

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION**

**IN RE: THE NARRAGANSETT ELECTRIC COMPANY d/b/a RHODE ISLAND ENERGY, PROPOSED LAST RESORT SERVICE RATES FOR THE RESIDENTIAL GROUP FOR THE PERIOD OCTOBER 2023 THROUGH MARCH 2024 AND INDUSTRIAL GROUP FOR OCTOBER 2023 THROUGH DECEMBER 2023** :  
: **DOCKET NO. 23-01-EL**  
:  
:  
:  
:  
:  
:

**ORDER**

**I. Introduction**

On July 25, 2023, The Narragansett Electric Company d/b/a Rhode Island Energy (Rhode Island Energy or Company) filed its proposed Last Resort Service (LRS) Rates for the Residential and Commercial Groups for the winter period of October 1, 2023 through March 31, 2024 and the Industrial Group for the period of October 1, 2023, through December 31, 2023.<sup>1</sup>

Rhode Island General Laws § 39-1-27.3(c) requires the Company to arrange for a last resort power supply for customers who are not otherwise receiving electric service from a Non-regulated Power Producer (“NPP”). Pursuant to that same statute, the Company must file a supply procurement plan with the PUC that includes the procurement procedure, the pricing options being sought, and a proposed term of service for which LRS will be acquired. Rhode Island Energy currently procures LRS supply on behalf of its customers pursuant to an LRS Procurement Plan approved by the Commission at an Open Meeting on December 22, 2022.<sup>2</sup> The procurement plan authorizes Rhode Island Energy to conduct solicitations throughout the year for LRS in varying

---

<sup>1</sup> All filings in this docket are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island or at: <https://ripuc.ri.gov/Docket-23-01-EL>.

<sup>2</sup> *In Re: The Narragansett Electric Company d/b/a Rhode Island Energy’s Last Resort Service Procurement Plan*, Docket No. 22-02-EL (Decision December 22, 2022; Written Order March 13, 2023).

contract lengths.<sup>3</sup> Based on these solicitations, the Company files LRS rates for the Residential Group and Commercial Group twice per year and LRS rates for the Industrial Group quarterly. In this filing, Rhode Island Energy proposed Residential and Commercial LRS retail rates for October 2023 through March 2024, and Industrial LRS retail rates for October 2023 through December 2023 (hereinafter, collectively, the Winter Period). The Company's proposed rates are designed to recover the cost of these procurements pursuant to R.I. Gen. Laws § 39-1-27.3(c).<sup>4</sup> The Company derives no profit from the sale of the commodity purchased and resold to its customers through the LRS rates.<sup>5</sup>

It is important to note that the LRS rates proposed by the Company in this case apply only to those customers on LRS. While this has always been the case in past years, there has been a significant change in local retail markets. Beginning this past May, there were seven communities that commenced "municipal aggregation programs" through which a supplier other than Rhode Island Energy procures electricity on behalf of those participating in the program in those communities: Narragansett, Newport, Portsmouth, South Kingstown, Providence, Barrington, and Central Falls. The LRS rate increases proposed in this case do not apply to any customers who take service through those programs.<sup>6</sup>

---

<sup>3</sup> Schedule 7 of the Company's filing contains the approved 2021 LRS Procurement Plan.

<sup>4</sup> R.I. Gen. Laws § 39-1-27.3(c) ("Once an acquisition plan is approved by the commission, the electric distribution company shall be authorized to acquire last-resort service supply consistent with the approved acquisition plan and recover its costs incurred from providing last-resort service pursuant to the approved acquisition plan.")

<sup>5</sup> R.I. Gen. Laws § 39-1-27.3. Return on shareholder investments (i.e., profit) is recovered through distribution rates which are not addressed in this case.

<sup>6</sup> This is not to say that the winter rate being offered in those communities by the supplier will not increase in those communities, but as of the date of issuance of this Order the main municipal aggregator serving those communities had not published any new rates. The LRS rate increases proposed in this case also do not apply to any customers who take service through a competitive supplier.

