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LC002401

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2023

A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS -- PUBLIC UTILITIES COMMISSION

Introduced By: Senator V. Susan Sosnowski

Date Introduced: March 22, 2023

Referred To: Senate Environment & Agriculture

(Public Utilities Commission)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 39-1-27.7.1 of the General Laws in Chapter 39-1 entitled "Public  
2 Utilities Commission" is hereby amended to read as follows:

3 **39-1-27.7.1. Revenue decoupling.**

4 (a) The general assembly finds and declares that electricity and gas revenues shall be fully  
5 decoupled from sales pursuant to the provisions of this chapter and further finds and declares that  
6 any decoupling proposal submitted by an electric distribution company as defined in § 39-1-  
7 2(a)(12) or gas distribution company included as a public utility in § 39-1-2(a)(20) that has greater  
8 than one hundred thousand (100,000) customers, shall be for the following purposes:

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

11 (2) Achieving the goals established in the electric distribution company's plan for system  
12 reliability and energy efficiency and conservation procurement as required pursuant to § 39-1-  
13 27.7(d);

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

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

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

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

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

3 (8) Considering the reduction of fixed, recurring customer charges and transition to  
4 increased unit charges that more accurately reflect the long-term costs of energy production and  
5 delivery.

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

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

16 (1) A revenue decoupling reconciliation mechanism that reconciles annually the revenue  
17 requirement allowed in the company's base distribution-rate case to revenues actually received for  
18 the applicable twelve-month (12) period; ~~provided that the mechanism for gas distribution shall be~~  
19 ~~determined on a revenue per customer basis, in a manner typically employed for gas distribution~~  
20 ~~companies in the industry.~~ Any revenues over-recovered or under-recovered shall be credited to,  
21 or recovered from, customers, as applicable; and

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

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

29 (1) Capital spending on utility infrastructure;

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

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

34 (4) Any other costs relating to maintaining safety and reliability that are mutually agreed

1 upon by the division and the company.

2 The distribution company shall submit a plan to the division and the division shall  
3 cooperate in good faith to reach an agreement on a proposed plan for these categories of costs for  
4 the prospective fiscal year within sixty (60) days. To the extent that the company and the division  
5 mutually agree on a plan, such plan shall be filed with the commission for review and approval  
6 within ninety (90) days. If the company and the division cannot agree on a plan, the company shall  
7 file a proposed plan with the commission and the commission shall review and, if the investments  
8 and spending are found to be reasonably needed to maintain safe and reliable distribution service  
9 over the short and long term, approve the plan within ninety (90) days.

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

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

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

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

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

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

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

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

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

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

11 (4) A summary of how the company is achieving the service-quality standards required in  
12 subsection (e)(1) of this section;

13 (5) An overview of how decoupling is impacting revenue stabilization goals that have  
14 resulted from decoupling; and

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

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

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

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1           This act would amend the revenue decoupling reconciliation mechanism used by a gas  
2 distribution company for the purposes of revenue decoupling to not require that distribution be  
3 determined on a revenue-per-customer basis.

4           This act would take effect upon passage.

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