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**
IN RE: PROPOSAL TO CHANGE RATE ACCOUNTING AND ISSUE BILL CREDITS RELATING TO A COMMITMENT TO HOLD CUSTOMERS HARMLESS FROM AN ACQUISITION-RELATED INCREASE IN RATES	:	**DOCKET NO. 25-33-GE**

THE ATTORNEY GENERAL OF THE STATE OF RHODE ISLAND'S POST-HEARING MEMORANDUM

NOW COMES Peter F. Neronha, Attorney General of the State of Rhode Island ("Attorney General"), and hereby provides the within post-hearing memorandum in the above-captioned docket[1] currently pending before the Rhode Island Public Utilities Commission ("Commission"). As explained in greater detail below, while The Narragansett Electric Company d/b/a Rhode Island Energy ("Company") has expended substantial resources in attempting to secure an increase in base distribution rates for its gas and electric services, the Company has failed to adequately justify burdening the people of Rhode Island with the significant financial weight of those proposed increases.

I. Introduction

In this docket, the Company filed an application on November 26, 2025, seeking increased electric and gas base distribution rates over two years pursuant to Rhode Island General Laws §§ 39-3-10, 39-3-11. This is the Company's first application for a change to base rates since 2017 and its first under PPL ownership, in part because of a stayout secured by the Attorney General through

[1] For the purposes of this memorandum, the singular term "docket" will refer to the now-merged Commission Docket Nos. 25-45-GE and 25-33-GE.

the settlement reached with the Company and PPL at the time of the Company's sale in 2022.

Although the Company has not filed a rate case in years, it has had ample ability to recover on planned investments through the annual Infrastructure, Safety and Reliability dockets and other mechanisms.[2] The stability of base distribution rates for years is not a reason to increase distribution rates now, and simply filing a rate case should not inexorably lead to an increase. Nor should the Company's reasonable return be set to hedge against the Company's own inefficiencies and potential underachievement. The widespread issues with the Company's customer service and billing systems should not be rewarded.[3] In fact, during a rate case, the Commission may disapprove any increase or conclude that a *reduction* in rates may be more appropriate given the services provided by the Company.

Rhode Island law makes clear that "the burden of proof to show that the increase is *necessary in order to obtain a reasonable compensation for th*e service rendered shall be *upon the public utility*[.]"[4] That is, "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."[5] As discussed in detail below, the Company has not met this burden.

Volatile electric supply prices will continue to skyrocket winter prices in the coming year for Rhode Island households. Each winter we see Rhode Islanders, and particularly our most vulnerable populations, struggle to keep the lights on and their homes warm.[6] Immediate relief from short-term bill credits is not enough. As dirty fuel becomes more expensive to extract and

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[2] *E.g.* Commission Dockets 25-54-EL and 25-55-NG (annual electric and gas ISR filings for Fiscal Year 2027).
[3] See e.g. Moniz Direct at 5:3-5 ("My staff and I are busy all day, every day, fielding complaints which are predominantly related to Rhode Island Energy's operations, billing practices, and rates.").
[4] R.I. Gen. Laws § 39-3-12. (emphasis added).
[5] *Providence Gas Co. v. Malachowski*, 656 A.2d 949, 951 (R.I. 1995) (citing R.I. Gen. Laws § 39-3-12) (emphasis added).
[6] See e.g. generally, Commission Docket No. 25-28 EL (requesting comments on options for mitigating winter price volatility).

secure because of global conflict, the Company must, more than ever, control cost and invest only in infrastructure that will maintain safety and lead to lower prices over time. The Company must not be permitted to line shareholders' pockets by proposing robust capital investment plans designed to marginally improve the Company's distribution systems at any cost.

The Company's focus on shareholders has led it to ignore its obligation to support Rhode Island's commitment to provide its people reliable and affordable energy while advancing the State's strong commitments to reduce greenhouse gas emissions and combat climate change. In the present case the evidence demonstrates that the Company's return on equity should be moving significantly down, not up, to secure just and reasonable rates for Rhode Islanders. Moreover, rate structures and designs should support affordability while encouraging energy efficiency and other important environmental efforts. The Company has also revealed itself and its true priorities by failing to honor its commitments at the time of the sale of the Company from National Grid, instead propping up "good enough" services and fixing its failures through "new efforts" that are truly transition costs. And, once again, the Company is seeking to exit its hold harmless commitment for less than it is worth. The Commission must disapprove these gambits and prevent the Company from shortchanging those it claims to care about and promised to protect.

II. Standard of Review[7]

Whenever a utility proposes a rate increase, Rhode Island law directs that "the 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[.]"[8] In other words, the utility seeking a rate increase always "has an affirmative burden of production and proof on the reasonableness and

[7] For additional analysis of burdens of proof and production in this rate case, see RIAG's Burden Memorandum, which the Attorney General hereby incorporates herein.
[8] R.I. Gen. Laws § 39-3-12 (emphasis added).

necessity of the elements, which make up… [the] increase."[9] The Commission has historically adhered to the burden of proof laid out in § 39-3-12, requiring utilities to provide evidence showing that their proposed rate increases are necessary to obtain just and reasonable compensation.[10]

The Commission has broad discretion in determining whether a utility has met its statutory burden of proof. "[I]t is entirely within the province and expertise of the [C]ommission to determine the nature and type of factual information that must be supplied in the first instance by a utility… in order to obtain approval of a tariff-increase request."[11] Not only can the Commission prescribe what kinds of evidence the utility must provide, but it can also determine the persuasiveness of that evidence. "The role of factfinder in utilities cases is that of the [C]ommission alone"[12] and it is "within the [C]ommission's fact-finding powers to accept or reject the testimonial evidence before it."[13] A reviewing court will not second-guess the Commission's decision if it is "fairly and substantially supported by legal evidence specific enough to… afford a reasonable basis for the result reached."[14]

The Commission must still adhere to governing statutes in its decision-making. "'[T]he Public Utilities Commission is a creature of statute and, as such, it possesses only those powers, duties, responsibilities and jurisdiction conferred upon it by the General Assembly.'"[15] Accordingly, "it is not for the Commission to determine the State's energy policy, but rather to

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[9] *Providence Gas Co. v. Malachowski*, 656 A.2d 949, 951 (R.I. 1995); *see also Michaelson v. New England Tel. & Tel. Co.*, 404 A.2d 799, 806 (R.I. 1979); *Providence Gas Company v. Pub. Utilities Comm'n*, 352 A.2d. 630, 633 (1976).
[10] *See, e.g. In Re: The Application of the Narragansett Electic Co. d/b/a Nat'l Grid for Approval of a Change in Electic Base Distribution Rates*, 281 P.U.R.4th 161 (Apr. 29, 2010); *In re Providence Water Supply Bd.'s Application to Change Rate Schedules*, 989 A.2d 110, 117 (R.I. 2010).
[11] *New Eng. Tel. & Tel. Co. v. Pub. Utils. Comm'n*, 446 A.2d 1376, 1385 (R.I. 1982).
[12] *Newport Elec. Corp. v. Public Utilities Comm'n*, 624 A.2d 1098, 1101 (R.I. 1993).
[13] *Energy Council of Rhode Island v. Public Utilities Comm'n*, 773 A.2d 853, 862 (R.I. 2001).
[14] *Newport Elec. Corp. v. Public Utilities Comm'n*, 624 A.2d 1098, 1101 (R.I. 1993).
[15] *In Re: Rev. of Amended Power Purchase Agreement Between Narragansett Elec. Co. d/b/a Nat'l Grid & Deepwater Wind Block Island, LLC Pursuant to R.I. Gen. L. § 39-26.1-7, 284 P.U.R.4th 1* (Aug. 16, 2010) (quoting *Bristol County Water Co. v. Public Utilities Comm'n*, 363 A.2d 444, 449 (R.I. 1976)).

