

April 1, 2025

The Honorable Joseph J. Solomon, Jr.
Chairman, House Corporations Committee
Rhode Island State House
Providence, Rhode Island 02908

RE: H-5576 – Relating to Public Utilities & Carriers – Utility Thermal Energy Network & Jobs Act

Dear Chairman Solomon:

On behalf of Rhode Island Energy, I write in **opposition** to H-5576, which mandates costly new infrastructure investments funded by local natural gas customers and prematurely defines a preferred technological pathway for heating decarbonization across the state. Advancing this legislation without the benefit of foundational analysis, proper stakeholder engagement, well-defined regulatory frameworks, or any strategic, equitable plan for heating sector decarbonization more broadly will lead to suboptimal and expensive outcomes for Rhode Islanders.

Rhode Island Energy provides essential energy services to over 770,000 customers across the Ocean State through the delivery of electricity and natural gas. Our team of 1,400 union and non-union employees is dedicated to helping Rhode Island customers and communities thrive, while supporting the transition to a cleaner energy future – in a safe, reliable, and affordable manner.

For the state to realistically achieve its energy, economic, and environmental policy goals, **focus must be placed on decarbonization strategies that are actionable in the near-term; affordable and practical for local homes and businesses; preserve customer choice; ensure safe, reliable, and cost-effective delivery of energy; and support economic competitiveness and growth throughout Rhode Island.** While perhaps well intentioned, H-5576 does not meet this test on several fronts:

- **H-5576 preempts important work already underway that is designed to inform viable pathways toward reducing economy-wide greenhouse gas emissions, including in the heating sector.** This includes the Public Utilities Commission's (PUC) "Future of Gas" investigation¹ and the Executive Climate Change Coordinating Council's (EC4) economy-wide analysis of "strategies, programs, and actions to meet economy-wide enforceable targets for greenhouse gas emissions reductions" – a report not due until December 31, 2025. By advancing new, costly mandates in isolation, **H-5576 fails to benefit from these important analytical, technical, regulatory, and stakeholder inputs foundational to sound policymaking.**
- Additionally, through its focus on one technology pathway, **the legislation runs the very real risk of excluding key sectors of our economy and stymying innovation and investment in technologies that may be vital to long-term heating sector transformation.** This approach contradicts the state's own comprehensive assessment of heating sector decarbonization.²

¹ The PUC's "Future of Gas" investigation (Docket 22-01-NG) has been established to delve into the issues underlying H-5576 by examining "the extent to which the requirements of the Act [on Climate] impact the conduct, regulation, ratemaking, and the future of gas supply and gas distribution within Rhode Island." The scope of that proceeding recognizes the need to create "a framework and, to the extent possible, a timeline for equitable implementation of necessary or beneficial actions under the PUC's jurisdiction over the gas system specifically and/or public utilities generally."

² *Heating Sector Transformation in Rhode Island – Pathways to Decarbonization by 2050*, prepared for the Rhode Island Office of Energy Resources and Rhode Island Division of Public Utilities & Carriers, by The Brattle Group. This report concluded, "for policy to support Rhode Island's heating sector transformation, the next 10 years should not focus on advancing a single or limited set of solutions. Instead, Rhode Island should ensure that it is making progress, regardless of which solution (or mix of solutions) ultimately prevails."