## **II. Rhode Island Energy’s Proposed LRS Rates for the Winter Period** **The Procurement Process and Rate Components**

On July 25, 2023, the Company filed rate schedules and accompanying exhibits reflecting the rate proposal.<sup>7</sup> The Company subsequently filed the Joint Pre-Filed Direct Testimony of James M. Rouland and James Ruebenacker (“Joint Testimony”) on August 4, 2023.<sup>8</sup> The Company’s filings included back-up information reflecting the bidding process used to obtain the supply prices which were included in the calculation of the proposed LRS rates.

The LRS Procurement Plan, which was a continuation of the prior-approved 2021 Plan, involves acquiring load-following, full requirements service contracts with different term durations through periodic solicitations.<sup>9</sup> With a full requirements service contract, the supplier becomes responsible for the energy, ancillary services, and miscellaneous Independent System Operator-New England (“ISO-NE”) charges of the particular LRS customer group for a fixed dollar per megawatt-hour (\$/MWh) price. For this fixed price, the supplier assumes all price and load risks associated with these market components.<sup>10</sup>

The LRS Procurement Plan segregates customers into three customer groups: Residential, Commercial, and Industrial. The LRS Procurement Plan for the Residential Group and the Commercial Group involves a combination of full requirements service contracts and ISO-NE spot market purchases. The Company layers full requirements service contracts for the benefit of diverse pricing points in a manner that diversifies risk for customers in each customer group. Each contract for the Residential and Commercial Groups is comprised of six-month bid blocks. For

---

<sup>7</sup> Exhibit 7 (July 25 Filing).

<sup>8</sup> Exhibit 8.

<sup>9</sup> The filing seeking continuation of the 2021 LRS plan can be found at: [https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-07/22-02-EL-%20RIE-LRSPlan2023\\_5-24-22.pdf](https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-07/22-02-EL-%20RIE-LRSPlan2023_5-24-22.pdf); The 2021 LRS Plan can be found at: <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/docket/4978-NGrid-LRS-ProcurementPlan%2810-11-19%29.pdf>

<sup>10</sup> Exhibit 8, Joint pre-filed testimony of James Rouland and James Ruebenacker at 8-9.

example, a 24-month contract will include four independent bid blocks.<sup>11</sup> Dividing the contract in this fashion creates the opportunity to award the bid blocks to a combination of suppliers, rather than a single supplier, if the overall cost is lower.<sup>12</sup>

The additional laddering and varying lengths of the full requirements service contracts allows for mitigation of price volatility because the individual contracts are procured at different times and are dollar-cost averaged to create a blended supply rate. Thus, in a decreasing electric prices market, the lower-cost most recent transactions will help offset the higher-cost older transactions. Conversely, in an increasing electric prices market, the higher-cost most recent transactions will be partially offset by the lower-cost older transactions.<sup>13</sup>

The Company represented that the procurement was carried out consistently with the LRS Procurement Plan approved by the Commission.<sup>14</sup> The Company provided the back-up information for the July 2023 solicitation of 20% of the LRS supply for the Residential Group for the period of October 2023 through March 2024; 20% of the LRS supply for the Commercial Group for the period of October 2023 through March 2024; and 100% of the LRS supply for the Industrial Group for period of October 2023 through December 2023.<sup>15</sup> The remaining parts of the proposed rates for the Winter Period were the result of previous solicitations, estimated capacity costs, and estimated spot market purchases.<sup>16</sup>

---

<sup>11</sup> The Full Requirements Service contracts for the Residential and Commercial Groups are executed for different percentages of load (15 percent and 20 percent) and four durations: 6 months, 12 months, 18 months, and 24 months. When all Full Requirements Service contracts have been acquired, each month will have Full Requirements Service contracts, totaling 90 percent of the Residential and Commercial load, and the remaining 10 percent of the load would be procured by the Company through ISO-NE spot market purchases. Exhibit 8, Joint pre-filed testimony of James Rouland and James Ruebenacker at 10.

<sup>12</sup> Exhibit 8, Joint pre-filed testimony of James Rouland and James Ruebenacker at 8-9. The LRS Procurement Plan for the Industrial Group involves acquiring a load-following, Full Requirements Service contract for 100 percent of the load through quarterly solicitations for three months in duration: January through March, April through June, July through 7 September, and October through December. *Id.*

<sup>13</sup> *Id.* at 10.

<sup>14</sup> *Id.* at 18.

<sup>15</sup> Filing of July 25, 2023, Schedules 4, 5, & 6.

