



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

Administration
89 Jefferson Boulevard
Warwick, Rhode Island 02888
(401) 941-4500
(401) 941-9207 - Fax

March 20, 2025

The Honorable Joseph J. Solomon, Jr.
Chairman – House Committee on
Corporations
State House
Providence, R.I. 02903

Re: **H 5018 – An Act Relating to Public Utilities and Carriers – Public Utilities Commission**

Dear Chairman Solomon:

The Division of Public Utilities and Carriers (Division) is keenly focused on ratepayer costs. The Division recognizes the costs imposed on electric ratepayers to not only pay for the operation of the distribution system, but to shoulder the burden of renewable energy programs, energy efficiency, system reliability and regional transmission. Substantial costs to maintain and operate the aging gas system in a safe and reliable manner also negatively impact ratepayer bills. All of these costs are increasing year-over-year, presenting ongoing affordability challenges for both electric and gas ratepayers. We respectfully disagree with the sponsor that a statutory cap on return on equity (ROE) is a practical or legal solution to reduce electric or gas ratepayer costs.

Under well-settled utility law, public utilities are entitled to cost recovery of prudently incurred expenses as well as the right to earn a reasonable return on investments. An arbitrary cap on *rates* would likely impact prudent cost recovery & earnings. As such, the bill therefore carries a high likelihood of a utility pursuing successful litigation.

The current ROE level for both the electric and gas utilities is 9.275% which was established in a 2018 rate case, Public Utilities Commission (“PUC”) Docket No. 4770.¹ Rate cases are conducted by the PUC under an intensive evidentiary hearing process which spans the better part of a year. Despite the ability to earn up to the ROE established in a rate case, an ROE is not a guaranteed rate of return. In 2023, the most recent full year for which data is available, Rhode Island Energy’s filings with the DPUC showed a return on investment of 4.02% on electricity and 5.33% for natural gas.

¹ <https://ripuc.ri.gov/eventsactions/docket/4770page.html>

It is our understanding that Rhode Island Energy will file electric and gas rate proceedings later this year. In the course of these proceedings, the key issues surrounding the ROE targets and sources of revenue essential for effective utility operations will be thoroughly examined and challenged by the Division and the Commission. The imposition of a statutory cap on ROE will impede the ability of regulators to strike the right balance that addresses ratepayer costs. The utility must be permitted to operate effectively and invest in Rhode Island utility infrastructure necessary for the transition to a clean energy future. Moreover, it is absolutely critical that the utility maintain a high credit rating which protects ratepayers by keeping down the costs of borrowing for these necessary and critical capital projects.

For these reasons, the Division recommends deference to the robust regulatory process as a far preferable solution for establishing an equitable ROE.

Sincerely,

A handwritten signature in blue ink that reads "Linda George". The signature is written in a cursive, flowing style.

Linda George, Esq.
Administrator, RI Division of Public Utilities and Carriers

Cc. The Honorable Megan L. Cotter
The Honorable Members of the House Committee on Corporations
Nicole McCarty, Esq., Chief Legal Counsel, Speaker of the House