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LC001586

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

A N A C T

RELATING TO THE PUBLIC UTILITIES COMMISSION - REVENUE DECOUPLING

Introduced By: Representatives Regunberg, Shanley, Solomon, Lombardi, and Winfield

Date Introduced: February 16, 2017

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.**

4 (a) The general assembly finds and declares that electricity and gas revenues shall 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 approve such proposals, provided
11 they contain the features and components set forth in subsection (c), and that they are consistent
12 with the intent and objectives contained in subsection (a). Actions taken by the commission in the
13 exercise of its ratemaking authority for electric- and gas-rate cases shall be within the norm of
14 industry standards and recognize the need to maintain the financial health of the distribution
15 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) The commission shall have the following duties and powers, in addition to its existing
12 authorities established in title 39 of the general laws:

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

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

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

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

28 (5) The commission shall review and approve, with the cooperation of other states
29 wherever possible, the efficiency of the electric distribution company's use of real estate and other
30 capital assets and expenditures on legal fees, advertising and marketing, ordering any corrections
31 as necessary and appropriate.

32 (f) The Rhode Island energy efficiency and resources management council shall propose
33 performance-based, energy-savings targets to the commission no later than September 1, 2010.
34 The targets shall include, but not be limited to, specific energy kilowatt-hour savings overall and

1 peak-demand savings for both summer- and winter-peak periods expressed in total megawatts as
2 well as appropriate targets recommended in the opportunities report filed with the commission
3 pursuant to § 39-1-27.7(c)(3). The council shall revise, as necessary, these targets on an annual
4 basis prior to the reconciliation process established pursuant to subsection (c) and submit its
5 revisions to the commission for approval.

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

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

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

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

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

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

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

21 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 THE PUBLIC UTILITIES COMMISSION - REVENUE DECOUPLING

- 1 This act would direct the public utilities commission to review and approve the electric
- 2 distribution company's use of real estate and other capital assets and expenditures.
- 3 This act would take effect upon passage.

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