

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

**IN RE: INVESTIGATION OF UTILITY MISCONDUCT :
OR FRAUD BY THE NARRAGANSETT ELECTRIC : DOCKET NO. 22-05-EE
COMPANY RELATING TO PAST PAYMENT OF : DOCKET NO. 5189
SHAREHOLDER INCENTIVE :**

SETTLEMENT AGREEMENT

The Narragansett Electric Company d/b/a Rhode Island Energy (the “Company” or “Rhode Island Energy”) and the Division of Public Utilities and Carriers (“Division”) and Peter F. Neronha, Attorney General of the State of Rhode Island (“Attorney General” and together with the Company and the Division, the “Parties” or individually, a “Party”) hereby enter into the within agreement (the “Settlement Agreement”), which is intended to be, and if approved by the Rhode Island Public Utilities Commission (the “Commission” or “PUC”) will be, a full settlement and resolution of all the outstanding contested issues pertaining to the unauthorized practice of “invoice stacking” or out-of-period invoicing, which have been the subject of investigation and inquiry in PUC Docket Nos. 5189 and 22-05-EE and in a summary investigation by the Division (the “Summary Investigation”), as more particularly described in the Report on Investigation of Out-of-Period Invoicing within the Rhode Island Energy Efficiency Program (2012-2021) filed by National Grid USA (“National Grid”) on March 10, 2023, in Docket No. 22-05-EE (the “Investigation Docket”).¹

¹ Report on Investigation of Out-of-Period Invoicing within the Rhode Island Energy Efficiency Program (2012-2021), Docket No. 22-05-EE (Mar. 10, 2023) *available at* https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2023-03/2205-NGrid-Report-on-Investigation_310-2023.pdf (the “Investigation Report”).

The Parties enter into this Settlement Agreement under the following circumstances:

- i. Up until May 25, 2022, and during all times of the unauthorized practice of “invoice stacking” or out-of-period invoicing that is the subject of the Investigation Docket, the Company was owned and controlled by National Grid.
- ii. On May 25, 2022, PPL Rhode Island Holdings, LLC acquired 100 percent of the outstanding shares of common stock of the Company from National Grid at which time the Company became a wholly owned indirect subsidiary of PPL Corporation and began doing business as Rhode Island Energy.
- iii. In or around June 2020, a manufacturer that produced goods distributed through the Company’s Energy Efficiency Program (“EEP”) alleged that, at the end of 2017 and 2018, employees who were administering the Company’s Residential Upstream Lighting program in Rhode Island had requested—indirectly through third-party contract administrators—that the manufacturer delay its submission of certain invoices until the following year.
- iv. National Grid, which owned and controlled the Company at the time, launched an internal investigation of these allegations.
- v. In October 2020, the Company informed counsel to the Division and the Commission of its internal investigation.
- vi. In January 2022, in PUC Docket No. 5189, the Commission approved the Company’s 2022 Annual Energy Efficiency Plan. Through this docket, the Commission and Division initiated an inquiry into the issues of “invoice stacking” or out-of-period invoicing through post-decisional discovery.
- vii. From January to October 2022, credits were made to the energy efficiency fund totaling \$2,422,235 to compensate for the then Company-estimated customer impact of out-of-period invoicing resulting from estimated over-payments of performance incentives to the Company.
- viii. In July 2022, the Commission, through Order. No. 24441, opened the Investigation Docket for the purpose of continuing the investigation of “invoice stacking” or out-of-period invoicing. In April 2024, the Commission issued and Amended Order (Order No. 24970) for the purpose of expanding the scope of the Investigation Docket to address issues of accountability and the potential applicability of penalties.
- ix. On July 14, 2022, the Attorney General intervened in the Investigation Docket.
- x. The Division also later opened the Summary Investigation.
- xi. The Division issued twelve sets of data requests and a request for admissions in the Investigation Docket, and the Commission issued three sets of data requests,

in addition to the post-decisional discovery previously issued by the Division and Commission in PUC Docket No. 5189, to understand and quantify the impact of the conduct that is the subject of the Investigation Docket.

- xii. In addition to the exchange of discovery, the Division, the Company and National Grid have submitted prefiled testimony explaining their positions on the matters that are the subject of the Investigation Docket, and National Grid filed the Investigation Report detailing its assessment of the financial impact of out-of-period invoicing on customers that fund the Company's EEP.
- xiii. The Investigation Report estimates that the actual customer impact of out-of-period invoicing is \$322,660, which is less than the \$2,422,235 already credited to the energy efficiency fund.
- xiv. The Division maintained that the Company is not entitled to any incentive associated with energy efficiency measures reflected in out-of-period invoices and has asserted that the total amount of overpaid performance incentives for EEP years 2012-2021 is \$12,359,808 inclusive of interest. During discovery, the Division determined and agreed that not all of the out-of-period invoices were improper and adjusted its demand accordingly.
- xv. The Parties have asserted their positions in good faith and genuine disputes exist regarding the conduct and financial impact of the matters at issue in the Investigation Docket and the Summary Investigation.
- xvi. The Parties have engaged in good faith arm's length negotiations to reach a resolution that compensates customers for the conduct detailed in the Investigation Report and begins to restore regulatory and public confidence in the integrity of the Company's administration of the EEP.

