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LC005088/SUB A  
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**STATE OF RHODE ISLAND**

**IN GENERAL ASSEMBLY**

**JANUARY SESSION, A.D. 2018**

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A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS -- PUBLIC UTILITIES COMMISSION

Introduced By: Senators Cote, Lombardo, and DiPalma

Date Introduced: March 01, 2018

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 (A) for qualifying distributed generation, demand response, and renewable energy  
6 resources; (B) for net-metering; (C) for back-up power and/or standby rates that reasonably  
7 facilitate the development of distributed generation; and (D) for such other matters as the  
8 commission may find necessary or appropriate.

9 (2) Least-cost procurement, which shall include procurement of energy efficiency and  
10 energy conservation measures that are prudent and reliable and when such measures are lower  
11 cost than acquisition of additional supply, including supply for periods of high demand.

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

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

17 (1) The commissioner of the office of energy resources and the energy efficiency and  
18 resources management council, either or jointly or separately, shall provide the commission  
19 findings and recommendations with regard to system reliability and energy efficiency and  
20 conservation procurement on or before March 1, 2008, and triennially on or before March 1,  
21 thereafter through March 1, 2024. The report shall be made public and be posted electronically on  
22 the website to the office of energy resources.

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

26 (3) The energy efficiency and resources management council shall prepare by July 15,  
27 2008, a reliability and efficiency procurement opportunity report which shall identify  
28 opportunities to procure efficiency, distributed generation, demand response and renewables,  
29 which report shall be submitted to the electrical distribution company, the commission, the office  
30 of energy resources and the joint committee on energy.

31 (4) Each electrical and natural gas distribution company shall submit to the commission  
32 on or before September 1, 2008, and triennially on or before September 1, thereafter through  
33 September 1, 2024, a plan for system reliability and energy efficiency and conservation  
34 procurement. In developing the plan, the distribution company may seek the advice of the

1 commissioner and the council. The plan shall include measurable goals and target percentages for  
2 each energy resource, pursuant to standards established by the commission, including efficiency,  
3 distributed generation, demand response, combined heat and power, and renewables. The plan  
4 shall be made public and be posted electronically on the website to the office of energy resources,  
5 and shall also be submitted to the general assembly.

6 (5) The commission shall issue an order approving all energy efficiency measures that are  
7 cost effective and lower cost than acquisition of additional supply, with regard to the plan from  
8 the electrical and natural gas distribution company, and reviewed and approved by the energy  
9 efficiency and resources management council, and any related annual plans, and shall approve a  
10 fully reconciling funding mechanism to fund investments in all efficiency measures that are cost  
11 effective and lower cost than acquisition of additional supply, not greater than sixty (60) days  
12 after it is filed with the commission.

13 (6) (i) Each electrical and natural gas distribution company shall provide a status report,  
14 which shall be public, on the implementation of least cost procurement on or before December  
15 15, 2008, and on or before February 1, 2009, to the commission, the division, the commissioner  
16 of the office of energy resources and the energy efficiency and resources management council  
17 which may provide the distribution company recommendations with regard to effective  
18 implementation of least cost procurement. The report shall include the targets for each energy  
19 resource included in the order approving the plan and the achieved percentage for energy  
20 resource, including the achieved percentages for efficiency, distributed generation, demand  
21 response, combined heat and power, and renewables as well as the current funding allocations for  
22 each eligible energy resource and the businesses and vendors in Rhode Island participating in the  
23 programs. The report shall be posted electronically on the website of the office of energy  
24 resources.

25 (ii) Beginning on November 1, 2012 or before, each electric distribution company shall  
26 support the installation and investment in clean and efficient combined heat and power  
27 installations at commercial, institutional, municipal, and industrial facilities. This support shall be  
28 documented annually in the electric distribution company's energy efficiency program plans. In  
29 order to effectuate this provision, the energy efficiency and resource management council shall  
30 seek input from the public, the gas and electric distribution company, the economic development  
31 corporation, and commercial and industrial users, and make recommendations regarding services  
32 to support the development of combined heat and power installations in the electric distribution  
33 company's annual and triennial energy efficiency program plans.

