

2010 -- S 2841

LC02522

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS -- REVENUE DECOUPLING

Introduced By: Senators Miller, Walaska, Bates, and Lanzi

Date Introduced: April 29, 2010

Referred To: Senate Environment & Agriculture

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 39-1 of the General Laws entitled "Public Utilities Commission" is
2 hereby amended by adding thereto the following section:

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) Increased 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
20 for the applicable twelve (12) month period, provided that the mechanism for gas distribution
21 shall 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 shall
29 consult with the division of public utilities and carriers regarding its infrastructure, safety, and
30 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 and the division shall cooperate in good faith to reach an
5 agreement on a proposed plan for these categories of costs for the prospective fiscal year within
6 sixty (60) days. To the extent that the company and the division mutually agree on a plan, such
7 plan shall be filed with the commission for review and approval within ninety (90) days. If the
8 company and the division cannot agree on a plan, the company shall file a proposed plan with the
9 commission and the commission shall review and, if the investments and spending are found to
10 be reasonably needed to maintain safe and reliable distribution service over the short and long
11 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 section 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 subdivision (b)(4) herein
2 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 standards that
10 may have been adopted pursuant to subdivision (c)(4) herein;

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

13 (4) A summary of how the company is achieving the service quality standards required in
14 subdivision (b)(5) herein;

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

17 (6) A summary of the customer education programs provided pursuant to subdivision
18 (b)(6) herein.

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

=====
LC02522
=====

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

- 1 This act would establish a mechanism for the decoupling of electricity and gas revenues
- 2 from sales in order to improve the electric and gas distribution system.
- 3 This act would take effect upon passage.

=====
LC02522
=====