

2017 -- S 0632

LC001807

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS - PUBLIC UTILITIES COMMISSION

Introduced By: Senator Marc A. Cote

Date Introduced: March 29, 2017

Referred To: Senate Commerce

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 39-1-27.7 of the General Laws in Chapter 39-1 entitled "Public  
2 Utilities Commission" is hereby amended to read as follows:

3 **39-1-27.7. System reliability and least-cost procurement.**

4 Least-cost procurement shall comprise system reliability and energy efficiency and  
5 conservation procurement as provided for in this section and supply procurement as provided for  
6 in § 39-1-27.8, as complementary but distinct activities that have as common purpose meeting  
7 electrical and natural gas energy needs in Rhode Island, in a manner that is optimally cost-  
8 effective, reliable, prudent and environmentally responsible.

9 (a) The commission shall establish not later than June 1, 2008, standards for system  
10 reliability and energy efficiency and conservation procurement, which shall include standards and  
11 guidelines for:

12 (1) System reliability procurement, including but not limited to:

13 (i) Procurement of energy supply from diverse sources, including, but not limited to,  
14 renewable energy resources as defined in chapter 26 of this title;

15 (ii) Distributed generation, including, but not limited to, renewable energy resources and  
16 thermally leading combined heat and power systems, which is reliable and is cost-effective, with  
17 measurable, net system benefits;

18 (iii) Demand response, including, but not limited to, distributed generation, back-up  
19 generation and on-demand usage reduction, which shall be designed to facilitate electric customer

1 participation in regional demand response programs, including those administered by the  
2 independent service operator of New England ("ISO-NE") and/or are designed to provide local  
3 system reliability benefits through load control or using on-site generating capability;

4 (iv) To effectuate the purposes of this division, the commission may establish standards  
5 and/or rates:

6 (A) For qualifying distributed generation, demand response, and renewable energy  
7 resources;

8 (B) For net-metering;

9 (C) For back-up power and/or standby rates that reasonably facilitate the development of  
10 distributed generation; and

11 (D) For such other matters as the commission may find necessary or appropriate.

12 (2) Least-cost procurement, which shall include procurement of energy efficiency and  
13 energy conservation measures that are prudent, ~~and~~ reliable, and verifiable, and when such  
14 measures are lower cost than acquisition of additional supply, including supply for periods of  
15 high demand, and which when calculating least cost procurement energy efficiency and energy  
16 conservation measures which shall factor in the results of the annual savings verification  
17 conducted by the commission.

18 (b) The standards and guidelines provided for by subsection (a) shall be subject to  
19 periodic review and as appropriate amendment by the commission, which review will be  
20 conducted not less frequently than every three (3) years after the adoption of the standards and  
21 guidelines.

22 (c) To implement the provisions of this section:

23 (1) The commissioner of the office of energy resources and the energy efficiency and  
24 resources management council, either or jointly or separately, shall provide the commission  
25 findings and recommendations with regard to system reliability and energy efficiency and  
26 conservation procurement on or before March 1, 2008, and triennially on or before March 1,  
27 thereafter through March 1, 2024. The report shall be made public and be posted electronically on  
28 the website to the office of energy resources.

29 (2) The commission shall issue standards not later than June 1, 2008, with regard to plans  
30 for system reliability and energy efficiency and conservation procurement, which standards may  
31 be amended or revised by the commission as necessary and/or appropriate.

32 (3) The energy efficiency and resources management council shall prepare by July 15,  
33 2008, a reliability and efficiency procurement opportunity report which shall identify  
34 opportunities to procure efficiency, distributed generation, demand response and renewables,

1 which report shall be submitted to the electrical distribution company, the commission, the office  
2 of energy resources and the joint committee on energy.

3 (4) Each electrical and natural gas distribution company shall submit to the commission  
4 on or before September 1, 2008, and triennially on or before September 1, thereafter through  
5 September 1, 2024, a plan for system reliability and energy efficiency and conservation  
6 procurement. In developing the plan, the distribution company may seek the advice of the  
7 commissioner and the council. The plan shall include measurable goals verifiable by a third-party  
8 expert and target percentages for each energy resource, pursuant to standards established by the  
9 commission, including efficiency, distributed generation, demand response, combined heat and  
10 power, and renewables. The plan shall be made public and be posted electronically on the website  
11 to the office of energy resources, and shall also be submitted to the general assembly. The  
12 commission shall include standards for annual verification of energy efficiency through a  
13 representative sample of all the types of energy conservation measures for which energy savings  
14 are claimed prior to and after their implementation. The results of this annual verification shall be  
15 used to adjust goals and factored into the least cost procurement calculation. The annual  
16 verification shall be conducted by the commission independent of the EERMC and the utilities,  
17 and the cost of the independent verification shall be part of the system benefit charge.