<sup>16</sup> With the July 2023 solicitation of 20% of the residential load requirements for the October 2023 through March 2024 period, the Company has obtained 90% of the load requirements for the Residential Group for the October

The Company's filing included support showing the calculation of the rates for each of the applicable rate classes, including the relevant cost of supply, reconciliation of past costs to revenues consistent with the last resort service adjustment provision tariff, allowed administrative costs, and the cost of procuring renewable energy certificates to meet the Company's obligations under the Renewable Energy Standard.

### **Industrial Group Rates**

The LRS rate for the Industrial Group is comprised of four components, as shown in Schedule 1 of the July 25, 2023,<sup>17</sup> filing: (i) the commodity price from the winning bid prices which varies by month, (ii) a Last Resort Service Administrative Cost Factor, (iii) a Last Resort Adjustment Factor, and (iv) a Renewable Energy Standard Charge. The variable supply cost is \$0.06061 per kWh for October, \$0.09528 per kWh for November, and \$0.16648 for December 2023. The proposed Administrative Cost Factor is \$0.00780 and the proposed Renewable Energy Charge is \$0.00833. Summing the components, the proposed rates for each month of the quarter are: \$0.07674/kWh for October; \$0.11141/kWh for November; and \$0.18261/kWh for December.<sup>18</sup>

---

2023 through March 2024 period. The Company previously procured 15% in January 2022, 20% in July 2022, 15% in January 2023, and 20% in April 2023. For the October 2023 through March 2024 period, the Company will purchase the remaining 10% of the load in the spot market pursuant to the approved procurement plan. Exhibit 12, Division Memo at 3.

The July 2023 solicitation also procured 20% of the of the Residential Group's load requirements for the April 2024 through September 2024 period and the October 2024 through March 2025 period. 55% of the load requirements have been purchased for the April 2024 through September 2024 period (15% in January 2023, 20% in April 2023 and 20% in July 2023). For the April 2024 through September 2024 period, the Company will procure another 20% in the fourth quarter of 2023 and 15% in the first quarter of 2024. Those procurements will total 90% for the April 2024 through September 2024 period and 10% will be made in the spot market. *Id.*

<sup>17</sup> July 25 Filing, Schedule 1 at 5.

<sup>18</sup> *Id.*

## **Residential Group Rates**

The LRS rate proposed for the Residential Group for the Winter Period is \$0.17741/kWh, including the weighted average base commodity charge of \$0.16525 (weighting the monthly base cost over the six-month period). The LRS rate also includes an Administrative Cost Factor of \$0.00383/kWh and a Renewable Energy Charge of \$0.00833/kWh.<sup>19</sup>

The proposed rate represents an increase of \$0.07400/kWh when compared with the current LRS rate of \$0.10341/kWh.<sup>20</sup> Compared to last year's October 2023 through March 2023 LRS average winter rate of \$0.17785/kWh, the proposed rate represents a decrease of (\$0.00044)/kWh or (1%) for the same six-month period in the previous year.<sup>21</sup>

## **Commercial Group Rates**

The fixed-price option LRS rate proposed for the Commercial Group for the Winter Period is \$0.17123/kWh, including the weighted average base commodity charge of \$0.15915. Similar to the structure of the Residential rate, the LRS rate for the Commercial Group includes the per-kWh Administrative Cost Factor of \$0.00375 and the Renewable Energy Charge of \$0.00833.<sup>22</sup> The proposed rate represents an increase of \$0.07126/kWh when compared with the current fixed price option charge of \$0.09997/kWh. Compared to last year's October 2022 through March 2023 Commercial Group LRS fixed winter rate of \$0.18279/kWh, the proposed rate represents a decrease of (\$0.01156)/kWh or (6%) for the same six-month period in the previous year.<sup>23</sup>

---

<sup>19</sup> *Id.* at 3.

<sup>20</sup> *Id.*

<sup>21</sup> Exhibit 12, Division Memo at 4.

<sup>22</sup> July 25 Filing, Schedule 1 at 4.

<sup>23</sup> Exhibit 12, Division Memo at 4.

