

February 10, 2026

The Honorable Louis P. DiPalma
Chairman, Senate Finance Committee
Rhode Island State House
Providence, Rhode Island 02908

RE: H-7127 – Proposed FY27 Budget – Article 11 (Energy)

Dear Chairman DiPalma:

On behalf of Rhode Island Energy, I write regarding energy-related provisions contained in Article 11 of H-7127. We appreciate the importance of constructive dialogue and collaboration on issues affecting energy affordability, safety, reliability, and sustainability across the Ocean State. Our Company thanks the Committee for its willingness to explore meaningful reforms that offer the potential to contain the growth in energy costs over time while ensuring continued investment in critical energy infrastructure and advancement toward a lower carbon future.

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.

Energy policy that doesn't start with affordability is not sustainable. The Act on Climate is ambitious and well-intentioned, but it has also committed Rhode Island to rigid mandates with significant implications for energy affordability and customer bills, grid reliability, resource adequacy, and economic competitiveness. There is no single solution to these challenges and no single set of resources that can adequately maintain safe and reliable energy systems while simultaneously attempting to decarbonize our entire state economy. Winter Storm Fern and the recent string of frigid temperatures should serve as a stark reminder of this reality.

If Rhode Island is to be successful and remain competitive in an increasingly dynamic, 21st century economy, it will require a commonsense, "all of the above" approach and sustained investment in a diverse resource mix and supporting infrastructure. Now is the time to take a practical step forward toward an energy future that works for everyone.

Rhode Island Energy stands committed to helping the state achieve its energy, economic and environmental policy goals in an affordable manner, and looks forward to collaborating with state leaders on the following proposals.

Article 11, Section 3: Energy Efficiency

Rhode Island Energy supports the Governor's proposal to require triennial energy efficiency planning. A shift away from today's resource- and time-intensive annual planning cycles offers the potential to reduce administrative burdens for the Company, stakeholders and regulatory agencies; support longer term planning capability and flexibility; enhance market certainty for customers and vendors; and provide more time to focus on implementation to drive beneficial, cost-effective outcomes for the customers we serve.

Regarding the proposal to cap energy efficiency spending between 2027 and 2029, **Rhode Island Energy maintains that existing planning and regulatory processes facilitate a balancing of customer cost impacts with evolving market dynamics and energy demands.** This is supplemented by robust stakeholder engagement and transparent regulatory oversight to ensure Rhode Island's energy efficiency programs and incentives achieve desired outcomes in a cost-effective manner.

Article 11, Section 4: In-state transmission owner participation in ISO-NE

Respectfully, we oppose the proposed requirement to mandate utility membership in ISO-NE. The Narragansett Electric Company (d/b/a Rhode Island Energy) has been a member of ISO-NE since it was created in 1997 and a full participant in the New England Power Pool (NEPOOL) since 1971, consistently supporting regional energy markets and integrated transmission planning in New England. It is therefore entirely redundant and unnecessary to order Rhode Island Energy to be a member of ISO-NE, as it already voluntarily takes that step. Moreover, **ordering such membership as a matter of law would limit flexibility that could be needed in the future and remove negotiating power that benefits Rhode Island customers.**

Although we have no expectation that the benefits of ISO-NE participation will change soon, should circumstances change, **a mandate for membership could only restrict Rhode Island Energy from taking otherwise necessary action to protect itself and its customers.** That said, any change to Rhode Island Energy's participation in ISO-NE or any other RTO/ISO would require acceptance by the Federal Energy Regulatory Commission (FERC); thus, there is already sufficient protection against unilateral action to leave the ISO.

Voluntary membership creates continuous pressure on ISO-NE to perform on cost control, market design and reliability outcomes – all of which benefit Rhode Island energy customers. Mandatory participation risks turning the ISO into an unaccountable bureaucracy with little incentive to continue delivering improvements and efficiencies.

When ISO-NE rules or market designs disadvantage a particular region or customer class, **voluntary participation gives states and utilities leverage to demand reforms.** Mandatory membership, on the other hand, removes that leverage and locks customers into systems that may not optimally serve them in the long run.

