

July 2, 2020

VIA E-FILING

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Petition to Revise 2017 and 2018 Renewable Energy Standard Compliance Filings

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (the Company), enclosed for filing with the Rhode Island Public Utilities Commission (the Commission) please find the Company's petition to revise its 2017 and 2018 Renewable Energy Standard (RES), compliance filings made in accordance with R.I. Gen. Laws § 39-26-4 and 810-RICR-40-05-2.8, to correct certain errors that resulted in over-reporting of renewable energy certificates (RECs) in those years.

As explained in the enclosed prefiled testimony, prior to reporting its RECs for the fourth quarter of 2019, National Grid identified an error made between the second quarter of 2017 until the third quarter of 2019 regarding minting of RECs with the New England Power Pool Generation Information System (NEPOOL-GIS) and National Grid's RES compliance reporting for compliance years 2017 and 2018. During this period, National Grid mistakenly double reported generation from some facilities enrolled in the Renewable Energy Growth Program (REG Program) to NEPOOL-GIS, which resulted in an overreporting of National Grid RECs, and a shortfall of RECs to meet its 2017 and 2018 RES obligations.

To address these issues, National Grid took certain actions already, and submits a proposal on further actions for the Commission's consideration. Specifically, the Company has already: (1) reported no REG Program RECs for the fourth quarter of 2019, to reduce the cumulative double-counted RECs for 2019; (2) examined its process for REC reporting and implemented additional process steps and controls to ensure accurate reporting in the future, (3) retired 2019 RECs to avoid including double-counted RECs in its 2019 RES Annual Compliance Filing. To address National Grid's undercompliance with the 2017 and 2018 RES in the amount of 27,790 RECs, the Company proposes to apply 27,790 REG Program RECs that were properly minted in 2019 to that shortfall. National Grid proposes to charge the cost for the transfer prices to a below-the-line account to ensure that the costs associated with this error are not borne by its customers.

Petition to Revise 2017 and 2018 RES Compliance Filings

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Accordingly, pursuant to Rule 1.11 A of the PUC's Rules of Practice and Procedure, National Grid requests approval to retroactively apply 2019 RECs to satisfy the Company's undercompliance in 2017 and 2018, as stated herein and further explained in the accompanying prefiled testimony.

Consistent with the instructions issued by the Commission on March 16, 2020, this filing is being made electronically only. Hard copies will be submitted after the termination of the State of Emergency.

If you have any questions, please contact me at: 781-907-2126. Thank you for your time and attention to this matter.

Very truly yours,



Laura C. Bickel
RI Bar # 10055

Enclosures

cc: Linda George, Administrator, Division of Public Utilities and Carriers
Nicholas Ucci, Commissioner, Office of Energy Resources

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

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Petition of Narragansett Electric Company)	
d/b/a National Grid to Correct 2017 and 2018)	
Renewable Energy Standard Compliance Filings)	Docket No. _____
Pursuant to R.I. Gen. Laws § 39-26-4 and)	
<u>810-RICR-40-05-2.8</u>)	

PETITION OF NATIONAL GRID

National Grid,¹ pursuant to 810-RICR-00-00-1.11 A, hereby requests that the Rhode Island Public Utilities Commission (PUC) approve National Grid’s proposal to revise its 2017 and 2018 Renewable Energy Standard (RES) compliance filings made in accordance with R.I. Gen. Laws § 39-26-4 and 810-RICR-40-05-2.8 to correct certain errors that resulted in over-reporting of renewable energy certificates in those years. In support of this request, National Grid states as follows:

1. R.I. Gen. Laws § 39-26-4 establishes, beginning in compliance year 2007, an annual obligation to obtain a certain percentage of electricity sold at retail to Rhode Island end-use customers, adjusted for electric line losses, from eligible renewable-energy resources each year.