The LRS for the Commercial Group includes an optional choice for customers through which the customer can choose the variable monthly price instead of the fixed rate. The variable price option includes the actual monthly rate (instead of the weighted average of the six months), along with the same additional rate factors included in the make-up of the fixed rate. The proposed LRS rates for the Commercial Group are as follows: October 2023, \$0.12168/kWh; November 2023, \$0.13741/kWh; December 2023, \$0.17202/kWh; January 2024, \$0.18895/kWh; February 2024, \$0.18581/kWh; and March 2024, \$0.14816/kWh.<sup>24</sup>

### **Bill Impacts**

The Company included a detailed typical bill analysis for all classes as part of their LRS rate filing (Schedule 3). A table showing the bill impact of the proposed rates *compared to the current rates* for A-16 residential rate class is shown below:

Monthly kWh	Current Bill	Proposed Bill	Total Increase	% Increase
300	\$86.52	\$103.40	\$16.88	19.5%
500	\$134.24	\$166.53	\$32.29	24.1%
1,200	\$301.19	\$387.44	\$86.25	28.6%

The bill impact for a typical A-16 residential customer using 500 kWh per month would be an increase of \$32.29 per month, or 24.1%, over the prior six-month period.<sup>25</sup>

<sup>24</sup> July 25 Filing, Schedule 1 at 1. Both the fixed and variable price options include the same per kWh LRS Adjustment Factor, Administrative Cost Factor, and a Renewable Energy Charge.

<sup>25</sup> Exhibit 12, Division Memo at 6.

During the 2023 legislative session, the General Assembly passed legislation that was signed into law by Governor McKee which established an exemption from the gross earnings tax on electric bills for a specified period during the winter of 2023-24.<sup>26</sup> The bill impacts stated on the table above and the one provided below do not reflect the impact of the exemption.

A table showing the bill impact of the proposed rates *compared to the current rates* for A-60 residential rate class is shown below:

Monthly kWh	Current Bill	Proposed Bill	Total Increase	% Increase
300	\$64.28	\$76.94	\$12.66	19.7%
500	\$99.66	\$123.88	\$24.22	24.3%
1,200	\$223.44	\$288.13	\$64.69	29.0%

As shown, a typical A-60 residential customer using 500 kWh's per month would see a \$24.22 increase or 24.3% compared to current rates.<sup>27</sup>

### **Rhode Island Energy's Pre-filed Testimony**

In the August 4 filing, the Company provided pre-filed testimony from two witnesses, James M. Rouland and James Ruebenacker. Mr. Rouland is the Manager of Regulatory Policy for PPL Services and Mr. Ruebenacker is the Manager of Wholesale Electric Supply for National

<sup>26</sup> See amendments to R.I. Gen. Laws § 44-13-37.

<sup>27</sup> As discussed later in this Order, the Office of Energy Resources allocated \$3 million of funds from the Regional Greenhouse Gas Initiative (RGGI). These bill impact tables do not reflect the impact of the allocation of those funds to the A-60 rate class. These bill impact tables also do not reflect the impact of the suspension of the gross earnings tax for the months of December 2023 through March 2024.



Grid.<sup>28</sup> In their Joint Testimony, Mr. Rouland and Mr. Ruebenacker provided an overview of the Company's procurement of LRS supply, including a description of the classes of customers served.<sup>29</sup> They described how the procurements took place, consistent with the LRS Procurement Plan, with the laddering of procurements and varying lengths of full requirements contracts.<sup>30</sup> They also summarized the six-month and three-month rate periods and the fixed priced/variable price options for the Commercial Group being served.<sup>31</sup>

The testimony then explained how electric prices are closely correlated to natural gas prices because natural gas generators are often the marginal resource that sets wholesale electric prices in the region.<sup>32</sup> They testified that natural gas futures prices have consistently increased since 2021 and explained the impacts on market fundamentals in the gas markets caused by the global disturbances in 2022.<sup>33</sup> This caused substantial increases in market prices for the winter of 2022-23. However, the winter turned out to be unseasonably warm in the northeast, resulting in a decrease in demand which had a positive impact on natural gas storage ahead of the October 2023 through March 2024 pricing period.<sup>34</sup> They emphasized, however, the volatility of future electric prices can be affected by changes in this winter's weather that impacts the market for natural gas supplies.<sup>35</sup> They provided two graphs illustrating the sharp increases that occurred during the winter of 2022-23, compared to the sharp decreases that occurred in early 2023.<sup>36</sup>

---

<sup>28</sup> Mr. Ruebenacker was carrying out his role to continue transitional services to Rhode Island Energy as a part of a Transition Services Agreement in connection with the acquisition of Narragansett Electric by PPL.