To the extent that this proposed legislation is rooted in an effort to lower costs for customers by allowing a future argument for removing the return on equity (ROE) adder mandated by section 219(c) of the Federal Power Act, it is important to understand the cost structure at play here. As a member of ISO-NE, whether voluntary or mandatory in nature, Rhode Island Energy customers bear

their pro-rata share of overall regional transmission investments. Even if the adder was removed for Rhode Island Energy, the cost savings would be shared by all ISO-NE customers, making the transmission rate impact to Rhode Islanders negligible. Furthermore, **without uniform applicability throughout the region, Rhode Islanders will continue paying for the transmission adder received by all other ISO-NE utilities, while otherwise placing Rhode Island Energy (and its customers) at a disadvantage within ISO-NE, as noted above.**

Article 11, Section 5: Ratepayer Subsidization of the Infrastructure Bank and Commerce RI

Our Company supports the proposed reduction in utility customer dollars that subsidize the Rhode Island Infrastructure Bank (RIIB). While Rhode Island Energy appreciates RIIB's mission, we note that local electric and natural gas customers already pay hundreds of millions of dollars each year to support many of the same types of investments this incremental, statutory transfer ostensibly facilitates, including energy efficiency, renewable energy, and demand side management initiatives. Moreover, there is no meaningful requirement for RIIB to justify the use of these funds. Although the statute currently imposes an obligation on RIIB to provide the PUC with an annual report on how the funds were utilized, that requirement does not have any real impact because there are no standards for justification of the use of the funds and no consequences for failing to sufficiently justify how they were used. RIIB is not required to provide evidentiary-based analysis or expert witness testimony to the PUC demonstrating how these ratepayer dollars will be used and what potential benefits may be derived relative to the costs or alternative investment channels.

We note that Section 5 also contains a proposal to extend, by a full decade, a separate utility customer-funded surcharge that benefits programs administered by Commerce RI. The Company respectfully urges the Committee to consider adjusting this proposal to mitigate continued impacts on local utility customers. Like customer funds transferred to RIIB, the use of these dollars is not subject to regulatory oversight by the PUC. Between 2019 and 2024, Rhode Island Energy customers paid nearly \$15 million pursuant to this mandate.

Article 11, Section 6: Road repair by public utility or utility facility

Rhode Island Energy supports the proposed requirement that roadway repair costs be recovered in accordance with generally accepted accounting principles, which can help reduce near-term utility bill impacts.

As an initial matter, Rhode Island Energy notes that the existing statutory requirement for utility-funded, curb-to-curb paving (pursuant to §39-2.2, et. seq., the "Rhode Island Utility Fair Share Roadway Repair Act" of 2019) is driving increased ratepayer costs. While passage of Article 11, Section 6 will ensure alignment with generally accepted accounting principles and save ratepayers money in the short term, it will not shield ratepayers from the incremental costs attributable to curb-to-curb paving requirements. **Rhode Island Energy respectfully asks that the state and municipalities consider a less expensive approach for ratepayers. This would consist of reviewing and potentially amending permitting requirements by directing public utilities to repave the area that was excavated as opposed to full curb-to-curb paving.**

Expert witnesses, including those testifying on behalf of the state’s utility ratepayer advocate (the Division of Public Utilities and Carriers) acknowledge that “paving costs have increased steadily over the last several years in response to the passage of the Rhode Island Utility Fair Share Roadway Repair Act, under which local municipalities have increasingly required curb-to-curb restoration” after utility work.¹ Historically, these costs had been capitalized consistent with generally accepted accounting principles² and depreciated over time, thereby mitigating near term impacts to utility bills.³ Treating curb-to-curb paving costs as operating and maintenance expenses to be recovered annually, as Rhode Island Energy is now required to do by state regulators, is a deviation from generally accepted accounting principles and Federal Energy Regulatory Commission (FERC) guidelines and results in higher, short-term rate impacts for customers.

Article 11, Section 7: Renewable Energy Standard

Rhode Island Energy generally supports the proposed amendments to the Renewable Energy Standard while acknowledging that further discussion may be warranted on adjustments to annual compliance targets.

The Renewable Energy Standard (RES) requires that a specified percentage of the electricity sold to end-use customers is offset by clean energy resources. This is done through the procurement and retirement of Renewable Energy Certificates (RECs), which represent the clean energy attributes of qualified renewable resources.⁴ States, like Rhode Island, have created these standards to support renewable development which, in turn, can reduce sector emissions, promote domestic energy production, diversify the resource mix, and encourage economic development. Our Company supports these goals, too, while being mindful of customer bill impacts.

Importantly, Rhode Island Energy makes no “profit” on the RES; our compliance costs are a direct pass through to customers, embedded in supply charges, and fully regulated by the PUC. Each year, the annual RES requirement increases, requiring load serving entities (including, but not limited to, Rhode Island Energy) to procure incremental amounts of Renewable Energy Certificates

¹ Testimony of Jeff D. Makhholm, Ph.D., on behalf of the Rhode Island Division of Public Utilities and Carriers, Docket 23-49-NG, page 5. Rhode Island Energy has also testified that “the cost of main replacement has risen dramatically in part due to the requirement of curb-to-curb paving and that each project be stamped by a professional engineer.” The PUC acknowledged this trend, too, writing that the “Utility Fair Share Roadway Repair Act was enacted into law in July of 2019. R.I. Gen. Laws §§ 39-2.2-1 et seq. The law required the utility to repave roads and highways curb-to-curb at the request of the state or local authority. This has substantially increased the cost to the gas distribution company.” [emphasis added]. PUC Report and Order (25485), Docket 24-55-NG.