implement the policy articulated by the General Assembly through its statutes."[16]

Those policies include the 2021 Act on Climate, which mandates enforceable statewide greenhouse gas emissions reductions. R.I. Gen. Laws § 42-6.2-9. The State is required to reduce its emissions to forty-five percent below 1990 levels by 2030, eighty percent below 1990 levels by 2040, and to reach net-zero emissions by 2050.[17] Per R.I. Gen Laws § 42-6.2-8, "[a]ddressing the impacts on climate change shall be deemed to be within the powers, duties, and obligations of all… agencies [and] commissions[.]" Therefore, to comply with state law, the Commission must take the Act on Climate into account when making energy decisions that will affect greenhouse gas emissions, including establishing rates in this case.

III. Rhode Island Energy's Proposed Return on Equity Seeks Unjustified and Unsupported Profits on the Backs of Rhode Island Ratepayers.

The Company's proposed Return on Equity ("ROE") of 10.75 percent seeks to boost company profit in the face of poor past performance and the unsubstantiated specter of higher risk, without properly weighing ratepayer interests. If approved, the proposal would grant the Company an opportunity to earn up to a 10.75 percent profit on the backs of Rhode Island ratepayers, which is a significant increase from the Company's current ROE of 9.275 percent—a return on equity that eclipses any return available to household ratepayers and is itself not reflective of current performance. The Commission should reject the Company's proposal and approve an ROE equal to the Company's actual cost of capital as calculated in its Weighted Average Cost of Capital following any necessary adjustments to comply with other portions of the Commission's decision in this rate case. In any event, the approved ROE should be *below* the 8.25 percent put forth by the Division of Public Utilities and Carriers.

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[16] *Id.*
[17] *Id., see also* R.I. Gen. Laws § 42-6.2-10 (outlining enforceability of the Act on Climate).

An examination of first principles of why and to what extent utilities are entitled to *any* set return on equity reveals that the Company's request of 10.75 percent is one made without justification, unmoored from precedent. In *Bluefield Waterworks and Improvement Company v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923) and *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1944), the United States Supreme Court established the standards for setting fair rates of return for utilities. Specifically, ROE should be sufficient to maintain credit, attract capital and "be commensurate with returns on investments in other enterprises having corresponding risks."[18] The Company enjoys a natural monopoly, and as such has "no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures."[19] ROE was never meant to be a singular ratchet upward in the Company's favor. By contrast, *Hope* explained that setting just and reasonable rates "involves a balancing of the investor and the consumer interests."[20]

Rather than focusing on affordability and fairness with ratepayers in mind, the Company has chosen to present a narrative centered on its own ability to continue to grow and invest. To garner as high an ROE as possible, the Company has relied on conjecture centered on three alleged business risks it claims could impact the Company's cost of equity: small-size risk; Rhode Island's regulatory framework; and severe weather risk. However, small-size risk is mitigated by the fact that the Company is in a holding company framework.[21] Rhode Island's regulatory framework has

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[18] *Hope*, 320 U.S. at 603.
[19] *Bluefield*, 262 U.S.at 692-693; see also Malukoff Direct at Bates at 14:21-15:8
[20] *Hope*, at 603; *see also* Malukoff Direct at Bates 15:8-15:15.
[21] *See generally,* Nowak Direct at 49-54*; see also e.g.* June 8 Test. at 33:1-6 (acknowledging that timely rate recovery affects risk profile); *id.* at 34-35 (quoting, in part, Moody's Ratings Report for The Narragansett Electric Company highlighting favorable regulatory environment in Rhode Island); *see also* Updated Attachment 1-9-43 at 41 (Company investment materials noting trackers such as RI's ISR "reduce[ ]the impact of regulatory lag on earnings for investments" and that only 20% of PPL's capital spend planning for Rhode Island Energy will could experience regulatory lag – up from 15%, likely in part due to the Company's decision to move forward on investments outside of its approved ISR Plan).

been praised by ratings agencies and PPL as favorable in the past because of its generous ISR mechanism.[22] And, the size of severe weather risk compared to other risks is unsupported.[23]

It is true that the Company must maintain an acceptable credit rating to preserve its borrowing power for necessary investments in its distribution systems to maintain safe and reliable service. But, the Company has raised only the *potential* for such a downgrade, not a certainty. Moreover, expert analysis shows that a reduced ROE, even at the expense of a downgrade in credit rating, could quite likely result in a better outcome for ratepayers given the rates at stake with current overly-generous ROEs.[24]

The Company's supposed business risks are exaggerated. The Company's ROE witness admitted that he cannot foresee a scenario where the Company is significantly downgraded to fall outside the range of his own investment grade utility proxy group.[25] In fact, much of the uncertainty leading to the Moody's negative outlook the Company paraded at the hearing actually stands to be fully resolved in this rate case and therefore can pose no ongoing risk for which the Company should be rewarded. For instance, uncertainty surrounding the rate case itself and the Company's Hold Harmless Commitment will be fully resolved shortly.

Additionally, as pointed out through the testimony of Witness Malukoff, there are "broader trends which indicate that utilities across the United States have received authorized ROEs that far

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[22] *See* June 8 Test. at 274:18 - 275:19 (acknowledging PPL as a parent company also impacts creditworthiness and overall numbers are what drive borrowing ability, as opposed to solely the Company's standalone numbers), but *see id.* at 302:20-303:3 (Company was reviewed only on standalone basis); *see also* Nowak Direct at 50 ("as a wholly owned subsidiary of PPL, Rhode Island Energy may have some protection from such external shocks").
[23] *See also generally* June 8 Test. at 45-49 (acknowledging that storm frequency was a driver for Company testimony and limited recovery risk related to storms was not adequately accounted for).
[24] RIAG Response to RIE 1-13 at 34-36. (Ellis, Mark. 2025. Rate of Return Equals Cost of Capital: A Simple, Fair Formula to Stop Investor-Owned Utilities From Overcharging the Public. American Economic Liberties Project (illustrating why potential increases in interest rates are easily outweighed by ratepayer savings from reduced ROE)).
[25] June 4 at 283:16-19 ("There is nothing in what Moody's has identified or what S&P has identified that would suggest that the Company is going to drop below investment grade.")

exceed their costs of equity."[26] These trends hold here. While setting a rate of return below a utility's cost of capital can dissuade investment from investor-owned parents, setting a rate of return too high is a giveaway to shareholders at the expense of ratepayers who pay more than is necessary without receiving commensurate benefits.[27] Because ROE is the largest factor in determining rate of return, investor-owned utilities tend to spend a great deal of effort attempting to justify higher ROEs despite negative impacts for ratepayers. The result has been a history of investor-owned utility ROEs set well-above actual cost of service, resulting in an incentive to continually over-invest in capital to realize profit. Instead of driving efficiency through prudent investment, unchecked ROEs support lazy management and imprudent, oversized capital investments. This pattern has resulted in serious affordability consequences for ratepayers, particularly during recent periods of high inflation. Investor-owned utility rates are out of control. "Between 2020 and 2023, aggregate [investor-owned utility] rates increased 26.4%, [while] aggregate public (state and local) rates increased 10.0%."[28] Here, the Company is asking for an approximate 6 percent increase in electric and a more than 23 percent increase gas distribution rates in year one.[29]

