

**2017 -- H 5640 SUBSTITUTE A**

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LC001810/SUB A  
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**STATE OF RHODE ISLAND**

**IN GENERAL ASSEMBLY**

**JANUARY SESSION, A.D. 2017**

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A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS - PUBLIC UTILITIES COMMISSION

Introduced By: Representatives Corvese, McNamara, and Azzinaro

Date Introduced: March 01, 2017

Referred To: House Corporations

It is enacted by the General Assembly as follows:

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

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

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

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

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

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

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

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

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

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

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

8 (B) For net-metering;

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

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

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

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

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

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

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

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

34 (4) Each electrical and natural gas distribution company shall submit to the commission

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

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

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

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

1 to support the development of combined heat and power installations in the electric distribution  
2 company's annual and triennial energy efficiency program plans.

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

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

11 (B) Energy and cost savings for customers;

12 (C) Energy supply costs;

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

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

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

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

31 (7)(i) The office of energy resources shall conduct a study and analysis of the state  
32 energy efficiency programs that will examine implemented program and planned conservation  
33 measures and verify the claimed energy savings. In carrying out this study, the office shall  
34 include a representative sample of different customer classes and measures that have and will be

1 participating in the state energy efficiency programs. This study will include pre- and post-  
2 metering of selected planned energy efficiency measures.

3 (ii) The office of energy resources shall consult with the electric and gas distribution  
4 company energy efficiency resource management council and the following energy user  
5 representatives in the development of the request for proposal, in the development of evaluation  
6 methodologies and protocols and also during the course of the study:

7 (1) Large commercial and industrial energy users;

8 (2) Small business energy users;

9 (3) Residential energy users; and

10 (4) Low income energy users.

11 (iii) The office of energy resources, in consultation with the electric and gas distribution  
12 company and representatives referenced in §39-1-27.7(7)(ii) shall be authorized to hire an energy  
13 consulting company or firm to carry out the energy efficiency verification study. The costs  
14 associated with this study, including, but not limited to, those associated with the consultant or  
15 firm contract and reasonable administrative costs incurred by the office in the execution of  
16 subsection (7) of this section, shall be recoverable through the system benefit charge subject to  
17 commission approval. Commission approval shall be granted within forty-five (45) days of  
18 receipt of such request from the office. The commission authorized funding shall be transferred  
19 from the electric and gas distribution utility to the office of energy resources upon request by the  
20 office and deposited in a restricted receipt account within the general fund. The restricted receipt  
21 account shall be exempt from the indirect cost recovery assessment under §35-4-27.

22 (iv) The office of energy resources shall submit this report on or before April 30, 2018 to  
23 the governor, the president of the senate, and the speaker of the house. The office and its selected  
24 energy consulting company or firm shall host two (2) public presentations on the preliminary and  
25 final results of the study.

26 (8) Effective June 30, 2017, the 2018 system reliability and energy efficiency and  
27 conservation procurement plans energy efficiency program charge filed with the commission by  
28 the electric and gas distribution utility shall not exceed the commission approved energy  
29 efficiency program charge for the 2017 system reliability and energy efficiency and conservation  
30 procurement plan. The commission shall not approve a 2018 system reliability and energy  
31 efficiency and conservation procurement plan energy efficiency program charge that exceeds the  
32 authorized 2017 system reliability and energy efficiency and conservation procurement plan  
33 energy efficiency program charge.

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

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

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1           This act would place an energy efficiency charge cap on the 2018 state energy efficiency  
2 program plan and require the office of energy resources to conduct a study to verify the energy  
3 savings measures from the state energy efficiency programs.

4           This act would take effect upon passage.

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