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## 16 U.S. Code § 2621 - Consideration and determination respecting certain ratemaking standards

U.S. Code    Notes

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### **(a) CONSIDERATION AND DETERMINATION**

Each State regulatory authority (with respect to each electric utility for which it has ratemaking authority) and each nonregulated electric utility shall consider each standard established by subsection (d) and make a determination concerning whether or not it is appropriate to implement such standard to carry out the purposes of this chapter. For purposes of such consideration and determination in accordance with subsections (b) and (c), and for purposes of any review of such consideration and determination in any court in accordance with section 2633 of this title, the purposes of this chapter supplement otherwise applicable State law. Nothing in this subsection prohibits any State regulatory authority or nonregulated electric utility from making any determination that it is not appropriate to implement any such standard, pursuant to its authority under otherwise applicable State law.

### **(b) PROCEDURAL REQUIREMENTS FOR CONSIDERATION AND DETERMINATION**

**(1)** The consideration referred to in subsection (a) shall be made after public notice and hearing. The determination referred to in subsection (a) shall be—

**(A)** in writing,

**(B)** based upon findings included in such determination and upon the evidence presented at the hearing, and

**(C)** available to the public.

**(2)** Except as otherwise provided in paragraph (1), in the second sentence of section 2622(a) of this title, and in sections 2631 and 2632 of this title, the procedures for the consideration and determination referred to in subsection (a) shall be those established by the State regulatory authority or the nonregulated electric utility.

### **(c) IMPLEMENTATION**

**(1)** The State regulatory authority (with respect to each electric utility for which it has ratemaking authority) or nonregulated electric utility may, to the extent consistent with otherwise applicable State law—

**(A)** implement any such standard determined under subsection (a) to be appropriate to carry out the purposes of this chapter, or

**(B)** decline to implement any such standard.

**(2)** If a State regulatory authority (with respect to each electric utility for which it has ratemaking authority) or nonregulated electric utility declines to implement any standard established by subsection (d) which is determined under subsection (a) to be appropriate to carry out the purposes of this chapter, such authority or nonregulated electric utility shall state in writing the reasons therefor. Such statement of reasons shall be available to the public.

**(3)** If a State regulatory authority implements a standard established by subsection (d)(7) or (8), such authority shall—

**(A)** consider the impact that implementation of such standard would have on small businesses engaged in the design, sale, supply, installation or servicing of energy conservation, energy efficiency or other demand side management measures, and

**(B)** implement such standard so as to assure that utility actions would not provide such utilities with unfair competitive advantages over such small businesses.

**(d) ESTABLISHMENT**

The following Federal standards are hereby established:

**(1) COST OF SERVICE**

Rates charged by any electric utility for providing electric service to each class of electric consumers shall be designed, to the maximum extent practicable, to reflect the costs of providing electric service to such class, as determined under section 2625(a) of this title.

**(2) DECLINING BLOCK RATES**

The energy component of a rate, or the amount attributable to the energy component in a rate, charged by any electric utility for providing electric service during any period to any class of electric consumers may not decrease as kilowatt-hour consumption by such class increases during such period except to the extent that such utility demonstrates that the costs to such utility of providing electric service to such class, which costs are attributable to such energy component, decrease as such consumption increases during such period.

**(3) TIME-OF-DAY RATES**

The rates charged by any electric utility for providing electric service to each class of electric consumers shall be on a time-of-day basis which reflects the costs of providing electric service to such class of electric consumers at different times of the day unless such rates are not cost-effective with respect to such class, as determined under section 2625(b) of this title.

**(4) SEASONAL RATES**

The rates charged by an electric utility for providing electric service to each class of electric consumers shall be on a seasonal basis which reflects the costs of providing service to such class of consumers at different seasons of the year to the extent that such costs vary seasonally for such utility.

**(5) INTERRUPTIBLE RATES**

Each electric utility shall offer each industrial and commercial electric consumer an interruptible rate which reflects the cost of providing interruptible service to the class of which such consumer is a member.

