



## STATE OF RHODE ISLAND

### DIVISION OF PUBLIC UTILITIES & CARRIERS

Administration

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April 7, 2026

The Honorable Joseph J. Solomon, Jr.  
Chairman - House Committee on  
Corporations  
State House  
Providence, R.I. 02903

### Re: **H 7888 - An Act Relating to Public Utilities and Carriers - Public Utilities Commission**

Dear Chairman Solomon:

The Division of Public Utilities and Carriers (“Division”) is keenly focused on ratepayer costs, and recognizes the costs imposed on electric ratepayers to not only pay for the operation of the distribution system, but to shoulder the burden of renewable energy programs, energy efficiency, system reliability and regional transmission. Substantial costs to maintain and operate the aging gas system in a safe and reliable manner also negatively impact ratepayer bills. All of these costs are increasing year-over-year, presenting ongoing affordability challenges for both electric and gas ratepayers. We respectfully disagree with the sponsors that a statutory cap on return on equity (ROE) is a practical or legal solution to reduce electric or gas ratepayer costs, however.

Under well-settled utility law, public utilities are entitled to cost recovery of prudently incurred expenses as well as the right to earn a reasonable return on investments. An arbitrary cap on *rates* would likely impact prudent cost recovery and earnings. Accordingly, this bill carries a high likelihood of a utility pursuing successful litigation.

The current ROE level for both the electric and gas utilities is 9.275%, which was established in a 2018 rate case, Public Utilities Commission (“PUC”) Docket No. 4770.<sup>1</sup> Rate cases are conducted by the PUC under an intensive evidentiary hearing process which spans the better part of a year. Despite the ability to earn up to the ROE established in a rate case, an ROE is not a guaranteed rate of return. In 2023, the most recent full year for which data is available, Rhode Island Energy's filings with the DPUC showed a return on investment of 4.02% on electricity and 5.33% for natural gas.

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<sup>1</sup> <https://ripuc.ri.gov/eventsactions/docket/4770page.html>

The PUC is currently reviewing a comprehensive RIE rate filing for both gas and electric service. In the course of these proceedings, the key issues surrounding the ROE targets and sources of revenue essential for effective utility operations will be thoroughly examined and challenged by the Division and the PUC. The imposition of a statutory cap on ROE will impede the ability of regulators to strike the right balance that addresses ratepayer costs. The utility must be permitted to operate effectively and invest in Rhode Island utility infrastructure necessary to provide safe and reliable service, and to achieve a transition to a clean energy future. Moreover, it is absolutely critical that the utility maintain a high credit rating which protects ratepayers by keeping down the costs of borrowing for these necessary and critical capital projects.

For these reasons, the Division recommends deference to the robust regulatory process as a preferable solution for establishing an equitable ROE.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda George".

Linda George, Esq.  
Administrator, RI Division of Public Utilities and Carriers

Cc. The Honorable Megan L. Cotter  
The Honorable Members of the House Committee on Corporations  
Nicole McCarty, Esq., Chief Legal Counsel, Speaker of the House