<sup>29</sup> Exhibit 8, Pre-filed Direct Testimony of Rouland and Ruebenacker, at 7-10.

<sup>30</sup> *Id.* at 7-10.

<sup>31</sup> *Id.* at 11-12.

<sup>32</sup> *Id.* at 12.

<sup>33</sup> *Id.* at 13.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at 15.

Mr. Rouland and Mr. Ruebenacker underscored that the laddering and varying lengths of the full requirements service contracts that Rhode Island Energy procures allows for mitigation of price volatility because the individual contracts are procured at different times and are dollar-cost averaged to create a blended supply rate.

### **The Division of Public Utilities and Carriers**

The Division filed a memorandum, dated August 25, 2023, summarizing Rhode Island Energy's proposal and concluding that Rhode Island Energy's proposed Residential, Commercial, and Industrial LRS rates were correctly calculated.<sup>37</sup> The memorandum also represented that the Division had reviewed the results of the Company's procurement and concluded that the process undertaken by the Company complied with the LRS Procurement Plan approved by the Commission in Docket 22-02-EL.<sup>38</sup> The Division recommended that the Commission approve the proposed LRS rates as filed.<sup>39</sup>

### **Office of Energy Resources**

The Office of Energy Resources (OER) is a party of statutory right.<sup>40</sup> OER did not file any position papers prior to the evidentiary hearings and did not sponsor any witnesses during the hearings. However, on September 19, 2023, OER responded to a data request of the Commission seeking clarification of the status of a proposal to use funds from the Regional Greenhouse Gas Initiative (RGGI) to assist low-income customers.<sup>41</sup> OER provided a copy of its decision to

---

<sup>37</sup> Exhibit 12, Division Memo. The Division serves as the ratepayer advocate in proceedings before the Public Utilities Commission (Commission or PUC).

<sup>38</sup> *Id.*

<sup>39</sup> *Id.* at 6.

<sup>40</sup> See R.I. Gen. Laws § 42-140.1-5(d).

<sup>41</sup> Exhibit 13, OER's Response to Commission Request OER 1-1.

approve \$3 million to be allocated to the A-60 low-income class to assist in offsetting the rate increases. The response stated:

OER has approved the 2023-A Plan (please see attached). OER expects to transfer the funds to Rhode Island Energy in late September or early October. In connection with this transfer, OER seeks to have the RGGI funds distributed over a three-month period between November 2023 through January 2023 or December through February 2024.

### **The Rhode Island Office of Attorney General and George Wiley Center**

The Rhode Island Attorney General and the George Wiley Center each filed separate Motions to Intervene on August 4. There were no objections and interventions were allowed. Neither filed any position papers prior to the evidentiary hearings nor sponsored any witnesses during the hearings.

#### **IV. Hearings**

On the evening of September 13, 2023, the Commission held a hearing to receive public comments which permitted the public to either appear in person or provide comments remotely via a Zoom link.<sup>42</sup> The Commission also received written comments which were accepted up to the date of the evidentiary hearings. Members of the public and one public official testified at the public comment hearing. The comments focused on the hardships that the increased rates will create for many Rhode Islanders. Virtually all who commented urged the Commission to deny the rate increases.

On September 20, 2023, the Commission held an evidentiary hearing.

Mr. Rouland and Mr. Ruebenacker, who co-sponsored the Company's Joint Pre-filed Testimony, appeared as witnesses on a panel at the evidentiary hearing. They were joined by other

---

<sup>42</sup> The hearing commenced at 6:00 pm. See Notice of Public Hearing, a copy of which is located at [https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2023-09/RIEnergy-Notice-%20ElectricGas-RateChange\\_9-13-23\\_0.pdf](https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2023-09/RIEnergy-Notice-%20ElectricGas-RateChange_9-13-23_0.pdf).

witnesses: Chris Ann Rossi, Senior Manager of Credit, Billings, and Collection; Brian Grzesiuk, Senior Finance Manager; Jefferey D. Oliveria, Regulatory Program Specialist; and Stephanie Briggs Senior Manager of Rates and Revenue. (The group of all the Company witnesses are referred to herein as the “Company’s Panel”)