18 (5) The commission shall issue an order approving all energy efficiency measures that are  
19 cost effective and lower cost than acquisition of additional supply, with regard to the plan from  
20 the electrical and natural gas distribution company, and reviewed and approved by the energy  
21 efficiency and resources management council, and any related annual plans, and shall approve a  
22 fully reconciling funding mechanism to fund investments in all efficiency measures that are cost  
23 effective and lower cost than acquisition of additional supply, not greater than sixty (60) days  
24 after it is filed with the commission. Provided, however, any system benefit charge provided  
25 pursuant to title 39 used to support programs under this subsection shall be capped at the year  
26 2017 charge level for a period of five (5) years.

27 (6) (i) Each electrical and natural gas distribution company shall provide a status report,  
28 which shall be public, on the implementation of least cost procurement on or before December  
29 15, 2008, and on or before February 1, 2009, to the commission, the division, the commissioner  
30 of the office of energy resources and the energy efficiency and resources management council  
31 which may provide the distribution company recommendations with regard to effective  
32 implementation of least cost procurement. The report shall include the targets for each energy  
33 resource included in the order approving the plan and the achieved percentage for energy  
34 resource, including the achieved percentages for efficiency, distributed generation, demand

1 response, combined heat and power, and renewables as well as the current funding allocations for  
2 each eligible energy resource and the businesses and vendors in Rhode Island participating in the  
3 programs. The report shall be posted electronically on the website of the office of energy  
4 resources.

5 (ii) Beginning on November 1, 2012 or before, each electric distribution company shall  
6 support the installation and investment in clean and efficient combined heat and power  
7 installations at commercial, institutional, municipal, and industrial facilities. This support shall be  
8 documented annually in the electric distribution company's energy efficiency program plans. In  
9 order to effectuate this provision, the energy efficiency and resource management council shall  
10 seek input from the public, the gas and electric distribution company, the economic development  
11 corporation, and commercial and industrial users, and make recommendations regarding services  
12 to support the development of combined heat and power installations in the electric distribution  
13 company's annual and triennial energy efficiency program plans.

14 (iii) The energy efficiency annual plan shall include, but not be limited to, a plan for  
15 identifying and recruiting qualified combined heat and power projects, incentive levels, contract  
16 terms and guidelines, and achievable megawatt targets for investments in combined heat and  
17 power systems. In the development of the plan, the energy efficiency and resource management  
18 council and the electric distribution company shall factor into the combined heat and power plan  
19 and program, the following criteria:

20 (A) Economic development benefits in Rhode Island, including direct and indirect job  
21 creation and retention from investments in combined heat and power systems;

22 (B) Energy and cost savings for customers;

23 (C) Energy supply costs;

24 (D) Greenhouse gas emissions standards and air quality benefits; and (E) System  
25 reliability benefits.

26 (iv) The energy efficiency and resource management council shall conduct at least one  
27 public review meeting annually, to discuss and review the combined heat and power program,  
28 with at least seven (7) business day's notice, prior to the electric and gas distribution utility  
29 submitting the plan to the commission. The commission shall evaluate the submitted combined  
30 heat and power program as part of the annual energy efficiency plan. The commission shall issue  
31 an order approving the energy efficiency plan and programs within sixty (60) days of the filing.

32 (d) If the commission shall determine that the implementation of system reliability and  
33 energy efficiency and conservation procurement has caused or is likely to cause under or over-  
34 recovery of overhead and fixed costs of the company implementing said procurement, the

1 commission may establish a mandatory rate adjustment clause for the company so affected in  
2 order to provide for full recovery of reasonable and prudent overhead and fixed costs.

3 (e) The commission shall conduct a contested case proceeding to establish a performance  
4 based incentive plan which allows for additional compensation for each electric distribution  
5 company and each company providing gas to end-users and/or retail customers based on the level  
6 of its success in mitigating the cost and variability of electric and gas services through  
7 procurement portfolios.

8 SECTION 2. This act shall take effect upon passage.

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

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- 1           This act would require verifiable least cost energy procurements and standards for annual
- 2 verification of energy efficiency.
- 3           This act would take effect upon passage.

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