- **Preserving customer choice and energy affordability is vital to Rhode Island's pathway toward a net-zero economy, but H-5576 encroaches upon both.** For instance, it details a list of locations to be prioritized for thermal energy networks that could ultimately have significant cost and service implications for the residents, private businesses, and institutions of those communities. Yet, it is unclear how input from these communities has been solicited and considered. Their voices should be at the table when contemplating such substantial infrastructure and investment commitments.
- **H-5576 fails to address the decarbonization of homes and businesses that are heating with delivered fuels and other, higher-emitting energy sources.** Approximately 30% of Rhode Island households use heating oil and other petroleum products as their primary source for home heating – three times more than the U.S. rate. The bill is silent on what role customers dependent on (unregulated) delivered fuels would play in the expansion of thermal networks and whether they would be responsible for any of the costs.
- The bill exempts “small-scale thermal energy networks not owned by utilities” from PUC regulation without clear reasoning or definition as to what constitutes “small-scale” (page 2, lines 12-13). **Such an exclusion would create another unregulated energy sector, like delivered fuels, with no established standards, rules, regulations, or other requirements.**
- It **establishes unrealistic and misaligned regulatory timelines.** For instance, the bill calls for PUC rules and regulations to be established within two years but requires the utility to initiate a process around thermal energy networks within three months of passage. There are numerous fundamental and foundational questions that would need to be addressed well in advance of initiating feasibility studies, let alone actual construction.
- The bill specifically bars the natural gas distribution utility from recovering costs associated with mandated feasibility studies. **This may be viewed as an unconstitutional taking of property under the U.S. Constitution.**
- **H-5576 may conflict with existing collective bargaining agreements and/or be in violation of and potentially preempted by the National Labor Relations Act (NLRA) and other federal law.** Rhode Island Energy notes that it has active labor agreements with electric and gas unions in the state and complies with existing state and federal labor laws. Also, the bill does not define key terminology, such as “labor peace agreement”; attempts to make public the payroll records of private organizations; and declares unspecified violations and “a material breach of agreement” for even di minimis errors (page 6, lines 13-15). At minimum, **the administrative burdens driven by §39-33-5, as proposed, would be substantial and increase costs ultimately recovered from natural gas customers.**
- **The bill's cost recovery provisions for constructing and maintaining thermal networks are unworkable and misaligned** with recovery of other utility capital investments, as defined elsewhere in statute.
- It presumes that the electric grid will be prepared to support large, all-electric thermal heating networks in all locations and at all times but **does not account for foundational system and grid modernization investments (which also have costs) vital to reliability.**

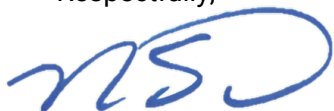
- The bill looks to be modeled after legislation in New York, in both scope and scale. However, **there are more than 5 million gas customers in that state (and nearly 2 million in neighboring Massachusetts), while Rhode Island has approximately 275,000 gas customers.** This makes the requirement to fund at least 3 (and up to 5) thermal pilot projects – *across a substantially smaller customer and rate base* – extremely challenging.
- Because similar thermal network pilots are already occurring in other jurisdictions, *some with significant cost overruns*,³ **Rhode Island stands to benefit by being a “fast follower” and learning from their experiences – without committing local customer dollars to duplicate the same results and pitfalls.**

Despite these concerns with H-5576, **Rhode Island Energy stands ready to collaborate with policymakers and stakeholders on legislation that might enable feasibility studies and investments supporting heating sector decarbonization if advanced in a technology-neutral manner with appropriate cost recovery mechanisms, customer protections, and defined regulatory oversight.** State policy should remain technology-agnostic and unlock opportunities for pilot utility investments across several alternative solution sets that may be vital to long-term decarbonization. This approach should include, but not be limited to, exploration of renewable gas, clean hydrogen, targeted electrification, and other thermal applications. In combination, these technologies may play a pivotal role in establishing a safe, affordable, and reliable pathway to reduce heating sector emissions, particularly for the state’s commercial and industrial business community. It may also set Rhode Island apart in a way that leads to competitive advantages, spurs innovation, attracts new investments, and supports green jobs.

In closing, Rhode Island Energy remains mindful of ensuring that local homes and businesses continue to have safe, affordable, and dependable energy services they can rely on as our energy systems transition to accommodate lower-carbon fuels and technologies. *We are confident that these policy goals can co-exist – in fact, they must – if Rhode Island is to remain a viable place to live, work, and play.*

Thank you for the opportunity to comment on this proposed legislation.

Respectfully,



Nicholas S. Ucci
Director of Government Affairs

CC: The Honorable Members of the House Corporations Committee
The Honorable Terri Cortvriend, Rhode Island House of Representatives

³ Data presented in the PUC’s Future of Gas investigation showed that, in one pilot installation, costs for the ground loop equipment and installation alone were more than triple initial estimates (< \$2M estimated increasing to > \$6M actual). This does not include other major installation components, such as pumps, boilers, piping, design, and other system costs. HEET presentation to RIPUC, 8/31/23.