2. Compliance with the RES may be demonstrated through procurement of NE-GIS certificates (also known as renewable energy certificates or RECs) relating to generating units certified by the commission as using eligible, renewable-energy sources, as evidenced by reports issued by the NE-GIS administrator. Procurement of NE-GIS certificates from off-grid and customer-sited generation facilities, if located in Rhode Island and verified by the PUC as eligible,

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

renewable-energy resources, may also be used to demonstrate compliance. R.I. Gen. Laws § 39-26-4(d).

3. R.I. Gen. Laws § 39-26-6 directs the PUC to develop and adopt regulations for implementing the RES, including but not limited to requiring annual compliance filings to be made by all obligated entities within one month after NE-GIS reports are available for the fourth quarter of each calendar year.

4. The PUC promulgated regulations in accordance with R.I. Gen. Laws § 39-26 under 810-RICR-40-05-2. Section 2.8 E of the regulations requires obligated entities, including National Grid, to submit an annual compliance filing to the PUC within thirty calendar days after New England Power Pool Generation Information System (NEPOOL-GIS) reports are available for the fourth quarter of each compliance year. Annual reports must provide NEPOOL-GIS or other reports to demonstrate compliance with the RES to the satisfaction of the PUC.

5. An obligated entity shall be deemed to be in compliance with the PUC's regulations if the information provided in each annual compliance filing is true and accurate and demonstrates compliance with the RES targets applicable to the subject compliance year. 810-RICR-40-05-2.8 F.

6. As explained further in the enclosed prefiled testimony of National Grid witnesses John Maupin, James Ruebenacker, and Ian Springsteel, National Grid has identified an error made between the second quarter of 2017 until the third quarter of 2019 regarding minting of RECs with the NEPOOL-GIS and National Grid's RES compliance reporting for compliance years 2017 and 2018. During this period, National Grid mistakenly double reported generation from some facilities enrolled in the Renewable Energy Growth Program (REG Program) to NEPOOL-GIS, which resulted in an overreporting of National Grid RECs.

7. This error led to incorrect reporting in National Grid's 2017 and 2018 RES compliance filings because approximately 27,790 double-counted RECs were included in the NEPOOL-GIS report used to demonstrate compliance with the RES. This amount was a relatively small portion of the Company's RES obligations.²

8. An additional 45,178 double-counted RECs were minted in the first three quarters of 2019. The error for first three quarters of 2019 was corrected by adjusting reporting for the fourth quarter of 2019 in consultation with the administrator for NEPOOL-GIS and by retiring remaining 2019 double-counted RECs on June 15, 2020 to avoid including double-counted RECs in National Grid's 2019 RES compliance filing.

9. To address National Grid's undercompliance with the 2017 and 2018 RES of 27,790 RECs, the Company proposes to apply 27,790 REG Program RECs that were properly minted in 2019 to resolve its undercompliance with the RES in compliance years 2017 and 2018. The difference between the transfer value associated with the 2019 REG RECs and the applicable transfer value associated with the double-counted 2017 and 2018 REG RECs is approximately \$611,243. National Grid proposes to charge the cost for the transfer prices to a below-the-line account to ensure that the costs associated with this error are not borne by customers.

10. Accordingly, pursuant to Rule 1.11 A of the PUC's Rules of Practice and Procedure, National Grid requests approval to retroactively apply 2019 RECs to satisfy the Company's undercompliance in 2017 and 2018, as stated herein and further explained in the accompanying prefiled testimony.

² In comparison, the Company's total obligations included: (1) for 2017, 389,292 New RECs and 81,957 Existing RECs; and (2) for 2018, 480,733 New RECs and 87,406 Existing RECs.

WHEREFORE, National Grid respectfully requests that the PUC grant the relief requested herein, and such other and further relief as it may deem just and necessary.

