

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: The Narragansett Electric Company
d/b/a Rhode Island Energy Application for
Approval of a Change in Electric and Gas
Base Distribution Rates

Docket No. 25-45-GE

POST-HEARING MEMORANDUM OF
CONSERVATION LAW FOUNDATION

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TABLE OF CONTENTS

I.	Introduction.....	1
II.	The Legal Standard Applicable to the Company’s Application	1
	a. Rates must be just and reasonable, and recovered costs must be prudently incurred.	1
	b. The Company bears the burden of proof, but CLF has raised serious doubts as to the prudence of line extension allowances.....	2
	c. The Commission has a duty to consider and further the purposes of the Act on Climate.....	3
III.	The Commission Should Order the Elimination of Gas Line Extension Allowances for All New Customer Connections	4
	a. The formula that the Company uses to calculate line extension allowances is not fit for purpose, and is systematically overestimating consumption and benefits to existing ratepayers.	5
	b. There is an unacceptable risk that revenues from new customers will not offset the cost of line extension allowances.....	7
	c. Ending line extension allowances saves ratepayers money now and protects them from stranded costs in the future.....	9
	d. Ending line extension allowances is consistent with the Docket 4600 goals and principles.....	10
	e. Ending line extension allowances will not impact customer choice or the Company’s duty to serve.....	12
	f. Ending line extension allowances is consistent with the Commission’s duty under the Act on Climate and with state climate policy.	13
IV.	Heat Pump Rate Proposed Settlement	16
V.	Time-Varying Rates	16
VI.	Integrated Planning	17
VII.	Conclusion	18

I. Introduction

Conservation Law Foundation (“CLF”) respectfully asks that the Commission:

- 1) Order the elimination of gas line extension allowances for all new customer connections;
- 2) Approve the proposed settlement of the heat pump rate issue;
- 3) Order the Company to implement a time-varying rate pilot within one year of the conclusion of this case; and
- 4) Order the Company to incorporate forward-looking integrated gas-electric planning into its existing planning processes.

As explained herein, these actions align with established principles of ratemaking and utility regulation as well as climate policy. By taking these actions, the Commission can further the state’s commitments under the Act on Climate while protecting ratepayers in a time of rising energy costs.

II. The Legal Standard Applicable to the Company’s Application

a. Rates must be just and reasonable, and recovered costs must be prudently incurred.

Under Rhode Island law, utility rates must be just and reasonable. “The rate . . . collected by any public utility . . . shall be reasonable and just, and every unjust or unreasonable charge for the service is prohibited and declared unlawful[.]” R.I. Gen. Laws § 39-2-1(a). “[W]hat is important, and indeed decisive, in a rate case, is not the methods or formulae utilized in the rate-making process, but whether the end result, irrespective of the formula used, is just and reasonable.” *Rhode Island Consumers’ Council v. Smith*, 111 R.I. 271, 280 (1973).

Costs recovered by utilities from ratepayers must also be prudently incurred. Prudence review is regulation’s substitute for competitive forces. As one state regulatory agency explained: “If a competitive enterprise tried to impose on its customers costs from imprudent actions, the

customers could take their business to a more efficient provider. A utility's ratepayers have no such choice. A utility's motivation to act prudently arises from the prospect that imprudent costs may be disallowed." *In Re Long Island Lighting Co.*, 71 P.U.R. 4th 262, 1985 WL 258217 (N.Y. Pub. Serv. Comm'n 1985).

Neither Rhode Island statutes nor case law prescribe precise methods or formulas to determine what is just, reasonable, and prudent. The Commission has discretion in how it makes such determinations, and the authority to "adopt reasonable rules and regulations governing the procedure to be followed in any matter that may come before it for a hearing." R.I. Gen. Laws § 39-1-11. Importantly, the Commission has issued guidance on how it will evaluate rates, rate design, and program proposals with associated cost recovery. *See* R.I. Pub. Utils. Comm'n, Docket No. 4600-A PUC Guidance Document (Oct. 27, 2017) ("Docket 4600-A Guidance Document"). In the Docket 4600-A Guidance Document, the Commission enumerates goals that will be considered in evaluating proposals, as well as principles to be applied in assessing the reasonableness of rate design. These goals and principles are applicable to issues in the instant case, and are discussed *infra*.

b. The Company bears the burden of proof, but CLF has raised serious doubts as to the prudence of line extension allowances.

