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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS - LEAST-COST PROCUREMENT

Introduced By: Senators Walaska, Lombardo, Sosnowski, Bates, and McCaffrey

Date Introduced: March 21, 2012

Referred To: Senate Environment & Agriculture

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 39-1-27.7 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. System reliability and least-cost procurement.** -- Least-cost procurement
4 shall comprise system reliability and energy efficiency and conservation procurement as provided
5 for in this section and supply procurement as provided for in section 39-1-27.8, as complementary
6 but distinct activities that have as common purpose meeting electrical and natural gas energy
7 needs in Rhode Island, in a manner that is optimally cost-effective, reliable, prudent and
8 environmentally responsible.

9 (a) The commission shall establish not later than June 1, 2008, standards for system
10 reliability and energy efficiency and conservation procurement, which shall include standards and
11 guidelines for:

12 (1) System reliability procurement, including but not limited to:

13 (i) Procurement of energy supply from diverse sources, including, but not limited to,
14 renewable energy resources as defined in chapter 26 of this title;

15 (ii) Distributed generation, including, but not limited to, renewable energy resources and
16 thermally leading combined heat and power systems, which is reliable and is cost-effective, with
17 measurable, net system benefits;

18 (iii) Demand response, including, but not limited to, distributed generation, back-up
19 generation and on-demand usage reduction, which shall be designed to facilitate electric customer

1 participation in regional demand response programs, including those administered by the
2 independent service operator of New England ("ISO-NE") and/or are designed to provide local
3 system reliability benefits through load control or using on-site generating capability;

4 (iv) To effectuate the purposes of this division, the commission may establish standards
5 and/or rates (A) for qualifying distributed generation, demand response, and renewable energy
6 resources; (B) for net-metering; (C) for back-up power and/or standby rates that reasonably
7 facilitate the development of distributed generation; and (D) for such other matters as the
8 commission may find necessary or appropriate.

9 (2) Least-cost procurement, which shall include procurement of energy efficiency and
10 energy conservation measures that are prudent and reliable and when such measures are lower
11 cost than acquisition of additional supply, including supply for periods of high demand.

12 (b) The standards and guidelines provided for by subsection (a) shall be subject to
13 periodic review and as appropriate amendment by the commission, which review will be
14 conducted not less frequently than every three (3) years after the adoption of the standards and
15 guidelines.

16 (c) To implement the provisions of this section:

17 (1) The commissioner of the office of energy resources and the energy efficiency and
18 resources management council, either or jointly or separately, shall provide the commission
19 findings and recommendations with regard to system reliability and energy efficiency and
20 conservation procurement on or before March 1, 2008, and triennially on or before March 1,
21 thereafter through March 1, 2017.

22 (2) The commission shall issue standards not later than June 1, 2008, with regard to
23 plans for system reliability and energy efficiency and conservation procurement, which standards
24 may be amended or revised by the commission as necessary and/or appropriate.

25 (3) The energy efficiency and resources management council shall prepare by July 15,
26 2008, a reliability and efficiency procurement opportunity report which shall identify
27 opportunities to procure efficiency, distributed generation, demand response and renewables,
28 which report shall be submitted to the electrical distribution company, the commission, the office
29 of energy resources and the joint committee on energy.

30 (4) Each electrical and natural gas distribution company shall submit to the commission
31 on or before September 1, 2008, and triennially on or before September 1, thereafter through
32 September 1, 2017, a plan for system reliability and energy efficiency and conservation
33 procurement. In developing the plan, the distribution company may seek the advice of the
34 commissioner and the council. The plan shall include measurable goals and target percentages for

1 each energy resource, pursuant to standards established by the commission, including efficiency,
2 distributed generation, demand response, combined heat and power, and renewables.

3 (5) The commission shall issue an order approving all energy efficiency measures that
4 are cost effective and lower cost than acquisition of additional supply, with regard to the plan
5 from the electrical and natural gas distribution company, and reviewed and approved by the
6 energy efficiency and resources management council, and any related annual plans, and shall
7 approve a fully reconciling funding mechanism to fund investments in all efficiency measures
8 that are cost effective and lower cost than acquisition of additional supply, not greater than sixty
9 (60) days after it is filed with the commission.

10 (6)(i) Each electrical and natural gas distribution company shall provide a status report,
11 which shall be public, on the implementation of least cost procurement on or before December
12 15, 2008, and on or before February 1, 2009, to the commission, the division, the commissioner
13 of the office of energy resources and the energy efficiency and resources management council
14 which may provide the distribution company recommendations with regard to effective
15 implementation of least cost procurement. The report shall include the targets for each energy
16 resource included in the order approving the plan and the achieved percentage for energy
17 resource, including the achieved percentages for efficiency, distributed generation, demand
18 response, combined heat and power, and renewables.

19 (ii) Beginning on November 1, 2012 or before, each electric distribution company shall
20 support the installation and investment in clean and efficient combined heat and power
21 installations at commercial, institutional, municipal, and industrial facilities. This support shall be
22 documented annually in the electric distribution company's energy efficiency program plans. In
23 order to effectuate this provision, the energy efficiency and resource management council shall
24 seek input from the public, the gas and electric distribution company, the economic development
25 corporation, and commercial and industrial users, and make recommendations regarding services
26 to support the development of combined heat and power installations in the electric distribution
27 company's annual and triennial energy efficiency program plans.

28 (iii) The energy efficiency annual plan shall include, but not be limited to, a plan for
29 identifying and recruiting qualified combined heat and power projects, incentive levels, contract
30 terms and guidelines, and achievable megawatt targets for investments in combined heat and
31 power systems. In the development of the plan, the energy efficiency and resource management
32 council and the electric distribution company shall factor into the combined heat and power plan
33 and program, the following criteria: (A) Economic development benefits in Rhode Island,
34 including direct and indirect job creation and retention from investments in combined heat and

1 power systems; (B) Energy and cost savings for customers; (C) Energy supply costs; (D)
2 Greenhouse gas emissions standards and air quality benefits; and (E) System reliability benefits.

3 (iv) The energy efficiency and resource management council shall conduct at least one
4 public review meeting annually, to discuss and review the combined heat and power program,
5 with at least seven (7) business day's notice, prior to the electric and gas distribution utility
6 submitting the plan to the commission. The commission shall evaluate the submitted combined
7 heat and power program as part of the annual energy efficiency plan. The commission shall issue
8 an order approving the energy efficiency plan and programs within sixty (60) days of the filing.

9 (d) If the commission shall determine that the implementation of system reliability and
10 energy efficiency and conservation procurement has caused or is likely to cause under or over-
11 recovery of overhead and fixed costs of the company implementing said procurement, the
12 commission may establish a mandatory rate adjustment clause for the company so affected in
13 order to provide for full recovery of reasonable and prudent overhead and fixed costs.

14 (e) The commission shall conduct a contested case proceeding to establish a performance
15 based incentive plan which allows for additional compensation for each electric distribution
16 company and each company providing gas to end-users and/or retail customers based on the level
17 of its success in mitigating the cost and variability of electric and gas services through
18 procurement portfolios.

19 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 - LEAST-COST PROCUREMENT

1 This act would require all electrical distribution companies to support the installation and
2 investment in clear and efficient combined heat and power installations at commercial,
3 institutional, municipal and industrial facilities.

4 This act would take effect upon passage.

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