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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

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A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS -- PUBLIC UTILITIES COMMISSION

Introduced By: Senators Euer, DiMario, Gu, Sosnowski, Valverde, Murray, Cano,
Kallman, and Mack

Date Introduced: April 05, 2024

Referred To: Senate Environment & Agriculture

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 39-1-1, 39-1-27.6 and 39-1-27.7.1 of the General Laws in Chapter
2 39-1 entitled "Public Utilities Commission" are hereby amended to read as follows:

3 **39-1-1. Declaration of policy — Purposes.**

4 (a) The general assembly finds and therefore declares that:

5 (1) The businesses of distributing electrical energy, producing and transporting
6 manufactured and natural gas, operating water works and furnishing supplies of water for domestic,
7 industrial, and commercial use, offering to the public transportation of persons and property,
8 furnishing and servicing telephonic and wireless audio and visual communication systems, and
9 operation of community antenna television systems are affected with a public interest;

10 (2) Supervision and reasonable regulation by the state of the manner in which the
11 businesses construct their systems and carry on their operations within the state are necessary to
12 protect and promote the convenience, health, comfort, safety, accommodation, and welfare of the
13 people, and are a proper exercise of the police power of the state; and

14 (3) Preservation of the state's resources, commerce, and industry requires the assurance of
15 adequate public transportation and communication facilities, water supplies, and an abundance of
16 energy, all supplied to the people with reliability, at economical cost, and with due regard for the
17 preservation and enhancement of the environment, the conservation of natural resources, including
18 scenic, historic, and recreational assets, and the strengthening of long-range, land-use planning.

19 (b) It is hereby declared to be the policy of the state to provide fair regulation of public

1 utilities and carriers in the interest of the public, to promote availability of adequate, efficient, and
2 economical energy, communication, and transportation services and water supplies to the
3 inhabitants of the state, to provide just and reasonable rates and charges for such services and
4 supplies, without unjust discrimination, undue preferences or advantages, or unfair or destructive
5 competitive practices, and to cooperate with other states and agencies of the federal government in
6 promoting and coordinating efforts to achieve realization of this policy.

7 (c) To this end, there is hereby vested in the public utilities commission and the division of
8 public utilities and carriers the exclusive power and authority to supervise, regulate, and make
9 orders governing the conduct of companies offering to the public in intrastate commerce energy,
10 communication, and transportation services and water supplies for the purpose of increasing and
11 maintaining the efficiency of the companies, according desirable safeguards and convenience to
12 their employees and to the public, and protecting them and the public against improper and
13 unreasonable rates, tolls, and charges by providing full, fair, and adequate administrative
14 procedures and remedies, and by securing a judicial review to any party aggrieved by such an
15 administrative proceeding or ruling.

16 (d) The legislature also finds and declares, as of 1996, the following:

17 (1) That lower retail electricity rates would promote the state's economy and the health and
18 general welfare of the citizens of Rhode Island;

19 (2) That current research and experience indicates that greater competition in the electricity
20 industry would result in a decrease in electricity rates over time;

21 (3) That greater competition in the electricity industry would stimulate economic growth;

22 (4) That it is in the public interest to promote competition in the electricity industry and to
23 establish performance-based ratemaking for regulated utilities;

24 (5) That in connection with the transition to a more competitive electric utility industry,
25 public utilities should have a reasonable opportunity to recover transitional costs associated with
26 commitments prudently incurred in the past pursuant to their legal obligations to provide reliable
27 electric service at reasonable costs;

28 (6) That it shall be the policy of the state to encourage, through all feasible means and
29 measures, states where fossil-fueled, electric-generating units producing air emissions affecting
30 Rhode Island air quality are located to reduce such emissions over time to levels that enable cost-
31 effective attainment of environmental standards within Rhode Island; and

32 (7) That in a restructured electrical industry the same protections currently afforded to low-
33 income customers shall continue.

34 (e) The legislature further finds and declares as of 2006:

1 (1) That prices of energy, including especially fossil-fuels and electricity, are rising faster
2 than the cost of living and are subject to sharp fluctuations, which conditions create hardships for
3 many households, institutions, organizations, and businesses in the state;

4 (2) That while utility restructuring has brought some benefits, notably in transmission and
5 distribution costs and more efficient use of generating capacities, it has not resulted in competitive
6 markets for residential and small commercial-industrial customers, lower overall prices, or greater
7 diversification of energy resources used for electrical generation;

8 (3) That the state's economy and the health and general welfare of the people of Rhode
9 Island benefit when energy supplies are reliable and least-cost; and

10 (4) That it is a necessary move beyond basic utility restructuring in order to secure for
11 Rhode Island, to the maximum extent reasonably feasible, the benefits of reasonable and stable
12 rates, least-cost procurement, and system reliability that includes energy resource diversification,
13 distributed generation, and load management.

14 (f) In discharging its responsibilities under this chapter, the public utilities commission
15 shall, with respect to itself and the entities it regulates, prioritize safety, security, reliability of
16 service, affordability, equity, environmental justice, and reductions in greenhouse gas emissions to
17 meet statewide greenhouse gas emission limits established pursuant to § 42-6.2-2.

18 **39-1-27.6. Standards of conduct.**

19 (a) An electric distribution company must conduct its business to conform with the
20 standards of conduct specified in subsections (b) through (e).

21 (b)(1) Except as provided in subsection (b)(2) and as authorized by the commission
22 pursuant to § 39-1-27(g), the employees of the electric distribution company engaged in
23 distribution-system operations must function independently of its employees, or the employees of
24 any of its affiliates, who are engaged in the business of a nonregulated power producer.

25 (2) Notwithstanding any other provisions in this section, in emergency circumstances
26 affecting system reliability, electric distribution companies may take whatever steps are necessary
27 to keep the system in operation. Electric distribution companies must report to the commission each
28 emergency that resulted in any deviation from the standards of conduct, within twenty-four (24)
29 hours of such deviation.