"[T]he burden of proof to show that the increase is necessary in order to obtain a reasonable compensation for the service rendered shall be upon the public utility[.]" R.I. Gen. Laws § 39-3-12. This section "unequivocally provides that at 'any hearing' requesting a rate increase, the public utility has the burden of proving that the increase is necessary." *In re Providence Water Supply Board's Application to Change Rate Schedules*, Docket 4061, Order No. 20159 (R.I. Pub. Utils. Comm'n 2010). In Rhode Island, "a utility has an affirmative burden

of production and proof on the reasonableness and necessity of the elements, which make up its request for a rate increase.” *Providence Gas Co. v. Malachowski*, 656 A.2d 949, 951 (R.I. 1995).

Assuming *arguendo* that the Commission were to apply a burden shifting framework, CLF has met its burden and produced evidence raising serious doubts as to the prudence of continued funding of line extension allowances. *See, e.g., Anaheim, Riverside, Banning, Colton & Azusa, Cal. v. FERC*, 669 F.2d 799, 809 (D.C. Cir. 1981) (“[W]here some other participant in the proceeding creates a serious doubt as to the prudence of an expenditure, then the applicant has the burden of dispelling these doubts and proving the questioned expenditure to have been prudent.”).

c. The Commission has a duty to consider and further the purposes of the Act on Climate.

In its review of the instant application, the Commission also has the duty to consider Rhode Island’s Act on Climate statute, which mandates statewide greenhouse gas (“GHG”) emissions reductions of 45% below 1990 levels by 2030, 80% by 2040, and net-zero emissions by 2050. R.I. Gen. Laws § 42-6.2-2(a)(2). Under the Act on Climate, addressing climate impacts falls within the “powers, duties, and obligations” of all state agencies, and each agency is required to “exercise among its purposes in the exercise of its existing authority” the purposes of the Act on Climate “pertaining to climate change mitigation, adaptation, and resilience in so far as climate change affects its mission, duties, responsibilities, projects, or programs.” R.I. Gen. Laws § 42-6.2-8. State agencies have acknowledged this duty and exercised this power in contested cases. *See, e.g., R.I. Energy Facility Siting Bd. Order No. 156* (Docket No. SB-2021-04) at 13 (stating that “[p]ursuant to R.I. Gen. Laws § 42-6.2-8, the Board is obligated to address the impacts of climate change when exercising its authority.”).

III. The Commission Should Order the Elimination of Gas Line Extension Allowances for All New Customer Connections

Under the Rhode Island Energy's (the "Company" or "RIE") gas line extension allowance ("LEA" or "allowance") policy, contained in tariff RIPUC RIE-GAS No. 101, existing utility customers bear some or all of the cost of connecting new customers to the system. This policy has been accepted as a prudent use of ratepayers' money based on an understanding that continued stable growth would be mutually beneficial to new and existing customers, and that the new customers' revenues would offset the costs imposed on other ratepayers. These premises are being eroded by changes in markets, technology, and policy.

Evidence in this case demonstrates that:

- The formula that the Company uses to calculate line extension allowances is systematically overestimating new customers' consumption, and therefore benefits to existing ratepayers;
- There is an unacceptable risk that revenues from new customers will not offset the cost of line extension allowances;
- Ending line extension allowances will save ratepayers money now and protect them from stranded costs in the future;
- Ending line extension allowances is consistent with the Docket 4600 goals and principles;
- Ending line extension allowances will not impact customer choice or the Company's duty to serve.
- Ending line extension allowances is consistent with the Commission's duty under the Act on Climate and with state climate policy.

