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LC003828
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS -- PUBLIC UTILITIES COMMISSION

Introduced By: Senators Gu, DiMario, Ciccone, Zurier, and Euer

Date Introduced: January 23, 2026

Referred To: Senate Commerce

It is enacted by the General Assembly as follows:

- 1 SECTION 1. Chapter 39-1 of the General Laws entitled "Public Utilities Commission" is
2 hereby amended by adding thereto the following section:
- 3 **39-1-27.14. Setting authorized common equity ratios and rates of return on equity.**
- 4 (a) Definitions. For purposes of this section:
- 5 (1) "Actual common equity ratio" means the actual percentage of a regulated utility's total
6 capitalization that consists of common equity during a given rate period.
- 7 (2) "Actual rate of return on equity" means net income divided by shareholders' equity
8 during a rate period.
- 9 (3) "Authorized common equity ratio" means the percentage of a regulated utility's total
10 capitalization that consists of common equity, including retained earnings and capital surplus, as
11 approved by the commission.
- 12 (4) "Authorized rate of return on equity" or "ROE" means the return on the equity portion
13 of a regulated utility's rate base authorized by the commission for recovery through rates.
- 14 (5) "Generic financing methodology" means a standardized methodology adopted by the
15 commission for determining authorized common equity ratios and authorized rates of return on
16 equity for regulated utilities.
- 17 (6) "Publicly available data" means data accessible to the public through published sources,
18 internet resources, or public libraries.
- 19 (7) "Rate period" means the period during which rates approved by the commission are in

1 effect.

2 (8) “Regulated utility” means any electric distribution company, gas company, water
3 utility, or other public utility subject to the jurisdiction of the public utilities commission pursuant
4 to this title.

5 (b) Adoption of generic financing methodology. On an annual basis, the commission shall,
6 through rulemaking:

7 (1) Update and maintain a generic financing methodology that relies, to the greatest extent
8 practicable, on publicly available data;

9 (2) Establish a fair and reasonable authorized common equity ratio for each regulated utility
10 and a single authorized rate of return on equity applicable to all regulated utilities, unless otherwise
11 justified; and

12 (3) Reconcile the authorized rate of return on equity from the prior rate period with the
13 actual average monthly rate of return on equity produced by the generic financing methodology,
14 including the use of a true-up mechanism.

15 (c) Surcredits and surcharges.

16 (1) If a regulated utility’s actual rate of return on equity exceeds the authorized rate of
17 return on equity, revenues attributable to such excess shall be returned to ratepayers through a
18 surcredit applied during the subsequent rate period.

19 (2) If a regulated utility’s actual rate of return on equity is less than the authorized rate of
20 return on equity, the commission may authorize recovery of the shortfall through a surcharge
21 applied during the subsequent rate period.

22 (d) Transparency and public participation. All methodologies, ratios, rates of return, and
23 reconciliation calculations adopted pursuant to this section shall:

24 (1) Clearly explain the data sources, assumptions, and analytical methods used;

25 (2) Be subject to notice and comment in accordance with chapter 35 of title 42
26 (“administrative procedures”); and

27 (3) Include opportunities for participation by ratepayers, consumer advocates, public
28 interest organizations, utilities, and other interested parties.

29 In adopting final determinations under this section, the commission shall give preference
30 to the best interests of ratepayers.

31 (e) Rebuttal by regulated utilities.

32 (1) A regulated utility may rebut the authorized common equity ratio or authorized rate of
33 return on equity by petitioning the commission for a public hearing.

34 (2) The burden of proof shall rest exclusively with the regulated utility to demonstrate, by

1 a preponderance of the evidence, that the authorized values are insufficient to:
2 (i) Maintain financial integrity;
3 (ii) Attract capital on reasonable terms; or
4 (iii) Provide a fair and reasonable return.
5 (3) Upon a successful rebuttal, the commission and the regulated utility may engage in
6 settlement negotiations pursuant to this title.
7 (f) Annual reporting. The commission shall annually submit a report to the governor, the
8 president of the senate and speaker of the house of representatives summarizing:
9 (1) Authorized common equity ratios and authorized rates of return on equity;
10 (2) Any surcredits or surcharges applied; and
11 (3) Any deviations from the generic financing methodology and the justification therefor.
12 Such report shall be published on the commission's website.
13 SECTION 2. This act shall take effect on July 1, 2027.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO PUBLIC UTILITIES AND CARRIERS -- PUBLIC UTILITIES COMMISSION

- 1 This act would direct the public utilities commission to establish a standardized framework
2 for determining authorized common equity ratios and authorized rates of returns on equity for
3 public utilities.
4 This act would take effect on July 1, 2027.

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