



STATE OF RHODE ISLAND

Public Utilities Commission

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Chairman Ronald T. Gerwatowski
Commissioner Abigail Anthony

April 1, 2025

The Honorable Joseph J. Solomon, Jr.
Chair, House Corporations Committee
State House
Providence, RI 02903

Re: House Bill 5573 – Energy Facility Siting Act and Transmission and Distribution Investment

Dear Chair Solomon:

The Public Utilities Commission (PUC) provides the following comments on House Bill 5573, amending the Energy Facility Siting Act, addressing distribution and transmission investment planning, and adding transmission system performance incentives. PUC staff met with supporters of the bill to assess the problem the bill is attempting to solve. The PUC learned that the bill is intended to address a regulatory gap regarding **transmission asset condition projects**, and make sure **transmission owners** consider grid enhancing technologies (GETs) as part of the asset condition project design. While it is debatable whether the changes to the Siting Act will have any practical impact on addressing the referenced regulatory gap, the PUC acknowledges the need to address asset condition projects through transmission siting requirements. **Nevertheless, the PUC cannot support the bill because, contrary to supporters' intent, it could weaken the PUC's ability to curb costly investment in the distribution system by Rhode Island Energy (RIE) that may not be needed to provide safe and reliable distribution service.**

Rhode Island Energy owns transmission facilities in Rhode Island that are subject to federal regulation. They also own distribution assets in Rhode Island that are subject to PUC jurisdiction. This purpose of this bill is to address transmission investment concerns, but it mixes that review with distribution investment considerations – something that may be more appropriate to a state commission that regulates a vertically integrated utility and not to the PUC that is regulating a restructured utility.¹

The PUC recognizes that ISO New England's Tariff² allows regional transmission owners, including RIE, to proceed with asset condition projects—projects designed to rebuild older and failing

¹ A vertically integrated electric utility is responsible for generation, transmission, and distribution. The state commissions can review all parts of the planning process. Rhode Island is a restructured state which means that the PUC reviews distribution planning while transmission and generation are reviewed by ISO-NE.

² *ISO New England Inc. Transmission, Markets, and Services Tariff*

infrastructure—with very little oversight and planning. Through NECPUC³ and NESCOE,⁴ the PUC has urged the Federal Energy Regulatory Commission to address this gap. Thus, the PUC acknowledges the need to inject more oversight of transmission asset condition projects by strengthening local siting requirements.

However, because the purpose of the bill is to address gaps in transmission planning, the references to distribution are misplaced and could inadvertently undermine the PUC's ability to prevent unnecessary capital investments that, while potentially beneficial, may not be a good investment of ratepayer money. In the context of Rhode Island's existing regulatory framework, this bill serves to further encourage the utility toward "capital investment bias," the very thing we have heard supporters of this bill testify that they want to discourage.

The PUC already reviews and approves capital investments, including GETs based on the demonstrated need and value for them. Ultimately, the changes to that process proposed in this bill could encourage RIE to increase capital investment on projects that may create general benefits but not necessarily ones that directly benefit ratepayers. Rather than being a cost control mechanism, the provisions of this bill could cause higher rates with little return to ratepayers for those rate increases.

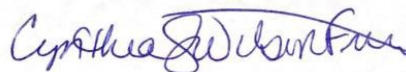
The bill also proposes performance incentives for GETs. Providing RIE with a new statutory opportunity to earn performance incentives to invest in specific types of technologies on its distribution system is unnecessary – the PUC already has and exercises this authority. Additionally, where there are opportunities to avoid investment, the PUC already has, and uses tools like performance incentives to share real savings with the company.^{5,6}

Thus, because the PUC already conducts the very reviews contemplated in multiple evidentiary matters, has a robust evidence-based process to ensure investments are necessary to provide safe and reliable service, and a performance incentive framework to ensure ratepayers receive the promised benefits of various programs, the components in this bill would create unnecessary confusion and add more complexity to the regulatory process.

Finally, the PUC is likely not the right agency, nor does it have the resources to investigate the use of GETs in the performance of the state's transmission system as set forth in subsection (e).

Please feel free to contact me with any questions at 401-780-2147 or cynthia.wilsonfrias@puc.ri.gov.

Sincerely,



Cynthia G. Wilson-Frias
Chief of Legal Services

³ New England Conferences of Public Utilities Commissioners

⁴ New England States Committee on Electricity; (Chairman Gerwatowski and Acting OER Commissioner Chris Kearns are co-managers).

⁵ See, for example, Docket No. 24-06-EE (System Reliability Procurement) [Decisions](#) where the PUC designed a performance mechanism to encourage Rhode Island Energy to pursue the most cost-effective solutions.

⁶ More recently, the PUC has designed performance penalties as a form of cost control for RIE's ratepayers as part of a meter investment plan (needed) that includes additional technology enhancements (beneficial), but where achievement of the promised benefits was not clear. Thus, if RIE cannot achieve promised performance within the budget cap, it must continue to spend its own dollars until it makes good on those promised benefits and, if the benefits do not materialize, they will be penalized. Docket no. 22-49-EL (Advanced Meter Functionality Business Case) [Decisions](#).