Taken together, the evidence shows that gas line extension allowances are no longer a just, reasonable, or prudent use of ratepayer funds. The Commission should therefore order the elimination of gas line extension allowances for all new customer connections.

- a. The formula that the Company uses to calculate line extension allowances is not fit for purpose, and is systematically overestimating consumption and benefits to existing ratepayers.**

A line extension allowance is a utility's financial contribution to cover some or all of the costs associated with extending gas service to a new customer. *See* CLF Ex. 4, p. 16.¹ A contribution in aid of construction ("CIAC") represents the remaining connection cost that must be paid upfront by the customer when the allowance is insufficient to cover the full cost. *See id.* When a utility's economic analysis indicates that projected future revenues from the new customer will equal or exceed the cost of the extension, the full cost is covered by the allowance, and the customer pays no CIAC. When projected revenues fall short of costs, the customer must pay the difference as a CIAC. *See id.* at 17.

The Company's economic test for determining LEAs and CIACs relies on two interconnected spreadsheet models—a Gas Bill & Margin Calculator ("GBC") and an RI-G CIAC Model. *See* RIE Ex. 38, p. 3.² These models use outdated consumption assumptions, stale cost inputs, and have not been validated against actual outcomes. *See* CLF Ex. 4, *supra* note 1, at 27-42. The result is that the test systematically overstates the revenue new customers will generate and understates the costs of serving them. This produces inflated allowances and understated CIACs. These models have been used since 2017, and despite significant changes in customer options, building codes, and climate policy in the intervening years, the Company has confirmed that many of the models' key inputs have not been updated. *See id.* at 29; RIE Ex.

¹ Pre-filed Direct Testimony of Michael Walsh, *available at* https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-04/MJW%20Public%20Redacted%20Testimony%20FINAL_0.pdf. Per the Commission's request, all citations to exhibit page numbers refer to PDF page numbers, even when citing to pages of schedules following main exhibits.

² RIE's Responses to the CLF's First Set of Data Requests, CLF 1-1, *available at* <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-03/25-45-GE%20RIE%20Resps%20to%20CLF%20Set%201%20%28Book%201%29.pdf>.

38, *supra* note 2, at 3, 28. Among the inputs that has not been adjusted since 2017 is inflation. June 12, 2026 Transcript, p. 209, lines 14-17.

Importantly, the models are likely to significantly overestimate customer consumption. The GBC Model does not reflect the decreased usage that has been measured since the models were created, or newer, more efficient building codes that limit consumption in new construction. *See* CLF Ex. 4, *supra* note 1, at 32-33. The model is likely to overestimate consumption for non-heating customers as well, as it fails to account for increased efficiency in home appliances. *Id.* at 33-34. The CIAC Model includes outdated construction cost estimates, and may routinely exclude significant cost components. *Id.* at 37-38. Neither model has been validated against actual outcomes, and the Company has stated that it sees no need to do so. RIE Ex. 38, *supra* note 2, at 60-61.

The cumulative effect is a test that systematically produces inflated allowances and understated CIACs—resulting in approximately 90% of new connections receiving full waivers, financed by existing ratepayers. *Id.* at 43-49. The models could be updated to include more up-to-date and accurate consumption assumptions, and the Company has said that it will update the models after the conclusion of the rate case. June 12, 2026 Transcript, p. 210, line 20 – p. 211, line 9. However, merely updating the models’ inputs would be inadequate for two reasons. Firstly, “the models’ underlying architecture—built for an era of predictable, high-volume gas consumption—is poorly suited to a market increasingly characterized by high-efficiency equipment, hybrid systems, and limited-use connections.” CLF Ex. 4, *supra* note 1, at 42. Secondly, as discussed in the following section, the economic, policy, and technological assumptions that justified using ratepayer money to fund LEAs in the past no longer hold, and LEAs are thus no longer a just, reasonable, or prudent use of ratepayer money.

b. There is an unacceptable risk that revenues from new customers will not offset the cost of line extension allowances.

