

April 6, 2026

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

RE: S-2777 – Relating to Public Utilities & Carriers – Public Utilities Commission

Dear Chairman Britto:

On behalf of Rhode Island Energy, I write in strong **opposition** to S-2777. This bill would **increase utility costs, jeopardize energy system safety and reliability, substantially hinder (if not outright prevent) achievement of the Act on Climate, and impact our dedicated workforce of 1,300+ union and non-union employees. Moreover, we believe this bill is unconstitutional and in violation of long-standing U.S. Supreme Court precedent.** 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 Ocean 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.

This bill is based on the false premise that artificial limits on a regulated utility's authorized return on equity (ROE) will decrease energy bills for local customers. This speculative approach is not grounded by fact and ignores the fundamental realities of utility financing, investment, regulation, and law. Moreover, it ignores very real and significant consequences for providing safe and reliable energy services that Ocean State families and businesses depend on every day.

Respectfully, we ask that you consider the following during your review:

- **Utility profits are not driving higher bills.** This past winter, 62% of a typical residential electric bill was driven by forces beyond Rhode Island Energy's direct control, including wholesale supply prices and public policy and tax mandates. *Utility profits represent a small fraction of a typical bill – less than \$3.50 per month. In contrast, public policy and tax mandates now account for nearly one-quarter of the bill or about \$34 per month for a customer using 500 kWh/mo.* Furthermore, over the past five years, bill impacts from distribution costs – which include operating and maintenance costs, local infrastructure investments, and regulated returns – increased by just 5%. Not only was that well below the rate of inflation, but also significantly less than the growth in bill impacts from public policy and tax (+50%) and supply (+36%) costs over that same period.
- **Artificially capping a public utility's ROE will raise the cost of attracting capital from financial markets and negatively impact Rhode Island Energy's credit rating – all of which could increase utility bills.** Effectively, it will increase borrowing costs which are then passed on to electric and natural gas customers through rates. The effect of such a law change could be long-lasting and increase customer costs for decades.

- **Rhode Island Energy’s authorized ROE and its base distribution rates have not changed in years.** In fact, the Company is earning well below its authorized ROE today – another indicator that “utility profits” are not driving recent bill increases.
- **Public utility ROEs are periodically set pursuant to transparent, evidence-based regulation by the Public Utilities Commission (PUC).** They reflect underlying market conditions, industry benchmarks and trends, and other key factors.
- **Utility ROEs are not guarantees of profits.** Rather, ROEs establish an *opportunity* to earn based upon the Company’s management of its operations.
- **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.**
 - For example, in 1944, the Court found, “From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock...By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. *That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.*”¹ [emphasis added]
 - Also, in 1923, the Court found, “*Rates which are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the service are unjust, unreasonable and confiscatory, and their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment.* This is so well settled by numerous decisions of this court that citation of the cases is scarcely necessary.”² [emphasis added]
- **Beyond constitutional questions, a statutory rate cap is not practical or constructive regardless of the level it is set at.** Market conditions and costs of raising capital fluctuate over time, to which Rhode Island Energy is a price taker. Returns need to be fluid and reflective of those economic conditions over time to attract investor dollars.
- **Stymying a public utility’s ability to raise capital jeopardizes critical investments in safe and reliable infrastructure, including those fundamental to economy-wide decarbonization.** This could have significant consequences for electric and natural gas delivery services vital to public health and safety, and Rhode Island’s economic and environmental future.
- Even if Rhode Island Energy were earning near its authorized ROE, which it is not, **our customers are insulated and protected through robust regulation and consumer protections established by the PUC and Division of Public Utilities & Carriers (DPUC).**

¹ U.S. Supreme Court, Federal Power Commission et. al. v. Hope Natural Gas Co., 320 U.S. 591 (1944).

² U.S. Supreme Court, Bluefield Waterworks & Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923).

This includes an earnings sharing mechanism requiring the Company to return a sizeable portion of its revenue to customers over certain levels.

- **State regulators have also opposed this legislation.** As noted by the Division of Public Utilities and Carriers (DPUC) in 2025, a proposed cap on ROE is not a “practical or legal solution” to reduce ratepayer costs. Also, they testified that “(u)nder 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.”³

In sum, **the financial strength of an electric and gas utility company is not a sign of greed but rather the fuel that drives stable investment.** It is that strength which allows a regulated public utility to maintain safe infrastructure, provide reliable service, support public policy goals, meet its legal and regulatory obligations, and attract necessary capital at a reasonable cost for customers.

Rhode Island Energy appreciates and empathizes with the financial challenges that so many of our family, friends, and neighbors – your constituents and our customers – are facing each day, especially at a time when the price of so many basic goods and services are increasing across the economy. We applaud this Committee’s willingness to work collaboratively to identify meaningful opportunities that can reduce energy burdens for Rhode Islanders, while ensuring the continued safe and reliable delivery of energy vital to the wellbeing of our citizens and economy. Rhode Island Energy looks forward to being a productive partner in those efforts – today and into the future.

In closing, Rhode Island Energy thanks the Committee for the opportunity to comment on this proposed legislation and respectfully requests that S-2777 be rejected in its entirety.

Respectfully,



Nicholas S. Ucci
Director of Government Affairs

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

³ DPUC Testimony to the House Corporations Committee, 3/20/25.