The Commission should strive to align ROE with the actual cost of capital for the Company, using principles of ratepayer fairness and true reasonableness rather than traditional methods of reviewing ROE reliant on references to a "proxy group" or other jurisdictions' approved ROEs. There is no guarantee that other jurisdictions appropriately balanced ratepayer concerns with fairness to utilities in those jurisdictions, and the Commission has no factual or legal

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[26] Malukoff Direct at 23 (citing Ellis, Mark. RIAG Response to RIE 1-13 at 15-37).
[27] *See e.g.* Ellis, Mark. RIAG Response to RIE 1-13 at 18-19.
[28] *See* RIAG Response to RIE 1-13 at 16 fn 3 (citing *Annual Electric Power Industry Report, Form EIA-861 detailed data files*, U.S. Energy Information Administration, Oct. 10, 2024, https://www.eia.gov/electricity/data/eia861/; *Consumer Price Index (CPI) Databases*, U.S. Bureau of Labor Statistics, accessed Dec. 10, 2024, https://www.bls.gov/cpi/data.htm).
[29] *See* June 2 Hr'g Tr. 9.

basis to rely on these extra-jurisdiction decisions with different records made under different circumstances. By contrast, the Company's WACC should account for the true cost of raising capital, with respect to both equity and debt. Moreover, "[t]he principle that rate of return should be set equal to the cost of capital [ ] has a long history, dating back to a concurring opinion penned by Supreme Court Justice Brandeis in 1923."[30] In accounting for the Company's overstated risks and aligning with this principle, the Commission should approve "an ROE below the lower bound [of the Company's] DCF estimate of 8.74 percent, which already reflects assumptions that overstate the Company's business-specific risks and cost of equity."[31] The ratepayer impacts of setting a reasonable ROE taking ratepayer interests into account are significant. An ROE of 8.0 percent or lower would provide meaningful customer relief, reducing "the [originally proposed] Rate Year 1 revenue requirements for electric and gas by $29.0 million and $37.0 million, respectively."[32]

Curbing unchecked ROE growth has more than just direct ratepayer benefits. The Commission has an opportunity to align incentives more closely with regulatory priorities when there is more room to create price signals through rewards or penalties.[33]

IV. The Company's Proposed Cost of Equity Is Inflated, Ultimately Resulting In Unjustified and Unreasonable Increases for Distribution Customers.

The Company is proposing an unacceptably high equity to debt ratio.[34] In part, this is because the Company is seeking to use an equity ratio that accounts for not only distribution, but

[30] RIAG Response to RIE 1-13 at 19 (citing *Southwestern Bell Tel. Co. v. Public Svc. Comm'n*, 262 U.S. 276, 291 (1923) ("Capital charges cover the allowance, by way of interest, for the use of the capital, whatever the nature of the security issued therefor, the allowance for risk incurred, and enough more to attract capital.").
[31] Malukoff Direct at 23.
[32] Malukoff Direct at 7 (citing RIAG 1-1-1, Schedule SAB-1 ELEC and RIAG 1-1-2, Schedule SAB-1 GAS).
[33] *See* RIAG Response to RIE 1-13 at 29.
[34] June 8 Hr'g Tr. 56 (Mr. Nowak "would agree it's above the average and in the higher end of the operating companies").

also transmission, which relies more heavily on equity than debt for financing.[35] This is particularly important when considering "the higher the equity ratio, the higher the rate increase request by millions of dollars[.]"[36] The Commission should accordingly impute an equity ratio closer to 52 percent, the average for operating companies reviewed by the Company.[37]

V. Cost Allocation Should Avoid Rate Shock, and Customer Charges Should Be Held Constant to Promote Energy Efficiency and Climate Goals.

The Rate Design and Cost Allocations outlined in the Direct Testimony of Mark Ewen should be adopted subject to any minor adjustments required by other determinations in these proceedings. As explained by Mr. Ewen, principles of gradualism should be observed to avoid rate shock in given classes. With respect to the gas system revenue allocation, the Commission should aim to avoid rate increases in any rate class above 1.15 times the system average increase – consistent with the Company's proposal for electric.[38]

Moreover, the Company's customer charges should be held constant, rather than increased. This provides a stronger incentive to reduce usage of both gas and electricity, and incentivizes investment in efficiency. Thus, keeping lower customer charges is consistent with the State's climate policy.[39]

VI. Ratepayers Should Not Be Held Responsible for Uncontrolled Outside Legal Fees.

As evidenced in the hearings in this Docket, the Company's outside counsel legal fees have significantly increased since the sale of the Company.[40] Rather than accepting at face value the roughly $2 million spent within the Test Year, the Company's own future projection for these legal

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[35] June 8 Hr'g Tr. 82 and 109 (acknowledging that the 57% equity ratio is in part inflated because of taking transmission business into account.)
[36] June 8 Hr'g Tr. at 59: 23-25.
[37] June 8 Hr'g Tr. at 168: 22-23 (noting an average equity ratio of 52.79 percent).
[38] Ewen Direct at 10, Table 3 (outlining proposed method to avoid rate shock).
[39] *See e.g.* Ewen Direct at 11:12-18 (recommending a freeze on electric customer charge increases to align with efficiency goals and State policy); *see also* *id.* at 11:20-28 (recommending the same with respect to gas).
[40] *See* RIE Response to PUC 1-63, 40-45.

expenses based on averaging all information concerning legal fees is more appropriate.[41] As such, the Attorney General supports the Division's $1.16 million downward adjustment as set forth in Division Exhibit 32.

VII. Rhode Island Energy Ignores the Act on Climate, Favoring Stasis Over Progress.

The Act on Climate set strict greenhouse gas emission reduction mandates, ultimately requiring the State to reach net zero in less than 25 years.[42] The Company has failed to adequately evidence that its distribution rate case furthers Act on Climate requirements. The Commission should reject the case on that basis alone, because the refusal to appropriately align its distribution rate case with the Act on Climate, amounts to imprudence. Failure to consider the Act on Climate when making investment decisions now will result in unfair and unjust rates for generations to come.

a. The Company is fighting against elimination of Line Extension Allowances, despite clear economic sense and State policy.

Line extension allowances worsen greenhouse gas emissions—and in turn, increase the risk of non-compliance with the Act on Climate. Accordingly, the Attorney General seeks a revision to the Company's Service and Main Extension Policy Tarriff to eliminate subsidies for new customer connections unless the customer can show that there is no technically feasible available alternative.[43] To that end, "the Narragansett Gas Tariff Section 8, Schedules A through C [should] be additionally revised to eliminate the estimated revenue test entirely [and] the connecting customer should be obligated to pay the cost of the connection regardless of potential for Company revenue, unless the customer can provide an affirmative demonstration that there is no technically feasible alternative energy source for the customer's particular circumstance."[44]

[41] *See* DIV-32.
[42] *See* R.I. Gen. Laws § 42-6.2-9.
[43] Butterworth Direct 25.
[44] *Id.* at 27.