² “For financial accounting purposes repaving costs have historically been included as part of the entire capital cost of the project and depreciated over the life of the underground utility asset. The Federal Energy Regulatory Commission’s (FERC) Uniform System of Accounts provides the standard framework for this practice, ensuring consistency across utilities.” [emphasis added]. PUC Report and Order (25228), Docket 23-49-NG.

³ By depreciating paving costs, “you’re allowing consumer the <sic> benefit from that money that’s in their pocket they don’t have to spend at their cost of funds. That’s unambiguously good for ratepayers” [emphasis added]. Dr. Makhholm on behalf of the Rhode Island Division of Public Utilities & Carriers, March 11, 2024 hearing transcript, Docket 23-49-NG, page 206.

⁴ Importantly, the RES does not require load serving entities to buy *electrons* (or power) from renewable resources – rather, obligated entities, including Rhode Island Energy, purchase renewable energy certificates (RECs) from qualified renewable resources which serve to demonstrate that the actual electrons delivered through the grid have been “offset” with clean energy.

(REC) over time to meet statutory obligations. Left unchanged, Rhode Island's RES requirements (and associated costs) will ramp steeply until reaching 100 percent by 2033 and every year thereafter – the most ambitious state policy of its kind in the U.S.

Since 2014, Rhode Island Energy customers have paid ~\$254 million to support this mandate, with compliance costs projected to increase sharply between now and 2033. For example, in 2024, our customers paid more than \$34 million in RES costs; by 2033, we expect annual costs to approach \$100 million, representing a 180% increase. Note that this estimate does not represent total statewide cost impacts; in fact, more than half of statewide electricity demand is now met by third-party entities, such as municipal aggregators, which must also comply with the RES.

For additional context, a typical Rhode Island Energy residential customer (500 kWh/mo.) is now paying \$7.31 per month just to support RES compliance, *accounting for nearly 5% of that customer's total electric bill*. This bill impact increases or decreases based upon monthly electric consumption. For a typical residential electric customer, bill impacts from RES have nearly doubled over the past five years.

As noted, Rhode Island Energy supports the broad goals of the Renewable Energy Standard. However, with significant policy changes at the federal level stymying renewable investments (particularly offshore wind) and broader inflationary impacts throughout the economy, the time has come for policymakers and stakeholders to collaborate on prudent and meaningful reforms to the RES. In doing so, we can begin to contain the growth in associated policy costs over time while continuing to incrementally reduce power sector emissions consistent with Act on Climate goals.

Article 11, Section 7 proposes several important adjustments to the RES that will help mitigate cost impacts, enhance compliance flexibility, and foster greater alignment with our neighbors – all without sacrificing Rhode Island's long-term commitment to a clean energy future. First, the proposed legislation would recognize nuclear (and large hydropower) as an eligible carbon-free resource. This builds on action taken by the General Assembly in 2025 when it established a clear statutory pathway for electric distribution utilities to competitively procure long-term contracts with the region's nuclear generation fleet – *a process now underway in coordination with other New England states*. To maximize market opportunity and potential financial and environmental benefits for customers, it is important that nuclear be recognized under the RES. Moreover, nuclear has a lower carbon footprint than biomass, which is *already* included in the RES. If Rhode Island is to achieve its Act on Climate mandates over time while ensuring the continued delivery of safe and reliable energy, it will need to leverage all available no-to-low emissions resources – particularly carbon-free, dispatchable resources like nuclear and large hydropower. This is a moment to acknowledge that reality and align with other New England states, including Massachusetts and Connecticut, in this regard.

Second, the bill proposes to expand the number of RECs from “existing” renewable resources that can be utilized for compliance.⁵ Today, electric suppliers are limited in their ability to use lower-cost RECs from older clean energy resources to just 2% of total annual obligations. Expanding the use of RECs from older resources up to 25% can help lower compliance costs and still green our

⁵ Per §39-26-2(9), ““Existing renewable energy resources” means generation units using eligible renewable energy resources and first going into commercial operation before December 31, 1997.”

supplies. This proposal is also critical to maximize the potential economic benefits associated with REC supplies from nuclear and large hydropower facilities.

