HANDY LAW LLC

42 Weybosset Street | Providence | RI 02903
401 626 4839
401 753 6306 fax

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

RE: HR5834 HOUSE RESOLUTION RESPECTFULLY REQUESTING THE PUBLIC UTILITIES COMMISSION, OFFICE OF ENERGY RESOURCES, AND DEPARTMENT OF ENVIRONMENTAL MANAGEMENT TO IDENTIFY ISSUES RELATED TO ELECTRIC RATES AND POTENTIAL RATE REFORM STRATEGIES

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 HR5834.

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 costs of electric utility monopoly power are staggering. By hindering clean energy investment of their competitors, investor-owned utilities block rapid and affordable climate solutions that can create thousands of good jobs. Carbon pollution from utility power plants has juiced record storms and wildfires causing widespread destruction of homes and costing thousands of lives. The total health costs from electricity pollution are staggering – – equal to the price paid for all electricity sold each year — and include a lifetime sentence of asthma for millions of children. Utilities have hiked electricity prices to record levels in many regions, triggering a debilitating routine of shutoffs for many families. These lasting impacts cost all of us, even as they compound longstanding disproportionate health and economic harms for people of color and those with low incomes.
>
> The root cause is for-profit ownership of the exclusive, public franchise to deliver electricity to U.S. customers. Driven by a profit motive to overbuild and own everything and exacerbated by mergers that make them too big for effective regulatory oversight, investor-owned utilities have entrenched their monopoly power. The distribution monopoly grants utilities gatekeeping power over transmission, generation, energy efficiency, and data. With regulators outgunned by the utilities they are supposed to oversee, the failures of the monopoly utility system illustrate the failure of private monopoly control over a public service.

p. 7. Rhode Island's 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.

Over many many years, many well informed advocates have worked hard to inform this general assembly and the general public about the truth of what drives the high cost of our electrical system and about how to bring those costs down. Back in 2016, our firm helped arrange for an energy expert, Karl Rábago, to address the general assembly on these issues. See https://handylawllc.com/news/karl-rabago-introduced-by-seth-handy-spoke-to-the-ri-general-assembly-march-24-2016/. Yet, driven by its own business model, our utility continues to spread the myth that high energy costs are a product of our renewable energy and energy efficiency programs.

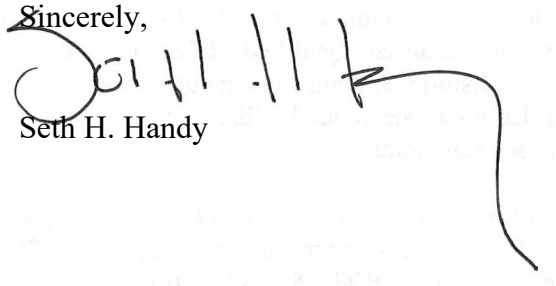
Across North America smart leaders are reworking their energy supplies. Instead of doubling down on more unaffordable infrastructure, they are using flexible resources like managed demand, efficiency, local generation and energy storage to attack high peak energy costs while improving energy security. 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 study improved rate structures. Please pass HR5834.

Sincerely,



Seth H. Handy