30 (c)(1) Any employee of any affiliate of an electric distribution company who is engaged in
31 the business of a nonregulated power producer is prohibited from: conducting distribution-system
32 operations or reliability functions; and having access to the system control center or similar
33 facilities used for distribution operations or reliability functions that differs in any way from the
34 access available to other nonregulated power producers.

1 (2) Employees engaged in either an affiliated nonregulated power producer function or an
2 electric distribution function are not precluded from transferring between such functions as long as
3 such transfer is not used as a means to circumvent the standards of conduct of this section. Notices
4 of any employee transfer to or from electric distribution company operation or reliability functions
5 must be reported to the commission. The information to be reported must include: the name of the
6 transferring employee; the respective titles held while performing each function (i.e., on behalf of
7 the electric distribution company and the nonregulated power producer); and the effective date of
8 the transfer.

9 (3) Any employee of any affiliate of an electric distribution company who is engaged in
10 the nonregulated power producer function must not have preferential access to any information
11 about the electric distribution company's distribution system that is not available to all nonregulated
12 power producers.

13 (4) An electric distribution company is responsible for ensuring that any employee of the
14 electric distribution company may not disclose to employees of any affiliate engaged in a
15 nonregulated power producer function any information concerning the distribution system of the
16 electric distribution company or the distribution system of another (including information received
17 from nonaffiliates or information about distribution-system operations, capability, price,
18 curtailments, auxiliary services, and the like) through nonpublic communications that is not at the
19 same time available to all nonregulated power producers without restriction. If an employee of the
20 electric distribution company engaged in distribution-system operations or reliability functions
21 discloses information in a manner contrary to the requirements of the standards of conduct, the
22 electric distribution company must immediately report that information to the commission. An
23 electric distribution company may not share any market information acquired from nonaffiliated,
24 nonregulated power producers or developed in the course of responding to requests for distribution
25 service with any employee of an affiliate engaged in a nonregulated power producer function.

26 (5) All employees of the electric distribution company must apply all tariff provisions in a
27 fair and impartial manner that treats all customers (including those of an affiliated nonregulated
28 power producer) in a nondiscriminatory manner. The electric distribution company may not offer
29 a discount on purchases of distribution service where this discount is conditioned upon customers
30 purchasing power from a nonregulated power producer that is affiliated with the electric
31 distribution company, nor shall an electric distribution company give preferences of any type in the
32 provision of distribution service for customers purchasing power supply from a nonregulated power
33 producer that is affiliated with the electric distribution company.

34 (d) An electric distribution company must maintain its books of accounts and records

1 separately from those of its affiliates and these must be available for commission inspection.

2 (e) The electric distribution company must maintain in a public place, and file with the
3 commission, current written procedures implementing the standards of conduct in such detail as
4 will enable customers and the commission to determine that the electric distribution company is in
5 compliance with the requirements of this section.

6 (f) An electric distribution company must maintain an open and competitive procurement
7 process for goods and services needed or the ongoing maintenance and improvement of the electric
8 distribution system. Consistent with this section, any expenditure of ratepayer funds in excess of
9 one hundred thousand dollars (\$100,000) shall utilize a request for proposals process that shall be
10 available to the public, including responses to any issued request for proposals, subject to
11 maintaining confidentiality of any documents that would be exempt from disclosure under chapter
12 2 of title 38 ("public records act"). The commission may deny recovery of any expenditure if the
13 procurement was done in a manner inconsistent with provisions of the section.

14 **39-1-27.7.1. Revenue decoupling.**

15 (a) The general assembly finds and declares that electricity and gas revenues shall be fully
16 decoupled from sales pursuant to the provisions of this chapter and further finds and declares that
17 any decoupling proposal submitted by an electric distribution company as defined in § 39-1-
18 2(a)(12) or gas distribution company included as a public utility in § 39-1-2(a)(20) that has greater
19 than one hundred thousand (100,000) customers, shall be for the following purposes:

20 (1) Increasing efficiency in the operations and management of the electric and gas
21 distribution system;

22 (2) Achieving the goals established in the electric distribution company's plan for system
23 reliability and energy efficiency and conservation procurement as required pursuant to § 39-1-
24 27.7(d);

25 (3) Increasing investment in least-cost resources that will reduce long-term electricity
26 demand;

27 (4) Reducing risks for both customers and the distribution company including, but not
28 limited to, societal risks, weather risks, and economic risks;

29 (5) Increasing investment in end-use energy efficiency;

30 (6) Eliminating disincentives to support energy-efficiency programs;

31 (7) Facilitating and encouraging investment in utility infrastructure, safety, and reliability;

32 and

33 (8) Considering the reduction of fixed, recurring customer charges and transition to
34 increased unit charges that more accurately reflect the long-term costs of energy production and

1 delivery.

2 (b) Each electric distribution company as defined by § 39-1-2(a)(12) and gas distribution
3 company included as a public utility in § 39-1-2(a)(20) having greater than one hundred thousand
4 (100,000) customers shall file proposals at the commission to implement the policy set forth in
5 subsection (a) of this section. The commission shall approve these proposals, provided they contain
6 the features and components set forth in subsection (c) of this section, and that they are consistent
7 with the intent and objectives contained in subsection (a) of this section. Actions taken by the
8 commission in the exercise of its ratemaking authority for electric and gas rate cases shall be within
9 the norm of industry standards and recognize the need to maintain the financial health of the
10 distribution company as a stand-alone entity in Rhode Island.

