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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

Introduced By: Senators Lombardo, Quezada, McCaffrey, Jabour, and Archambault

Date Introduced: May 11, 2017

Referred To: Senate Commerce

(Lieutenant Governor)

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

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

12 (2) Achieving the goals established in the electric-distribution company's plan for system
13 reliability and energy efficiency and conservation procurement as required pursuant to subsection
14 39-1-27.7(c);

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

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

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

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

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

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

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

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

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

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

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

30 (1) Capital spending on utility infrastructure;

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

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

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

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

11 (e) Every electric- or gas-distribution company, as defined in subsection (a) of this
12 section, shall submit a general rate schedule change filing (i.e. full rate filing) no later than
13 January 1, 2018, and at least every three (3) years thereafter.

14 ~~(e)~~(f) The commission shall have the following duties and powers, in addition to its
15 existing authorities established in title 39 of the general laws:

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

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

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

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

31 (5) The general assembly recognizes that the revenue decoupling mechanism
32 substantially reduces the risk to the company and its investors. The commission may consider the
33 availability of revenue decoupling during any rate filing by reducing the appropriate profit level
34 to offset the full impact of the company's reduced risk attributable to decoupling.

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

9 ~~(e)(h) Reporting.~~ Every electric-distribution company, as defined in subsection (a) shall
10 report to the governor, general assembly, division of public utilities, and public utilities
11 commission annually on or before September 1, ~~2012~~. Said report shall include, but not be limited
12 to, the following elements:

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

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

17 (3) A summary of any shared savings the company may have received pursuant to the
18 performance incentives authorized in subdivision ~~(e)(f)~~(3);

19 (4) A summary of how the company is achieving the service-quality standards required in
20 subdivision ~~(e)(f)~~(1);

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

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

24 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

1 This act would permit, rather than require, electricity and gas revenues to be decoupled
2 from sales and require submission of a full rate filing every three (3) years by electric and gas
3 distribution companies.

4 This act would also require electric-distribution companies to provide an annual report on
5 revenues to the governor, general assembly, division of public utilities, and the PUC.

6 This act would take effect upon passage.

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