Respectfully submitted,

NATIONAL GRID

By its attorney, Very truly yours,



Laura C. Bickel
RI Bar # 10055

Dated: July 2, 2020

1 **I. Introduction and Qualifications**

2 **Q. Please state your full names and business addresses.**

3 A. John Maupin, 300 Erie Boulevard West, Syracuse, New York 13202. James
4 Ruebenacker, 100 E. Old Country Road, Hicksville, New York 11801. Ian Springsteel,
5 40 Sylvan Road, Waltham, Massachusetts 02451.

6
7 **Q. Mr. Maupin, please describe your employer, position, educational background, and**
8 **professional experience.**

9 A. I work for National Grid USA Service Company, Inc. (Service Company), as the
10 Manager of Settlement for National Grid. In this role, I manage the initial and final
11 settlement of both wholesale and retail energy for both ISO New England Inc. (ISO-NE)
12 and the New York Independent System Operator.

13
14 I graduated from Westminster College in Fulton, Missouri, with a Bachelor's degree in
15 Computer Science. I am a veteran of the United States Navy. I have been employed at
16 National Grid since 2001, starting as a consultant in the billing department. In 2010, I
17 was hired by National Grid as lead analyst for its Worcester Smart Energy Solutions AMI
18 pilot project. I took over as manager of the settlement department in 2018.

19
20 **Q. Mr. Ruebenacker, please describe your employer, position, educational background**
21 **and professional experience.**

1 A. I work for the Service Company as the Manager of Wholesale Electric Supply, New
2 England for National Grid. In this role, I manage the procurement of energy, capacity,
3 and ancillary services, portfolio hedging strategies, and other energy supply-related
4 activities for National Grid's New England operating company affiliates, including The
5 Narragansett Electric Company d/b/a National Grid (National Grid or the Company).
6 These activities include the procurement of power for Standard Offer Service (SOS) and
7 transactions of Rhode Island Renewable Energy Standard (RES) renewable energy
8 certificates (RECs).

9
10 I graduated from the University of Notre Dame with a Bachelor of Science degree in Pre-
11 professional Studies Science-Business Sequence. I graduated with distinction from New
12 York University's Leonard N. Stern School of Business with a Master of Business
13 Administration degree. I am also a CFA Charterholder.

14
15 In 2002, I was hired as a Retail Electric Pricing Analyst at Peoples Energy Services. I
16 joined National Grid as a Senior Analyst in the Wholesale Electric Supply department in
17 2009 and became Manager in 2011.

18
19 **Q. Mr. Springsteel, please describe your employer, position, educational background**
20 **and professional experience.**

21 A. For the past nine years, I have been employed by the Service Company. I am currently
22 Director of U.S. Retail Regulatory Strategy in the Strategy and Regulation department. In

1 this role, I am responsible for general regulatory matters, policy development and
2 associated filings, including oversight of the development and implementation of the
3 Renewable Energy Growth (REG) Program.

4
5 I have a Bachelor of Arts degree in Comparative Political Economy from Boston
6 University and a Master of Public Administration from the Harvard Kennedy School of
7 Government, with concentrations in regulatory analysis and finance.

8
9 Prior to working for National Grid, I started and ran Green Edge Solutions, a clean
10 energy consultant company for public and private clients for a little more than one year.

11 Before that, for four years, I was a senior program manager at the Massachusetts
12 Technology Collaborative, which managed the Massachusetts Renewable Energy Trust.

13 Prior to that, and prior to attending the Harvard Kennedy School, I worked as a journalist,
14 editor, and consultant, covering business and economics for a variety of trade and general
15 interest publications for approximately 12 years.

16
17 **Q. Have any of you testified previously before the Rhode Island Public Utilities**
18 **Commission (PUC)?**

19 A. Mr. Maupin has not testified before the PUC before. Mr. Ruebenacker has testified
20 before the PUC on several occasions involving SOS and the RES Charge. Mr.
21 Springsteel has testified before the PUC on several occasions involving the REG
22 Program.

