

**STATE OF RHODE ISLAND
BEFORE THE PUBLIC UTILITIES COMMISSION**

IN RE: INVESTIGATION INTO THE FUTURE OF THE :
REGULATED GAS DISTRIBUTION BUSINESS IN : **DOCKET NO. 22-01-NG**
RHODE ISLAND IN LIGHT OF THE ACT ON CLIMATE :

COMMENTS OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS
REGARDING PROPOSED SCOPE OF PROCEEDINGS

The Division of Public Utilities and Carriers (“Division”) has reviewed the Staff’s proposed scope for the proceedings in the above-captioned docket and hereby offers the following comments and additional considerations. Overall, the Division concludes that the Draft Scope adequately defines what needs to be studied in order to assess how the stated requirements contained in the 2021 Act on Climate (Act) bear on how the Public Utilities Commission (Commission) should exercise its jurisdiction over Rhode Island Energy (RIE) as the sole natural gas utility in the state. Staff has also created a useful list of principled and empirical and quantitative considerations that would frame the anticipated docket to study how the Commission and RIE can coordinate efforts to help meet the statewide emissions reduction targets in the Act. This filing is intended to generally respond to the questions posed by Staff regarding the purpose, workplan and pertinent issues that are under consideration in this docket.

As a general matter, the Division concurs that Staff has adequately identified the appropriate scope of the docket. It seems evident that the regulated gas distribution system in Rhode Island—currently serving 55% of the state’s households (in addition to many commercial and industrial businesses)—is a significant focus of the Act. And yet, the regulation of utilities like RIE (or such gas distribution utilities in any other state), conform to a US regulatory model with specific parameters and constraints on regulatory authority over such investor-owned public service infrastructure businesses. As such, a docket to inform both the modern technical possibilities and jurisdictional/administrative/legal constraints on Commission actions to promote the Act’s emission targets, as outlined by Staff, is highly appropriate.

Other than the stated Purpose, the workplan has three parts: (a) Policy Analysis; (b) Technical Analysis for RIE; and (c) Policy Development. The scope contained within the Policy

Analysis is quite useful, as there is no automatic or self-evident list of issues in the Act that applies to RIE as a jurisdictionally regulated utility in the state. In defining how the Act intersects with the Commission’s regulation of RIE under Title 39, context is of preeminent importance—reflecting the investor-owned nature of such services and the long history of development of US regulatory institutions that facilitates both the provision of inexpensive capital to enterprises such as RIE and the safe and adequate provision of services to the public. The list of issues offered by Staff points directly to these elements, and thereby acknowledges the importance of this underlying context.

As it relates to the proposed Technical Analysis, the Division observes that there is a great deal of study and analysis available on the technical means for providing energy services to the public that RIE can collect, summarize, and interpret in the context of the Act’s statewide emissions reduction targets. Staff’s list for RIE is useful in this respect. With regard to Policy Development, the Division acknowledges that much of the work undertaken by the Commission will be directed towards the creation and implementation of relevant policies to further the emissions reduction targets of the Act. In this respect, the sixteen questions posed by Staff reflect the core activities and analyses that will assist the Commission in balancing decarbonization efforts against existing regulatory requirements for ensuring the provision of safe, reliable and affordable energy services to Rhode Island consumers.

Recognizing that Staff’s questions are appropriate and wide-ranging in nature, the Division believes that it may be of further assistance if the Commission imposes more structure during the evaluation process by grouping the various topics into a smaller number of distinct categories. Specifically, the areas of inquiry might be grouped more generally into the following categories: (1) incentives; (2) consumer preferences; (3) opportunity costs; and (4) interest groups. Further elaboration is provided below.

Incentives for Investor-owned Enterprises such as RIE

Several of the questions posed by Staff discuss profit motives or business models—which naturally emanate from the investor-owned nature of US regulated utilities generally. Unlike any other of the advanced economies of the world, the United States more than a century ago made a deliberate decision to pursue an investor-owned, state-regulated model for its local utilities (including gas distribution). Investor ownership of utility infrastructure has long been considered among the most important considerations promoting the efficient provision of such public utility

services.¹ That investor-owned model defines the parameters of both the opportunities for new technology and limitation on what Staff calls “significant intervention” for the PUC (as opposed to the Rhode Island legislature).

Consumer Preferences

An important supporting element of gas use growth in Rhode Island is that it reflects broad preferences for natural gas heat (and other uses) in a region of the country that had traditionally relied more on oil and electricity resistance heat for many homes and businesses. The sixteen questions posed in the *Policy Development* section contain references to the motives of the utility service provider, but limited or no references to the similar motivating factor driving consumer preferences for natural gas heat (or other uses). In a system driven by the traditional desire for public utilities (like RIE) to provide safe and adequate service to all citizens, it may be useful for the PUC to ask for, and assess, such issues specifically from the perspective of the preferences of Rhode Island consumers.

Opportunity Costs

In the scoping document, Staff makes various references to the importance of cost-effectiveness in environmental policy assessment. Indeed, the cost-effectiveness of any emissions reduction policy option is critical to ensure that achieving the state’s goals does not place an undue burden on the state’s citizens, businesses or communities. Many of the mechanisms mentioned in the draft *Policy Development* section would not only have direct costs but also opportunity costs from the displacement of other emissions reduction opportunities, whether by indirect effects on emissions in other sectors (e.g., electrification of residential heat increases demand for electricity) or by crowding out the feasibility or effectiveness of other emissions reduction policies (e.g., which may increase costs for residential heating and, in turn, may leave the state’s consumers with less income to afford electric vehicles or higher electricity costs). As such, it would perhaps be useful to specifically ask for the analysis of opportunity costs, in addition to direct costs, of possible alternative pathways to pursue the Act’s emission targets.

¹ Such a consideration is why so many developed economies in Europe and elsewhere pursued “privatization” over the past four decades around the work for publicly owned utility enterprises.

Interest Groups

Staff’s draft frequently mentions the role and participation of “stakeholder(s).” Such participation is critical —gathering information and perspectives from interested parties is the foundation of the docket. However, not all interested parties will actively engage as stakeholders in this proceeding. Thus, it may be useful for the Commission to elicit information, contexts and perspectives from consumers and businesses directly as a specific part of its inquiry.

Respectfully submitted:

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