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

RE: S3080 AN ACT RELATING TO PUBLIC UTILITIES AND CARRIERS -- THERMAL ENERGY NETWORK AND JOB ACT

Dear Members of the Senate Environment & Agriculture Committee:

Our firm writes in support of S3080. This testimony is not submitted for any of our clients.

i. The "Future of Gas"

PUC Docket 22-01-NG, Investigation into the Future of the Regulated Gas Distribution Business in Rhode Island in Light of the Act on Climate (the "Future of Gas"), opened on June 9, 2022. At its outset, the PUC confirmed that the Future of Gas docket would supersede RIE's requirement to conduct a stakeholder process and report on meeting the Act and a long-term strategy for the gas distribution system per the Attorney General's settlement with PPL dba RI Energy. The PUC hired its own consultant to oversee the docket and directed RI Energy to hire a technical consultant to work with stakeholders to evaluate alternatives for compliance with the Act. RI Energy hired Energy & Environmental Economics and stakeholders engaged with E3 extensively over a year long process to help generate its technical report.

The stakeholders included the Attorney General, RI Energy, OER, Enbridge RI, the George Wiley Center, Climate Jobs RI, the Environment Council of RI, the Conservation Law Foundation, Acadia Center, Sierra Club, the Green Energy Consumers Alliance, and our firm. They met thirteen times for at least five and one half hours each meeting and generated a large volume of comments intended to inform E3's technical report.[1] Our firm was an active participant, generating over 50 pages of comments through the technical evaluation process. Stakeholders appealed for the right to comment on E3's final report before it went to the PUC for resolution of the path forward, but were denied; instead, we were assured that we would be given the chance to comment on the PUC's proposal to implement E3's recommendations when it issued.

E3 issued its technical report 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

[1] See https://apexanalytics.egnyte.com/fl/04TdzqfvbL#folder-link/Future%20of%20Gas%20Documents/Submitted%20Comments.
[2] E3s 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.

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.

- 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-

[3] In 2017, the PUC engaged experts to work with many stakeholders (including the utility 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.

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 Act's mandates and the contents of the E3 Report in an effort to integrate the mandates of the Act into 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 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. The PUC has not enforced the settlement entered between the attorney general and PPL dba RI Energy regarding implementation of the Act. It has failed to issue a final report and recommendations for implementation of the recommendations of the E3 Report in the Future of Gas docket.

ii. Our Opportunity to Follow Effective Examples

There are many examples of effective emissions (and cost) reduction strategies for buildings from other jurisdictions. The prominence of district heating in many jurisdictions—reaching 63%, 50%, and 45% market share in Denmark, Sweden, and Finland respectively (Euroheat & Power, 2015; Froning, 2013; Skoldberg & Ryden, 2014; Vainio et al., 2015) - and the ability to utilize centralized, large-scale sources of renewable thermal energy (e.g. biomass CHP, district-scale heat pumps, large-scale solar thermal) in district heating networks has been important to scale up the market in those jurisdictions. *The Rhode Island Renewable Thermal Market Development Strategy,* p. 22. RI Energy engaged EnergyHub on the implementation of its "Connected Solutions" program here in RI, but RIE's program only cracks the surface of EnergyHub's potential and the opportunities for system transformation. EnergyHub has worked to implement its virtual power plant strategy (using distributed energy solutions to displace the need for conventional energy supply and infrastructure investment) across the country, including Arizona (see https://www.energyhub.com/resource/arizona-public-service-case-study-download). A quick glance at their website indicates the opportunities that are right before RI. see https://www.energyhub.com/resources. There are many examples for RI to follow in delivering on the many benefits of the clean energy transition mandated by our Act on Climate. But, when we raise such examples in administrative proceedings like the Future of Gas, they are completely overlooked.[4] The agencies seem determined to reinvent the wheel.

[4] See e.g., our firm's extensive comments on the great opportunity of planning and implementing district geothermal in the Future of Gas docket –

https://apexanalytics.egnyte.com/fl/04TdzqfvbL#folder-link/Future%20of%20Gas%20Documents/Submitted%20Comments/III%20Policy%20and%20Other%20Comments?p=633335ad-1061-4474-bab3-d7a02ae9240f

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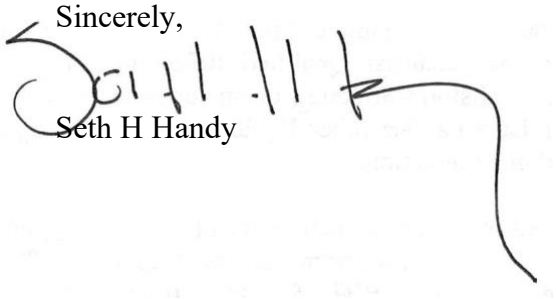
Thank you for your consideration of our comments. Please pass S3080.

Sincerely,



Seth H Handy

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