

April 15, 2026

RI Senate Environment and Agriculture Committee
Rhode Island State House
82 Smith Street
Providence, RI 02903

RE: SR2535 SENATE RESOLUTION FORMALLY REQUESTING THAT THE RHODE ISLAND PUBLIC UTILITIES COMMISSION TO CONSIDER THE CREATION AND ADOPTION OF A SEASONAL HEAT PUMP RATE AS PART OF DOCKET 25-45-GE

Dear Members of the Senate Environment & Agriculture Committee:

Our firm writes in support of SR2535. This testimony is not delivered on behalf of any clients.

Rhode Island engaged stakeholders (including Handy Law and NEC) in a long consultant driven process to establish Rhode Island's energy plan, Energy 2035. Energy 2035 Rhode Island State Energy Plan (Oct. 8, 2015)¹ Energy 2035 clearly established that Rhode Island's over-reliance on natural gas is insecure, unaffordable and environmentally unsustainable.

Rhode Island cannot afford a business-as-usual course of action that increases energy security risks to the state, costs more than viable alternative paths, and fails to meet our obligation to mitigate the worst consequences of global climate change. Because the impact of long-term planning and investment choices will reverberate for decades to come, we must be especially prudent and strategic as we address the weighty energy policy decisions that face us today. (p. 4)

Expenditures on energy in Rhode Island have risen significantly in real terms over the past decade. As of 2010, annual expenditures in Rhode Island on electricity, thermal, and transportation fuels total approximately \$3.6 billion, up nearly \$1 billion from 10 years ago. Much of this increase is due to growing costs in the thermal and transportation sectors, which depend more heavily on high-cost petroleum-based fuels. (p. 20)

As detailed in Figure 25, viable demand and supply-side options exist for Rhode Island to increase in-state fuel diversity and increase energy security by shifting away from dependence on fuels like natural gas and gasoline. By far, Rhode Island's greatest available resource is energy efficiency. By maximizing demand reduction in all energy sectors, the state could cut economy-wide energy use by more than one third. Supply-side resources with the most significant potential future contributions are offshore wind, combined heat and power, distributed photovoltaic solar power, and natural gas. (p. 41)

Rhode Island's primary challenge is to move away from its heavy reliance on natural gas, which today supplies more than 50 percent of Rhode Island's energy needs. Dependence on natural gas exposes the state to a substantial amount of price risk and potentially a supply risk, since Rhode Island sits at the end of a long stretch of pipeline infrastructure. The challenge is underscored by natural gas's important role across multiple sectors: natural gas provides fuel for nearly all in-state generating capacity, and is the dominant heating fuel in the thermal sector. Moreover, natural gas generation accounts for more than 50 percent of regional electric generation, so electricity imports to Rhode Island are also heavily dependent on natural gas. (pp. 43-44)

According to the Plan analysis, aggregate capital investments of between \$6.8 billion and \$7.3 billion in the efficiency, electric, thermal, and transportation sectors could generate between \$8.8 billion and \$14.5 billion in

¹ <https://planning.ri.gov/sites/g/files/xkgbur826/files/documents/LU/energy/energy15.pdf>

power and fuel expenditures in net present value terms over the life of the Energy 2035 planning horizon (Figure 30). Total net present value benefits range from \$1.6 billion to \$7.7 billion, depending on the scenario. This suggests that taking ambitious action to improve Rhode Island's energy security, cost-effectiveness, and sustainability of its energy system is a good investment decision and a powerful economic strategy for generating long-term growth. (p 47)

Energy 2035 is one element of a state guide plan that is meant to serve our citizens' fundamental interest in and need for establishment of a comprehensive, strategic state planning process and the preparation, maintenance, and implementation of plans for the physical, economic, and social development of the state. R.I. Gen. Laws § 42-11-10(a).

E3 issued its technical report in the PUC's *Future of Gas* docket in April 2024. Rhode Island Investigation into the Future of the Regulated Gas Distribution Business Technical Analysis Report, Docket 22-01-NG, Energy & Environmental Economics (April 2024) (the "E3 Report"). The E3 report notes that Rhode Island has one of the highest electricity rates in the country today - 0.29 \$/kWh in 2023 compared to the approximately 0.15 \$/kWh U.S. average. E3 Report, p. 108. E3 explains that Rhode Island already has a system peak that is twice as high as the average demand on the system, which means that the full capacity of the system is only utilized during periods of high demand. Id.² E3 calls for transformational change in the way Rhode Islanders use energy.

- "[l]oad flexibility is an important component in mitigating peak load growth." Id. at p. 75.
- "Across scenarios, final energy demand decreases between 40-60% by 2050, primarily as a result of efficiency and electrification." Id. at p. 6.³

The E3 Report carefully illustrates the cost savings opportunities of avoiding more investment in our gas system. Id. at p. 65-69.

- "if RIE could avoid up to 50% of capital replacements 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." Id. at p. 8.
- "By avoiding some of the pipeline replacement costs under a managed transition, the rate base (see Figure 38) and the resulting revenue requirement (see Figure 39) is reduced in every pathway except Continued Use of Gas, which must maintain the entire gas system." Id. at p. 69.
- "lower total costs for scenarios that leverage hybrid heating solutions and may further be reduced for scenarios that are able to avoid gas system reinvestments." Id. at p. 9.
- "scenarios that do not assume additional customer connections, such as High Electrification and Hybrid with Delivered Fuels, reduce annual costs of the gas system by approximately 24% by 2050 compared to a reference scenario." Id. at p. 52.

