STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

AN ACT

RELATING TO PUBLIC UTILITIES AND CARRIERS - PUBLIC UTILITIES COMMISSION

Introduced By: Senators Miller, Sosnowski, Walaska, Conley, and DiPalma

Date Introduced: March 19, 2015

Referred To: Senate Commerce

(Administration)

It is enacted by the General Assembly as follows:

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

39-1-27.7. System reliability and least-cost procurement. -- Least-cost procurement shall comprise system reliability and energy efficiency and conservation procurement as provided for in this section and supply procurement as provided for in § 39-1-27.8, as complementary but distinct activities that have as common purpose meeting electrical and natural gas energy needs in Rhode Island, in a manner that is optimally cost-effective, reliable, prudent and environmentally responsible.

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

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

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

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

(iii) Demand response, including, but not limited to, distributed generation, back-up generation and on-demand usage reduction, which shall be designed to facilitate electric customer
participation in regional demand response programs, including those administered by the
independent service operator of New England ("ISO-NE") and/or are designed to provide local
system reliability benefits through load control or using on-site generating capability;

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

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

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

(c) To implement the provisions of this section:

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

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

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

(4) Each electrical and natural gas distribution company shall submit to the commission
on or before September 1, 2008, and triennially on or before September 1, thereafter through
September 1, 2008 and 2024, a plan for system reliability and energy efficiency and conservation
procurement. In developing the plan, the distribution company may seek the advice of the
commissioner and the council. The plan shall include measurable goals and target percentages for each energy resource, pursuant to standards established by the commission, including efficiency, distributed generation, demand response, combined heat and power, and renewables. The plan shall be made public and be posted electronically on the website to the office of energy resources, and shall also be submitted to the general assembly.

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

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

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

(iii) The energy efficiency annual plan shall include, but not be limited to, a plan for
identifying and recruiting qualified combined heat and power projects, incentive levels, contract
terms and guidelines, and achievable megawatt targets for investments in combined heat and
power systems. In the development of the plan, the energy efficiency and resource management
council and the electric distribution company shall factor into the combined heat and power plan
and program, the following criteria: (A) Economic development benefits in Rhode Island,
including direct and indirect job creation and retention from investments in combined heat and
power systems; (B) Energy and cost savings for customers; (C) Energy supply costs; (D)
Greenhouse gas emissions standards and air quality benefits; and (E) System reliability benefits.

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

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

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

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

39-2-1.2. Utility base rate -- Advertising, demand side management and renewables -
(a) In addition to costs prohibited in section 39-1-27.4(b), no public utility distributing or
providing heat, electricity, or water to or for the public shall include as part of its base rate any
expenses for advertising, either direct or indirect, which promotes the use of its product or
service, or is designed to promote the public image of the industry. No public utility may furnish
support of any kind, direct, or indirect, to any subsidiary, group, association, or individual for
advertising and include the expense as part of its base rate. Nothing contained in this section shall
be deemed as prohibiting the inclusion in the base rate of expenses incurred for advertising,
informational or educational in nature, which is designed to promote public safety conservation of
the public utility's product or service. The public utilities commission shall promulgate such rules
and regulations as are necessary to require public disclosure of all advertising expenses of any
kind, direct or indirect, and to otherwise effectuate the provisions of this section.

(b) Effective as of January 1, 2008, and for a period of ten (10) fifteen (15) years
thereafter, each electric distribution company shall include a charge per kilowatt-hour
delivered to fund demand side management programs. The 0.3 mills per kilowatt-hour delivered
to fund renewable energy programs shall remain in effect until December 31, 2017. The electric
distribution company shall establish and, after July 1, 2007, maintain two (2) separate accounts,
one for demand side management programs (the "demand side account"), which shall be funded
by the electric demand side charge and administered and implemented by the distribution
company, subject to the regulatory reviewing authority of the commission, and one for renewable
energy programs, which shall be administered by the economic development corporation Rhode
Island commerce corporation pursuant to § 42-64-13.2 and, shall be held and disbursed by the
distribution company as directed by the economic development corporation Rhode Island
commerce corporation for the purposes of developing, promoting and supporting renewable
energy programs.

During the ten (10) year period time periods established in § 39-2-1.2(b), the commission
may, in its discretion, after notice and public hearing, increase the sums for demand side
management and renewable resources; thereafter, the commission shall, after notice
and public hearing, determine the appropriate charges for these programs. The office of energy
resources and/or the administrator of the renewable energy programs may seek to secure for the
state an equitable and reasonable portion of renewable energy credits or certificates created by
private projects funded through those programs. As used in this section, “renewable energy
resources” shall mean: (1) power generation technologies as defined in § 39-26-5, "eligible
renewable energy resources", including off grid and on-grid generating technologies located in
Rhode Island as a priority; (2) research and development activities in Rhode Island pertaining to
eligible renewable energy resources and to other renewable energy technologies for electrical
generation; or (3) projects and activities directly related to implementing eligible renewable
energy resources projects in Rhode Island. Technologies for converting solar energy for space
heating or generating domestic hot water may also be funded through the renewable energy
programs. Fuel cells may be considered an energy efficiency technology to be included in
demand sided management programs. Special rates for low-income customers in effect as of
August 7, 1996 shall be continued, and the costs of all of these discounts shall be included in the
distribution rates charged to all other customers. Nothing in this section shall be construed as
prohibiting an electric distribution company from offering any special rates or programs for low-
income customers which are not in effect as of August 7, 1996, subject to the approval by the
commission.