**(6) LOAD MANAGEMENT TECHNIQUES**

Each electric utility shall offer to its electric consumers such load management techniques as the State regulatory authority (or the nonregulated electric utility) has determined will—

- (A) be practicable and cost-effective, as determined under section 2625(c) of this title,
- (B) be reliable, and
- (C) provide useful energy or capacity management advantages to the electric utility.

**(7) INTEGRATED RESOURCE PLANNING**

Each electric utility shall employ integrated resource planning. All plans or filings before a State regulatory authority to meet the requirements of this paragraph must be updated on a regular basis, must provide the opportunity for public participation and comment, and contain a requirement that the plan be implemented.

**(8) INVESTMENTS IN CONSERVATION AND DEMAND MANAGEMENT**

The rates allowed to be charged by a State regulated electric utility shall be such that the utility's investment in and expenditures for energy conservation, energy efficiency resources, and other demand side management measures are at least as profitable, giving appropriate consideration to income lost from reduced sales due to investments in and expenditures for conservation and efficiency, as its investments in and expenditures for the construction of new generation, transmission, and distribution equipment. Such energy conservation, energy efficiency resources and other demand side management measures shall be appropriately monitored and evaluated.

**(9) ENERGY EFFICIENCY INVESTMENTS IN POWER GENERATION AND SUPPLY**

The rates charged by any electric utility shall be such that the utility is encouraged to make investments in, and expenditures for, all cost-effective improvements in the energy efficiency of power generation, transmission and distribution. In considering regulatory changes to achieve the objectives of this paragraph, State regulatory authorities and nonregulated electric utilities shall consider the disincentives

caused by existing ratemaking policies, and practices, and consider incentives that would encourage better maintenance, and investment in more efficient power generation, transmission and distribution equipment.

**(10) CONSIDERATION OF THE EFFECTS OF WHOLESALE POWER PURCHASES ON UTILITY COST OF CAPITAL; EFFECTS OF LEVERAGED CAPITAL STRUCTURES ON THE RELIABILITY OF WHOLESALE POWER SELLERS; AND ASSURANCE OF ADEQUATE FUEL SUPPLIES**

**(A)** To the extent that a State regulatory authority requires or allows electric utilities for which it has ratemaking authority to consider the purchase of long-term wholesale power supplies as a means of meeting electric demand, such authority shall perform a general evaluation of:

**(i)** the potential for increases or decreases in the costs of capital for such utilities, and any resulting increases or decreases in the retail rates paid by electric consumers, that may result from purchases of long-term wholesale power supplies in lieu of the construction of new generation facilities by such utilities;

**(ii)** whether the use by exempt wholesale generators (as defined in section 79z-5a<sup>[1]</sup> of title 15) of capital structures which employ proportionally greater amounts of debt than the capital structures of such utilities threatens reliability or provides an unfair advantage for exempt wholesale generators over such utilities;

**(iii)** whether to implement procedures for the advance approval or disapproval of the purchase of a particular long-term wholesale power supply; and

**(iv)** whether to require as a condition for the approval of the purchase of power that there be reasonable assurances of fuel supply adequacy.

**(B)** For purposes of implementing the provisions of this paragraph, any reference contained in this section to November 9, 1978, shall be deemed to be a reference to October 24, 1992.

**(C)** Notwithstanding any other provision of Federal law, nothing in this paragraph shall prevent a State regulatory authority from taking such action, including action with respect to the allowable capital structure of exempt wholesale generators, as such State regulatory authority may determine to be in the public interest as a result of performing evaluations under the standards of subparagraph (A).

**(D)** Notwithstanding section 2634 of this title and paragraphs (1) and (2) of section 2622(a) of this title, each State regulatory authority shall consider and make a determination concerning the standards of subparagraph (A) in accordance with the requirements of subsections (a) and (b) of this section, without regard to any proceedings commenced prior to October 24, 1992.

**(E)** Notwithstanding subsections (b) and (c) of section 2622 of this title, each State regulatory authority shall consider and make a determination concerning whether it is appropriate to implement the standards set out in subparagraph (A) not later than one year after October 24, 1992.