1 **II. Purpose of Testimony**

2 **Q. What is the purpose of your joint testimony?**

3 A. The purpose of our joint testimony is to explain an inadvertent error that the Company
4 made between the second quarter (Q2) of 2017 until the third quarter (Q3) of 2019 with
5 regard to RECs and its RES compliance. During this period, the Company mistakenly
6 double reported generation from some facilities enrolled in the REG Program to the New
7 England Power Pool Generation Information System (NEPOOL-GIS). Relying on the
8 Company’s reported generation, NEPOOL-GIS minted RECs that should not have been
9 created (i.e., double-counted RECs). This is described in more detail later in our
10 testimony.

11
12 **III. Summary of the Issue**

13 **Q. What were the effects of this inadvertent error?**

14 A. The inadvertent error had two direct effects on the Company’s costs recovered from
15 customers associated with this period: (1) the Company applied the double-counted
16 RECs to comply with its RES requirements;¹ and (2) a portion of the value of the double-
17 counted RECs was transferred and applied to REG Program costs in past REG cost

¹ Pursuant to R.I. Gen. Laws Section 39-26-4.(d), “compliance with the renewable-energy standard may be demonstrated through procurement of NE-GIS certificates relating to generating units certified by the commission as using eligible, renewable-energy sources, as evidenced by reports issued by the NE-GIS administrator. Procurement of NE-GIS certificates from off-grid and customer-sited generation facilities, if located in Rhode Island and verified by the commission as eligible, renewable-energy resources, may also be used to demonstrate compliance.” Under Section 2.3(A)25 and 2.4 of the RES regulations, 810-RICR-40-05-2, the Company is an “Obligated Entity” with the requirement to obtain a percentage of electricity sold to Rhode Island customers from eligible renewable energy resources.

1 recovery filings, making the REG Program costs appear slightly lower than they
2 otherwise would have been.² Specifically, the Company reflected the full cost of the
3 transfer value of the double-counted RECs of \$1,751,680 within the RES regulatory asset
4 and as a credit within the REG regulatory asset. This inadvertent error also had an
5 indirect effect on the Company's actions regarding the Long-Term Contracting Standard
6 (LTCS) program. It caused the Company to believe that it had more RECs than it did for
7 2019, prompting the sale of more RECs than it otherwise would have sold, per the RES
8 Procurement Plan.³ Table 1, below, presents the details of the double-counting of RECs
9 from REG facilities.

² Section IV discusses the impact on filings made by the Company and, ultimately, rates charged to customers, in more detail.

³ Notably, all RECs sold to third parties in 2019 were generated by the LTCS program.

1 **Table 1: REG RECs Double-Counted from 2017 to 2019, Prices, and Values**

Compliance Year	Quarter	Double-counted RECs	Transfer Price	Transfer Value
2017	2	1,296	\$13.62	\$17,651.52
	3	2,464	\$13.25	\$32,648.00
	4	3,346	\$5.11	\$17,098.06
	Total	7,106		\$67,397.58
2018	1	4,427	\$9.49	\$42,012.23
	2	5,823	\$4.17	\$24,281.91
	3	6,186	\$6.11	\$37,796.46
	4	4,248	\$8.54	\$36,277.92
	Total	20,684		\$140,368.52
2019	1	10,048	\$24.03	\$241,453.44
	2	17,857	\$37.99	\$678,387.43
	3	17,273	\$36.13	\$624,073.49
	Total	45,178		\$1,543,914.36
Total		72,968		\$1,751,680.46

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3 **Q. Do applicable statutes, rules or regulations address remedies to address inadvertent**
4 **reporting errors?**

5 A. This type of inadvertent error is not contemplated by NEPOOL-GIS rules, the law
6 governing the REG Program, or the PUC’s regulations.