To resolve the Parties' disputes, the Parties agree to the following terms and agree that these terms are just, fair, reasonable, in the public interest and accord with applicable law and regulatory policy:

- 1) Rhode Island Energy shall credit its customers the total sum of \$10,364,786 as a refund of performance incentive payments received from 2012 through 2021. The Parties acknowledge that, of this amount, \$2,422,235 has already been credited to the energy efficiency fund as detailed in the recitals above and has effectively been returned to customers through the setting of energy efficiency charges to customers based upon the energy efficiency fund balance at the time of the approval of the 2023 Annual Energy Efficiency Plan in PUC Docket No. 22-33-EE.
- 2) In addition, Rhode Island Energy shall bear the expense of the Division's auditing consultants engaged for the Investigation Docket for actual costs and expenses in an amount not more than \$35,000.00 and shall not seek to recover those costs from customers.

- 3) The parties agree that the remaining funds to be credited to customers, in the amount of \$7,942,551, shall be recorded as a reduction to the Storm Contingency Fund balance, which currently is in a deficit position. [See Commission Report and Order No. 23582 (issued May 14, 2019) in Docket No. 4686, at 2-4, for a brief history of the Storm Contingency Fund.]
- 4) Rhode Island Energy shall implement the substantial equivalent of the corrective measures set forth at Section V of the Investigation Report or reach agreement with the Parties that it has implemented suitable alternative corrective measures. Rhode Island Energy agrees to work with the Division and Commission to demonstrate the adequacy of these corrective and preventative measures. In addition, each year, the Company shall file evidence of ongoing employee training on the issue of proper accrual and accounting as part of its annual EEP Plan.
- 5) In the event that Rhode Island Energy continues to administer Rhode Island's EEP, Rhode Island Energy shall fund a Division-directed audit of the EEP, including savings, for each of the next five program years, unless the Division is satisfied earlier that such audits are no longer necessary. The auditors shall be selected by the Division and the audit expenses shall be paid by Rhode Island Energy and Rhode Island Energy shall not seek to recover such costs from customers.
- 6) Commencing with the current program year, Rhode Island Energy will not object to a Division request seeking Commission review of any annual Energy Efficiency Year-End Report. Further Rhode Island Energy will agree to not collect an energy efficiency performance incentive until the Commission has approved the same or has otherwise indicated that such review and/or advance approval is not required.
- 7) Commencing with the current program year, Rhode Island Energy shall secure and then store all records of the EEP and shall not permit third-party processors or implementers exclusive control over any documentation. If necessary, Rhode Island Energy shall seek to amend its existing contractual arrangements with its vendors to achieve this result.
- 8) This Settlement Agreement is the result of negotiations among the Parties. The discussions that have produced this Settlement Agreement have been conducted on the explicit understanding that all offers of settlement and discussions relating hereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or other proceedings involving any one or more of the parties to this Settlement Agreement or otherwise. The agreement by a Party to the terms of this Settlement Agreement shall not be construed as an agreement as to any matter of fact or law for any other purpose.
- 9) Unless expressly stated herein, the making of this Settlement Agreement establishes no principles and shall not be deemed to foreclose any Party from making any contention in any other proceeding or investigation.

- 10) This Settlement Agreement is submitted on the condition that it be approved in full by the Commission pursuant to 810-RICR-00-00-1.25 ("Rule 1.25"). In the event that the PUC does not approve the Settlement Agreement in its entirety as filed or accepts this Settlement Agreement subject to conditions unacceptable to any Party hereto, then this Settlement Agreement shall be deemed withdrawn, shall not constitute a part of the record in any proceeding or be used for any purpose, and shall be null and void in all respects (except this Paragraph 10), unless all Parties agree to the PUC's modifications. The Parties reserve their rights under Rule 1.25 in the event the Commission declines to approve this Settlement Agreement in its entirety as entered into by the Parties or imposes terms and/or conditions upon any approval that are not expressly contemplated herein.
- 11) Upon approval of this Settlement Agreement by the Commission, the captioned dockets and the Division's Summary Investigation shall be closed.
- 12) The Parties will cooperate in seeking approval of this Settlement Agreement by the Commission and will not seek or support any modification to the terms hereof or the imposition of any term or condition to approval not expressly contemplated herein.
- 13) This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one in the same document and will be binding on each Party when the counterparts have been executed.

[Signature Page Follows]

In witness whereof, we set our hands this _____ day of March, 2025.

Rhode Island Division of Public Utilities and Carriers

By: 
Linda D. George, Administrator

PETER F. NERONHA
ATTORNEY GENERAL OF RHODE ISLAND

The Narragansett Electric Company d/b/a Rhode Island Energy

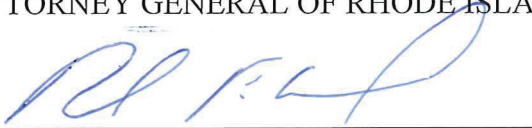
By: _____
Name: _____
Its: _____

In witness whereof, we set our hands this _____ day of March, 2025.

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

By: _____
Linda D. George, Administrator

PETER F. NERONHA
ATTORNEY GENERAL OF RHODE ISLAND



THE NARRAGANSETT ELECTRIC COMPANY
D/B/A RHODE ISLAND ENERGY

By: _____
J. Gregory Cornett, President – Rhode Island

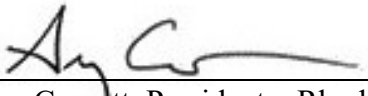
In witness whereof, we set our hands this _____ day of March, 2025.

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

By: _____
Linda D. George, Administrator

PETER F. NERONHA
ATTORNEY GENERAL OF RHODE ISLAND

THE NARRAGANSETT ELECTRIC COMPANY
D/B/A RHODE ISLAND ENERGY

By:  _____
J. Gregory Cornett, President – Rhode Island