The Company’s Panel expanded upon the direct testimony already submitted and adopted in pre-filed form. Members of the panel reiterated the reasons why electric rates are rising.<sup>43</sup> They also addressed the hypothetical of what the impact would be on the Company if the Company was denied the right to recovery. The Company would suffer a financial loss of \$114 million.<sup>44</sup> They explained that this loss could be higher if customers on municipal aggregation left the aggregation service and opted to return to LRS if it turned out that LRS rates were below market as a result of the inability to increase the rates. The Company’s Panel also addressed – hypothetically – what would happen as a practical matter if the Company had to suffer a loss of that magnitude. This includes credit rating impacts affecting the ability of the Company to raise capital to invest in the system and increases in the Company’s borrowing costs.<sup>45</sup>

During cross-examination of the panel by the George Wiley Center, the question of how the \$3 million RGGI credit should be distributed to low-income customers was addressed. Members of the Company’s Panel were questioned about three potential distributions of the RGGI credit – distributing it in one billing month, over two billing months, or over three billing months.<sup>46</sup> OER had recommended a three-month distribution in its response to the Commission’s data request.<sup>47</sup> Mr. Oliviera estimated the three-month billing credit to be \$27.66.<sup>48</sup>

---

<sup>43</sup> Hr’g Tr. at 23-25 (September 20, 2023).

<sup>44</sup> *Id.* at 25-26.

<sup>45</sup> *Id.* at 29.

<sup>46</sup> *Id.* at 41-43.

<sup>47</sup> OER’s Response to Commission Data Request OER 1-1.

<sup>48</sup> Hr’g Tr. at 43 (September 20, 2023).

Also addressed during the cross-examination was the of timing of the distribution of the credit. The question was raised as to the first month when a RGGI bill credit could be implemented over the Winter Period.<sup>49</sup> Ms. Rossi testified that the Company has in place a transition services agreement with National Grid, from whom the parent company of Rhode Island Energy – PPL Corporation – had acquired Narragansett Electric in 2022. Because Rhode Island Energy continues to rely on the billing system owned and operated by National Grid until Rhode Island Energy’s new system is in place, any billing changes must be implemented by National Grid pursuant to the transition services agreement.<sup>50</sup> According to Ms. Rossi, there are other billing system adjustments already pending which is straining the resources allocated to billing system changes.<sup>51</sup> Thus, while Ms. Rossi did not rule out a potential starting month of December, she indicated that she would need to have internal conversations to determine if implementation could occur in December.<sup>52</sup> Ms. Rossi and other members of the Company’s Panel also answered other questions relating to bill credit implementation, as well as questions relating to low-income customers that might be considerations in determining which distribution option to adopt.<sup>53</sup>

No party asked any questions challenging any of the Company’s witnesses as to whether the Company’s procurement for the Winter Period complied with the LRS Procurement Plan.

The Division sponsored one witness, Alberico Mancini, Chief Regulatory Analyst at the Division. Mr. Mancini was the author of the Division’s Memorandum, dated August 25, 2023, which was filed by the Division as a part of its case. He adopted the memorandum as his sworn testimony in the case. Mr. Mancini testified that he had reviewed both the calculation of the LRS rates and examined the question of compliance with the LRS Procurement Plan. He confirmed the

---

<sup>49</sup> *Id.* at 53 (September 20, 2023).

<sup>50</sup> *Id.* at 80-81.

<sup>51</sup> *Id.* at 77.

<sup>52</sup> *Id.* at 78-79.

<sup>53</sup> *Id.* at 52-57.

conclusion in his memorandum that the rates were correctly calculated and that the Company had complied with the LRS Procurement Plan.<sup>54</sup> He was asked about the Division's preference with respect to the distribution of the RGGI credit and stated that a three-month distribution appeared reasonable.<sup>55</sup>

Neither OER, the Attorney General, or the George Wiley Center sponsored any witnesses during the evidentiary hearing.