11 (c) The proposals shall contain the following features and components:

12 (1) A revenue decoupling reconciliation mechanism that reconciles annually the revenue
13 requirement allowed in the company's base distribution-rate case to revenues actually received for
14 the applicable twelve-month (12) period. Any revenues over-recovered or under-recovered shall be
15 credited to, or recovered from, customers, as applicable; and

16 (2) An annual infrastructure, safety, and reliability spending plan for each fiscal year and
17 an annual rate-reconciliation mechanism that includes a reconcilable allowance for the anticipated
18 capital investments and other spending pursuant to the annual pre-approved budget as developed
19 in accordance with subsection (d) of this section.

20 (d) Prior to the beginning of each fiscal year, gas and electric distribution companies shall
21 consult with the division of public utilities and carriers regarding their infrastructure, safety, and
22 reliability spending plan for the following fiscal year, addressing the following categories:

23 (1) Capital spending on utility infrastructure;

24 (2) For electric distribution companies, operation and maintenance expenses on vegetation
25 management;

26 (3) For electric distribution companies, operation and maintenance expenses on system
27 inspection, including expenses from expected resulting repairs; and

28 (4) Any other costs relating to maintaining safety and reliability that are mutually agreed
29 upon by the division and the company.

30 The distribution company shall submit a plan to the division and the division shall
31 cooperate in good faith to reach an agreement on a proposed plan for these categories of costs for
32 the prospective fiscal year within sixty (60) days. To the extent that the company and the division
33 mutually agree on a plan, such plan shall be filed with the commission for review and approval
34 within ninety (90) days. If the company and the division cannot agree on a plan, the company shall

1 file a proposed plan with the commission and the commission shall review and, if the investments
2 and spending are found to be reasonably needed to maintain safe and reliable distribution service
3 over the short and long term, approve the plan within ninety (90) days. The commission may limit
4 or otherwise amend the budget proposed by the distribution company if it finds that it will not
5 impact safety or reliability standards. The commission shall be under no obligation to approve any
6 expenditures it finds to be unnecessary to maintain standards, and the company may still seek
7 recovery through standard rate proposals of any investment denied by the commission in an
8 infrastructure, safety, and reliability spending plan.

9 (e) The commission shall have the following duties and powers, in addition to its existing
10 authorities established in this title:

11 (1) To maintain reasonable and adequate service-quality standards, after decoupling, that
12 are in effect at the time of the proposal and were established pursuant to § 39-3-7.

13 (2) The commission may exclude the low-income rate class from the revenue decoupling
14 reconciliation-rate mechanism for either electric or gas distribution. The commission also may
15 exclude customers in the large commercial and industrial rate class from the gas-distribution
16 mechanism.

17 (3) The commission may adopt performance incentives for the electric distribution
18 company that provide a shared-savings mechanism whereby the company would receive a
19 percentage of savings realized as a result of achieving the purposes of this section while the
20 remaining savings are credited to customers.

21 (4) The commission shall review and approve, with any necessary amendments,
22 performance-based, energy-savings targets developed and submitted by the Rhode Island energy
23 efficiency and resources management council. The performance-based targets shall also be used as
24 a consideration in any shared-savings mechanism established by the commission pursuant to
25 subsection (e)(3) of this section.

26 (5) Notwithstanding other provisions of the general or public laws to the contrary, the
27 commission has the authority to limit the proposed budget of any proposal received under this
28 section.

29 ~~(f) The Rhode Island energy efficiency and resources management council shall propose
30 performance-based, energy-savings targets to the commission no later than September 1, 2010. The
31 targets shall include, but not be limited to, specific energy kilowatt-hour savings overall and peak-
32 demand savings for both summer and winter peak periods expressed in total megawatts as well as
33 appropriate targets recommended in the opportunities report filed with the commission pursuant to
34 § 39-1-27.7(d)(3). The council shall revise, as necessary, these targets on an annual basis prior to~~

1 ~~the reconciliation process established pursuant to subsection (c) of this section and submit its~~
2 ~~revisions to the commission for approval.~~

3 (g) ~~**Reporting.** Every electric distribution company, as defined in subsection (a) of this~~
4 ~~section, shall report to the governor, general assembly, division of public utilities and carriers, and~~
5 ~~public utilities commission on or before September 1, 2012. The report shall include, but not be~~
6 ~~limited to, the following elements:~~

7 (1) ~~A comparison of revenues from traditional rate regulation and how the revenues have~~
8 ~~differed as part of an approved decoupling structure;~~

9 (2) ~~A summary of how the company is achieving the performance-based targets that may~~
10 ~~have been adopted pursuant to subsection (e)(4) of this section;~~

11 (3) ~~A summary of any shared savings the company may have received pursuant to the~~
12 ~~performance incentives authorized in subsection (e)(3) of this section;~~

13 (4) ~~A summary of how the company is achieving the service quality standards required in~~
14 ~~subsection (e)(1) of this section;~~

15 (5) ~~An overview of how decoupling is impacting revenue stabilization goals that have~~
16 ~~resulted from decoupling; and~~

17 (6) ~~A summary of any customer education programs provided.~~

18 (h) By October 1, 2024, and every subsequent five (5) years, the distribution company shall
19 file with the commission for its review and consideration a grid modernization and resilience plan
20 that contains, at a minimum, the following components:

21 (1) All issues referenced in PUC Order Number 23823, Section 6, addressing minimum
22 requirements for a grid modernization plan;

23 (2) Standardized, qualitative method to assess the potential and known greenhouse gas
24 emissions that will result from the expenditure of any ratepayer funds;

25 (3) An evaluation of the climate science and projected extreme weather and other climate-
26 related risks for the service territory including changes in temperature extremes, humidity,
27 precipitation, sea level rise, and extreme storms;

28 (4) An evaluation and risk assessment of potential impacts of climate change on existing
29 operation, planning, and physical assets, including any design and construction standards or
30 maintenance and operations practices that require changes to address current and future climate
31 conditions as it relates to reliability and resilience of the grid;

32 (5) An evaluation of the vulnerability of existing infrastructure based on location and
33 whether and when certain facilities may require retrofitting or relocation;

34 (6) Identification and prioritization of adaptation options to increase asset and system-wide

1 resilience over time;

2 (7) An evaluation of costs and benefits against a range of possible future scenarios and
3 adaptation options;

4 (8) An implementation timeline, including benchmarks over time, for making changes in
5 line with the findings of the study such as modifying design and construction standards, modifying
6 operations and planning processes, and upgrades to existing infrastructure to ensure reliability and
7 resilience of the grid; and

8 (9) Any other item ordered by the commission.

