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

April 1, 2025

RE: H5576 AN ACT RELATING TO PUBLIC UTILITIES AND CARRIERS -- UTILITY THERMAL ENERGY NETWORK AND JOBS ACT

Dear Members of the House Corporations Committee:

I write for our firm in support of H5576. Rhode Island must think systemically and at scale about our mandated transition off fossil fuel based thermal systems.

RI's Energy Plan (*Energy 2035*) concludes that "Increasing the use of Renewable Thermal technologies will lead to an increase in fuel diversity across the thermal energy sector, helping to reduce Rhode Island's vulnerability to disruptions in energy infrastructure, increase consumer choice, and synergize with the increasing deployment of distributed renewable electricity generation (e.g. electric heat pumps)." It said that a major investment in Renewable Thermal will provide a net benefit to the state as a whole with near-zero impacts on energy affordability while contributing to economic growth and job creation. Growing the renewable thermal market will also help to drive the technology cost reductions needed to provide energy savings to consumers and provide greater energy price stability through reduced reliance on volatile national and global fossil fuel markets.

In the PUC's pending *Future of Gas* proceeding, RI hired a consultant named E3 to study our thermal transition. Their resulting report indicates that RI will face $2.6 billion in unrecovered rate base in 2050, unless a managed transition can avoid up to 50% of capital replacements. p. 6, 8 It says that through targeted electrification, annual costs of the system could be reduced by up to 35% by 2050, while reducing potentially unrecovered rate base to $1.5 billion. Such savings can then be reinvested as financial incentives needed to usher in a new thermal energy network.

Back in 2017, our firm were stakeholders in the thermal market study that resulted in *The Rhode Island Renewable Thermal Market Development Strategy*, recommending that RI provide the funds needed to make a transition to clean buildings possible. pp. 36-53. A plan for new thermal energy networks would provide clear signals for private investment. The report indicated that a bold thermal transition strategy would produce $193 million in lifetime net benefits, including employment and environmental impacts, and reduced vulnerability to disruptions in energy infrastructure, increase consumer choice, and synergies with increasing distributed generation systems. p. 4-5. A thermal transition fund should issue grants and revolving loans to support new proposed thermal solutions, especially favoring low income and "hard to reach customers" as needed to make the transition affordable. The report indicated that one market barrier to bringing such benefits to RI is that renewable thermal technologies tend to receive too little public policy support. p. 34. It is far past time to change that.

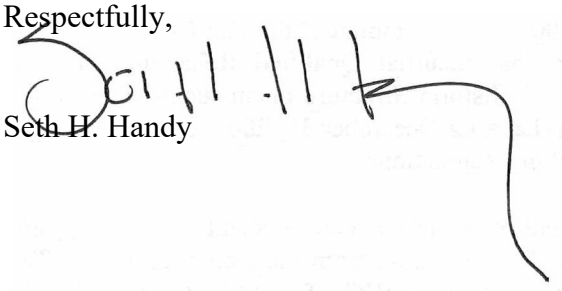
There are many examples of effective emissions (and cost) reduction strategies for buildings from other jurisdictions. The prominence of district heating in many jurisdictions—reaching 63%, 50%, and 45% market share in Denmark, Sweden, and Finland respectively (Euroheat & Power, 2015; Froning, 2013; Skoldberg & Ryden, 2014; Vainio et al., 2015) - and the ability to utilize centralized, large-scale sources of renewable thermal energy (e.g. biomass CHP, district-scale heat pumps, large-scale solar thermal) in district heating networks has been important to scale up the market in those jurisdictions. *The Rhode Island Renewable Thermal Market Development Strategy,* p. 22. RI Energy engaged EnergyHub on the implementation of its "Connected Solutions" program here in RI (a very small step in the right direction). EnergyHub has worked to implement its virtual power plant strategy (using distributed energy solutions to displace the need for conventional energy supply and

infrastructure investment) across the country, including Arizona (see https://www.energyhub.com/resource/arizona-public-service-case-study-download). A quick glance at their website begins to suggest the extent of the opportunities before RI. see https://www.energyhub.com/resources. There are many examples for RI to follow in delivering on the many benefits of a Clean Heat Standard.

It is most important that our future thermal solutions are brought from an open market and not dictated or managed by our utility. PPL and RIE have not demonstrated a commitment to the public interest in lowered energy costs, despite the legislature's granted charter (that they will serve RI's public interest). If they did so, RIE would embrace bills that propose to (at the very least) study alternative approaches that could inspire the kind of proactive leadership that has been demonstrated across our country and that we so desperately need to bring our rates down. There's no need or justification for monopoly control over future thermal systems which will inevitably be distributed and local, not centralized like our insecure and expensive gas system. Allowing RIE to extend its monopoly control to future thermal solutions would only slow proactive innovation and eliminate competitive pressure to reduce costs. RI needs move in the opposite direction - take away RIE's monopoly control over our thermal energy systems so that competition can and will proactively develop alternatives to our very detrimental overreliance on gas. RI's Energy Plan (Energy 2035) and our filings in the future of gas docket (PUC docket 22-01-NG) illustrate why that step is so important to serve RI's interest in affordable, secure and sustainable energy systems.

Please pass H5576.

Respectfully,



Seth H. Handy