7

8 **Q. What actions did the Company take on RECs after discovering the inadvertent**
9 **error?**

10 A. The Company took three immediate actions in the Spring of 2020 after discovering the
11 inadvertent error in the data for Q3 of 2019.⁴ First, for the fourth quarter (Q4) of 2019,

⁴ The Q3 NEPOOL-GIS trading period is from January 15 through March 15.

1 after consulting the administrator for NEPOOL-GIS, the Company reported zero (0)
2 kilowatt-hours (kWh) instead of the actual 4,627 kWh of renewable energy generation
3 associated with the REG aggregation, and therefore zero RECs for the aggregation
4 account in Q4, in order to reduce the number of RECs reported for 2019. This
5 immediately reduced the Company's overreporting in 2019 from 45,178 RECs to 40,551
6 RECs. Second, the Company has examined its process for REC reporting and
7 implemented additional process steps and controls to ensure accurate reporting in the
8 future, as described in more detail below. Third, the Company retired 40,551 REG RECs
9 in its NEPOOL-GIS Reserve Sub-Account on June 15, 2020 to avoid including double-
10 counted RECs in its 2019 RES Annual Compliance Filing.

11
12 **Q. What factors led to the double-counting of RECs from the REG Program?**

13 A. The Company's REG Program incentivizes customers and developers to invest in
14 renewable energy projects by offering to make low risk, long-term monthly purchases of
15 energy, capacity, and RECs. To offset the costs of the REG Program, generating
16 facilities with a nameplate capacity of greater than 25 kilowatts (kW) AC are individually
17 registered with the regional operator, ISO-NE. This allows the Company to receive
18 market proceeds for the energy generated by REG facilities, which offset some of the
19 cost to customers of offering the REG Program. The Company reports the meter data
20 from these facilities directly to ISO-NE, which then automatically reports their generation
21 to NEPOOL-GIS, and NEPOOL-GIS creates RECs that are then deposited into the
22 Company's GIS account quarterly for its use.

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Systems with a nameplate capacity of 25 kW and less are not enrolled as energy assets with ISO-NE, and instead are grouped together into an aggregation account, as allowed by RI law, for which the Company is the Verifier (i.e., the meter reader) and the Aggregation Owner. The Company reports the non-interval meter reads of the small REG facilities quarterly directly to NEPOOL-GIS. This reporting results in the creation of RECs each quarter, which are then deposited into the Company's GIS account.

When the Company began reporting on the generation of the aggregated systems in 2015, it used generation information from the Company's billing system (CSS), based on the coding for a REG Program system as all systems were small, 25 kW and less systems. The billing system report captured the generation from all REG systems, even though eventually some systems were also individually registered with ISO-NE directly, as explained above. When larger than 25 kW systems began billing through CSS in 2017, they were automatically picked up by the aggregation report because the coding included all systems, and the larger projects should have been excluded. Until 2018, only a few REG facilities larger than 25 kW were generating, and thus, the double-counting of RECs was not immediately noticed. As the number of large REG systems increased during 2019, the misreporting became more visible, and the Company found the inadvertent reporting error, and assessed the extent of the double-counting. The double-counting of medium and large REG systems resulted in an overstatement of RECs in 2017, 2018, and 2019. In 2019, this also caused the Company to consider the forecasted double-counted

1 RECs in its NEPOOL-GIS account and then sell more RECs than it would have
2 otherwise.

3

4 **Q. What were the overall effects of the double-counting of RECs from REG?**

5 A. Had the double-counting not occurred, REC values of \$171,488 would not have been
6 credited to the REG Program filing through the Q3 of 2018 in last year's REG Program
7 cost recovery filing, which erroneously lowered the costs of REG for all customers. In
8 addition, the Company's use of the double-counted RECs in 2017 and 2018 resulted in an
9 undercompliance with the RES of 27,790 RECs over those two years.

