fund</i>	
<i>Alternative Compliance Payments</i>	
Electric Distribution Companies	
ISO Membership Mandate	4
Road Repair Expensing	6
Financial Incentives	9 & 11

Net Metering

- Net metering = self-supply of power and energy
 - Feed energy into grid in excess of consumption
 - Receive renewable net metering credit
 - Residential and small business
 - System size of less than 25 kilowatts
 - Traditional is onsite consumption
 - Solar panels

Virtual Net Metering

- Virtual net metering
 - Off-site/remote
 - Minimum on-site consumption
 - Feed energy into grid
 - Large solar farm
 - Accounts are limited to 10 megawatts
 - Sites can have multiple accounts
- Excess net metering credit can be shared among customer accounts
 - Non-residential customers
 - Credited at small commercial & industrial rate (C-06)
- Community net metering is a similar concept
 - Smaller scale
 - For residential customers

Article 11 Section 10 – GBA #7

- Revised proposal to reduce ratepayer impacts from growth in virtual net metering projects
 - Where compensation is linked to retail rates
 - Future costs expected to grow substantially
- Opt into 25-year contracts with guaranteed terms
 - Current price plus 2.75% annual growth
 - Otherwise, stay with the existing program exposed to potential changes
- Lowers current cap on future projects

Virtual Net Metering

- Many RI programs in the past decades incentivized renewable energy development
 - 2023 law capped new VNM development & lowered reimbursement rates
 - Recognized the growing cost to ratepayers of virtual net metering projects
- Projects with interconnect applications after April 15, 2023
 - Subject to aggregate cap of 275 MW
 - Under construction by July 1, 2030
 - Credit compensation ends January 1, 2060
 - Old and new projects

Net Metering Program Cost

- Recent growth in both use and the unit cost above market – all net metering
 - 2023 law

Net Metering	2021	2022	2023	2024	2025
Above Market Program Cost*	\$36.7	\$47.0	\$90.9	\$109.8	\$116.2
Megawatt Hours Purchased	296,291	393,360	485,605	691,286	765,555
Above Market Cost per Megawatt Hour	\$124	\$120	\$206	\$159	\$152

* \$ in millions; Data from RIDPUC

Virtual Net Metering Cap

- Projects take years to develop
 - 17 applications subject to 275MW cap
 - None connected yet
- GBA #7 proposes lowering cap to 125MW
 - Extends construction deadline 18 mo. to 12/31/2032

Category	Total MWAC	# of Applications
In queue	92.2	17
Connected	0	0
Current Law Total Cap	275	
Current Law – Available	182.8	n/a
GBA # 7 - Available	32.8	

GBA #7 Alternate Tariff Process

- Electric Distribution company to file “tariff” w/PUC to implement fixed credit structure
 - By 8/15/26
 - Statute sets first-year credit at \$0.19 /kWh
 - ~equivalent to the 2025 rate
 - 2.75% annual growth for 25 years from the date of election
 - Growth rate below expected energy cost increase

GBA #7 Alternate Tariff Process

- State policy intent is to provide a stable and predictable revenue stream sufficient to support project financing

PUC would have exclusive jurisdiction to determine rights, obligations & conditions governing payments

PUC may not reduce the rate paid or alter tariff terms in a manner that would undermine financing during the 25-year term

GBA #7 Alternate Tariff Process

- Must opt in by later of
 - Within 90 days of PUC tariff approval
 - No later than 12/1/26
 - Within 60 days after the execution of an interconnection agreement
 - Agreements pre-date construction
- Developers would continue to retain rights to RECs
 - Renewable Energy Credits that are sold separately in the REC market

Caveats & Considerations

- The complexity of RI existing programs and structures makes comparisons difficult
 - Programs have evolved over time
 - Multiple statutes
 - Regulatory authority
- Affect on the current market and related programs
- Best practices?
 - Lessons from other states

Caveats & Considerations

- Short-term relief vs. long-term flexibility?
 - Likely market & technology changes
 - Pricing & regulation
 - Long-term ratepayer impacts
 - Long-term energy goals
- Other issues
 - Appropriate trigger to qualify
 - Effect of lower cap on overall program goals
 - Cost-effective alternatives under long-term review?
 - Treatment/ownership of Renewable Energy Credits

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