9 SECTION 2. Section 39-2-1.2 of the General Laws in Chapter 39-2 entitled "Duties of
10 Utilities and Carriers" is hereby amended to read as follows:

11 ~~**39-2-1.2. Utility base rate—Advertising, demand-side management, and renewables**~~
12 **Utility base rate -- Demand-side management and renewables.**

13 ~~(a) In addition to costs prohibited in § 39-1-27.4(b), no public utility distributing or~~
14 ~~providing heat, electricity, or water to or for the public shall include as part of its base rate any~~
15 ~~expenses for advertising, either direct or indirect, that promotes the use of its product or service, or~~
16 ~~is designed to promote the public image of the industry. No public utility may furnish support of~~
17 ~~any kind, direct or indirect, to any subsidiary, group, association, or individual for advertising and~~
18 ~~include the expense as part of its base rate. Nothing contained in this section shall be deemed as~~
19 ~~prohibiting the inclusion in the base rate of expenses incurred for advertising, informational or~~
20 ~~educational in nature, that is designed to promote public safety conservation of the public utility's~~
21 ~~product or service. The public utilities commission shall promulgate such rules and regulations as~~
22 ~~are necessary to require public disclosure of all advertising expenses of any kind, direct or indirect,~~
23 ~~and to otherwise effectuate the provisions of this section.~~

24 (b) Effective as of January 1, 2008, and for a period of twenty (20) years thereafter, each
25 electric distribution company shall include a charge per kilowatt-hour delivered to fund demand-
26 side management programs. The 0.3 mills per kilowatt-hour delivered to fund renewable energy
27 programs shall remain in effect until December 31, 2028. The electric distribution company shall
28 establish and, after July 1, 2007, maintain, two (2) separate accounts, one for demand-side
29 management programs (the "demand-side account"), which shall be funded by the electric demand-
30 side charge and administered and implemented by the distribution company, subject to the
31 regulatory reviewing authority of the commission, and one for renewable energy programs, which
32 shall be administered by the Rhode Island commerce corporation pursuant to § 42-64-13.2 and shall
33 be held and disbursed by the distribution company as directed by the Rhode Island commerce
34 corporation for the purposes of developing, promoting, and supporting renewable energy programs.

1 During the time periods established in this subsection, the commission may, in its
2 discretion, after notice and public hearing, increase the sums for demand-side management and
3 renewable resources. In addition, the commission shall, after notice and public hearing, determine
4 the appropriate charge for these programs. The office of energy resources, and/or the administrator
5 of the renewable energy programs, may seek to secure for the state an equitable and reasonable
6 portion of renewable energy credits or certificates created by private projects funded through those
7 programs. As used in this section, “renewable energy resources” shall mean: (1) Power generation
8 technologies, as defined in § 39-26-5, “eligible renewable energy resources,” including off-grid
9 and on-grid generating technologies located in Rhode Island, as a priority; (2) Research and
10 development activities in Rhode Island pertaining to eligible renewable energy resources and to
11 other renewable energy technologies for electrical generation; or (3) Projects and activities directly
12 related to implementing eligible renewable energy resources projects in Rhode Island.
13 Technologies for converting solar energy for space heating or generating domestic hot water may
14 also be funded through the renewable energy programs. Fuel cells may be considered an energy
15 efficiency technology to be included in demand-side management programs. Special rates for low-
16 income customers in effect as of August 7, 1996, shall be continued, and the costs of all of these
17 discounts shall be included in the distribution rates charged to all other customers. Nothing in this
18 section shall be construed as prohibiting an electric distribution company from offering any special
19 rates or programs for low-income customers which are not in effect as of August 7, 1996, subject
20 to the approval by the commission.

21 (1) The renewable energy investment programs shall be administered pursuant to rules
22 established by the Rhode Island commerce corporation. Said rules shall provide transparent criteria
23 to rank qualified renewable energy projects, giving consideration to:

- 24 (i) The feasibility of project completion;
- 25 (ii) The anticipated amount of renewable energy the project will produce;
- 26 (iii) The potential of the project to mitigate energy costs over the life of the project; and
- 27 (iv) The estimated cost per kilowatt-hour (KWh) of the energy produced from the project.
- 28 (c) [Deleted by P.L. 2012, ch. 241, art. 4, § 14.]

29 (d) The chief executive officer of the commerce corporation is authorized and may enter
30 into a contract with a contractor for the cost-effective administration of the renewable energy
31 programs funded by this section. A competitive bid and contract award for administration of the
32 renewable energy programs may occur every three (3) years and shall include, as a condition, that
33 after July 1, 2008, the account for the renewable energy programs shall be maintained and
34 administered by the commerce corporation as provided for in subsection (b) of this section.

1 (e) Effective January 1, 2007, and for a period of twenty-one (21) years thereafter, each
2 gas distribution company shall include, with the approval of the commission, a charge per deca
3 therm delivered to fund demand-side management programs (the “gas demand-side charge”),
4 including, but not limited to, programs for cost-effective energy efficiency, energy conservation,
5 combined heat and power systems, and weatherization services for low-income households.

6 (f) Each gas company shall establish a separate account for demand-side management
7 programs (the “gas demand-side account”) that shall be funded by the gas demand-side charge and
8 administered and implemented by the distribution company, subject to the regulatory reviewing
9 authority of the commission. The commission may establish administrative mechanisms and
10 procedures that are similar to those for electric demand-side management programs administered
11 under the jurisdiction of the commission and that are designed to achieve cost-effectiveness and
12 high, life-time savings of efficiency measures supported by the program.

