



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

Administration

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March 20, 2025

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

Re: **H 5106 – Electric Rate Cap**

Dear Chairman Solomon:

The Division of Public Utilities and Carriers (Division) is concerned about unintended consequences that could arise from the implementation of **H 5106**. This bill prohibits “*any increase in rates*” higher than five and one-half percent (5.5%) or the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Bureau of Labor Statistics determined as of September 30 of the prior calendar year, whichever is greater, unless the increase shall have been previously approved by affirmative action of the General Assembly.

Electric rates apply to several statutorily established programs such as Energy Efficiency, the Renewable Energy Standard (“RES”) and the Infrastructure, Safety and Reliability program. Each of these programs are subject to a comprehensive annual review by the Public Utilities Commission (“PUC”).

The market availability of Renewable Energy Certificates (“RECs”), required to meet the Renewable Energy Standard as set forth in §39-26, impacts rates. Electric distribution companies (“EDCs”) subject to an RES standard are in competition with others in the New England market to secure RECs. EDCs cannot control these market forces and must be able to secure the RECs in order to comply with the RES and the state’s required goals in the Act on Climate. Requiring advance permission from the part-time general assembly, which may not be in session at the time when the cap might need to be exceeded, presents a substantial risk to the EDC’s ability to purchase the required RECs for RES compliance. Moreover, the PUC is well-experienced and follows a detailed set of regulations in its review of compliance with the RES; “Implementation of a Renewable Energy Standard”, 810 RICR-40-05-2.¹

As for energy supply rates, the state’s dominant EDC is required, pursuant to § 39-1-27.3(c) to offer energy supply to all consumers, *without any cost markup* from the price at which the utility purchases this supply. This procurement of electricity by the state’s major EDC is accomplished through advance laddered commitments

¹ <https://rules.sos.ri.gov/regulations/Part/810-40-05-2>

which are regulated and thoroughly reviewed by the PUC.² Procurements are impacted by the market for electric supply in the region. An artificial rate increase cap, while well-intentioned, will likely interfere with the utility's ability to purchase supply for the majority of Rhode Islanders.

Finally, 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 carries a high likelihood of a utility launching successful litigation.

The Division respectfully submits that for the foregoing reasons, this bill should not advance.

Sincerely,

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

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

CC: The Honorable Representative John J. Lombardi
The Honorable Members of the House Committee on Corporations
Nicole McCarty, Esq., Chief Legal Counsel

² The most recent Commission docket for procurement is Docket 24-20-EL; https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2024-06/2420-RIE-2025-LRS-ProcurePlan_6-4-24.pdf.