The utility ratemaking principle of “cost causation” dictates that “in typical circumstances the consumers causing the costs to be incurred should be responsible for paying the costs associated with their energy consumption” *In re The Narragansett Electric Company d/b/a National Grid Distribution Adjustment Charge and Gas Cost Recovery*, Dockets No. 5040 and 5066, Order No. 23963 (R.I. Pub. Utils. Comm’n 2021). Under the LEA policy, existing ratepayers are made to pay some or all of the upfront costs of new connections to the gas system. The allowance represents a financial commitment made on behalf of all existing customers based on the expectation that the new customer's future revenues will offset this cost over time. *See* CLF Ex. 4, *supra* note 1, at 16. “If . . . the future revenues are expected to be insufficient to offset the cost, the customer owes that difference The rationale is that the new customer should not be charged for interconnection costs if those costs are lower than the expected additional revenues the company expects to receive. Customers benefit from more usage across which to spread capital costs.” *In re Petition of the Episcopal Diocese of Rhode Island for Declaratory Judgement on Transmission System Costs and Related “Affected System Operator” Studies*, Docket No. 4981, Order No. 23811 (R.I. Pub. Utils. Comm’n 2020).

The allowance thus functions in practice as an investment made on behalf of existing customers. Existing ratepayers pay for the new customer’s connection to the system, but there is an expectation that they will see a return on their investment. If the new customer consumes gas as projected and remains on the system for the assumed payback period, the new customer's revenues should, in theory, offset the costs imposed on other ratepayers. However, if the new customer uses less gas than projected, or departs the system before the payback period concludes, existing customers bear the shortfall. *See* CLF Ex. 4, *supra* note 1, at 17.

Today, ongoing and projected changes in markets, technology, and policy are creating a significant and increasing risk that customers will bear such a shortfall as revenue collected from the new customers fails to match the projections used to calculate LEAs. Firstly, gas is going to get more expensive. In the Technical Analysis Report produced in PUC Docket No. 22-01-NG (the “Future of Gas” docket), per-therm gas delivery costs increase substantially under all modeled scenarios. *Id.* at 43, 156. Even under the "Continued Use of Gas" scenario, per-therm delivery costs more than double in real (2023-dollar) terms by 2050. *Id.* The Technical Report also shows that under all scenarios, gas customers will face higher residential monthly energy bills than all-electric customers by 2034. *Id.* at 182.

This means that the competitive rationale for connecting new customers to gas will erode over the same period during which the allowance-funded infrastructure investments are being recovered through rates. A new customer connected today under a 15-year payback assumption will experience delivery rate increases that make gas service progressively less economical relative to electric alternatives—increasing the likelihood of reduced consumption or early departure from the system. *See id.* at 44-45. As more customers choose other technologies like electric heat pumps, most of the costs of the gas system will be shifted to fewer remaining gas customers. This dynamic will only reinforce the dynamic of spiraling gas rates, driving more customers from the system. *See id.* at 177-184.

There are also market and policy factors that will reduce gas consumption among customers who continue to use the system. Both new buildings and new appliances will continue to become more efficient and require less gas. In 2023, the Rhode Island General Assembly mandated adoption of the 2024 International Energy Conservation Code. *See* R.I. Gen. Laws § 23-27.3-100.1.5.4. A study of comparable building code changes in another state showed gas

consumption reductions of 15 to 18 percent driven by more robust building envelope requirements. *See* CLF Ex. 4, *supra* note 1, at 48. The new building code also requires electric-ready construction, meaning that it will be easier for gas customers in new buildings to convert—whether they fully transition away from gas or just replace individual appliances. A customer who remains on the system but begins using electric appliances—by purchasing an electric stove, water heater, or dryer, or purchasing a heat pump and retaining gas only as a back-up fuel—will use less gas. *Id.* at 49-50. As discussed in Section III(f), *infra*, Rhode Island has made a binding commitment to reduce its GHG emissions, and ultimately achieve net-zero emissions by 2050. It is likely that in the coming decades the state will implement additional policies to incentivize Rhode Islanders to reduce their usage of fossil fuels like gas.