13 (g) The commission may, if reasonable and feasible, except from this demand-side
14 management charge:

15 (1) Gas used for distribution generation; and

16 (2) Gas used for the manufacturing processes, where the customer has established a self-
17 directed program to invest in and achieve best-effective energy efficiency in accordance with a plan
18 approved by the commission and subject to periodic review and approval by the commission, which
19 plan shall require annual reporting of the amount invested and the return on investments in terms
20 of gas savings.

21 (h) The commission may provide for the coordinated and/or integrated administration of
22 electric and gas demand-side management programs in order to enhance the effectiveness of the
23 programs. Such coordinated and/or integrated administration may after March 1, 2009, upon the
24 recommendation of the office of energy resources, be through one or more third-party entities
25 designated by the commission pursuant to a competitive selection process.

26 (i) Effective January 1, 2007, the commission shall allocate, from demand-side
27 management gas and electric funds authorized pursuant to this section, an amount not to exceed
28 three percent (3%) of such funds on an annual basis for the retention of expert consultants, and
29 reasonable administration costs of the energy efficiency and resource management council
30 associated with planning, management, and evaluation of energy-efficiency programs, renewable
31 energy programs, system reliability, least-cost procurement, and with regulatory proceedings,
32 contested cases, and other actions pertaining to the purposes, powers, and duties of the council,
33 which allocation may by mutual agreement, be used in coordination with the office of energy
34 resources to support such activities.

1 (j) Effective January 1, 2016, the commission shall annually allocate from the
2 administrative funding amount allocated in subsection (i) from the demand-side management
3 program as described in subsection (i) as follows: (1) for the energy efficiency and resource
4 management council, no more than forty percent (40%) for the purposes identified in subsection (i)
5 and (2) sixty percent (60%) of three percent (3%) from the demand-side management gas and
6 electric funds annually to the office of energy resources for activities associated with planning,
7 management, and evaluation of energy-efficiency programs, renewable energy programs, system
8 reliability, least-cost procurement, and with regulatory proceedings, contested cases, and other
9 actions pertaining to the purposes, powers, and duties of the office of energy resources and shall
10 have exclusive authority to direct the use of the office administrative and programmatic funds.

11 (k) On April 15, of each year, the office and the council shall submit to the governor, the
12 president of the senate, and the speaker of the house of representatives, separate financial and
13 performance reports regarding the demand-side management programs, including the specific level
14 of funds that were contributed by the residential, municipal, and commercial and industrial sectors
15 to the overall programs; the businesses, vendors, and institutions that received funding from
16 demand-side management gas and electric funds used for the purposes in this section; and the
17 businesses, vendors, and institutions that received the administrative funds for the purposes in
18 subsections (i) and (j). These reports shall be posted electronically on the websites of the office of
19 energy resources and the energy efficiency and resources management council.

20 (l) On or after August 1, 2015, at the request of the Rhode Island infrastructure bank, each
21 electric distribution company, except for the Pascoag Utility District and Block Island Power
22 Company, shall remit two percent (2%) of the amount of the 2014 electric demand-side charge
23 collections to the Rhode Island infrastructure bank.

24 (m) On or after August 1, 2015, at the request of the Rhode Island infrastructure bank, each
25 gas distribution company shall remit two percent (2%) of the amount of the 2014 gas demand-side
26 charge collections to the Rhode Island infrastructure bank.

27 (n) Effective January 1, 2022, the commission shall allocate, from demand-side
28 management gas and electric funds authorized pursuant to this section, five million dollars
29 (\$5,000,000) of such funds on an annual basis to the Rhode Island infrastructure bank. Gas and
30 electric demand-side funds transferred to the Rhode Island infrastructure bank pursuant to this
31 section shall be eligible to be used in any energy efficiency, renewable energy, clean transportation,
32 clean heating, energy storage, or demand-side management project financing program administered
33 by the Rhode Island infrastructure bank notwithstanding any other restrictions on the use of such
34 collections set forth in this chapter. The infrastructure bank shall report annually to the commission

1 within ninety (90) days of the end of each calendar year how collections transferred under this
2 section were utilized.

3 (o) The Rhode Island office of energy resources, in coordination with the energy efficiency
4 and resource management council, and following consultation with the public utilities commission
5 and division of public utilities and carriers, shall issue a request for proposals for the cost-effective
6 administration and implementation of statewide energy efficiency programs funded by this section
7 no later than September 30, 2023. The draft request for proposals shall be reviewed through at least
8 one technical session at the public utilities commission prior to issuance. Public utilities
9 commission approval shall not be required. The Rhode Island office of energy resources, in
10 coordination with the energy efficiency and resource management council, shall evaluate proposals
11 and determine whether energy efficiency administration and implementation by the electric and gas
12 distribution company or a third party is likely to achieve the most net benefits for electric and gas
13 customers in Rhode Island. After January 1, 2025, the office of energy resources may, periodically,
14 and at its discretion, issue additional requests for proposals for the administration and
15 implementation of statewide energy efficiency programs funded through this chapter of an electric
16 distribution company as defined in § 39-1-2(a)(12) or gas distribution company included as a
17 public utility in § 39-1-2(a)(20) that has greater than one hundred thousand (100,000) customers.

18 (1) Nothing in this chapter shall prohibit the electric and/or gas distribution company from
19 submitting a proposal to administer and implement the state energy efficiency programs.

20 (2) If the office of energy resources, in coordination with the energy efficiency and resource
21 management council, determines that the use of a third-party administrator is likely to achieve the
22 most net benefits for electric and gas customers in Rhode Island, it shall file its recommendation
23 with the public utilities commission, which shall docket and rule on the matter pursuant to its
24 general statutory authorization.