The E3 Report concludes that a rapid transition off consumption of natural gas is essential to fulfill the Act.

² E3's observation echoed these findings from *Transforming the Power Sector*, a study commissioned by the PUC, Division and OER and including our firm and Narragansett Electric as stakeholders.

³ In 2017, the PUC engaged experts to work with many stakeholders (including NEC and Handy Law) to develop a system to better evaluate the costs and benefits of our energy decisions. One unanimous recommendation from that PUC Docket 4600, was to implement time of use rates to incentivize consumers to moderate their energy consumption during periods of peak demand.³ Still, regulators have not yet implemented time of use rates to provide for the load flexibility that is an important component in mitigating peak load growth, as was also recommended in the E3 Report.

- combustion of fossil fuels in buildings comprised about 27% of total emissions in Rhode Island in 2020, primarily from natural gas and oil furnaces and boilers. Id. at p. 23.
- a rapid shift toward decarbonized technology adoption will be required across all pathways in order to reach Rhode Island’s ambitious climate goals. Id. at p. 47.
- the transition of the gas customer base (Figure 29) is a key variable across decarbonization pathways. Id. at p. 59.

Over a year and a half after the issuance of the E3 Report, the PUC has yet to issue its proposal to implement the recommendations in the E3 Report. Stakeholders have not been allowed opportunity to comment on the E3 Report or any implementing order.

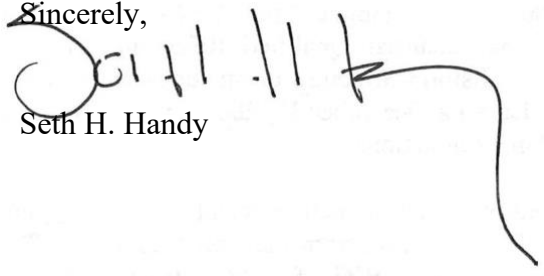
In the interim, between the stakeholder engagement in the issuance of the E3 Report and now, many PUC dockets opened and many of those have been decided without reference to the E3 Report and without PUC’s final recommended mechanics to implement a “rapid shift toward decarbonized technology adoption.” Those dockets include but are not limited to:

- 24-26-EL: Investigation into the Current State of Voluntary and Mandated Renewable Energy Markets in Rhode Island (6/25/24)
- 24-27-NG: Gas Long-Range Resource and Requirements Plan Forecast Period 2024/25 to 2028/29 (6/28/24)
- 24-34-EL: Development of Tariffs Applicable to Energy Storage Systems Connected to the Electrical Distribution Systems (8/30/24)
- 24-37-EE: 2025 Gas Demand Response Pilot Investment Proposal (9/20/24)
- 24-38-GE: Tariff Advice Filing to Amend Electric and Gas Tariffs (9/19/24)
- 24-39-EE: 2025 Annual Energy Efficiency Plan (10/1/24)
- 24-50-RG: 2025 Renewable Energy Growth Program
- 24-54-EL: FY 2026 Electric Infrastructure, Safety and Reliability (ISR) Plan (12/23/24)
- 24-55-NG: FY 2026 Gas Infrastructure, Safety and Reliability (ISR) Plan (12/31/24)
- 25-16-NG: Analysis to Comply with Energy Facility Siting Board’s Decision and Order in Docket SB-2021-04 (Aquidneck Island demand response to mitigate infrastructure investment and enhance system reliability)
- 25-19-EL: Proposed Green Button Connect, Home Area Network and Grid Edge Computing (evaluating and implementing capacity of smart meters)
- 25-25-EL: In Re: Integrated Clean and Renewable Energy Procurement Study (ICREP Study)
- 25-28-EL: In Re: Request for Comment on Options for Mitigating Winter Price Volatility for the Winter of 2025 -2026
- 25-37-EE: 2026 Annual Energy Efficiency Plan (10/1/25) (RI Energy proposes reduced energy efficiency budget and agencies support and approve it)
- 25-45-GE: Application for Approval of a Change in Electric and Gas Base Distribution Rates Pursuant to R.I. Gen. Laws §§39-3-10 and 39-3-11 (11/26/25)

In some of these regulatory proceedings, our firm and other stakeholders raised the findings of the E3 Report in an effort to impact the PUC’s decision-making process. E3’s findings were often brought up in opposition to RI Energy’s advocacy positions that clearly conflicted with E3’s recommendations. RI Energy spent ratepayer funds on E3’s work and then on lawyers and experts to advocate its contrary positions in these dockets without being subject to the regulatory rudder required by RI law. RI Energy spends ratepayer funds on its personnel and experts engaged in RI’s energy policy proceedings like the Future of Gas and Energy 2035. Still our regulators do not properly consider or account for comments and advocacy based in Rhode Island energy policy or the Act.

Heat pumps are an essential part of RI's strategy to transition off gas but the current rate structure does not properly incentivize that transition. Please pass SR2535 to ensure this is addressed and properly addressed by the PUC. Thank you for your consideration of our comments.

Sincerely,


Seth H. Handy