Several states have analyzed the costs associated with line extension allowances, and they are significant.[45] Rejecting allowances equals immediate savings for ratepayers, and decreases greenhouse gas emissions in line with the Act on Climate. Line extension allowances subvert the Act on Climate's purpose, increasing methane gas use by removing the upfront cost to new customers looking to connect to the Company's distribution system, giving delivered methane gas an economic advantage compared to alternatives.[46] While at one time methane gas was viewed as an alternative to dirtier fuels,[47] methane gas is in fact a fossil fuel that still has a high emission profile and is costly. We now know, to meet the Act on Climate's emission reduction mandates, there must be a substantial decrease in methane gas usage.[48]

Furthermore, these allowances increase stranded asset risk that will fall on a shrinking group of ratepayers, as people migrate off the gas distribution system.[49] New gas line extensions have a depreciation rate of 3.05%, which implies a life greater than 30 years—i.e., past the Act on Climate's net zero deadline.[50] As our State undergoes an essential energy transition over the next couple of decades, fewer gas customers will remain to pay for an obsolete infrastructure.[51] Approximately *$2.6 billion* in unrecovered rate base may remain by 2050.[52] These higher costs are likely to fall on low-income customers, who often have little say in their energy choices because they are renters without control over the heating source in their homes.[53]

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[45] *Id.* at 26 (noting that RI's larger neighbors, NY and MA, spend $200M and $160M for line extensions annually).
[46] Walsh Direct 16:4-10; *see also* June 12 Hr'g Tr. 232:23-233:4 (Chairman Gerwatowski acknowledging that "when you make it easier for someone to connect to the gas system, they're more likely to go on the gas system[,] . . . making it easier for them to continue to use the gas system. And directionally that isn't consistent with the Act on Climate . . . .").
[47] *See Id.* at 53:8-10.
[48] *See, e.g.*, Butterworth Direct 11:23-13:13 (discussing RI EC4's 2025 Climate Action Strategy).
[49] June 12 Hr'g Tr. 227:19-20 (discussion by Commissioner Bradbury).
[50] Walsh Direct 55:12-20.
[51] Butterworth Direct 9:3-10:2.
[52] Butterworth Direct 9:14-17; Walsh Direct 56:3-6.
[53] June 12 Hr'g Tr. 249:19-252:18 (many low-income renters still have 1950s-era gas-on-gas heating).

As much as the Company wishes to punt this issue to the Future of Gas docket,[54] the Commission must consider it now. The Commission has a statutory duty to "[a]ddress[ ] the impacts on climate change" in this rate case decision.[55] The line extension allowances are found within a tariff provision and will impact rates that will be charged to Rhode Island's consumers,[56] and therefore the Company must justify their continuation in this proceeding.[57] Moreover, the legislature has specifically directed for the Commission to address this issue now.[58] And any delay in Act on Climate compliance will lead to increased costs for ratepayers.[59]

The Company's objections are overblown.[60] As discussed above, affordability concerns favor elimination because of stranded asset risk. Safe, reliable gas service[61] is not impacted by these allowances. The policy merely adds infrastructure to maintain, and ISR proceedings ensure the ability to maintain the safety of the system.[62] Multiple states have already eliminated similar line extension allowances without ill effect.[63] The Company is only interested in maintaining its own ability to profit by adding customers.[64] The Company has no obligation to provide allowances for prospective customers outside of these tariffs, which can be amended now. Continuing this methane gas subsidy prevents customers from understanding the true costs. But, consumers make better choices when there are accurate price signals.[65] Removing the allowances makes economic, as well as climate, sense.

b. The Company avoided proposing time varying electric rates despite promises to

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[54] *See, e.g.*, Leone Rebuttal 15:12-16:4.
[55] *See* R.I. Gen. Laws § 42-6.2-8; *see also id.* § 42-6.2-11 ("This chapter, being necessary for the welfare of the state and its inhabitants, shall be liberally construed so as to effectuate its purposes.").
[56] *See, e.g.*, Walsh Direct 16:12-13.
[57] *See* R.I. Gen. Laws § 39-3-12 (burden of proof on the Company for "any increase in any rate").
[58] Senate Resolution 2026- S 2354.
[59] See e.g. Butterwoth Direct at 20:15-24.
[60] *See* June 12 Hr'g Tr. 231:16-232:19 (discussion by Commissioner Gerwatowski).
[61] *See, e.g.*, Leone Rebuttal 13:10-14:15.
[62] *E.g.*, R.I. Gen. Laws § 39-1-27.7.1.
[63] *See* Walsh Direct 21 (Table 1).
[64] June 12 Hr'g Tr. 235:25-236:24.
[65] *See* Walsh Direct 61:1-10.

> *do so, effectively denying Rhode Islanders economic, system, and environmental benefits they deserve.*

Despite past claims that time varying rates ("TVR") would be proposed in this rate case, the Company has failed to put forth even a pilot. The Company has previously calculated and promised to deliver to customers benefits related to TVR as part of its Advanced Metering Functionality Business Case (Docket No. 22-49 EL). The Company's AMF Benefit Cost Guide Memo identified material benefits to ratepayers pertaining to distribution and transmission peak capacity cost savings; TVR structures for EVs; and societal benefits such as lower carbon emissions.[66] That Memo also indicated the Company's development of TVR would leverage PPL's experience deploying time of use rates in Pennsylvania.[67] The Company also expressed its intention to introduce TVR in *this* rate case, and in a *Statement of Alternative or Additional Positions*, the Company said it could propose a TVR structure within one year of approval of the AMF Business Case, with implementation no later than one year after full smart meter deployment. It has abandoned that commitment, which was leveraged for approval of their AMF expenditure.

Moreover, proposed expenditures for development of TVR for some future proposal do not take into account internal experience with implementing TVR in the Company's parent's Pennsylvania business, a touted benefit. Instead, the Company seeks increased expense and profit through hiring new consultants who did not even review the Company's AMF Business Case, and instead focused on general areas of review relevant to case studies from states scattered throughout the country.[68] Although the Company's witness, Ms. Fang, claimed to have learned positive and negative aspects of TVR planning from reviewing these case studies, she did not review PPL's

[66] *Id.* at 14. (citing Commission Docket 22-49 EL).
[67] *Id.*
[68] June 12 Hr'g Tr., 14:1-14 (looking to Arizona, Vermont, New York, New Jersey, California, and Minnesota).

rollout of TVR in Pennsylvania.[69] Despite this, Ms. Fang indicated that the Company had a "a strong understanding of TVR design and implementation," and that customer data from the new smart meters is the main remaining hurdle.[70] The Commission should therefore deny recovery of the Company's requested funding for Clarum Advisors and GridX ($2.35 million amortized over 3 years) and the cost of Clarum Advisors' consulting services to support TVR development and implementation ($170,000).[71]

Moreover, the Commission should establish clear progress deadlines and accountability measures for TVR implementation.[72] *Something* must be done to get the ball rolling. The Commission should, at minimum, require the Company to submit a proposal for a pilot, or a rollout of a lower-risk carefully measured program, one year from the decision in this rate case.[73] If not, the result could be a lengthy process of stakeholder interactions and phased testing, meaning real benefits from TVR are not realized until the AMF meters are nearly ten years old.[74]

c. The Company has made no meaningful efforts to integrate its planning between gas and electric distribution and is pushing back against transparency.