25 (3) If the commission determines that the recommended third-party administrator is in the
26 interest of Rhode Island utility customers, it shall provide for the full cost recovery for the third-
27 party administrator consistent with the terms of the approved contract, and which shall reflect the
28 overall annual budget approved by the commission. The third-party administrator shall be subject
29 to all the requirements set forth for the electric and gas distribution company per § 39-1-27.7.

30 (4) If the commission determines that a third-party administrator will administer the state
31 energy efficiency programs on or after June 1, 2024, the commission shall direct the gas and electric
32 distribution company to collect and transfer the gas and electric energy efficiency funds to the third-
33 party administrator for the annual state energy efficiency program beginning with the program year
34 and thereafter for the remaining program years. The gas and electric distribution company shall

1 transfer the annual administrative funds to the office of energy resources and energy efficiency and
2 resource management council.

3 (5) If a third-party administrator implements the annual energy efficiency programs then
4 they shall be required to develop and design the annual state energy efficiency program with the
5 office of energy resources and energy efficiency and resource management council, including a
6 vote by the energy efficiency and resource management council prior to the third-party
7 administrator filing the annual program plan to the public utilities commission for review and a
8 decision.

9 (6) The third-party administrator shall file the annual state energy efficiency program plan
10 to the public utilities commission for review and approval no later than September 30, 2024, and
11 annually thereafter on such date.

12 (7) The third-party administrator shall provide all information requested by the office of
13 energy resources, energy efficiency and resource management council, division of public utilities
14 and carriers, and the public utilities commission, including responses to data requests, which are
15 necessary for the agencies to carry out their respective oversight roles, and shall be accountable to
16 the same standards as the utility with administering and implementing energy efficiency, system
17 reliability, and least-cost procurement standards and goals in accordance with § 39-1-27.7 and this
18 section.

19 (8) If the office does not recommend advancement of a third-party administrator, the
20 electric and gas distribution company shall continue to administer statewide energy efficiency
21 programs.

22 SECTION 3. Chapter 39-2 of the General Laws entitled "Duties of Utilities and Carriers"
23 is hereby amended by adding thereto the following section:

24 **39-2-1.5. Utility base rate -- Prohibitions on advertising, political, charitable, and**
25 **investor-related expenses.**

26 (a) In addition to costs prohibited in § 39-1-27.4(b), no public utility serving greater than
27 one hundred thousand (100,000) customers distributing or providing heat, electricity, or water to
28 or for the public shall recover through rates any direct or indirect cost associated with:

29 (1) Advertising, marketing, communications, or public education that seek to influence
30 public opinion, including any costs associated with activities such as research, analysis, preparation
31 or planning undertaken in support of advertising, marketing, communications, or public education,
32 or any other related costs identified by the commission, unless such marketing, advertising,
33 communications or related costs are specifically approved or ordered by the commission;

34 (2) Membership, dues, sponsorships or contributions to a business or industry trade

1 association, group or related entity incorporated under Section 501 of the Internal Revenue Code
2 of 1986, as amended;

3 (3) Charitable giving expenses, including contributions to organizations qualified under
4 section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended;

5 (4) Lobbying as defined in § 42-139.1-3 including, but not limited to, any costs for
6 activities undertaken in support of lobbying such as policy research, analysis, preparation, and
7 planning undertaken in support of lobbying;

8 (5) Contributions to political candidates, campaign committees, issue committees, or
9 independent expenditure committees or similar political expenses;

10 (6) Litigation to influence, modify, or repeal existing federal, state or local regulations,
11 legislation or ordinances;

12 (7) Marketing and administration or customer service for unregulated products or services
13 provided or sold by the utility or the utility's affiliates;

14 (8) Tax penalties or fines issued against the utility;

15 (9)(i) Travel, lodging or food and beverage expenses for such company's board of directors
16 and officers or the board of directors and officers of such company's parent company;

17 (ii) Entertainment or gifts;

18 (iii) Any owned, leased or chartered aircraft for such company's board of directors and
19 officers or the board of directors and officers of such company's parent company; or

20 (iv) Investor relations; and

21 (10) Annual compensation for any employees or members of the board of directors of the
22 company exceeding the current annual salary of the governor.

23 (b) On or before September 1, 2025, and annually thereafter, each utility serving greater
24 than one hundred thousand (100,000) customers shall report to the public utilities commission a
25 list of expenses to ensure the utility's compliance with this chapter. Such report shall include, but
26 need not be limited to:

27 (1) A list of all outside services or vendors paid by the utility;

28 (2) An itemized list of all expenses associated with activities described in § 39-1-27.7.1,
29 including expenses made to:

30 (i) Third-party vendors;

31 (ii) Utility affiliates, subsidiaries or parent companies; and

32 (iii) Utility employees in the form of compensation.

33 (3) For each itemized expense associated with activities described in § 39-1-27.7.1, the
34 billing amount, date, identity of payee, and an explanation of the expense sufficient to describe its

1 purpose.

2 (4) In the case of an expense associated with activities described in § 39-1-27.7.1 made to
3 a third-party vendor by a centralized service company, parent company, or other corporate affiliate
4 of utility, the identity of that third-party vendor;

5 (5) Any other itemized information deemed relevant by the commission.

6 No public service company shall recover through rates any costs associated with the
7 preparation of such report.

8 (c) No investor-owned utility with more than one hundred thousand (100,000) customers
9 shall recover through rates its direct or indirect costs associated with its attendance in, participation
10 in, preparation for, or appeal of any contested proceeding conducted before the commission. Such
11 costs shall include, but need not be limited to, attorneys' fees, fees to engage expert witnesses or
12 consultants, the portion of employee salaries associated with such attendance, participation,
13 preparation or appeal of a contested proceeding and related costs identified by the commission.

