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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

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A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS - PUBLIC UTILITIES COMMISSION

Introduced By: Representative Brian P. Kennedy

Date Introduced: June 25, 2015

Referred To: House Corporations

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.** -- (a) The general assembly finds and declares that
4 electricity and gas revenues shall be fully decoupled from sales pursuant to the provisions of this
5 chapter and further finds and declares that any decoupling proposal submitted by an electric
6 distribution company as defined in subdivision 39-1-2(12) or gas distribution company included
7 as a public utility in subdivision 39-1-2(20) that has greater than one hundred thousand (100,000)
8 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 subsection
13 39-1-27.7(c);

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
2 reliability; 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 subdivision 39-1-2(12) and gas
7 distribution company included as a public utility in subdivision 39-1-2(20) having greater than
8 one hundred thousand (100,000) customers shall file proposals at the commission to implement
9 the policy set forth in subsection (a) herein. The commission shall approve such proposals,
10 provided they contain the features and components set forth in subsection (c) herein, and that they
11 are consistent with the intent and objectives contained in subsection (a) herein. ~~The existence of
12 any of the ratemaking mechanisms set forth in this section shall not be relied upon or cited for the
13 purpose of making any adjustments in the determination of the distribution company's cost of
14 capital.~~ Actions taken by the commission in the exercise of its ratemaking authority for electric
15 and gas rate cases shall be within the norm of industry standards and recognize the need to
16 maintain the financial health of the distribution company as a stand-alone entity in Rhode Island.

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

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

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

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

31 (1) Capital spending on utility infrastructure;

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

34 (3) For electric distribution companies, operation and maintenance expenses on system

1 inspection, including expenses from expected resulting repairs; and

2 (4) Any other costs relating to maintaining safety and reliability that are mutually agreed
3 upon by the division and the company.

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

12 (e) The commission shall have the following duties and powers in addition to its existing
13 authorities established in title 39 of the general laws:

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

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

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

24 (4) The commission shall review and approve with any necessary amendments
25 performance-based energy savings targets developed and submitted by the Rhode Island energy
26 efficiency and resources management council. Said performance-based targets shall also be used
27 as a consideration in any shared savings mechanism established by the commission pursuant to
28 subdivision (3) herein.

29 (f) The Rhode Island energy efficiency and resources management council shall propose
30 performance-based energy savings targets to the commission no later than September 1, 2010.
31 The targets shall include, but not be limited to, specific energy kilowatt hour savings overall and
32 peak demand savings for both summer and winter peak periods expressed in total megawatts as
33 well as appropriate targets recommended in the opportunities report filed with the commission
34 pursuant to subdivision 39-2-27.7(c)(3). The council shall revise as necessary these targets on an

1 annual basis prior to the reconciliation process established pursuant to subsection (c) of this
2 section and submit its revisions to the commission for approval.

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

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

9 (2) A summary of how the company is achieving the performance-based targets that may
10 have been adopted pursuant to subdivision (e)(4);

11 (3) A summary of any shared savings the company may have received pursuant to the
12 performance incentives authorized in subdivision (e)(3);

13 (4) A summary of how the company is achieving the service quality standards required
14 in subdivision (e)(1);

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

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

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO PUBLIC UTILITIES AND CARRIERS - PUBLIC UTILITIES COMMISSION

1 This act would remove the restriction on electric distribution companies from utilizing
2 certain ratemaking mechanisms set forth in the general laws, and would permit such companies to
3 rely on and cite those provisions for the purpose of making any adjustments in the determination
4 of the company's cost of capital.

5 This act would take effect upon passage.

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