Ratepayers bear the risk that revenue collected from the new customers will fail to match projections. When new connections do not produce expected revenues, ratepayers absorb the loss. The Company faces no such risk; it earns its authorized return on this investment regardless of whether the new customer uses gas as projected. The utility's investors face no downside risk because their return is guaranteed through rates. *See id.* at 50-51. Customers don't get to choose whether or not they assume this risk, which is why the Commission's oversight is so important.

c. Ending line extension allowances saves ratepayers money now and protects them from stranded costs in the future.

The most immediate impact of ending LEAs for new connections would be to lower bills for existing customers. Based on the available data, the total contribution to the rate base for service extensions was \$9.6 million in 2024 and \$10.6 million in 2025. This value excludes the costs of main extensions. During these periods, total CIACs were \$552,000 and \$381,000. *See id.* at 26; RIE Ex. 38, *supra* note 2, at 44-49. While eliminating LEAs would produce relatively modest bill reductions per customer in the short term, it could help to mitigate spiraling system

costs in the long term. The Future of Gas Technical Report notes that “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 18% by 2050 compared to a reference scenario.” CLF Ex. 4, *supra* note 1, at 148. The Report also found that “managed transition” strategies—primarily focused on limiting new capital investment, including avoiding new connections and deferring pipe replacement—can modestly reduce rate impacts on existing customers. *Id.* at 151-158. The inclusion of these strategies in the Report demonstrates that increased scrutiny of new gas system investment is consistent with prudent regulation of gas system expenditures. *See id.* at 45.

As customers depart the gas system in coming decades, there is a serious risk that remaining customers will be left to bear significant stranded costs. According to the Future of Gas Technical Report, “[a]bsent changes in policy, \$2.6 billion in unrecovered rate base may still be present in 2050 in scenarios with high levels of customer departures.” *Id.* at 92. Every new gas connection adds to the capital investment embedded in the gas system's rate base. This investment must be recovered from ratepayers over the useful life of the asset. New customer service lines have a depreciation rate of 3.05%, implying a depreciation life greater than 30 years and past the Act on Climate's net-zero deadline. RIE Ex. 38, *supra* note 2, at 67-69; CLF Ex. 4, *supra* note 1, at 55. Each additional dollar of allowance-funded investment added to the rate base increases the stranded cost that existing and future ratepayers must bear.

d. Ending line extension allowances is consistent with the Docket 4600 goals and principles.

Ending LEAs would further a number of the goals and principles set forth in the Docket 4600-A Guidance Document. Most obviously, ending LEAs would help to “[a]ddress the challenge of climate change and other forms of pollution,” and “ensure consistency with policy

goals.” *See* Docket 4600-A Guidance Document. As explained in Section III(f), *infra*, it would help reduce GHG emissions and bring the state closer to meeting its commitments under the Act on Climate. It would also reduce emissions of other air pollutants, improving both indoor and outdoor air quality. According to the state’s 2025 Climate Action Strategy: “These pollutants contribute to premature death, cardiovascular illnesses, and respiratory diseases like asthma. Their impacts are felt most strongly in low-income and disadvantaged communities, where exposure levels are often higher and underlying health vulnerabilities may be greater. By reducing fossil fuel combustion through decarbonization, pollutant levels in Rhode Island are expected to decrease, leading to meaningful improvements in public health.” CLF Ex. 3, p. 166.³

Eliminating LEAs will also address the significant and increasing risk that revenue collected from new customers fails to match the projections used to calculate LEAs, leaving existing customers to bear the shortfall. Avoiding this potential loss for existing customers will help to ensure that we “[a]ppropriately charge customers for the cost they impose on the grid,” and “[e]nsure that all parties should provide fair compensation for value and services received and should receive fair compensation for value and benefits delivered.” *See* Docket 4600-A Guidance Document.