Despite Rhode Island's climate policy requiring significant electrification and the transition away from the gas distribution system, the Company continues to make only minimal efforts to integrate the planning between its gas and electric distribution businesses. Serious consideration of the Act on Climate requires integrated gas-electric planning so that the Company invests more

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[69] June 12 Hr'g Tr., 20:16-19.
[70] June 12 Hr'g Tr., 34: 4-11.
[71] *See* Ewen Direct 12-13.
[72] Similarly, the proposed Heat Pump Rate Settlement in this case should include a clear deadline for filing the study anticipated at the bottom of page 2. The Attorney General further believes that the Future of Gas Docket is an appropriate place to file and vet that study.
[73] This allows for incorporation of nearly a full year of data following a full rollout of AMF meters. Of note, either a pilot, or a lower-risk rollout designed to "start slowly" as articulated by the Chairman would be acceptable to the Attorney General, so long as the Company is held accountable for moving forward towards establishing TVR on a set timeline. June 12 Hr'g Tr., 136:1-11.
[74] June 12 Hr'g Tr., 135: 3-25.

in electric infrastructure, and avoids unnecessary investment in gas infrastructure through, *inter alia*, advancing non-pipe solutions and alternatives.[75] Integrated planning "could include establishing and managing [a non-pipeline alternative] framework and plan, and utilizing the Segment Decommissioning Framework as it is ultimately approved."[76] The Company is particularly well-positioned to benefit from this process as one of the few utilities that (1) is a dual fuel utility with the same corporate entity, and (2) has its gas service territory fully within its electric service territory.[77]

In order to realize efficiencies in planning and infrastructure costs, both the gas and electric departments should provide regular feedback to each other on where and when the additional load is forecasted.[78] It is a proactive approach with the goal of electrifying buildings and adopting more heat pumps, which is the only realistic path for Rhode Island to meet its Act on Climate mandates.[79] Coordinating a managed transition away from the fossil-fuel gas system could save $1.1 billion in unrecovered rate base when compared to an unmanaged transition.[80]

The Company has consolidated departments and started knowledge-sharing.[81] However, the Company's new coordinated "Work Management" and "Investment Planning and Management" teams "do not appear to be an attempt to holistically maximize the value and minimize the total system cost of the Company's energy delivery networks to ratepayers."[82] Company witnesses conceded that the Company's forecasts never accounted for important energy

[75] Butterworth Direct 20:25-25:10.
[76] Id. at 24:14-21 (highlighting important work to be undertaken through integrated planning).
[77] *Id.* at 21:20-22:5.
[78] *Id.* at 24:14-26.
[79] *See id.* at 11:23-26.
[80] *See id.* 23:5-10; see also Butterworth Direct 25 (referencing Future of Gas Technical Report, Docket 22-01-NG)
[81] *See, e.g.*, Butterworth Direct 24:7-9; June 12 Hr'g Tr. 187:4-189:18.
[82] *See, e.g.*, Butterworth Surrebuttal 11:6-13 ("[T]he activities Ms. Leone describes do not appear to be an attempt to holistically maximize the value and minimize the total system cost of the Company's energy delivery networks to ratepayers.").

efficiency programs.[83] Moreover, the forecasts do not reflect the necessary electrification consistent with the Act on Climate[84] or reduced use of gas from potential heat pump conversions.[85] The Company is of course *able* to make these modeling adjustments.[86]

The Company's efforts to integrate its gas and electric planning are largely happening at the "administrative level" and there is no transparency into how the Company's "conversations and teams are influencing individual investment decisions" to show they "align with compliance with the Act [on Climate]."[87]

VIII. The Company Is Walking Away from Its Commitments, Propping Up Systems and Then Seeking to Reinvest in What Are Truly Transition Costs.

a. The Company's proposed IT plan is unreasonable and seeks to impermissibly profit from the Company's own failure to avoid a degradation of services following the sale of the Company.

The Company is asking ratepayers to subsidize almost $320 million in IT investments to replace the same system the Company installed for $500 million *less than fifteen months before its filing*.[88] Worse, the Company has produced no evidence of quantified savings, saying only that it will "share the numbers" once available.[89] Even the assertion that the benefits are "qualitative" is questionable when the Company views important consumer features, like billing readability from the new Customer Information System ("CIS") as being "out of scope."[90]

The Commission should not condone the Company's spend-first approach.[91] Because the

[83] *See* June 12 Hr'g Tr. 161:20-162:19 ("I don't know any of the details. . . . I'm not aware of the specifics of those programs.").
[84] *See id.* at 162:20-166:11 ("[T]hat was a long answer to say the current ones don't, but they can.").
[85] *See id.* at 176:1-20.
[86] *See id.* at 180:6-181:15.
[87] July 9 Hr'g Tr. 66-67.
[88] *See* Johnson Direct 27-28; June 4 at 137:13-21; June 15 Hr'g Tr. 8:15-19.
[89] June 4 Hr'g Tr. 167:16-20.
[90] *See* June 15 Hr'g Tr. 60:1-63:25.
[91] *Compare Providence Gas Co. v. Malachowski*, 656 A.2d 949, 953 (R.I. 1995) (discussing the Commission's policy of compensating "actual, prudently incurred rate case expenses"), *with* June 11 Hr'g Tr. 248:5-6 ("You're asking me, the technology guy, if I want to spend money? Yeah, I would spend the money."), *and* June 4 Hr'g Tr. 34:12-36:1.

Company failed its burden of proof to show the IT investments were "necessary" for a "reasonable compensation for the service rendered,"[92] the Company's rate recovery in this area should be limited. Specifically, (1) the projects listed in *Schedule IEc-MM-3* and their corresponding capital costs (amounting to almost $132.0 million) and (2) the investments listed in Lines 25 and 26 of *Schedule DJ-1* (amounting to $168.8 million) should be excluded from rate recovery because the generality of Company descriptions do not meet its burden of proof.[93]

1. <u>IT Investments Made by The Company at This Juncture Are Transition Costs, Because They Exclusively Result from the Transition of Ownership from National Grid to PPL.</u>

Some of the IT projects should be barred for the additional reason that their necessity directly results from the transition away from National Grid systems.[94] When the Company transitioned from National Grid to PPL ownership, Division Order 24322, No. D-21-09, at 251-52, capped "Transition Costs related to IT system . . . to no more than $82 million." The Company's subsequent Settlement Agreement with the Attorney General further reduced recoverable transition costs to zero. The transition cost restrictions were "intended to protect Rhode Island ratepayers from bearing the cost of replacing National Grid's IT systems, which ratepayers had already paid for, with PPL's IT systems."[95] The Company now seeks just that.

While the Company accounted for select transition costs that occurred after the "hard cut,"[96] it seeks recovery for others. From the customer's perspective, National Grid's operations were "more refined" with "less data quality issues."[97] The CIS Transformation, Re-Platform

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[92] R.I. Gen. Laws § 39-3-12.

[93] Malukoff Direct 13; *see also* *id.* at 59-60 (Schedule IEc-MM-3); *see also* Johnson Direct 51 (Lines 25 and 26 of Schedule DJ-1); *see also* June 4 at 170-171.