Third, Section 7 proposes to “reset” the Alternative Compliance Payment (ACP) rate to a fixed \$40/MWh. The ACP mechanism establishes an alternate method of meeting annual compliance while also serving as a “cap” on total program costs. Today, Rhode Island has the highest ACP rate in the region, far outpacing what is in place in neighboring Massachusetts and Connecticut. By aligning us with our neighbors, we can reduce customer cost exposure and, potentially, generate new state revenues for re-investment back into the green economy when REC markets are short on supply. In addition, the Governor has proposed to establish an ACP of \$11/MWh for “existing” resources, which Rhode Island Energy supports as an additional cost containment measure.

Also, Rhode Island Energy supports the proposed amendments to the RES’ banking provisions. Like Vermont, state law should allow electric suppliers to bank RECs for up to 3 years’ time without limit. This will foster greater compliance flexibility within the REC marketplace and may help reduce program costs over time. We also support provisions to utilize half of ACP revenue collected by the state for direct rate relief, subject to appropriate regulatory oversight.

Rhode Island Energy respectfully urges the Committee to couple the aforementioned enhancements with practical adjustments to the RES compliance schedule. While we acknowledge those concerned with shifting the 100% RES goal out in time, we must also recognize that Rhode Island electric customers are being asked to bear the full cost of ramping clean energy supplies at a far more aggressive rate than any of their neighbors. Rhode Island Energy stands ready to work with the General Assembly, the Governor, and advocates to identify a meaningful pathway forward – one that reduces near-term cost impacts while supporting annual reductions in power sector emissions. For context, Article 11, Section 7 reforms – when paired with a 100% by 2040 standard – could reduce RES costs by more than \$1 billion statewide over the next decade plus and keep Rhode Island on track to achieve Act on Climate goals.

Article 11, Sections 9 & 11: Financial Incentives

Rhode Island Energy opposes Sections 9 and 11 as they only serve to create legal ambiguity and contractual risk. The General Assembly already addressed this issue in 2022 by amending the Long-Term Renewable Contracting Standard and the Affordable Clean Energy Security Act to eliminate utility remuneration on all long-term renewable contracts approved after January 1, 2027. To the extent Sections 9 and 11 attempt to retroactively unwind the terms of power purchase agreements that have already received regulatory approval, it may violate the separation of powers doctrine, run afoul of Constitutional protections, and jeopardize existing long-term contractual arrangements supporting clean energy and emissions reduction goals.

Importantly, our Company is now engaged in a multi-state competitive procurement process for clean energy resources which, if successful, could be ruled on before the end of 2026 and subject to remuneration under current statute. **Rhode Island Energy would not oppose changing the applicable General Laws⁶ such that, for all long-term contracts approved on or after January 1,**

⁶ §39-26.1-4 and §39-31-11.

2026, financial remuneration and incentives shall not be applied, unless otherwise granted by the PUC. This would prevent customers from bearing the costs of remuneration on newly executed power purchase agreements *without* creating legal ambiguity or otherwise disrupting previously approved long-term renewable contracts.

Article 11, Section 10: Net Metering

Rhode Island Energy has testified numerous times before the General Assembly about growing bill impacts associated with the state's net metering mandate. It remains one of the largest public policy cost drivers on the electric bill today and is financially unsustainable for our customers if left unchecked. In 2024, the net metering program cost Rhode Island electric customers ~\$110 million. This represented a 21% year-over-year increase and was more than double program costs incurred in 2022. This winter, a typical residential electric customer is paying \$7.29 per month to support this single initiative – *about 5% of the total bill.*

Pursuant to Rhode Island General Laws, net metering program costs are passed through to electric distribution customers with no utility "mark-up" or profit. **Because net metering compensates at the full retail rate, unchecked program growth and expansion is leading to a shrinking pool of customers paying for distribution and transmission infrastructure vital to grid reliability and achievement of Act on Climate goals.** The effect is one of shifting system costs from one set of energy customers to another, leading to regressive outcomes that disproportionately impact low-income and other vulnerable populations.

Rhode Island Energy recognizes the importance of continued local renewable growth to state policy goals, but meaningful reform is vital if we are to begin containing bill impacts. **Our Company supports the establishment of a state agency-led, stakeholder "taskforce" to examine the state's local renewable subsidy programs – both net metering and the Renewable Energy Growth (REG) – and identify national best practices, consider methods to streamline program administration and customer engagement, and propose legislative reforms centered on improved energy affordability.**

Thank you for your consideration of these comments.

Respectfully,



Nicholas S. Ucci
Director of Government Affairs

CC: The Honorable Members of the Senate Finance Committee