34 (iii) The energy efficiency annual plan shall include, but not be limited to, a plan for

1 identifying and recruiting qualified combined heat and power projects, incentive levels, contract  
2 terms and guidelines, and achievable megawatt targets for investments in combined heat and  
3 power systems. In the development of the plan, the energy efficiency and resource management  
4 council and the electric distribution company shall factor into the combined heat and power plan  
5 and program, the following criteria: (A) Economic development benefits in Rhode Island,  
6 including direct and indirect job creation and retention from investments in combined heat and  
7 power systems; (B) Energy and cost savings for customers; (C) Energy supply costs; (D)  
8 Greenhouse gas emissions standards and air quality benefits; and (E) System reliability benefits.

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

15 (d) If the commission shall determine that the implementation of system reliability and  
16 energy efficiency and conservation procurement has caused or is likely to cause under or over-  
17 recovery of overhead and fixed costs of the company implementing said procurement, the  
18 commission may establish a mandatory rate adjustment clause for the company so affected in  
19 order to provide for full recovery of reasonable and prudent overhead and fixed costs.

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

25 (f)(1) The office of energy resources shall conduct a study and analysis of the electric and  
26 gas distribution company's state energy efficiency programs that will examine implemented  
27 program and planned conservation measures and review and confirm the claimed energy savings.  
28 In carrying out this study, the office shall utilize a representative sample of different customer  
29 classes and measures that have and/or will be participating in the state energy efficiency  
30 programs. At a minimum the study performed by the office of energy resources shall include the  
31 following in its scope of work:

32 (i) Independently review and summarize the electric and gas distribution company  
33 process for incorporating results from completed evaluation studies into on-going energy  
34 efficiency program reporting and implementation.

1 (ii) Conduct an independent review of gas and electricity efficiency programs, which  
2 may include billing analysis techniques. The scope and subjects of this analysis will be decided  
3 by the working group with input and advice from an independent consultant. The analysis will be  
4 conducted by a qualified independent consultant using industry accepted methods.

5 (iii) Review the data collection practices, including metering equipment used, sampling  
6 frequency, sample sizes, and data validation procedures, and the methods for data analysis  
7 employed, as deemed appropriate by the independent evaluator.

8 (iv) Study results and recommendations will be presented to the public utilities  
9 commission and the energy efficiency and resource management council.

10 (2) The office of energy resources shall consult with the working group in development  
11 of the request for proposals (RFP), and during the course of the study, including the preliminary  
12 study results. The working group shall be comprised of one representative from each of the  
13 following groups chosen by the office of energy resources:

14 (i) Large commercial and industrial energy users;

15 (ii) Small business energy users;

16 (iii) Residential energy users;

17 (iv) Municipal and state energy users;

18 (v) Low-income energy users;

19 (vi) Electric and gas distribution company; and

20 (vii) Energy efficiency and resource management council.

21 (3) The office of energy resources, in consultation with the electric and gas distribution  
22 company and representatives referenced in § 39-1-27.7(f)(2) shall be authorized to hire an energy  
23 consulting company or firm to carry out the energy efficiency verification study. The costs  
24 associated with this study, including, but not limited to, those associated with the consultant or  
25 firm contract and reasonable administrative costs incurred by the office in the execution of  
26 subsection (f) of this section, shall be recoverable through the system benefit charge subject to  
27 commission approval. Funding shall be transferred from the electric and gas distribution utility to  
28 the office of energy resources upon request by the office and deposited in a restricted receipt  
29 account within the general fund. The restricted receipt account shall be exempt from the indirect  
30 cost recovery assessment under § 35-4-27.

31 (4) The office of energy resources shall submit this report on or before October 30, 2019,  
32 to the governor, the president of the senate, and the speaker of the house. The office and its  
33 selected energy consulting company or firm shall host two (2) public presentations on the  
34 preliminary and final results of the study.

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

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

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RELATING TO PUBLIC UTILITIES AND CARRIERS -- PUBLIC UTILITIES COMMISSION

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- 1           This act would require the office of energy resources to conduct a study to verify the
- 2 energy savings measures from the state energy efficiency programs.
- 3           This act would take effect upon passage.

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