



STATE OF RHODE ISLAND  
OFFICE OF THE ATTORNEY GENERAL

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*Peter F. Neronha*  
*Attorney General*

October 23, 2025

Public Utilities Commission  
Attn: Stephanie De La Rosa, Clerk  
89 Jefferson Blvd.  
Warwick, RI 02888  
[Stephanie.delarosa@puc.ri.gov](mailto:Stephanie.delarosa@puc.ri.gov)

**RE: Docket No. 25-33-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**

Dear Ms. De La Rosa:

Peter F. Neronha, Attorney General of the State of Rhode Island (“Attorney General”), submits the enclosed *Testimony and Exhibits of Chiara Trabucchi* in response to the Tariff Advice filed by The Narragansett Electric Company d/b/a Rhode Island Energy (“Rhode Island Energy” or the “Company”) in the above-referenced docket.

The Company has indicated in its initial filing letter that the bill credits set forth in its Tariff Advice are meant “to provide the Company’s customers with the full net-present value of PPL’s obligation” under a “Hold Harmless Commitment” made by the Company and its affiliates at the time PPL obtained Division of Public Utilities and Carriers (“Division”) approval for the acquisition of The Narragansett Electric Company in 2022. However, as the attached Testimony demonstrates, the proposed credits severely undervalue the Company’s Hold Harmless Commitment secured for customers. In fact, a reasonably calculated present value of the Company’s Hold Harmless Commitment would have resulted in \$37 to 39 million more for Rhode Island Energy’s gas and electric customers.

**The Sale of The Narragansett Electric Company and the Hold Harmless Commitment**

On February 23, 2022, the Division approved National Grid USA’s sale of The Narragansett Electric Company to PPL Rhode Island Holdings, LLC. *See* Division Order No. 24322 (Division Order 24322). The approval was conditioned on several commitments made by the Company, including the Hold Harmless Commitment, which states that: “PPL will hold harmless Rhode Island customers from any changes to Accumulated Deferred Income Taxes

(“ADIT”) as a result of the Transaction.” Order 24322 at 257. The Hold Harmless Commitment was specifically intended to protect ratepayers from increased rates that would have otherwise resulted from the elimination of the Company’s ADIT (and the resultant lower Company rate base) following the sale. In other words, the Commitment was meant to protect ratepayers from increased expenses that would happen only because of the sale.

Since that time, the Company has complied with the Hold Harmless Commitment by making adjustments to Commission filings impacted by the elimination of the ADIT, such as the annual Gas and Electric Infrastructure Safety and Reliability (“ISR”) Plan filings. Those adjustments and the underlying calculations have been reviewed by the Division and approved by the Public Utilities Commission, ensuring that ratepayers continuously receive the full benefit of its Commitment.

Now, the Company is seeking an alternative method for satisfying the Hold Harmless Commitment. Specifically, the Tariff Advice at issue in this docket attempts to implement miscellaneous bill credits pursuant to an agreement dated June 13, 2025, entered into by Rhode Island Energy, PPL Corporation (“PPL”), PPL Rhode Island Holdings, LLC (“PPL Rhode Island”), and the Advocacy Section of the Rhode Island Division of Public Utilities and Carriers. The miscellaneous bill credits would be issued during the months of January, February, and March of 2026 and 2027.

**This Docket Will Review Whether the Company’s Proposal Results in Just and Reasonable Rates Including Analysis of the Company’s Valuation of the Hold Harmless Commitment and its Present Value**

The Commission has general authority over rates, tariffs, tolls and charges, and has a duty to determine that rates are just and reasonable. *See e.g.* R.I. Gen. Laws §§ 39-1-1, 39-1-3, 39-1-7, 39-1-38. In light of this duty, the Commission is conducting an inquiry, pursuant to Rhode Island General Laws § 39-3-11, concerning tax and accounting issues, as well as the substantial rate impacts and potential bill credits proposed by Rhode Island Energy and its parent company, PPL.

As part of this process, the Commission will be evaluating the proposal to issue the above-mentioned bill credits, including the underlying rate accounting supporting the proposal. As noted in the *Notice Commencing Review* issued by the Commission on September 10, 2025, the reasonableness of the estimated lump-sum valuation and its present value are a “key question before the Commission.” *Notice Commencing Review* at 3.

**A Reasonable Present Value is Imperative to Ensure the Full Value of the Hold Harmless Commitment is Realized**

To determine the value of the Hold Harmless Commitment and the related bill credits, the Company has presented a calculation of the amount of money, in nominal dollars, that would be paid through Hold Harmless Commitment adjustments under the current framework from the present through 2062 (the last year where rate base would be impacted by the elimination of ADIT from the sale). The Company determined that this amount was approximately \$241 million. The Company then discounted that nominal total to determine a present value that could be used to compensate customers today, taking into account the time value of money. The Company concluded that the present value of the Hold Harmless Commitment was approximately \$148.7 million.

As the Attorney General has previously indicated, the general concept of making up front payments to satisfy the Hold Harmless Commitment is logical and has the potential to provide meaningful relief to customers. Moreover, if properly calculated and executed, the theory behind the Company's valuation does not appear unreasonable. However, although the idea may be logical, the determination of present value can materially alter the benefit due to consumers, and therefore the Commission must carefully review the choices made by the Division and the Company to ensure that the value is appropriately calculated and ratepayers receive the full value of the Hold Harmless Commitment.

### **The Company Used an Unreasonable Discount, Resulting in a Present Value Understated by Tens of Millions of Dollars**

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 (in this case, a discount from approximately \$241 million to \$148.7 million). The Company's calculations underlying the Tariff Advice used the Company's Weighted Average Cost of Capital ("WACC") as a discount rate. However, as explained more fully in the accompanying testimony, 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.

In light of this, the Attorney General contends that use of the WACC as a discount rate was unreasonable and significantly undervalued the Company's commitment. A reasonable discount rate would be either the customer deposit rate, or the 10-year constant maturity U.S. Treasury rate. These rates more appropriately consider the risk-adjusted rates that *customers* could expect to earn today. Use of either of these discount rates would significantly increase the present value of the Hold Harmless Commitment, resulting in some \$37 million or \$39 million more for customers.

### **Conclusion**

The Company must make good on its commitments to Rhode Islanders. While this docket will review several aspects of the Company's proposal and accompanying Tariff Advice, it is clear the Company has significantly undervalued its Hold Harmless Commitment when determining the bill credits it has proposed for its customers. As such, approval of the Tariff Advice as filed would result in an unjust and unreasonable windfall for the Company at the expense of ratepayers.

At the time of the sale, the Company promised that the sale would not make customers worse off because of its tax positions. Approving an inappropriately calculated accelerated amount would deprive ratepayers of the full benefit of this commitment. This is simply unacceptable.

The Attorney General looks forward to addressing this and other issues as discovery continues and evidentiary hearings are held in this Docket.

Sincerely,

PETER F. NERONHA  
ATTORNEY GENERAL

*/s/ Nicholas M. Vaz*

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Enclosures

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