14 (d) By November 1, 2024, the public utilities commission shall initiate rulemaking to
15 amend its rules under title 39 to implement the requirements of this chapter, including requiring the
16 public disclosure of all expenses prohibited from rate recovery. Rulemaking shall conclude no later
17 than June 1, 2025.

18 SECTION 4. Title 39 of the General Laws entitled "PUBLIC UTILITIES AND
19 CARRIERS" is hereby amended by adding thereto the following chapter:

20 CHAPTER 33

21 ENERGY SYSTEM PLANNING FOR EQUITY AND CLIMATE

22 **39-33-1. Definitions.**

23 As used in this section, unless the context otherwise indicates, the following terms have
24 the following meanings.

25 (1) "Covered utility" means an electric distribution company as defined in § 39-1-2 that
26 serves more than one hundred thousand (100,000) customers.

27 (2) "Environmental justice", as defined by the department of environmental management,
28 means the fair treatment and meaningful involvement of all people regardless of race, color,
29 national origin, English language proficiency, or income with respect to access to the state's natural
30 resources and the development, implementation, and enforcement of environmental laws,
31 regulations, and policies. This definition may be updated in alignment with subsequent statute.

32 (3) "Hosting capacity" means a threshold at a circuit at which new distributed energy
33 resources will trigger upgrades or changes to the electrical distribution system and cost
34 considerations of related upgrades and changes.

1 (4) "Resiliency" means the ability to prepare for and adapt to changing conditions and
2 withstand and recover rapidly from deliberate attacks, accidents or naturally occurring threats or
3 incidents, including, but not limited to, threats or incidents associated with the impacts of climate
4 change.

5 **39-33-2. Integrated distribution system planning.**

6 (a) Integrated distributions system plans. Beginning June 30, 2025, then every two (2) years
7 thereafter, a covered utility shall be required to submit a ten (10) year integrated distribution system
8 plan to the commission. The integrated distribution system plan shall identify solutions to enable
9 the cost-effective achievement of the Rhode Island's greenhouse gas reduction obligations and
10 climate policies; to improve grid reliability and resiliency; to support distributed energy resource
11 integration and utilization for grid services; to accelerate the deployment of new technologies and
12 services to optimize grid performance and minimize electricity system costs; to increase customer
13 choice and engagement in energy services; to maximize use of federal funding sources; and to
14 support equity and environmental justice goals. The integrated distribution system plan shall
15 include a three (3) year action plan to optimize near-term grid investments and operations.

16 (b) Documentation; priorities identified; integrated distribution system planning process;
17 stakeholder input. The commission shall initiate a proceeding to document existing utility systems
18 and processes that support integrated grid planning; to identify the priorities to be addressed in a
19 filing by a covered utility regarding an integrated distribution system plan; and to establish a public
20 and transparent integrated distribution system planning process and reporting standards. The
21 commission shall hold technical conferences and/or stakeholder workshops to identify priorities,
22 assumptions, goals, methods, and tools that will assist the covered utility in developing an
23 integrated distribution system plan. As part of the integrated distribution system planning process:

24 (1) The commission may require the creation of a stakeholder council to provide input
25 during the integrated distribution system planning process; a technical advisory group to review
26 and provide input on forecasting, assumptions, modeling tools, and other issues the commission
27 identifies; and working groups as appropriate. A stakeholder council may include participants
28 including, but not limited to, municipal representatives; consumer advocates; representatives for
29 demand response, electric vehicles, energy storage, and energy efficiency industries; solar
30 developers; industrial customers; state planning agencies; and environmental organizations.

31 (2) A covered utility shall provide notice to all municipalities that are included in its service
32 area to inform them of the process and request copies of all comprehensive land use plans, which
33 shall be considered when preparing the integrated distribution system plan.

34 (3) A covered utility shall develop a community engagement plan that describes how it will

1 collaborate with community-based organizations and environmental justice communities to ensure
2 that community needs, especially with respect to energy burden, customer choice, and resiliency,
3 inform utility forecasting and methods to identify distribution system investments, including
4 customer-sited non-wires solutions.

5 (4) A covered utility shall host at least three (3) public workshops prior to filing its
6 integrated distribution system plan filing and must document how the public input received
7 informed the distribution system planning process.

8 (c) Commission order. At the conclusion of the technical conferences and stakeholder
9 workshops held under § 39-33-2(b), the commission shall issue an order directing a covered utility
10 to submit a filing to the commission that addresses the priorities identified in the proceeding
11 initiated pursuant to § 39-33-2(a) and includes the additional components identified in § 39-33-
12 2(b).

13 (d) Additional components; submission. A covered utility shall submit a filing to the
14 commission within twelve (12) months of the issuance of an order by the commission pursuant to
15 § 39-33-2(b). In addition to addressing the priorities specified in the commission order, the filing
16 must:

17 (1) Assess the electric system of the covered utility and its relationship to the regional grid;

18 (2) Include multiple planning scenarios, with, at a minimum, a baseline scenario and a
19 scenario of high-penetration distributed energy resources and end-use building and transportation
20 electrification. The planning scenarios must incorporate mechanisms for achieving the priorities
21 established pursuant to § 39-33-2(b), including, but not limited to, cost-effective policies, programs,
22 rates, use of software or technology, and infrastructure planning, including non-wires alternatives.
23 The baseline scenario shall incorporate existing state climate and clean energy requirements, local
24 laws and planning efforts, as well as existing federal laws, including, but not limited to, the Inflation
25 Reduction Act and the Infrastructure Investment and Jobs Act. Each scenario may have multiple
26 sensitivities based on inputs including, but not limited to, fuel and technology costs, load flexibility,
27 and rate design.