### **(11) NET METERING**

Each electric utility shall make available upon request net metering service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "net metering service" means service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility and delivered to the local distribution facilities may be used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period.

### **(12) FUEL SOURCES**

Each electric utility shall develop a plan to minimize dependence on 1 fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.

### **(13) FOSSIL FUEL GENERATION EFFICIENCY**

Each electric utility shall develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.

**(14) TIME-BASED METERING AND COMMUNICATIONS**

**(A)** Not later than 18 months after August 8, 2005, each electric utility shall offer each of its customer classes, and provide individual customers upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility's costs of generating and purchasing electricity at the wholesale level. The time-based rate schedule shall enable the electric consumer to manage energy use and cost through advanced metering and communications technology.

**(B)** The types of time-based rate schedules that may be offered under the schedule referred to in subparagraph (A) include, among others—

**(i)** time-of-use pricing whereby electricity prices are set for a specific time period on an advance or forward basis, typically not changing more often than twice a year, based on the utility's cost of generating and/or purchasing such electricity at the wholesale level for the benefit of the consumer. Prices paid for energy consumed during these periods shall be pre-established and known to consumers in advance of such consumption, allowing them to vary their demand and usage in response to such prices and manage their energy costs by shifting usage to a lower cost period or reducing their consumption overall;

**(ii)** critical peak pricing whereby time-of-use prices are in effect except for certain peak days, when prices may reflect the costs of generating and/or purchasing electricity at the wholesale level and when consumers may receive additional discounts for reducing peak period energy consumption;

**(iii)** real-time pricing whereby electricity prices are set for a specific time period on an advanced or forward basis, reflecting the utility's cost of generating and/or purchasing electricity at the wholesale level, and may change as often as hourly; and

**(iv)** credits for consumers with large loads who enter into pre-established peak load reduction agreements that reduce a utility's planned capacity obligations.

**(C)** Each electric utility subject to subparagraph (A) shall provide each customer requesting a time-based rate with a time-based meter capable of enabling the utility and customer to offer and receive such rate, respectively.

**(D)** For purposes of implementing this paragraph, any reference contained in this section to November 9, 1978, shall be deemed to be a reference to August 8, 2005.

**(E)** In a State that permits third-party marketers to sell electric energy to retail electric consumers, such consumers shall be entitled to receive the same time-based metering and communications device and service as a retail electric consumer of the electric utility.

**(F)** Notwithstanding subsections (b) and (c) of section 2622 of this title, each State regulatory authority shall, not later than 18 months after August 8, 2005, conduct an investigation in accordance with section 2625(i) of this title and issue a decision whether it is appropriate to implement the standards set out in subparagraphs (A) and (C).

### **(15) INTERCONNECTION**

Each electric utility shall make available, upon request, interconnection service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "interconnection service" means service to an electric consumer under which an on-site generating facility on the consumer's premises shall be connected to the local distribution facilities. Interconnection services shall be offered based upon the standards developed by the Institute of Electrical and Electronics Engineers: IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems, as they may be amended from time to time. In addition, agreements and procedures shall be established whereby the services are offered shall promote current best practices of interconnection for distributed generation, including but not limited to practices stipulated in model codes adopted by associations of state regulatory agencies. All such agreements and procedures shall be just and reasonable, and not unduly discriminatory or preferential.

### **(16) INTEGRATED RESOURCE PLANNING**



Each electric utility shall—

**(A)** integrate energy efficiency resources into utility, State, and regional plans; and

**(B)** adopt policies establishing cost-effective energy efficiency as a priority resource.

**(17) RATE DESIGN MODIFICATIONS TO PROMOTE ENERGY EFFICIENCY INVESTMENTS**

**(A) In general**

The rates allowed to be charged by any electric utility shall—

**(i)** align utility incentives with the delivery of cost-effective energy efficiency; and

**(ii)** promote energy efficiency investments.

**(B) Policy options**

In complying with subparagraph (A), each State regulatory authority and each nonregulated utility shall consider—

**(i)** removing the throughput incentive and other regulatory and management disincentives to energy efficiency;

**(ii)** providing utility incentives for the successful management of energy efficiency programs;

**(iii)** including the impact on adoption of energy efficiency as 1 of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;

**(iv)** adopting rate designs that encourage energy efficiency for each customer class;

**(v)** allowing timely recovery of energy efficiency-related costs; and

**(vi)** offering home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about all existing Federal and

State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.