Finally, ending line extension allowances both furthers the goal of “align[ing] distribution utility, customer, and policy objectives and interests through the regulatory framework, including rate design, cost recovery, and incentives,” and accords with the principle that rate structures should be “based on whether they encourage or discourage appropriate investments that enable the evolution of the future energy system.” Ending a subsidy that encourages Rhode Islanders to

³ Pre-filed Direct Testimony of Larry Chretien, Schedule LC2, *Rhode Island 2025 Climate Action Strategy*, available at https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-04/LC%20Witness%20Testimony%20FINAL-_0.pdf.

make long-term commitments to fossil fuel heating equipment and grow the gas system will help to align customer and utility interests with state climate policy, and limit rising system costs. Understanding that system costs will grow and that Rhode Islanders will need to transition away from the gas system to meet our climate commitments, it is clear that ending LEAs will move us towards the future energy system that we want to create. It will therefore also “[p]romote economic efficiency over the short and long term,” and “[p]rovide efficient price signals that reflect long-run marginal cost.” *See* Docket 4600-A Guidance Document.

e. Ending line extension allowances will not impact customer choice or the Company’s duty to serve.

Eliminating LEAs would not prevent prospective customers from choosing to connect to the gas system, it would merely make those prospective customers—rather than existing ratepayers—bear the costs of connection. As the Maryland Public Service Commission explained in its decision ordering the end of LEAs: “The Commission is not removing customer choice by eliminating the gas line extension subsidies. Customers may continue to elect their choice of fuel. This new direction is a neutral stance, neither subsidizing nor discouraging new gas extensions.” Md. Pub. Serv. Comm’n Order No. 91683. Ending LEAs would also clearly not violate the Company’s duty to serve. A duty to serve is not a duty to subsidize or provide a free connection. *See* July 9 Transcript, p. 50, lines 15-24. Ending LEAs would also not have any effect on safety or reliability of service for gas customers. *See id.* at p. 51, lines 13-16.

While prospective gas customers would lose potential subsidies, that does not justify forcing ratepayers to provide subsidies that do not return a benefit to them. It is not just and reasonable to ask ratepayers to fund programs that don’t benefit them, even if there is a benefit for a third party. This is why new customers are charged a CIAC when future revenues are expected to be insufficient to offset the cost of their connection.

During the final hearings, Commission counsel raised the potential concern that LEAs could be ended too suddenly and with too little warning to potential gas customers, some of whom may already be in the process of procuring a gas connection. If the Commission does order the elimination of LEAs, CLF would not be opposed to a brief delay before the policy goes into effect. However, it is important that any such delay be defined and limited—e.g., a period of six months before LEAs are no longer available. Given the importance of protecting ratepayers from the risk that their investments will not be recovered, and the limited time that Rhode Island has to meet its Act on Climate commitments, this issue must be addressed promptly and completely.

f. Ending line extension allowances is consistent with the Commission’s duty under the Act on Climate and with state climate policy.

In Rhode Island, residential, commercial, and industrial heating, including associated leaks from the gas distribution system, account for just over a third of statewide GHG emissions. *See* CLF Ex. 3, *supra* note 3, at 99. Decarbonizing Rhode Island’s heating sector is thus a large and important part of achieving the mandates of the Act on Climate, which requires GHG emissions reductions of 45% below 1990 levels by 2030, 80% by 2040, and net-zero emissions by 2050. R.I. Gen. Laws § 42-6.2-2(a)(2). In Rhode Island, a majority of homes and businesses are heated with gas. *See* CLF Ex. 4, *supra* note 1, at 106. Gas is, of course, a fossil fuel that produces GHG emissions when burned. Significantly reduced gas consumption is therefore a recognized and necessary condition of compliance with the Act on Climate. *See id.* at 52, 142.