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

(i) the feasibility of project completion;

(ii) the anticipated amount of renewable energy the project will produce;

(iii) the potential of the project to mitigate energy costs over the life of the project; and

(iv) the estimated cost per kilo-watt hour (kwh) of the energy produced from the project.

(c) [Deleted by P.L. 2012, ch. 241, § 14].

(d) The executive director of the economic development corporation is authorized and
may enter into a contract with a contractor for the cost effective administration of the renewable
energy programs funded by this section. A competitive bid and contract award for administration
of the renewable energy programs may occur every three (3) years and shall include as a
condition that after July 1, 2008 the account for the renewable energy programs shall be
maintained and administered by the economic development corporation as provided for in
subdivision (b) above.

(e) Effective January 1, 2007, and for a period of eleven (11) sixteen (16) years
thereafter, each gas distribution company shall include, with the approval of the commission, a
charge per deca therm delivered to fund demand side management programs (the "gas demand
side charge"), including, but not limited to, programs for cost effective energy efficiency, energy
conservation, combined heat and power systems, and weatherization services for low income
households.

(f) The gas company shall establish a separate account for demand side
management programs (the "gas demand side account"), which shall be funded by the gas
demand side charge and administered and implemented by the distribution company, subject to
the regulatory reviewing authority of the commission. The commission may establish
administrative mechanisms and procedures that are similar to those for electric demand side
management programs administered under the jurisdiction of the commissions and that are
designed to achieve cost-effectiveness and high life-time savings of efficiency measures
supported by the program.
(g) The commission may, if reasonable and feasible, except from this demand side management charge:

(i) gas used for distribution generation; and

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

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

(i) Effective January 1, 2007, the commission shall allocate from demand-side management gas and electric funds authorized pursuant to this section 39-2-1.2, an amount not to exceed two percent (2%) of such funds on an annual basis for the retention of expert consultants, and reasonable administration costs of the energy efficiency and resources management council associated with planning, management, and evaluation of energy efficiency programs, renewable energy programs, system reliability, least-cost procurement, and with regulatory proceedings, contested cases, and other actions pertaining to the purposes, powers and duties of the council, which allocation may by mutual agreement, be used in coordination with the office of energy resources to support such activities.

(j) Effective January 1, 2013, the commission shall annually allocate from the administrative funding amount allocated in (i) from the demand-side management program as described in subsection (i) as follows: sixty percent (60%) fifty percent (50%) for the purposes identified in subsection (i) and forty percent (40%) fifty percent (50%) annually to the office of energy resources for activities associated with planning management, and evaluation of energy efficiency programs, renewable energy programs, system reliability, least-cost procurement, and with regulatory proceedings, contested cases, and other actions pertaining to the purposes, powers and duties of the office of energy resources.

(k) On April 15, of each year the office and the council shall submit to the governor, the president of the senate, and the speaker of the house of representatives, separate financial and performance reports regarding the demand-side management programs, including the specific level of funds that were contributed by the residential, municipal, and commercial and industrial
sectors to the overall programs, the businesses, vendors, and institutions that received funding
from demand-side management gas and electric funds used for the purposes in section 39-2-1.2;
and the businesses, vendors, and institutions that received the administrative funds for the
purposes in sections 39-2-1.2(i) and 39-2-1.2(j). These reports shall be posted electronically on
the websites of the office of energy resources and the energy efficiency resource management
council.

(l) On or after August 1, 2015, at the request of the Rhode Island infrastructure bank,
each electric distribution company, except for the Pascoag Utility District and Block Island Power
Company, shall remit two percent (2%) of the amount of the 2014 electric demand side charge
collections to the Rhode Island infrastructure bank in accordance with the terms of § 46-12.2-14.1.

(m) On or after August 1, 2015, at the request of the Rhode Island infrastructure bank,
each gas distribution company shall remit two percent (2%) of the amount of the 2014 gas
demand side charge collections to the Rhode Island infrastructure bank in accordance with the
terms of § 46-12.2-14.1.

SECTION 3. This act shall take effect upon passage.

==========
LC001765/SUB A
==========
EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N   A C T
RELATING TO PUBLIC UTILITIES AND CARRIERS - PUBLIC UTILITIES COMMISSION

***
1   This act would extend the period over which the commissioner of the officer of energy
2   resource would report findings and recommendations on a triennial basis to the public utilities
3   commission to March 1, 2024. This act would also extend certain other time periods for charges
4   and actions to be taken in regard to the public utilities. This act would also require electric
5   distribution companies and gas distribution companies to remit two percent (2%) of their demand
6   side charge collections to the Rhode Island infrastructure bank, effective August 1, 2015.
7   This act would take effect upon passage.