[94] *See e.g.* June 15 Hr'g Tr. 18 ("The National Grid middleware was certainly more refined. So it had less data quality issues than what we had on August, 2024 cutover."); *id.* (acknowledging that the new IT systems will rectify those issues).

[95] Malukoff Direct 9:18-20.

[96] *See* June 15 Hr'g Tr. 15:10-22, 16:13-16.

[97] *See e.g.*, June 15 Hr'g Tr. 18:16-18.

Legacy Warehouses & Move to Cloud, and Cloud ERP SaaS Capital projects are additional investments the Company is making to return data quality to pre-merger standard.[98] Ratepayers effectively surrendered a functioning National Grid infrastructure for a PPL system that had "months of poor performance" due to data quality and "[the Company] ha[d] to go through [a] refinement process."[99] The CIS Transformation ($83.4 million), Re-Platform Legacy Warehouses & Move to Cloud ($1.9 million), and Cloud ERP SaaS Capital ($32.7 million) projects should be excluded from rate recovery as a result of the merger commitments.[100]

2. The Company Has Also Failed to Show How Proposed Investments Are Necessary.

The Company conflates necessary improvements with nice-to-have features.[101] The Company's evidentiary support to establish such necessity is scant on all fronts. The Company is proposing expensive IT investments "despite its strong reliability metrics" from 2016 onwards.[102] The Company's only justification is that the current IT infrastructure—the one the Company finished installing in August 2024—is "aging" and becoming obsolete.[103] This system is less than two years old and cost $500 Million. Including Rhode Island in a PPL-wide upgrade to the tune of $320 million just a few years later is wasteful. The Company's failure to plan for this anticipated upgrade at the time it was standing up Rhode Island's IT systems was clearly imprudent and a true failure in proper management of investments.

The Company cannot articulate the amount of benefits or savings from upgrades, or even

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[98] *See* Malukoff Direct 10:20-11:12.
[99] June 15 Hr'g Tr. 24:22-25:1.
[100] *See* Malukoff Direct 10:18-11:12.
[101] *See, e.g.*, June 11 Hr'g Tr. 239:13-240:8 (justifying self-service platforms because "people want [user interactions] to be as simple as their last Amazon shopping experience").
[102] Malukoff Direct 12.
[103] *See, e.g.*, Johnson Rebuttal 15; June 4 Hr'g Tr. 157:13-18 ("Q. And when you got those new systems, you began replacing them almost immediately. And I believe you testified earlier that the principal driver for that replacement was because of obsolescence; is that correct? A. That's correct.").

a methodology to assess savings.[104] Moreover, any benefits relied upon to establish the reasonableness of a rate increase must be benefits to Rhode Island customers, not PPL.[105] To be clear, not all benefits must be quantifiable. At the same time, vague references to "qualitative," "high-level assessments"[106] do not pass muster either. Even slightly more detail, as when the Company states that deflecting call volume will enhance customer experience is "an example of a qualitative benefit,"[107] does not provide any grist for the Commission to test the Company's claim.

The Company concedes that it will obtain more data about the effects of the new system eventually.[108] It makes little sense for the Commission to rule now on whether an investment was justified when it could wait to get actual supporting evidence. Otherwise, the Commission would risk lending credence to absurd claims made by the Company, such as its representation that the Company now has a "99 percent" accuracy rate for billing.[109]

b. *Similarly, moving the Electric Distribution Control Center is a clear transition cost that should not be borne by Rhode Island Ratepayers.*

The Company again seeks to profit from its failure to plan ahead by saddling customers with the cost of moving the Electric Distribution Control Center ("EDCC"), which was stood up as part of the transition following the sale of the Company just four years ago. The Division has recommended elimination of $3.8 million of marginal cost associated with moving the EDCC from Lincoln to Cumberland.[110] The proper question is "but for the acquisition, would this relocation

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[104] *See, e.g.*, Malukoff Direct 8:19-20, 13:1-7; June 4 Hr'g Tr. 208:11-20 (explaining how the Company's failure to meaningfully respond to the Commission 3-13, 3-14, and 3-15 should be treated as absence of evidence).
[105] Malukoff Direct at 13:9-24.
[106] RIE's Response to Division 3-9.
[107] *See* June 11 Hr'g Tr. 253:1-254:9.
[108] *See, e.g.*, *id.* at 253:19-20 ("[W]e will get to the point where we know those numbers . . . ."); June 15 Hr'g Tr. 107:15-21.
[109] "Accuracy" was defined such that an erroneously issued $4,000 bill was still, according to the Company, considered "accurate" billing. *See* June 11 Hr'g Tr. 75:11-76:19.
[110] Watson Direct 15:17-19.

be necessary?," and that "The answer is no."[111] The need to move the facility so soon after preparing it to operate as the Company's primary EDCC is wildly unreasonable.

IX. Rhode Island Energy Is Seeking a Sweetheart Deal on Hold Harmless at the Expense of Rhode Island Ratepayers, Who Deserve the Full Value of the Company's Commitments.

The Commission has reopened Docket 25-33-GE and merged it with the present rate case to consider the possibility of allowing the Company to discharge its commitment to hold customers harmless from the elimination of Accumulated Deferred Income Tax ("ADIT") at the time of the 2022 sale of the Company (the "Hold Harmless Commitment"). While the Attorney General's position concerning the methodology for calculating the Net Present Value of the Company's commitment has not changed, in light of recent events it appears that additional short-term rate relief is no longer in the best interests of ratepayers.

On July 23, 2026, Governor McKee signed Executive Order 26-05, directing the Office of Energy Resources to provide $28 million in emergency rate relief this coming winter to "help protect all households from a double-digit winter price spike." The executive order indicates that the monies should come from Rhode Island's funds secured through the Regional Greenhouse Gas Initiative ("RGGI"), which can be used for specific purposes, such as development of clean renewable energy, and direct rate relief. According to the Governor's press announcements, the funds are to be used as direct rate relief for all residential electric customers and "[f]or the average ratepayer, the approximately $61 in total credits will fully offset the rate increase during the three most expensive winter months." The accounting behind this claim of a full offset is questionable, and it neglects to account for, or even mention, the proposed increase in base distribution rates in

[111] Watson Direct 15:8-9.

this pending action.[112] Still, customers stand to receive substantial short-term relief during the coming winter months as a result of the Governor's order. Adding potential Hold Harmless Commitment credits in the coming winter would overlap the Governor's planned relief.

To be sure, Rhode Islanders need relief from the ever-increasing upward pressure of utility bills caused by volatile fossil-fuel supply markets *and* Company decisions with respect to capital spending and requests for increased profits, among other things. Moreover, as discussed above, affordability issues plague our state, and region, each winter and that strain on households should be expected in the coming years too. For this very reason, rising energy costs should be considered over the long haul. There are only so many short-term fixes that can be employed; using all of them at once could leave us unable to address serious affordability concerns in future winters.

As is evidenced by the Company's recalculated rate base and revenue requirement, the result of paying off the net present value of the Company's commitment is a large increase in rates immediately upon expiry of the credits.[113] Once credits have been paid, bill increases will outlive any short-term winter relief and will continue on indefinitely. As a result, Rhode Islanders may be best served by not providing a portion of the NPV of the Company's commitment this coming winter and instead either continuing to receive the decreases over the full length of the Hold Harmless period or evaluating net present value credits again at a future date.