It is important to emphasize that while the Commission has not issued its final report and recommendations in the Future of Gas docket, and while there are open questions as to the exact set of policies that the state will or should pursue to decarbonize the heating sector, it is very clear that Rhode Island will need to decrease consumption of fossil heating fuels like gas and

transition to greater use of cleaner heating technologies like electric heat pumps and appliances. The Technical Analysis Report produced in the Future of Gas docket, which analyzed six pathways to achieving the emissions reductions required by the Act on Climate, notes that “[a]ll scenarios imply a transformation of the role and use of the gas distribution system.” *Id.* at 92. Gas throughput declines between 45-95% across the modeled scenarios. *Id.* According to the Report: “Energy efficiency and building electrification are a critical component of gas system decarbonization. Across scenarios, between 50-100% of buildings are assumed to electrify to comply with the Act’s targets.” *Id.* This means that even in the Report’s “Continued Use of Gas” scenario, by 2050 gas consumption will decline by 45%, and 50% of homes will rely at least in part on electric heat.

Reducing gas consumption, which will include electrifying many existing buildings that are currently heated with gas, already represents a significant policy challenge. Each time we connect another home or business to the gas system, we add to that challenge, creating one more building that needs to be converted in less than 24 years. LEAs lower the upfront cost for new customers to connect to gas. For a typical residential home, this can amount to several thousand dollars or more, making gas financially more appealing than electric alternatives. *See id.* at 54-55. LEAs, as the Company acknowledges, incentivize consumers to choose to connect to the gas system. June 12, 2026 Transcript, p. 215, line 22 – p. 216, line 14. This incentive is inconsistent with the Act on Climate, and makes the state’s climate commitments more difficult to achieve.

Ending LEAs would also be consistent with state climate planning and the actions of the General Assembly. The state’s most recent Climate Action Strategy, published in December 2025, presents a policy pathway that includes significantly reduced gas consumption and widespread electrification, and is clearly consistent with ending incentives for new gas

connections. It assumes 100% heat pump adoption by 2050 in its modeling of a scenario in which Rhode Island meets the requirements of the Act on Climate, and offers all-electric construction of new buildings and heat pump incentives as potential near-term carbon reduction strategies. *See* CLF Ex. 3, *supra* note 3, at 96, 141, 145. During the 2026 legislative session, the Rhode Island Senate showed specific interest in potential changes to LEA policy, requesting that the Commission “examine the impacts and continued use of gas line extension allowances as part of Docket 25-45-GE and determine whether changes to such allowances are advisable[.]” S. Res. 2354-A (R.I. 2026).

Several other states have already eliminated or taken steps towards eliminating LEAs. *See* CLF Ex. 4, *supra* note 1, at 21. These decisions have been driven at least in part by climate policy, as states attempt to reduce their GHG emissions and comply with statutes analogous to Rhode Island’s Act on Climate. Some states have acted through legislation. *See, e.g.*, Colo. S.B. 23-291 (2023), N.Y. S.B. 8417/A.B. 8888 (2025). In other states actions have been taken directly by utility regulators, either through promulgation of regulations or in rate case decisions. *See, e.g.*, Mass. Dep’t of Pub. Utils. Order No. 20-80-E (2025); Md. Pub. Serv. Comm’n Order No. 91683. In its decision ordering the end of LEA’s, the Maryland Public Service Commission found that “[t]o the extent that subsidies encourage more natural gas production and use, they are inconsistent with the goals set by [Maryland’s climate law].” *Id.* at 8. The Commission also explained how this policy change was consistent with traditional ratemaking principles: “Basic cost causation principles dictate that to the degree possible, the entity causing the cost should be the entity that bears the cost. Given the relatively short time horizon for achieving net-zero emissions status, there are legitimate issues concerning whether any investment in new gas

service and main line extensions will be fully recovered through rates over the lifetime of those facilities.” *Id.* at 9.