10

11 In 2019, the Company double-counted 45,178 RECs over the first three quarters of the
12 year. When 2019 REG RECs were combined with RECs received from the LTCS
13 systems, for the first time,⁵ the Company projected that it had more RECs than it needed
14 for its 2019 RES obligation and more RECs than it could "bank".⁶ The Company is
15 required to sell any RECs that exceed its banking allowance because, otherwise, the
16 RECs will expire with no value to customers.⁷ Accordingly, in January 2020, the
17 Company sold 85,000 RECs and expected future sales to ensure that the end of the year
18 inventory did not exceed the allowable banked REC limit, an additional 51,000 RECs

⁵ In most years, 2017 being the exception, RECs from LTCS and REG systems were not adequate to meet the RES obligation and the Company needed to purchase RECs to meet that obligation. In 2017, the RECs met the RES obligation but did not exceed its allowable bank.

⁶ Banking of RECs enables the Company to hold up to 30% of the current year's obligation for a future year's use.

⁷ See Docket No. 4935. 2020 Renewable Energy Standard Procurement Plan. Page 4.

1 beyond what it otherwise would have been required to sell had RECs not been double-
2 counted. However, the sale of 85,000 RECs has no effect on the overall value generated
3 from RECs from the LTCS program.
4

5 **Q. Why did the inadvertent error have no effect on the LTCS program?**

6 A. The 2020 RES Procurement Plan states that if there are sales of excess New RECs in a
7 quarter, the Company will use the average sales price of excess New RECs transacted in
8 the market during a quarter as the transfer price. Without the double-counted RECs, the
9 Company likely would have sold a portion of the LTCS RECs in Q3, thus establishing a
10 transfer price for all LTCS and REG Program RECs. For example, if the Company sold
11 20,000 RECs instead of the 85,000 RECs, all 85,000 RECs would have the same price:
12 20,000 RECs at the average sale price and the remaining 65,000 RECs would have a
13 transfer price at the same average sale price of the 20,000 RECs sold. Therefore, there
14 would have been minimal effect on the overall value generated from RECs from the
15 LTCS program. The difference would be if the average sales price of the smaller portion
16 of the LTCS RECs differed from the average sales price of the 85,000 RECs.
17

18 **Q. What were the specific effects of the inadvertent error on the REG charge and the**
19 **RES charge?**

20 A. REG RECs are reflected as a credit to all customers in the REG reconciliation and as a
21 cost to SOS customers in the RES charge as a component of a prior period's over/under-
22 recovery of RES compliance costs when RECs are used for SOS compliance. Based

1 upon the timing of the Company’s cost recovery filings, the REG filings and the RES
2 filings reflect differing volumes and amounts associated with the transfer value of the
3 double-counted RECs, however the RES filings in 2017 and 2018 will not change, and
4 the RES filing that captures the final reconciliation of the 2019 RES compliance year will
5 be filed in February 2021 and is expected to reflect a minor downward value change
6 (i.e., a credit to customers).

7
8 Table 2 below presents the amounts reflected in annual RES reconciliation filings
9 through the most recent filing made on February 28, 2020, and reflected in the RES
10 Charges, including that which went into effect on April 1, 2020.

11
12 **Table 2: Costs from Double-Counted RECs in RES Reconciliations**

Compliance Year	Double-counted RECs	Transfer Value
2017	7,106	\$67,397.58
2018	20,684	\$140,368.52
2019	45,178	\$1,543,914.36
Total	72,968	\$1,751,680.46

13
14 Table 3 below presents the amounts reflected in annual REG reconciliation filings,
15 through the REG Cost Recovery filing made on June 28, 2019.

