

House Bill 497

By: Representatives Drenner of the 86th, Abrams of the 84th, Thomas of the 100th, Frazier of the 123rd, Hudson of the 124th, and others

A BILL TO BE ENTITLED
AN ACT

1 To amend Chapter 3A of Title 46 of the Official Code of Georgia Annotated, relating to
2 integrated resource planning for certain electric suppliers, so as to provide for energy savings
3 plans to optimize the use of demand-side capacity options; to provide for requirements;
4 provide for reports and recommendations; to provide for certain editorial changes; to repeal
5 conflicting laws; and for other purposes.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

7 **SECTION 1.**

8 Chapter 3A of Title 46 of the Official Code of Georgia Annotated, relating to integrated
9 resource planning for certain electric suppliers, is amended by designating Code Section
10 46-3A-1 as Article 1 of said chapter and designating Code Sections 46-3A-2 through
11 46-3A-10 as Article 2 of said chapter, and by designating Code Section 46-3A-11 as Article
12 4 of said chapter.

13 **SECTION 2.**

14 Said chapter is further amended by replacing the term "chapter" with "article" wherever the
15 former term appears Article 2 of said chapter, specifically in:

- 16 (1) Code Section 46-3A-2, relating to filing and approval of an integrated resource plan;
- 17 (2) Code Section 46-3A-4, relating to issuance of a certificate of public convenience and
18 necessity and application to include plan and cost-benefit analysis;
- 19 (3) Code Section 46-3A-5; relating to application for certificate, hearing, decision,
20 contents of certificate, and fee; and
- 21 (4) Code Section 46-3A-6, relating to reexamination of a certificate of public
22 convenience and necessity and modification or revocation.

23 **SECTION 3.**

24 Said chapter is further amended by adding a new Article 3 to read as follows:

25 "ARTICLE 326 46-3A-10.1.

27 As used in this article, the term 'plan' means the energy savings plan required by Code
28 Section 46-3A-10.2, the provisions of Code Section 46-3A-1 notwithstanding.

29 46-3A-10.2.

30 (a) An electric utility whose rates are regulated by the commission shall include in its next
31 filed integrated resource plan a plan to optimize the use of demand-side capacity options,
32 as defined by Code Section 46-3A-1, other than cogeneration and renewable resource
33 technologies. This plan shall be known as the energy savings plan. Demand-side capacity
34 programs under the energy savings plan shall collectively achieve by December 31, 2025,
35 a reduction of 10 percent in the consumption of electricity in megawatt hours by the retail
36 customers of the utility. The 10 percent reduction in consumption shall be measured
37 against the base case for consumption forecasted by the commission for the years 2014
38 through 2025.

39 (b) For the year 2017 and each year thereafter, the plan shall achieve incremental annual
40 energy savings of at least 1 percent of annual consumption in megawatt hours by retail
41 customers in the preceding year.

42 (c) For purposes of calculations under subsection (b) of this Code section, total annual
43 retail consumption in a year shall be based the number of weather normalized megawatt
44 hours sold by the utility to retail customers in this state during the year preceding the year
45 for which incremental energy savings are being calculated.

46 (d) The utility shall not incur program expenses of more than 2 percent of the total retail
47 sales revenues for the preceding year in any year to meet these requirements for reductions
48 in consumption without specific approval from the commission.

49 46-3A-10.3.

50 (a) The overall goal of the energy savings plan shall be to reduce the future costs of
51 providing service to customers by comparison to the costs of supply-side capacity options.
52 In particular, the plan shall examine any opportunity to delay the need for constructing new
53 electric generating facilities and thereby protect consumers from incurring the costs of
54 construction and operation of such facilities.

55 (b) The energy savings plan shall do all of the following:

56 (1) Propose a set of programs for demand-side capacity options, other than renewable
57 energy technologies, that include offerings for each customer class, including low-income
58 residential;