IV. Heat Pump Rate Proposed Settlement

In this case, CLF proposed a new rate for customers who utilize electric heat pumps based on the proposition that such a rate would mitigate inequities within the residential rate class. CLF submitted pre-filed testimony in support of its rate proposal. CLF and the Company have arrived at a proposed settlement on this issue, in which the Company has agreed to submit a Demand Side Management Investment Proposal with the Commission consistent with the applicable Least Cost Procurement Standards. *See* Joint Ex. 1.⁴ The Company has also agreed to file a study that evaluates the extent to which there are differences in cost causation for heat pump customers and other customers. *Id.* at 2-3. In the proposed settlement, the Company says that while it “disagrees with CLF’s position, it recognizes potential value to all customers in providing benefits to heat pump customers.” *Id.* at 1. We believe that the proposed filing and its consideration by the Commission represent a valuable opportunity to explore how we can encourage the adoption of clean electric heat pumps while providing benefits to all ratepayers, and we respectfully ask that the Commission approve the proposed settlement.

V. Time-Varying Rates

Time-Varying Rate (“TVR”) programs allow utilities to align price signals with cost causation by charging higher rates during peak periods and lower rates during off-peak periods. As explained by Mark Ewen in his testimony on behalf of the Office of the Rhode Island Attorney General, “[t]his can incentivize customers to shift or reduce usage, thereby improving

⁴ Proposed Settlement on Heat Pump Rate (RIE/CLF), *available at* <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-06/25-45-GE-Heat%20Pump%20Settlement%20-%20Added%20Signatures%20%28PUC%206-9-2026%29.pdf>.

system efficiency, lowering peak demand, and potentially deferring future capital investment. RIAG Ex. 4, p 13.⁵ TVR can be an important tool for reducing system costs, enhancing energy efficiency and demand-side management programs, and reducing GHG emissions.

The Company has not proposed implementing a TVR pilot in this docket, saying that it plans to propose one in the future. In order to ensure that this work moves forward expeditiously, the Commission should order the Company to submit a proposal for either a pilot or some other type of lower-risk, carefully measured program one year from the conclusion of this rate case. If any advanced recovery of costs related to TVR implementation is granted, including for consultants, studies, or software, it should be conditioned on achievement of specific accountability metrics related to planning and implementation.

VI. Integrated Planning

The Commission should require that the Company incorporate forward-looking integrated gas-electric planning into its existing planning processes. As explained in the testimony of Benjamin Butterworth on behalf of the Office of the Rhode Island Attorney General, integrated planning is “the intentional consolidation, in part or in whole, of gas and electric delivery planning processes into a single, joint energy delivery planning process that intends to holistically maximize the efficiency and value of the energy delivery system while under the constraint of reducing greenhouse gas emissions to allow compliance with Rhode Island statute.” RIAG Ex. 1, p. 21.⁶ Such planning can minimize energy delivery costs to ratepayers, particularly as the state seeks to decarbonize its energy systems. Rhode Island is

⁵ Pre-filed Direct Testimony of Mark Ewen, *available at* https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-04/2026.04.16%20Direct%20Testimony%20of%20Mark%20Ewen_RIAG%20%28Bates%20001%20-%20023%29.pdf.

⁶ Pre-filed Direct Testimony of Benjamin Butterworth, *available at* https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-04/2026.04.16%20Direct%20Testimony%20of%20Benjamin%20Butterworth_RIAG%20%28Bates%20001%20-%20033%29.pdf.

especially well positioned to benefit from integrated planning. “As a joint gas-electric utility with wholly contained energy distribution territories, RIE has several advantages that raise the value of integrated gas-electric planning.” *Id.*

VII. Conclusion

For the foregoing reasons, CLF respectfully asks that the Commission: (1) order the elimination of gas line extension allowances for all new customer connections; (2) approve the proposed settlement of the heat pump rate issue; (3) order the Company to implement a time-varying rate pilot within one year of the conclusion of this case; and (4) order the Company to incorporate forward-looking integrated gas-electric planning into its existing planning processes.

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CERTIFICATE OF SERVICE

I hereby certify that on July 30, 2026 a copy of this document was sent by electronic mail to the parties on the Service List as of June 1, 2026. Five (5) hard copies shall follow by US Postal Service. Additional paper copies can be provided upon request.

/s/ James Crowley