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RI House Corporations Committee
Rhode Island State House
82 Smith Street
Providence, RI 02903

RE: HR5161 JOINT RESOLUTION CREATING A SPECIAL JOINTLEGISLATIVE COMMISSION TO STUDY PUBLIC OWNERSHIP OF PUBLIC UTILITIES

Dear Members of the House Corporations Committee:

Our firm represents many clean energy interests in Rhode Island. We commonly advocate for the elimination of barriers to a new more secure, affordable and sustainable energy economy. We write in support of HR5161.

One good synopsis of the growing concerns about monopoly utilities and the extent of their control over our energy future is *Upcharge: Hidden Cost of Utility Monopoly Power*, The Institute for Local Self Reliance (May 30, 2024) (https://ilsr.org/articles/report-upcharge-electric-utility-monopoly/). It's executive summary puts it this way:

> The century-old system of regulated, for-profit monopolies controlling U.S. electricity distribution is broken. Electric service is fundamentally public in nature, much like municipal water or wastewater services, but it is primarily provided by private companies. However, the underlying, basic legal premise has always been that a private utility "was created for public purposes [and] performs a function of the state."1 The public purpose has been subverted by private, monopoly ownership. Along with costly electricity, this structure generates a vicious cycle — monopoly, investor-owned utilities build excessive political power on the backs of captive customers, sabotage public oversight and competitors, and then pour their monopoly profits into further political subversion. Instead, federal and state policy makers should break up utility monopoly power by reasserting public control over distribution of this public good.

p. 7. Rhode Islands report on transforming our power sector raised the same kinds of concerns about the utility business model.

> In the traditional regulatory model, electric utilities earn a return on investments based largely on the cumulative depreciated cost of the prudent capital investments. This model may exert a "capital bias" on the utility to deploy capital-intensive solutions. This occurs because the primary financial means through which the utility can grow its business and enhance earnings for shareholders is to invest in capital projects. This bias, created by the regulatory framework rather than by the utility itself, discourages the utility from seeking more efficient solutions that do not depend on large capital investments.

Transforming the Power Sector Phase 1 Report (Nov. 2017 - https://ripuc.ri.gov/sites/g/files/xkgbur841/files/utilityinfo/electric/PST-Report_Nov_8.pdf), at p. 16

Across North America smart leaders are reworking their energy supplies. Instead of doubling down on more unaffordable infrastructure, they are using flexible resources like managed demand, efficiency, local generation and energy storage to attack high peak energy costs while improving energy

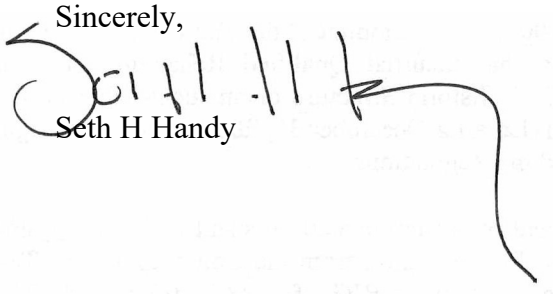
security. They call this “virtual power plants” and they come just in time. The North American Electric Reliability Corporation’s 2024 *Summer Reliability Assessment*, found that seven areas of North America’s electric grid are at great risk of supply shortfalls, including parts of Texas, the Midcontinent Independent System Operator territory, and New England.

The US Department of Energy counted more than 500 VPPs in North America with up to 60 gigawatts of total capacity as of 2023. DOE expects that VPPs could scale up to 160 gigawatts and serve almost twenty percent of the projected 802 gigawatts of U.S. peak load, reducing power system costs by $10 billion annually. The aggregate distributed energy resources, or ADER, pilot in the Electric Reliability Council of Texas wholesale market launched in 2022 with starting capacity of 80 megawatts. Based on its success, ERCOT just expanded it substantially in December. The California Public Utility Commission’s Demand Side Grid Support VPP, launched in 2022 as an emergency reliability program, achieved 142 megawatts of committed capacity within a year. The Ontario Independent Electricity System Operator’s Save on Energy Peak Perks program enrolled over 100,000 homes within six months last year, delivering 134 megawatts of load response in a single hour last summer. A Colorado law passed earlier this year requires its largest electric utility to develop a performance-based VPP pilot and a plan for distribution system enhancements by early next year.

When allowed visibility into the demands and constraints of our energy system, smart people can run VPPs to meet our energy challenges much more cost effectively. Once planners are empowered to transform systemically, they can avoid costs at great scale, outcompeting conventional infrastructure investments. Rhode Island’s utility has not coffered such transparency, control or consideration.

It is important for Rhode Island to weigh its options. Please pass HR5161.

Sincerely,



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