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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2022

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A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS -- PUBLIC UTILITIES COMMISSION
-- SOCIAL COST OF CARBON

Introduced By: Senators Cano, Miller, Euer, Quezada, DiMario, Acosta, Mack, and
Valverde

Date Introduced: March 17, 2022

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 (a) 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-effective,
8 reliable, prudent, and environmentally responsible.

9 (b) The commission shall establish not later than June 1, 2008, standards for system
10 reliability and energy efficiency and conservation procurement that 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, that 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

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

5 (iv) To effectuate the purposes of this division, the commission may establish standards
6 and/or rates (A) For qualifying distributed generation, demand response, and renewable energy
7 resources; (B) For net metering; (C) For back-up power and/or standby rates that reasonably
8 facilitate the development of distributed generation; and (D) For such other matters as the
9 commission may find necessary or appropriate.

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

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

16 (d) 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 jointly or separately, shall provide the commission findings
19 and recommendations with regard to system reliability and energy efficiency and conservation
20 procurement on or before March 1, 2008, and triennially on or before March 1 thereafter through
21 March 1, 2028. The report shall be made public and be posted electronically on the website of the
22 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 that shall identify opportunities
28 to procure efficiency, distributed generation, demand response, and renewables and that shall be
29 submitted to the electrical distribution company, the commission, the office of energy resources,
30 and the joint committee on energy.

31 (4) Each electrical and natural gas distribution company shall submit to the commission on
32 or before September 1, 2008, and triennially on or before September 1 thereafter through September
33 1, 2028, a plan for system reliability and energy efficiency and conservation procurement. In
34 developing the plan, the distribution company may seek the advice of the commissioner and the

1 council. The plan shall include measurable goals and target percentages for each energy resource,
2 pursuant to standards established by the commission, including efficiency, distributed generation,
3 demand response, combined heat and power, and renewables. The plan shall be made public and
4 be posted electronically on the website of the office of energy resources, and shall also be submitted
5 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 the
8 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 after
12 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 of the
16 office of energy resources, and the energy efficiency and resources management council which
17 may provide the distribution company recommendations with regard to effective implementation
18 of least-cost procurement. The report shall include the targets for each energy resource included in
19 the order approving the plan and the achieved percentage for energy resource, including the
20 achieved percentages for efficiency, distributed generation, demand response, combined heat and
21 power, and renewables, as well as the current funding allocations for each eligible energy resource
22 and the businesses and vendors in Rhode Island participating in the programs. The report shall be
23 posted electronically on the website of the office of energy resources.

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

33 (iii) The energy-efficiency annual plan shall include, but not be limited to, a plan for
34 identifying and recruiting qualified combined heat and power projects, incentive levels, contract

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

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

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

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

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

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

34 (ii) Conduct an independent review of gas and electricity efficiency programs, which may

1 include billing analysis techniques. The scope and subjects of this analysis will be decided by the
2 working group with input and advice from an independent consultant. The analysis will be
3 conducted by a qualified independent consultant using industry accepted methods.

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

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

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

- 13 (i) Large commercial and industrial energy users;
- 14 (ii) Small business energy users;
- 15 (iii) Residential energy users;
- 16 (iv) Municipal and state energy users;
- 17 (v) Low-income energy users;
- 18 (vi) Electric and gas distribution company; and
- 19 (vii) Energy efficiency and resource management council.

20 (3) The office of energy resources, in consultation with the electric and gas distribution
21 company and representatives referenced in subsection (g)(2), shall be authorized to hire an energy
22 consulting company or firm to carry out the energy efficiency verification study. The costs
23 associated with this study, including, but not limited to, those associated with the consultant or firm
24 contract and reasonable administrative costs incurred by the office in the execution of subsection
25 (g) of this section, shall be recoverable through the system benefit charge subject to commission
26 approval. Funding shall be transferred from the electric and gas distribution utility to the office of
27 energy resources upon request by the office.

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

32 (h) The commission shall, no later than December 31, 2022, establish a social cost of
33 carbon (SCC) to be included as part of any benefit cost or other analysis conducted by the
34 commission, or by a party to a commission docket. In determining the social cost of carbon, the

1 commission shall take note of ongoing efforts by the federal government to utilize a similar metric,
2 however, the commission must make an independent determination. The social cost of carbon shall
3 be included in any analysis of the cost of acquiring additional supply in comparison to energy
4 efficiency and energy conservation measures and also in any other matter properly before the
5 commission where the proposed action is reasonably believed to result in the release of additional
6 greenhouse gases. The commission may consider revisions to the social cost of carbon no sooner
7 than two (2) years following its establishment and no more than once during any subsequent two
8 (2) year period.

9 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
-- SOCIAL COST OF CARBON

1 This act would require the public utilities commission to establish a social cost of carbon,
2 and factor it into a cost benefit analysis, whenever programs are proposed to curb climate change
3 and carbon dioxide emission

4 This act would take effect upon passage.

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