

March 20, 2025

The Honorable Joseph J. Solomon, Jr.  
Chairman, House Corporations Committee  
Rhode Island State House  
Providence, Rhode Island 02908

**RE: H-5018 – Relating to Public Utilities & Carriers – Public Utilities Commission**

Dear Chairman Solomon:

On behalf of Rhode Island Energy, I write in strong **opposition** to H-5018. This bill would increase costs for electric and natural gas distribution customers throughout Rhode Island, jeopardize energy system safety and reliability, substantially hinder (if not outright prevent) achievement of the Act on Climate and clean energy goals, and impact our team of 1,400 union and non-union employees based here in the Ocean State. Moreover, this bill may be unconstitutional and in violation of long-standing U.S. Supreme Court precedent. We respectfully urge the Committee to reject this bill in its entirety.

Rhode Island Energy provides essential energy services to more than 770,000 customers across the Ocean State through the delivery of electricity and natural gas. Our team of 1,400 union and non-union employees is dedicated to helping Rhode Island customers and communities thrive, while supporting the transition to a cleaner energy future – in a safe, reliable, and affordable manner.

**H-5018 is based on the false premise that a) company profits are driving recent increases in utility bills and b) artificial limits on a public utility's authorized return on equity (ROE) will decrease electric and natural gas bills for local customers. This speculative approach is not grounded by fact and ignores the fundamental realities of utility financing, investment, regulation, and law.**

Respectfully, we ask that you consider the following during your review:

- **Utility profits are not driving higher winter electric and natural gas bills.** Roughly 2/3 of a typical residential electric bill, for example, is driven by forces beyond Rhode Island Energy's direct control, including wholesale supply prices and public policy costs. Moreover, this past winter was one of the coldest we have seen in a decade, placing further upward pressure on local energy bills.<sup>1</sup>
- **Artificially capping a public utility's ROE will raise the cost of attracting capital from financial markets and negatively impact Rhode Island Energy's credit rating – *all of which could increase utility rates for our customers.*** Effectively, it will increase borrowing costs which are then passed on to electric and natural gas customers

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<sup>1</sup> According to data provided by the National Oceanic and Atmospheric Administration (NOAA), during this past December through February, the Providence-area experienced its highest level of heating degree days (HDD) in a decade. HDD measures the daily mean temperature differential and 65° F, serving as a key indicator for heating demands.

through rates. The effect of such a law change could be long-lasting and increase customer costs for decades.

- **Rhode Island Energy’s authorized ROE and its base distribution rates have not changed in the past five years.** In fact, the Company is earning well below its authorized ROE today – another indicator that “utility profits” are not driving recent bill increases.
- **Public utility ROEs are periodically set pursuant to transparent, evidence-based regulation by the Public Utilities Commission (PUC).** They reflect underlying market conditions, industry benchmarks and trends, and other key factors.
- **Utility ROEs are not guarantees of profits.** Rather, ROEs establish an *opportunity* to earn based upon the Company’s management of its operations.
- **The U.S. Supreme Court has ruled that regulated utilities are entitled to a reasonable opportunity to recover its costs and earn a fair return on capital investment.**
  - For example, in 1944, the Court found, “From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock...By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. *That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.*”<sup>2</sup> [emphasis added]
  - Also, in 1923, the Court found, “*Rates which are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the service are unjust, unreasonable and confiscatory, and their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment.* This is so well settled by numerous decisions of this court that citation of the cases is scarcely necessary.”<sup>3</sup> [emphasis added]
- **Beyond constitutional questions, a statutory rate cap is not practical or constructive regardless of the level it is set at.** Market conditions and costs of raising capital fluctuate over time, to which Rhode Island Energy is a price taker. Returns need to be fluid and reflective of those economic conditions over time to attract investor dollars.
- **Stymying a public utility’s ability to raise capital jeopardizes its ability to invest in safe and reliable infrastructure and may result in the deferral of other critical investments, including those fundamental to economy-wide decarbonization.** This could have significant consequences for electric and natural gas delivery services vital to public health and safety, and Rhode Island’s economy.

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<sup>2</sup> U.S. Supreme Court, Federal Power Commission et. al. v. Hope Natural Gas Co., 320 U.S. 591 (1944).

<sup>3</sup> U.S. Supreme Court, Bluefield Waterworks & Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923).

- Even if Rhode Island Energy were earning near its authorized ROE, which it is not, **our customers are insulated and protected through robust regulation and consumer protections established by the PUC and Division of Public Utilities & Carriers (DPUC).** This includes an earnings sharing mechanism requiring the Company to return a sizeable portion of its revenue to customers over certain levels.
- In sum, **the financial strength of an electric and gas utility company is not a sign of greed, but is rather the fuel that drives stable investment,** allowing the utility to maintain infrastructure, provide reliable service, and attract necessary capital at the lowest possible cost for customers. A fair return ensures utilities can cover operating costs and continue serving customers while meeting legal and regulatory obligations.

Rhode Island Energy appreciates and empathizes with the financial challenges that so many of our family, friends, and neighbors – your constituents and our customers – are facing each day, especially at a time when the price of so many basic goods and services are increasing across the economy. We applaud this Committee’s willingness to work collaboratively to identify meaningful opportunities that can reduce energy burdens for Rhode Islanders, while ensuring the continued safe and reliable delivery of energy vital to the wellbeing of our citizens and economy. Rhode Island Energy looks forward to being a productive partner in those efforts – today and long into the future.

In closing, Rhode Island Energy thanks the Committee for the opportunity to comment on this proposed legislation and respectfully requests that H-5018 be rejected in its entirety.

Respectfully,



Nicholas S. Ucci  
Director of Government Affairs

CC: The Honorable Members of the House Corporations Committee  
The Honorable Megan L. Cotter, Rhode Island House of Representatives