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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

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A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS -- PUBLIC UTILITIES COMMISSION

Introduced By: Senators Gu, Sosnowski, Kallman, Mack, Zurier, and Urso

Date Introduced: January 23, 2025

Referred To: Senate Commerce

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 fully
5 decoupled from sales pursuant to the provisions of this chapter and further finds and declares that
6 any decoupling proposal submitted by an electric distribution company as defined in § 39-1-
7 2(a)(12) or gas distribution company included as a public utility in § 39-1-2(a)(20) that has greater
8 than one hundred thousand (100,000) 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 § 39-1-
13 27.7(d);

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

15 (2) Provided, effective July 1, 2025, the profit margin of any public utility company that is
16 an electric distribution company or gas distribution company, as further defined in § 39-1-2, shall
17 not have a profit margin greater than or exceeding four percent (4%), in any given calendar year.
18 The public utilities commission shall amend its rules and regulations as needed, consistent with the
19 provisions of this chapter. As used herein, a "profit margin" shall refer to the return on equity,
20 which shall be the return on the equity portion of the base rate, that is allowed by the commission.

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

22 (1) A revenue decoupling reconciliation mechanism that reconciles annually the revenue
23 requirement allowed in the company's base distribution-rate case to revenues actually received for
24 the applicable twelve-month (12) period. Any revenues over-recovered or under-recovered shall be
25 credited to, or recovered from, customers, as applicable; and

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

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

33 (1) Capital spending on utility infrastructure;

34 (2) For electric distribution companies, operation and maintenance expenses on vegetation

1 management;

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

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

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

14 (e) The commission shall have the following duties and powers, in addition to its existing
15 authorities established in this title:

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 provide 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. The performance-based targets shall also be used as
29 a consideration in any shared-savings mechanism established by the commission pursuant to
30 subsection (e)(3) of this section.

31 (f) The Rhode Island energy efficiency and resources management council shall propose
32 performance-based, energy-savings targets to the commission no later than September 1, 2010. The
33 targets shall include, but not be limited to, specific energy kilowatt-hour savings overall and peak-
34 demand savings for both summer and winter peak periods expressed in total megawatts as well as

1 appropriate targets recommended in the opportunities report filed with the commission pursuant to
2 § 39-1-27.7(d)(3). The council shall revise, as necessary, these targets on an annual basis prior to
3 the reconciliation process established pursuant to subsection (c) of this section and submit its
4 revisions to the commission for approval.

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

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

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

13 (3) A summary of any shared savings the company may have received pursuant to the
14 performance incentives authorized in subsection (e)(3) of this section;

15 (4) A summary of how the company is achieving the service-quality standards required in
16 subsection (e)(1) of this section;

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

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

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

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

1 This act would provide that effective July 1, 2025, the profit margin of any electric
2 distribution company or gas distribution company, would not exceed four percent (4%), in any
3 given calendar year. This act would further define a "profit margin" as the return on equity, which
4 would be the return on the equity portion of the base rate, that is allowed by the commission.

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