It is enacted by the General Assembly as follows:

SECTION 1. Sections 39-1-27.7 and 39-1-27.8 of the General Laws in Chapter 39-1 entitled “Public Utilities Commission” are hereby amended to read as follows:

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

(a) 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, including demand for electricity, natural gas, and delivered fuels, in a manner that is optimally cost-effective, reliable, prudent, and environmentally responsible, and that aligns with the state’s greenhouse gas emissions reductions requirements of § 42-6.2-2.

(b) The commission shall establish not later than June 1, 2008, standards for system reliability and energy efficiency and conservation procurement that 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, that 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, that 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, and strategic electrification 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 and supply of any combustible fuel used for thermal energy in buildings. Costs, for purposes of this section, shall include a reasonable assessment of the costs to society of greenhouse gas emissions.

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

(d) 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 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, 2028. The report shall be made public and be posted electronically on the website of 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 that shall identify opportunities to procure efficiency, distributed generation, demand response, and renewables and that 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, 2028, 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 of 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 commerce 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 days’ 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.

(e) 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 the 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.

(f) The commission shall conduct a contested case proceeding to establish a performance-
based incentive plan that 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.

(g) The commission shall conduct a contested case proceeding to establish a performance-
based incentive plan that allows for additional compensation for coordinated efforts between each
electric distribution company and each company providing gas to end-users and/or retail customers
based on the level of its success in reducing greenhouse gas emissions through weatherization,
demand response programs, strategic electrification of gas and delivered fuels customers, and other
strategies as appropriate. Additional incentives may be appropriate, in the commission’s discretion,
for efforts described in this section that leverage sources of funding besides ratepayer-supported
(1) The office of energy resources shall conduct a study and analysis of the electric and gas distribution company's state energy efficiency programs that will examine implemented program and planned conservation measures and review and confirm the claimed energy savings. In carrying out this study, the office shall utilize a representative sample of different customer classes and measures that have and/or will be participating in the state energy efficiency programs. At a minimum, the study performed by the office of energy resources shall include the following in its scope of work:

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

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

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

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

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

(i) Large commercial and industrial energy users;

(ii) Small business energy users;

(iii) Residential energy users;

(iv) Municipal and state energy users;

(v) Low-income energy users;

(vi) Electric and gas distribution company; and

(vii) Energy efficiency and resource management council.

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

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


Each electric distribution company shall submit a proposed supply procurement plan or plans to the commission not later than March 1, 2009, and each March 1 thereafter through March 1, 2018. The supply procurement plan or plans shall be consistent with the purposes of least-cost procurement and shall, as appropriate, take into account plans and orders with regard to system reliability and energy efficiency and conservation procurement. The supply procurement plan or plans will include the acquisition procedure, the pricing options being sought, and a proposed term of service for which standard-offer service will be acquired. The term of service may be of various, staggered term lengths and acquisitions may occur from time to time and for more than one supplier for segments of standard-offer load over different terms, if appropriate. There also may be separate procurement plans for residential and nonresidential classes or separate plans among nonresidential classes. All the components of the procurement plans shall be subject to commission review and approval. Once a procurement plan is approved by the commission, the electric distribution company shall be authorized to acquire standard-offer service supply consistent with the approved procurement plan and recover its costs incurred from providing standard-offer service pursuant to the approved procurement plan. The commission may periodically review the procurement plan to determine whether it should be prospectively modified due to changed market conditions, to reduce carbon emissions, and/or public health risks and impacts. The commission shall have the authority and discretion to establish eligibility criteria by rate class, and approve special tariff conditions and rates proposed by the electric distribution company that the commission finds are in the public interest, including, without limitation: (1) Short- and long-term option service at different rates; (2) Term commitments or notice provisions before individual customers leave standard-offer service; (3) Standard-offer service rates for residential or any other special class of customers that are different than the rates for other standard-offer customers; (4) Time of use commodity pricing for specified classes of customers, except residential customers; provided, however, that the
commission may establish pilot programs for time of use commodity pricing for residential customers; and/or (5) Standard-offer service rates that are designed to encourage any class of customers to purchase supply directly from the market.

SECTION 2. This act shall take effect upon passage.
This act would require the public utilities commission (PUC) to establish a performance-based incentive plan that allows coordinated efforts between each electric distribution company and gas company based on the level of its success in reducing greenhouse gas emissions.

This act would take effect upon passage.