If the Commission does choose to issue Hold Harmless credits, Rhode Island ratepayers *must* receive the full value of the Company's commitment.[114] The determination of the Hold Harless Commitment's net present value ("NPV")can materially alter the benefit due to consumers.

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[112] According to the Company's filing in Commission Docket 26-27-EL, when compared to current summer rates, the typical residential customer using 500 kWh per month stands to see an increase of $30.93 per month (roughly $93 over three months compared to the $61 in credits) as a result of increasing LRS supply prices.
[113] *See Initial Transmittal Letter 1-2*, compare June 1 Hr'g Tr. 63-65 (revenue requirement sans commitment).
[114] The Attorney General's position concerning this issue was explained more fully in his Position Statement in Docket 25-33-GE, hereby incorporated herein.

Crucial to the calculation is the discount rate used by the Company.[115] Where, as here, a discount rate is used to determine present value, money that would otherwise be provided in the future is literally discounted to a lower amount to account for the time value of money, or the amount that a certain amount of money can be expected to increase because of investments over time. The Company's calculations underlying its proposal uses the Company's Weighted Average Cost of Capital ("WACC") as a discount rate. However, the use of the *Company's* WACC as a discount rate to determine the value of money owed *to ratepayers* over time overlooks the obvious fact that Rhode Island Energy's customers are differently positioned than the Company in terms of their ability to invest the money coming into their pockets today, instead of in the future. To derive an NPV that appropriately compensates customers for the stream of future credits they are owed should be calculated using a discount rate consistent with the expected return on a financial asset of comparable risk to the recipients, or the *customers*, not to the Company.[116]

The Company even admits that there is very limited risk of Company default on its Hold Harmless Commitment.[117] Thus, a near zero-risk investment alternative for customers is much more appropriate as a discount rate than the Company's WACC. Looking at options available, the 10-year constant treasury rate is a good starting point. This is especially true given that the benefits of the hold harmless commitment would be frontloaded in the next 10 years.[118] In any event, the discount rate should be tied to low-risk customer-centric investment option such as the 10-year constant maturity U.S. Treasury rate (4.61%) or the Bank of America prime rate (6.75%). These rates more appropriately consider the risk-adjusted rates that customers could expect to earn on

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[115] *See* Trabucchi Direct 17 ("use of the WACC for[ ]discounting [ ] erases a sizable share of the value [ ]customers are entitled [to.]").
[116] July 8 Hr'g Tr. 205:22-206:1 (explaining proper alignment of discount rate); *see also* Trabucchi Direct 6:15-21.
[117] July 8 Hr'g Tr. 122:14-123:14 (confirming that there is little concern of default).
[118] July 8 Hr'g Tr. 215:24 – 216:7.

their money today, and use of either rate to discount the Company's forecasted value of the Hold Harmless Commitment would avoid an unjustified under-valuation of the Company's obligation.

If the Company instead chooses to withdraw its application, it is of no practical consequence, as customers are not at risk of losing the Hold Harmless Commitment itself. The Company cannot be allowed to leverage its own failure to accept a reasonable NPV to reduce the cost of complying with its commitment.

X. The Company Has Failed to Adequately Support Its Gas Infrastructure Investments Pursued Outside of the ISR as Well As Its Decision to Rent the Johnston Facility, and Thus Disallowances and Downward Adjustments Are Warranted.

The Company has failed to provide sufficient evidence in the record to support its decision to spend monies on gas infrastructure it did not include in its approved Gas Infrastructure Safety and Reliability Plan (the "Gas ISR"). Recovery related to that infrastructure should be denied. Moreover, the Company rented its Johnston offices without adequately considering available alternatives, pursuing its preferred option without proper consideration for ratepayer costs.

a. Gas capital expenditure outside of the ISR was not shown to be prudent given the Company's lack of evidence supporting the investments and the general inconsistency of fossil fuel infrastructure investment with State policy.

Despite clear direction provided through the soft-budget approved by the Commission in its Gas ISR Docket, the Company chose to perform nearly $20 million of investment outside of the ISR.[119] This included what the Company admits was replacement of leak prone pipe with "risk scores lower than both the average and median risk scores as compared to the entirety of the FY 2026 ISR."[120] The Company has an obligation to meet its burden of production and proof to justify

[119] July 14 Hr'g Tr. 11 (noting that the $20 million of spend outside the ISR was made upon consideration of Company budgeting).
[120] *See* Leone Direct 184.

its expenditures and the related increase in rates. The Attorney General's direct testimony clearly raised questions as to whether this expenditure was prudently incurred. Still, the Company's only explanation for much of its expenditure lies in a single table.[121]

When pressed to see whether the Company analyzed the possibility of alternatives to leak prone pipe replacement or whether segments may have a shorter expected life than previously thought in light of the Act on Climate, the Company claimed that it is not possible to know yet.[122] The Company also failed to consider potential stranded costs when determining whether to move forward with leak prone pipe replacement outside of the ISR.[123] And the Company admits that its decisions were not driven by a need to comply with federal and state laws.[124] But any lack of information on these points is a failure of the Company's burden of production and persuasion.

Approximately $4.58 million of the $4.9 million originally proposed is, according to the Company's third version of its response to Division 8-18 (containing obvious typographical errors and provided in updated form on the eve of live testimony on July 13, 2026), related to public works. It is unclear whether this late breaking evidence suffices, or how investment on specific projects may have been pursued within the ISR. Nevertheless, at least recovery for the remaining $374,000 should be disallowed. Moreover, in light of the Act on Climate, it is clear that use of the gas distribution system will decline significantly. The Company should be required to perform transparent alternatives analysis for decision to replace leak prone pipe or otherwise invest in fossil fuel infrastructure in future filings.[125] Such an analysis should consider first, whether or not there

[121] RIE Corrected Response to Division 8-18.
[122] July 14 Hr'g Tr. 114 ("we don't have enough information to determine whether the gas system will exist in 2050, what segments might not be here anymore").
[123] *Id.* at 124: 3-7.
[124] *Id.* at 120 (admitting that not moving forward with leak prone pipe replacement outside of the ISR would not necessarily result in the Company's noncompliance).
[125] *Id.* at 196:2-9 (discussing alternatives analysis for electric infrastructure projects and noting the gas has not traditionally been viewed in the same manner.); *see also id.* at 185 (noting energy efficiency is a nonpipelined alternative for certain gas investment and pipe repair as an alternative to expensive replacement).

is a need for the project, and second, whether there are increased benefits, or potential benefits, from delaying the project or seeking an alternative method of addressing the problem the project is intended to address.

b. *The Company seeks full recovery for pursuing its gold-plated facility preference without proper consideration of alternatives and ratepayer interests.*

The Company decided to enter into a new 10-year lease for Class A office space at 1301 Atwood Avenue at a rate of $27.00 per square foot to replace its existing, owned, Class C office space at 439 Dexter Street in Providence.[126] The decision to sell the Company's Dexter Street property and relocate to a new rented space was supported by questionable data in the first instance. The Company's $88 million renovation cost estimate for Dexter Street appears to exceed costs to completely rebuild.[127] However, the record does indicate that the overall eleven-year cost associated with rental of the new Johnston facility on Atwood Ave is substantially lower than rebuilding or renovating at $25.586 million.[128]

But this case poses a different choice that tests the bounds of prudence, the choice between two rental properties. The first is the Johnston Facility on Atwood Ave. The second was a space at Iron Horse Way. The Company has opted for the nicer, more expensive option and is looking for customers to cover the full cost of its rents. In requesting recovery, the Company has relied on incomplete assessments of Iron Horse Way to justify choosing its preferred option. Moreover, nothing in the record shows that the Iron Horse Way property, with a rate that is $7.50 per square foot less, would not have met the Company's needs.[129]

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[126] Wood Direct at 10, Consulting Report.
[127] *See e.g. id.* (outlining new construction costs for Class A office space and noting "The cost estimate appears to be materially inconsistent with current construction market conditions in Rhode Island and the broader New England region."); *see also* June 22 Hr'g Tr. 130-132 (cost to rebuild Dexter Street would be $30-40 Million).
[128] June 22 Hr'g Tr. at 160 (explaining how $75 per foot allowance was incorporated into the Company's valuation).
[129] Camara Direct 147 (Company determined that Iron Horse Way was "not a preferred option because of the cost of the lease, the lack of continuity in the spaces, and the cost to fit out.").

