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.

(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, in a manner that is optimally cost-effective, reliable, prudent, and environmentally responsible.

(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 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.

(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 thereafter through 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)(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 (g)(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
(g) 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.

(h) The commission shall, no later than December 31, 2022, establish a social cost of
carbon (SCC) to be included as part of any benefit cost or other analysis conducted by the
commission, or by a party to a commission docket. In determining the social cost of carbon, the
commission shall take note of ongoing efforts by the federal government to utilize a similar metric, however, the commission must make an independent determination. The social cost of carbon shall be included in any analysis of the cost of acquiring additional supply in comparison to energy efficiency and energy conservation measures and also in any other matter properly before the commission where the proposed action is reasonably believed to result in the release of additional greenhouse gases. The commission may consider revisions to the social cost of carbon no sooner than two (2) years following its establishment and no more than once during any subsequent two (2) year period.

SECTION 2. This act shall take effect upon passage.

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This act would require the public utilities commission to establish a social cost of carbon, and factor it into a cost benefit analysis, whenever programs are proposed to curb climate change and carbon dioxide emission. This act would take effect upon passage.