- 59 (2) Specify necessary funding levels;
60 (3) Describe how program costs, authorized fixed costs, and any earnings opportunity,
61 as described in Code Section 46-3A-10.5, will be recovered;
62 (4) Ensure, to the extent feasible, that charges collected from a particular customer class
63 are spent on programs for that class;
64 (5) Demonstrate that the proposed programs and funding are sufficient to ensure the
65 achievement of the reductions in consumption provided in Code Section 46-3A-10.2;
66 (6) Demonstrate that the programs, excluding program offerings to low-income
67 residential customers, will collectively be cost effective under the total resource cost test,
68 as that test is defined by the commission;
69 (7) Provide for the practical and effective administration of the proposed programs;
70 (8) Include a process for obtaining an annual independent evaluation of the actual
71 programs to verify the incremental energy savings from each program and assess the
72 utility's progress under the energy savings plan. All such evaluations shall be subject to
73 public review and commission oversight; and
74 (9) Include a competitive bidding process by which energy service companies may
75 submit proposals to implement all or part of the energy savings plan.
76 (c) The energy savings plan shall be updated in each integrated resource plan.
77 (d) The plan for cogeneration and renewable resource technologies in the integrated
78 resource plan shall be separate from the energy savings plan.
- 79 46-3A-10.4.
80 (a) The energy savings plan shall be filed, reviewed, and approved or rejected by the
81 commission and enforced subject to the procedures applicable to the integrated resource
82 plan.
83 (b) The commission shall not approve the energy savings plan unless the commission
84 determines that the programs in the plan, excluding program offerings to low-income
85 residential customers, meet the total resource cost test and are reasonable and prudent. In
86 determining whether the plan is reasonable and prudent, the commission shall consider
87 whether it would reduce the future cost of service for the utility's customers by comparison
88 to the cost of providing service through supply-side capacity options. In addition, the
89 commission shall consider at least all of the following:
90 (1) The amount by which the average bill of customers in each class would be reduced
91 by implementation of the plan;
92 (2) The levelized cost per kilowatt hour of the demand-side capacity programs in the
93 plan compared to the levelized cost per kilowatt hour of adding new capacity for each
94 supply-side capacity option included in the integrated resource plan;

95 (3) The impact on rates of the demand-side capacity programs in the plan compared to
96 the impact on rates of adding new capacity for each supply-side capacity option included
97 in the integrated resource plan. In comparing impacts on rates, any measure of impacts,
98 such as the rate impact measure test or a projection of rate trajectory over the planning
99 horizon, shall be applied to both demand-side capacity programs and supply-side capacity
100 options;

101 (4) Whether the plan will result in any unreasonable prejudice or disadvantage to any
102 class of customers; and

103 (5) The extent to which the plan provides programs which are available, affordable, and
104 useful to all customers.

105 46-3A-10.5.

106 (a) The utility shall be compensated for implementation of the energy savings plan in a
107 manner that ensures cost recovery for prudent program expenses, an earnings opportunity
108 tied to verified success in delivering cost-effective savings, and being kept whole for
109 authorized fixed costs as sales volumes decline relative to what they otherwise would have
110 been.

111 (b) This Code section does not limit the authority of the commission, following an
112 integrated resource plan proceeding and as part of a rate-making process, to allow the
113 utility to recover for additional reasonable and prudent energy efficiency and energy
114 conservation measures not included in the energy savings plan if the utility has met the
115 requirements of the plan.

116 46-3A-10.6.

117 (a) By a time to be determined by the commission, the utility shall submit to the
118 commission an annual report that provides information relating to the actions taken by the
119 utility to achieve the reductions in consumption provided in Code Section 46-3A-10.2.

120 (b) An annual report under subsection (a) of this Code section shall include all
121 expenditures made in the past year and anticipated future expenditures to achieve the
122 reductions in consumption and implement the energy savings plan and any other
123 information that the commission determines necessary.

124 (c) The commission may use an independent evaluator to review the annual report of the
125 utility.

126 (d) By October 1, 2015, the commission shall submit, to the standing committees of the
127 Senate and House of Representatives with primary responsibility for energy issues, any
128 recommendations for legislative action to increase energy conservation and energy
129 efficiency based on reports under subsection (a) of this Code section, the energy savings

130 plan, and the commission's own investigation. The report shall also review the
131 opportunities for additional cost-effective energy savings programs and make any
132 recommendations the commission may have for legislation providing for the continuation,
133 expansion, or reduction of energy savings standards. That report shall also include the
134 commission's determinations of all of the following:

135 (1) The percentage of total energy savings required by the energy savings standards that
136 have actually been achieved by the utility;

137 (2) The extent to which the revenue requirements for providing service to customers
138 have been reduced;

139 (3) Whether the utility's programs under the plan have been cost effective under the total
140 resource cost test; and

141 (4) The commission's findings on each of the additional issues considered by the
142 commission pursuant to subsection (b) of Code Section 46-3A-10.4."

143 **SECTION 4.**

144 All laws and parts of laws in conflict with this Act are repealed.