As articulated in the Attorney General's Burden Memorandum, raising serious doubt requires more than a bare allegation of imprudence, but the bar should not be so high as to shift the burden of proof away from the Company.[130] Moreover, doubt may be supported by "adducing evidence or citing to material of which the Commission may take official notice."[131] The evidence in this case has clearly put the reasonableness of the Company's decision to rent the Johnston Facility in serious doubt. The starting lease cost at 1301 Atwood Ave. of $27 per square foot (over 71,888 square feet) totals $1,940,976, whereas Iron Horse Way would have begun at $19.50 per square foot (over 71,935 square feet) totaling $1,402,732.50.[132]

The Company also failed to prudently consider its available rental options based on reasoned financial analysis based on the actual conditions of the buildings. Instead, the record shows that Company set a "budget" for the buildout of any space it was looking to rent - $12 million.[133] Nothing in the record supports a contention that the two spaces required equivalent work, rather testimony suggests that the amount was determined prior to entering into any lease. In fact, it contradicts the Company's own data responses, which showed both higher lease cost and higher fit out cost for Atwood Ave than Iron Horse Way.[134]

Moreover, the Company did not assess opportunities for tenant improvement allowances in earnest. The Company sought a tenant improvement allowance to offset some of its

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[130] Burden Memorandum at 8 ("Serious doubt must be more than a 'bare allegation of imprudence,' but this threshold may not be so demanding that it effectively reverses the statutory burden of proof.")(citing *BP Pipelines (Alaska) Inc. ConocoPhillips Transportation Alaska Inc. ExxonMobil Pipeline Co. Unocal Pipeline Co. Koch Alaska Pipeline Co., L.L.C.*, 153 FERC ¶ 61,233 (2015)).
[131] Burden Memorandum at 8 (quoting *Minn. Power & Light Co.*, 11 F.E.R.C. P 61,312, 61,645 & n.45 (1980)).
[132] *See* Attachment DIV 17-15-4 (Confidential); *see also* June 22 Hr'g Tr. 148-214.
[133] June 22 Hr'g Tr. 176 ("We budgeted 12 million for the central office fit-out, regardless of the location, before we selected either Johnston, Iron Horse Way, Blackstone Valley Place. The budgetary item that we had for that – for a central office fit-out was $12 million prior to this analysis.").; *see also* June 29 at 114 ("our budget item for the overall 12 million for the project of the central office relocation or the fit-out of the central office, no matter what the location was.")
[134] *See* Wood Direct at 4-5 (citing Attachment DIV 17-15-5 (Confidential)).

preconceived budget of $12 million, securing $75 per square foot from its preferred Class A option, Atwood Ave. Negotiations with Iron Horse Way were discontinued after the Company's alleged buildout costs were questioned, and the Company instead used an estimate of a much smaller tenant improvement allowance for Iron Horse Way.[135] The result is an artificial lowering the relative cost of Atwood Ave.

Because the Company did not reasonably and prudently consider Iron Horse Way as an alternative to Atwood Ave, the Company has failed to meet its burden to show that any related increase in rates is reasonably necessary. Accordingly, the Commission should accept the Division's proposed adjustment to the annual rent for the Johnston Facility, lowering it to the cost that would have been incurred had the Company chosen to rent Iron Horse Way. Additionally, the Company should not receive payment for portions of the facility used for its transmission business via distribution rates, and the Commission should make an adjustment to ensure that this is properly reflected.[136]

XI. Conclusion and Summary of Positions

In sum, the Attorney General's recommends that, *inter alia*, the Commission should:

- Reject the Company's ROE of 10.75 percent, and more closely align ROE with the Company's actual cost of capital, *i.e.* below the Division's recommendation of 8.25 percent.

- Impute an equity ratio of approximately 52 percent on the Company; avoid rate increases in any rate class above 1.15 times the system average increase; deny increases in customer charges; and accept the Division's $1.16 million downward adjustment for the projection of the Company's yearly legal expenses.

- Deny recovery for the Company's requested funding for Clarum Advisors and GridX ($2.35 million amortized over 3 years) and the cost of Clarum Advisors' consulting services

[135] June 29 Hr'g Tr. 112 ("And the initial onset of the RFP was the request for tenant improvement was $30 a square foot, which [the Johnston Facility] agreed to.")
[136] July 16 Hr'g Tr. 50-51 (explaining that transmission facility costs should be recovered in transmission rates).

to support TVR development and implementation ($170,000).

- Deny recovery associated with IT included in *Schedule IEC-MM-3* including "joint projects" for PPL benefits:
    - The corresponding Rate Year 1 and Rate Year 2 revenue requirements for inclusion in this case are $3.4 million and $6.5 million.

- Deny recovery for IT investments in Lines 25 and 26 of Schedule DJ-1that have not been adequately supported.
    - The corresponding Rate Year 1 and Rate Year 2 revenue requirements for inclusion in this case are $8.5 million and $13.7 million.

- Deny recovery associated with the $3.8 million marginal cost of moving the EDCC from Lincoln to Cumberland.

- Deny recovery associated with gas infrastructure spending outside of the ISR.

- Make a downward annual adjustment in O&M of $538,243 to account for the lower rent that was available to the Company at Iron Horse Way – adjusted for any partial year. And make a downward adjustment to ensure the Company is not improperly including transmission facility expenses.

- Order the company to make the necessary tariff revisions to eliminate line extension allowances for new gas customers.

- Order the Company to perform and present evidence of integrated planning efforts in future rate proceedings, and to consider forecasting of energy consumption across both gas and electric in coordination – accounting for the Act on Climate and findings within the Commission's Future of Gas Docket.

- Order the Company to provide its Heat Pump Rate Study contemplated in the settlement presented in this docket by date certain, for review and consideration in the Commission's Future of Gas Docket.

Respectfully submitted,

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Dated: July 31, 2026

CERTIFICATE OF SERVICE

I hereby certify that on the 31st day of July, 2026 the original and nine hard copies of this Memorandum were provided via in hand-delivery to Stephanie De La Rosa of the Public Utilities Commission, 89 Jefferson Boulevard, Warwick, RI 02888. In addition, electronic copies of the Motion were served via electronic mail on the service list for this Docket on July 31, 2026.

/s/ Nicholas M. Vaz