

April 6, 2026

The Honorable Robert Britto
Chairman, Senate Commerce Committee
Rhode Island State House
Providence, Rhode Island 02908

RE: S-2202 – Relating to Public Utilities & Carriers – Public Utilities Commission – Setting Authorized Common Equity Ratios & Rates of Return on Equity

Dear Chairman Britto:

On behalf of Rhode Island Energy, I write in strong **opposition** to S-2202, which would direct the Public Utilities Commission (PUC) to establish a standardized framework for determining authorized common equity ratios and authorized rates of returns on equity for public utilities. **This bill would be subject to Constitutional challenges, suffers from a severe misunderstanding of regulatory and utility financing principles, and is grounded in the false assumption that utility profits are driving recent increases in utility bills.** A “one-size-fits-all” approach may sound good on paper, but it is entirely divorced from industry, economic, financial, legal, and regulatory realities. For these reasons, we respectfully urge the Committee to reject this bill in its entirety.

Rhode Island Energy provides essential energy services to more than 770,000 customers across the state through the delivery of electricity and natural gas. Our team of 1,300+ 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.

Respectfully, Rhode Island Energy notes the following:

- **Regulated returns represent the smallest portion of the electric bill today.** For a typical residential electric customer, *our regulated returns represent less than 2.4% of the total bill or about \$3.45 per month.* In contrast, *public policy mandates and taxes represent nearly one-quarter of a typical bill or more than \$33 per month.* Over the past five years, impacts from the distribution portion of the bill – which includes operating and maintenance costs, infrastructure investments, and regulated returns – has grown by just 5%. This is well below the rate of inflation and significantly less than the growth in bill impacts from public policy mandates and taxes (50%) and supply (36%) over that same period – neither of which are in Rhode Island Energy’s control.
- **Utility ROEs are not guarantees of profits.** Rather, ROEs establish an *opportunity* to earn based upon the Company’s prudent management of its operations.
- **Public utility ROEs are periodically set pursuant to transparent, evidence-based regulation by the Public Utilities Commission (PUC).** This process accounts for underlying market conditions, industry benchmarks and trends, and other key factors that are *unique* to each public utility company and industry operating in the state. State regulators are charged with balancing the interests of *both* ratepayers and utility

companies such that customers are protected from unjust rates and utility companies can attract the investment capital necessary to deliver safe and reliable services.

- **Establishment of “generic” financing models and rates of returns fundamentally ignores the significant differences that exist between various types of public utilities.** Today, the PUC regulates electricity, gas, water, telecommunications, wastewater treatment, and even ferry companies. No two of these industries, nor the regulated companies providing these essential services, are alike. This proposed legislation ignores the unique characteristics of each utility service that ratemaking must consider when establishing a reasonable rate of return for that utility. A consistent required return is not appropriate because utilities face different levels of business and financial risk. Differences in customer mix, capital investment needs, regulatory mechanisms, asset composition, and exposure to operational or environmental risks materially affect each utility’s risk profile. Investors assess these risks on a company- and industry-specific basis – not by state boundaries. In sum, the state’s regulated public utilities all operate in differing industries facing differing operational risks in providing different services to different sets of customers. Utility regulation must account for these variations, which it already does today. This bill would undermine that critically important regulatory flexibility.
- **The U.S. Supreme Court has ruled that regulated utilities are entitled to a reasonable opportunity to recover its costs and earn a fair return on capital investment.** Forcing common rates for very differently situated utilities ignores unique operational and financial characteristics that are foundational to the establishment of a reasonable rate of return consistent with long-established binding legal precedents.
- **Even if this legislation could survive legal scrutiny, legislative mandates that directly or indirectly establish rates of return would do more harm than good by *raising* long-term costs for customers and *eroding* energy system safety and reliability.** This bill would severely undermine investor confidence and be detrimental to utility credit ratings, leading to higher borrowing costs and, thus, higher utility bills for customers. These impacts can have lasting, negative consequences, as they erode a public utility’s ability to attract sufficient, lower-cost capital to modernize and harden the grid against climate change; support integration of renewable resources; recover from storm damage; guard against the proliferation of cyberattacks; and reduce energy sector emissions.
- **This bill would *increase* administrative costs borne by public utility companies and their customers, state regulatory agencies, and others.** In addition to the concerns stated above, rate reviews are resource intensive and costly endeavors for utility companies, regulatory agencies, and other intervenors, often lasting months on end. Requiring annual regulatory processes for *any* public utility, let alone *all* public utilities, will result in more ratepayer dollars being spent on regulatory proceedings with little to no discernable benefit.
- **Rate reviews *already* benefit from substantial transparency and intervenor participation.** For instance, the PUC already posts public utility filings and volumes of supporting materials on their website. They also allow for public attendance and record

all hearings, which are available to stream live or on-demand. Moreover, PUC proceedings are already “subject to notice and comment” and include “opportunities for participation” by consumer advocates and other interested parties.

- **Rhode Island Energy customers are *already* protected through robust regulation and consumer protections established by the PUC and Division of Public Utilities & Carriers (DPUC).** This includes an earnings sharing mechanism requiring the Company to return a sizeable portion of its revenue to customers over certain levels.

For these reasons, Rhode Island Energy respectfully urges the Committee to reject this bill in its entirety.

Thank you for your attention to this matter.

Respectfully,



Nicholas S. Ucci
Director of Government Affairs

CC: The Honorable Members of the Senate Commerce Committee
The Honorable Victoria Gu, Rhode Island Senate