After cross-examination of the witnesses, the Chairman of the Commission posed a question to counsel for each of the parties, regarding the legal standard that applied in the case relating to whether the Company should be able to obtain cost recovery for the increase in the LRS procurement costs.<sup>56</sup> The Chairman read an excerpt of the pertinent section of the reference law:

Once an acquisition plan is approved by the commission, the electric distribution company shall be authorized to acquire last-resort service supply consistent with the approved acquisition plan and recover its costs incurred from providing last-resort service pursuant to the approved acquisition plan. . . .<sup>57</sup>

The Chairman then asked the parties if everyone agreed that this was the appropriate standard to apply in this case. All parties confirmed agreement.<sup>58</sup> The Chairman then asked if any party was taking the position that the Company had not complied with the LRS Procurement Plan. No party indicated that it was taking such position.<sup>59</sup>

The Commission then inquired with the parties whether anyone had any objection to having the distribution of the RGGI billing credit occur over a three-month period, as recommended by OER. No party objected to using a three-month distribution.<sup>60</sup>

---

<sup>54</sup> *Id.* at 98-104.

<sup>55</sup> *Id.* at 102-103.

<sup>56</sup> *Id.* at 105-106.

<sup>57</sup> R.I. Gen. Laws § 39-1-27.3(c).

<sup>58</sup> Hr'g Tr. at 105-106 (September 20, 2023).

<sup>59</sup> *Id.* at 106.

<sup>60</sup> *Id.* at 112-113.

The Commission asked the parties about the month in which the three-month billing credit could commence. No agreement was reached but the parties indicated that they would consult with each other and inform the Commission prior to its tentatively scheduled Open Meeting of September 26 as to whether there was a consensus to commence in January or December.<sup>61</sup>

On September 22, the Company notified the Commission that the parties had reached a consensus and were recommending that the Commission implement the RGGI credit over three months beginning in December 2023.<sup>62</sup>

#### **IV. Commission's Analysis and Decision**<sup>63</sup>

Without question, rising electric rates impact the lives of consumers, especially those who already cannot afford to pay their bills. These concerns were expressed by many members of the public at the public comment hearing and in written comments. Each of the comments were accompanied with pleas for the Commission to deny the rate increase. Many consumers not familiar with the statutory requirements assume that the Commission has the authority to deny any rate increase being sought by the utility if it will have a negative impact on the ratepayers of Rhode Island. Unfortunately, this assumption is inaccurate. The rate increase being sought in this case arises from the utility's statutory obligation to provide electric supply service to consumers who have not selected a third-party competitive supplier in the market. Rhode Island law imposes an obligation on the utility to provide LRS. In turn, it provides a legal entitlement for the utility to recover its costs for providing the service, with no mark-up for profit, as long as the statutory requirements have been met.

---

<sup>61</sup> *Id.* at 107-109.

<sup>62</sup> RIE's Response to Record Request 6.

<sup>63</sup> The Commission convened at Open Meeting on September 26, 2023, to review the evidence and consider the proposal.

There are very specific laws in Rhode Island that govern Last Resort Service. The specific words of the statute appearing in section 39-1-27.3(c) of Rhode Island General Laws states:

In recognition that electricity is an essential service, each electric distribution company shall arrange for a last-resort power supply for customers who have left the standard offer for any reason and are not otherwise receiving electric service from nonregulated power producers. The electric distribution company shall procure last-resort service supply from wholesale power suppliers.<sup>64</sup>

That is a very clear directive to Rhode Island Energy. The Company must procure Last Resort Service in the wholesale market.

But the statute goes even further, stipulating that an acquisition plan for procurement of power to serve the LRS customers must be filed for approval with the Commission in advance of any purchases. It then includes a very precise and important provision relating to the ability of the utility to recover its costs associated with that procurement, stating:

Once an acquisition plan is approved by the commission, the electric distribution company shall be authorized to acquire last-resort service supply consistent with the approved acquisition plan and recover its costs incurred from providing last-resort service pursuant to the approved acquisition plan.<sup>65</sup>

This statutory language establishes the standard upon which the Commission decides whether to allow the utility to recover the cost of the power or not. We do not have the discretion to deny the cost recovery and require the Company to absorb a loss from the purchase which, in this case, is estimated to be over \$114 million,<sup>66</sup> unless there is substantial evidence in the record that the utility failed to comply with the LRS Procurement Plan, resulting in harm to ratepayers. Regarding the question whether the utility is allowed to recover the costs or be denied the right to recover its costs of the Last Resort Service supply, our authority is limited to inquiring

---

<sup>64</sup> R.I. Gen. Laws § 39-1-27.3(c).