1 **Table 3: Revenue from Double-Counted RECs in REG Reconciliations**

Compliance Year	Quarter	Double-counted RECs	Transfer Price	Transfer Value
2017	2	1,296	\$13.62	\$17,651.52
	3	2,464	\$13.25	\$32,648.00
	4	3,346	\$5.11	\$17,098.06
	Total	7,106		\$67,397.58
2018	1	4,427	\$9.49	\$42,012.23
	2	5,823	\$4.17	\$24,281.91
	3	6,186	\$6.11	\$37,796.46
	Total	16,436		\$104,090.60
Total		23,542		\$171,488.18

2
3 Thus, the REG REC transfer value, or “revenue,” credited in filings approved by the PUC
4 covered all of 2017 and Q1 – Q3 of 2018 and was \$171,488.18. Due to the timing of the
5 minting of the RECs and the filings, the remainder of the double-counted REC revenue,
6 approximately \$1.6 million, would have been credited in the recently made June 30, 2020
7 REG reconciliation filing. The Company did not credit REG with this transfer
8 value. Therefore, the inadvertent error impacted the REG reconciliation by \$171,488.
9 Also, the Company does not propose to reverse the credit of \$171,488 that has already
10 flowed through the REG reconciliation.

11
12 **Q. What remedial actions does the Company propose to take or has taken?**

13 A. In general, the Company proposes to use its supply of REG RECs that were properly
14 minted in 2019 to resolve its undercompliance with the RES during 2017 and 2018. The
15 Company has retired 40,551 double-counted RECs created in 2019 in its NEPOOL-GIS

1 Reserve Sub-Account to properly reflect the amount of RECs that should have been
2 credited to the aggregation.

3
4 First, the Company will use 4,627 double-counted RECs from Q1 – Q3 in its 2019 RES
5 Annual Compliance Filing to replace the 4,627 actual RECs that the Company could have
6 reported but did not report in Q4 2019. The REG reconciliation will include a credit for
7 the 4,627 RECs at its Q4 transfer price, and the RES reconciliation will include an
8 offsetting charge for Q4 as if these RECs were actually minted. The Company inquired
9 but was informed by NEPOOL-GIS that it could not change reported values for Q1, Q2,
10 or Q3 of 2019.

11
12 Second, the Company retired 40,551 REG RECs in its NEPOOL-GIS Reserve Sub-
13 Account on June 15, 2020 to avoid including double-counted RECs in its 2019 RES
14 Annual Compliance Filing.

15
16 Third, the Company proposes to apply 27,790 properly minted REG RECs created in
17 2019 to resolve the 2017 and 2018 RES obligations that were met with the double-
18 counted RECs, at no additional cost to customers, and some cost to shareholders. The
19 Company included a charge for the double-counted REG RECs for this period (totaling
20 27,790 RECs at \$207,766) in its RES reconciliation filing, and it also included a credit
21 for the period Q2 2017 through Q3 2018 (totaling 23,542 RECs at \$171,488) in its REG
22 reconciliation filing. Additionally, 4,248 double-counted RECs created in Q4 2018 were

1 also used for compliance but have not been credited from RES to the REG program yet.
2 To avoid charging SOS customers any more for RES compliance cost for 2017 and 2018
3 beyond \$207,766, the Company will take the difference between the transfer value
4 associated with the 2019 REG RECs (i.e., \$25.83 and \$36.13) and the applicable transfer
5 value associated with the double-counted 2017 and 2018 REG RECs, multiplied by the
6 number of double-counted REG RECs. Under this proposal, shareholder funds would
7 cover the difference of \$611,243. Table 4, below, provides additional information on
8 how this amount was calculated.

1 **Table 4: Incremental Value of Replacing RECs at Current Market Price / Transfer**
2 **Value of \$25.83 and \$36.13**

Compliance Year	Quarter	Replacement RECS to Buy	Original Transfer Price	Q3 & Q4 2019 Transfer Price	Difference	Incremental Cost
2017	2	1,296	\$13.62	\$36.13	\$22.51	\$29,172.96
	3	2,464	\$13.25	\$36.13	\$22.88	\$56,376.32
	4	2,542	\$5.11	\$36.13	\$31.02	\$78,852.84
	4	804	\$5.11	\$25.83	\$20.72	\$16,658.88
	Total	7,106				\$181,066.00
2018	1	4,427	\$9.49	\$25.83	\$16.34	\$72,337.18
	2	5,823	\$4.17	\$25.83	\$21.66	\$126,126.18
	3	6,186	\$6.11	\$25.83	\$19.72	\$121,987.92
	4	4,248	\$0	\$25.83	\$25.83	\$109,725.84
	Total	20,684				\$430,177.12
Total		27,790				\$611,243.12

3
4 The Company will charge the cost for the transfer prices to a below-the-line account to
5 ensure that the cost is not borne by the Company’s customers.