28 (3) Include, at a minimum, the following:

29 (i) Forecasts of projected load, including forecasts of end-use electrification, energy
30 efficiency and distributed energy resources;

31 (ii) Baseline energy supply data and assessments, including, but not limited to, planned
32 generation retirements; new generation that is planned or needed, including generation of electricity
33 from renewable sources; and energy storage installations;

34 (iii) Analysis of hosting capacity, including locational benefits of distributed energy

1 resources and areas of existing or potential system congestion;
2 (iv) Analysis of available and emerging technologies necessary to enable load management
3 and flexibility;
4 (v) An assessment of the environmental, equity, and environmental justice impacts of the
5 distribution system plans and identified solutions; and
6 (vi) An identification of cost-effective near-term grid investments and operations needed
7 to achieve the priorities identified in § 39-33-2(b); and
8 (vii) An assessment of consumer cost impacts and protections for low-income
9 communities.

10 (4) Include a plan for moving to system planning based on time-series analysis and
11 probabilistic planning criteria. Forecasting methodologies in the distribution system plans must be
12 transparent, and temporally and geographically granular. Forecasts should include feeder-level data
13 at hourly or sub-hourly intervals. Feeder level forecasts should be disaggregated by distributed
14 energy resource type and indicate, of those distributed energy resources, which are flexible and the
15 associated flexible load. The distribution system plans should include a plan for forecasting with
16 time series data at the circuit level. A utility shall provide a forecasting roadmap of how its
17 forecasting methodology will evolve over time and when this will happen, including utilizing time
18 series planning.

19 (5) Reference and incorporate, as appropriate, all relevant elements, analysis, and findings
20 conducted as part of the state's most recent climate action plan or strategy and all relevant elements,
21 analysis, and findings related to proceedings including, but not limited to, the system reliability
22 procurement process; the commission's future of gas proceeding; the infrastructure, safety and
23 reliability plan; and the power sector transformation process.

24 (e) Public comment and review. The commission shall make the filing for each covered
25 utility available for public comment for a period of no less than ninety (90) days. The commission
26 shall, if it determines it is necessary, order a covered utility to revise the plan to address any
27 deficiencies in the plan or to incorporate any reasonable actions to align its business, programs,
28 operations, and investments with greenhouse gas reduction obligations and climate policies. The
29 commission may use the filing and the input received from interested parties in rate cases or other
30 proceedings involving the covered utility.

31 (f) Access to information. A covered utility shall ensure to the greatest extent practicable
32 that any information related to the filing is provided in a forum accessible to interested parties and
33 all relevant data and distribution planning modeling tools are available to interested parties.
34 Nothing in this section prohibits the commission from holding additional proceedings if the

1 commission determines it is necessary to meet the purposes of this section.

2 (g) Administrative expense. The commission is authorized to hire one or more consultants
3 to assist with each task set forth in this section and, should the general assembly not appropriate
4 funds from the general fund specifically for implementation of this section, may assess its actual
5 costs to the covered utility in a manner to be determined by the commission.

6 **39-33-3. Performance-based regulation.**

7 (a) Not later than October 1, 2024, the public utilities commission shall initiate a
8 proceeding to investigate, develop and adopt a framework for implementing performance-based
9 regulation of electric distribution companies serving greater than one hundred thousand (100,000)
10 customers. Such framework adopted by the commission shall:

11 (1) Establish standards and metrics for measuring such electric distribution company's
12 performance of objectives that are in the interest of ratepayers or benefit the public, which may
13 include, but not be limited to, safety, reliability, emergency response, cost efficiency, affordability,
14 equity, customer satisfaction, municipal engagement, resiliency, and advancing the state's
15 environmental and policy goals, including, but not limited to, those goals established in § 42-6.2-
16 2;

17 (2) Identify the manner, including the timeframe and extent, in which such standards and
18 metrics shall be used to apply the principles and guidelines set forth in § 39-1-1 and to determine
19 the relative adequacy of the company's service and the reasonableness and adequacy of rates
20 proposed and considered pursuant to title 39; and

21 (3) Identify specific mechanisms to be implemented to align utility performance with the
22 standards and metrics adopted pursuant to this section and title 39. The commission may also
23 initiate a proceeding to investigate, develop and adopt a framework for implementation of
24 performance-based regulation for gas and water companies, as defined in § 39-1-2, consistent with
25 the requirements and provisions of this section.

26 (b) In any proceeding required under subsection (a) of this section, or in any rate hearing
27 pursuant to title 39, the commission may approve performance-based incentives to encourage a gas
28 or electric distribution company to operate efficiently and provide high quality service at fair and
29 reasonable rates and shall consider the implementation of financial performance-based incentives
30 and penalties and performance-based metrics. If the commission approves such performance-based
31 incentives and penalties for a particular company, the commission shall include in such approval a
32 framework for periodic monitoring and review of the company's performance in regard to criteria
33 specified by the commission, which shall include, but not be limited to, the company's return on
34 equity, reliability and quality of service. If the commission determines in the periodic monitoring

1 and review that a more extensive review of company performance is necessary, the commission
2 may institute a further proceeding in accordance with the purposes of this chapter, including a
3 complete review and investigation described in subsection (a) of this section pursuant to metrics
4 developed by the commission.

5 (c) Notwithstanding any provision of general laws or public laws to the contrary, in
6 exercising its discretion regarding whether to allow the recovery through rates of any portion of the
7 compensation package for executives or officers or of any portion of any incentive compensation
8 for employees of any electric distribution company, gas company or water company, as defined in
9 title 39, the public utilities commission shall consider whether to require that any such
10 compensation that is recoverable through rates be dependent upon the achievement of performance
11 targets established pursuant to subsection (a) of this section.

12 SECTION 5. This act shall take effect upon passage.

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LC005194
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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 amend several provisions relative the powers and duties of the PUC and
2 would require the submission by utilities of integrated distribution system plans identifying
3 solutions to reduce greenhouse gases.

4 This act would take effect upon passage.

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LC005194
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