<sup>65</sup> *Id.*

<sup>66</sup> *See* RIE's Response to PUC 1-2. The size of the loss was estimated at \$114.45 million.



whether the utility complied with the approved acquisition plan, even if we have concerns about the impact of rising electricity rates on consumers as we do for this coming winter.

Parties in this case who reviewed the utility's filing also expressed concern about the size of the increase and the impact that it is likely to have on customers who take last resort service this winter. Yet, all the parties that participated in this case – without exception – agreed on the legal standard – that is, if the utility complied with the plan, it is entitled to cost recovery. The language of that law is clear and unambiguous. Neither the Commission nor the parties can ignore it.

The rates being sought for approval in this case were the outcome of a procurement plan undertaken by Rhode Island Energy that was consistent with the statutory requirements. In this case, the Division's review confirmed that Rhode Island Energy complied with the procurement process and affirmed that the company's calculations were accurate. The resulting rates are the direct costs incurred by Rhode Island Energy from carrying out the procurement plan. No party challenged the Company's position, supported by the Division's conclusion that the Company complied with the LRS Procurement Plan, nor was there any evidence in the record to the contrary. The Commission, therefore, finds that the Company's procurements for the Winter Period complied with the LRS Procurement Plan.

As we heard from the evidence presented in the case, the price that the Company passes on to its customers through LRS rates rise and fall based on market forces outside of the control of Rhode Island Energy. Simply put, the rates reflect the costs incurred by Rhode Island Energy in carrying out its obligations – without margin or profit. Accordingly, the proposed rate changes are in complete conformity with the statutory requirements and there is no evidentiary or legal basis to reject them.

Regarding the calculation and design of the LRS rates proposed by the Company, no party raised any concerns and the Division confirmed the calculations. The Commission finds that the rates were calculated correctly and reasonably structured.

One remaining question was the distribution of the RGGI credit. All parties agreed that distributing the credit over three months is reasonable and ultimately recommended a starting month of December. The Commission agrees with that assessment. Accordingly, the Commission authorizes the credit to be implemented over the three-month period commencing in December 2023, subject to reconciliation of the \$3 million at the end of that period as was implemented for the winter of 2022-23 for similar billing credits.

On September 27, 2023, the Company filed a revised electronic version of its compliance filing in accordance with the directives issued by the Commission at the September 26, 2023 Open Meeting. The compliance filing included an updated Tariff R.I.P.U.C. No. 2096, Summary of Rates, reflecting the approved rates for effect on October 1, 2023. The compliance filing also included Tariff R.I.P.U.C. No. 2270, providing that the Company will utilize the RGGI funds to provide monthly bill credits of \$27.66 to customers in the A-60 rate class during the months of December 2023, January 2024, and February 2024.

The Commission reviewed and approved the compliance filing at Open Meeting on September 28, 2023.

Accordingly, it is hereby

(24834) ORDERED:

1. The proposed Last Resort Service retail rates for the Residential and Commercial Groups for the period October 2023 through March 2024 and the proposed Last Resort Service

rates for the Industrial Group for the period October 2023 through December 2023 are approved, effective for usage on and after October 1, 2023.

2. The Commission finds that Rhode Island Energy complied with the Company's Last Resort Service Procurement Plan.
3. The Company is directed to apply and allocate the \$3 million dollars of Regional Greenhouse Gas Initiative credit to low-income customers over the months of December 2023, January 2024, and February 2024, subject to reconciliation.
4. The factors, rates, and adjustments are approved for usage on and after October 1, 2023.
5. The compliance filing, filed on September 27, 2023, is approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2023, PURSUANT TO AN OPEN MEETING DECISIONS ON SEPTEMBER 26, 2023 AND SEPTEMBER 28, 2023. WRITTEN ORDER ISSUED SEPTEMBER 28, 2023.



PUBLIC UTILITIES COMMISSION

*Ronald T. Gerwatowski*

\_\_\_\_\_  
Ronald T. Gerwatowski, Chairman

*Abigail Anthony*

\_\_\_\_\_  
Abigail Anthony, Commissioner

*John C. Revens, Jr.*

\_\_\_\_\_  
John C. Revens, Jr., Commissioner

**NOTICE OF RIGHT OF APPEAL:** Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (7) days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.