6
7 **Q. Will the Company’s proposal have any future effects on customers?**

8 A. Notably, using 27,790 RECs from 2019 to comply with 2017 and 2018 reduces the
9 number of RECs that the Company will bank from 2019 for 2020 RES compliance for
10 SOS customers. The Company will soon file its 2019 RES Annual Compliance Filing
11 and will include the 27,790 RECs in its banked account for use in the future years. If the
12 Company’s proposal is accepted, either the 2019 RES Annual Compliance Filing will be
13 amended to remove the 27,790 RECs or the Company will reduce the 2019 banked RECs
14 manually when it submits the 2020 RES Annual Compliance Filing.

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The 27,790 RECs, in addition to the inadvertent REC sale, has lowered the Company's bank by approximately 49,000 RECs. The consequences (gain or loss) will not be known until quarterly 2020 transfer prices are determined. However, because of the large bank and expected LTCS and REG RECs, the Company expects to sell significantly more RECs in 2020 than in 2019, and the use of 2019 RECs for the past compliance obligations will reduce those future sales. This would, other factors held equal, have a slightly supportive effect on REC prices because the Company will sell less 2020 RECs by lowering its 2019 banked RECs, and slightly reduce transactional costs.

Q. Did the Company consider any alternatives to its proposal?

A. Yes. There are two other alternate means to address the Company's 2017 and 2018 incomplete RES obligations: (1) purchasing 27,790 replacement RECs on today's market, at a cost of approximately \$42.50 per REC in 2020; and (2) making an alternative compliance payment (ACP) equivalent to 27,790 RECs, at a cost of approximately \$70.45 per REC in 2019. Under either option, the Company could still retain its proposal for addressing the double-counted RECs during 2019. Also, the Company considered addressing this problem by using real RECs from 2019 and 2020 and applying them to the shortfalls from 2017 and 2018, in order to spread the impact and the average cost more broadly.

1 **Q. Why isn't the Company proposing either of these two alternatives to address its**
2 **2017 and 2018 RES obligations here?**

3 A. The Company's ability to purchase replacement RECs this year was time limited because
4 2019 RECs were retired on June 15, 2020, and REC purchases must be made
5 approximately a week prior. Additionally, towards the end of the year there was limited
6 REC supply available. Also, addressing the Company's past obligations from 2017 and
7 2018 entirely with 2019 RECs is relatively simple, addresses the shortfall with actual
8 RECs, and closes out the obligation efficiently.

9
10 **Q. What process improvements has the Company made since discovering the**
11 **inadvertent error?**

12 A. To prevent any double-counting in the future, in REG or any other programs, the
13 Company is improving its process for aggregated REC reporting. To start, the
14 Company's distributed generation interconnection team will review and validate
15 nameplate capacity information for each project on a quarterly report produced by the
16 Company's billing team to ensure that projects included in the aggregation account
17 belong there. Also, in the future, the billing team intends to implement a code change
18 that will allow the Company's billing system to automatically issue two separate reports.
19 One report will summarize the 25 kW and smaller generation for the corresponding
20 month, and the second report will detail the greater than 25 kW system generation. In
21 addition, the Company's Meter Data Services team will request energy procurement team
22 to perform a reasonableness check for the number of RECs to be minted.

1 IV. **Conclusion**

2 Q. **Does that conclude your testimony?**

3 A. Yes.