## **(18) CONSIDERATION OF SMART GRID INVESTMENTS**

### **(A) In general**

Each State shall consider requiring that, prior to undertaking investments in nonadvanced grid technologies, an electric utility of the State demonstrate to the State that the electric utility considered an investment in a qualified smart grid system based on appropriate factors, including—

- (i)** total costs;
- (ii)** cost-effectiveness;
- (iii)** improved reliability;
- (iv)** security;
- (v)** system performance; and
- (vi)** societal benefit.

### **(B) Rate recovery**

Each State shall consider authorizing each electric utility of the State to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the electric utility for the deployment of the qualified smart grid system.

### **(C) Obsolete equipment**

Each State shall consider authorizing any electric utility or other party of the State to deploy a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.

## **(19) SMART GRID INFORMATION**

**(A) Standard**

All electricity purchasers shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider as provided in subparagraph (B).

**(B) Information**

Information provided under this section, to the extent practicable, shall include:

**(i) Prices**

Purchasers and other interested persons shall be provided with information on—

**(I)** time-based electricity prices in the wholesale electricity market; and

**(II)** time-based electricity retail prices or rates that are available to the purchasers.

**(ii) Usage**

Purchasers shall be provided with the number of electricity units, expressed in kwh, purchased by them.

**(iii) Intervals and projections**

Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.

**(iv) Sources**

Purchasers and other interested persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost-effective basis.

**(C) Access**

Purchasers shall be able to access their own information at any time through the Internet and on other means of communication elected by that utility for Smart Grid applications. Other interested persons shall be able to access information not specific to any purchaser through the Internet. Information specific to any purchaser shall be provided solely to that purchaser.

## **(20) DEMAND-RESPONSE PRACTICES**

### **(A) In general**

Each electric utility shall promote the use of demand-response and demand flexibility practices by commercial, residential, and industrial consumers to reduce electricity consumption during periods of unusually high demand.

### **(B) Rate recovery**

#### **(i) In general**

Each State regulatory authority shall consider establishing rate mechanisms allowing an electric utility with respect to which the State regulatory authority has ratemaking authority to timely recover the costs of promoting demand-response and demand flexibility practices in accordance with subparagraph (A).

#### **(ii) Nonregulated electric utilities**

A nonregulated electric utility may establish rate mechanisms for the timely recovery of the costs of promoting demand-response and demand flexibility practices in accordance with subparagraph (A).

## **(21) ELECTRIC VEHICLE CHARGING PROGRAMS**

Each State shall consider measures to promote greater electrification of the transportation sector, including the establishment of rates that—

**(A)** promote affordable and equitable electric vehicle charging options for residential, commercial, and public electric vehicle charging infrastructure;

**(B)** improve the customer experience associated with electric vehicle charging, including by reducing charging times for light-, medium-, and heavy-duty vehicles;

**(C)** accelerate third-party investment in electric vehicle charging for light-, medium-, and heavy-duty vehicles; and

**(D)** appropriately recover the marginal costs of delivering electricity to electric vehicles and electric vehicle charging infrastructure.

(Pub. L. 95-617, title I, § 111, Nov. 9, 1978, 92 Stat. 3121; Pub. L. 102-486, title I, § 111(a), (b), title VII, § 712, Oct. 24, 1992, 106 Stat. 2795, 2910; Pub. L. 109-58, title XII, §§ 1251(a), 1252(a), 1254(a), Aug. 8, 2005, 119 Stat. 962, 963, 970; Pub. L. 110-140, title V, § 532(a), title XIII, § 1307(a), Dec. 19, 2007, 121 Stat. 1665, 1791; Pub. L. 111-5, div. A, title IV, § 408(a), Feb. 17, 2009, 123 Stat. 146; Pub. L. 117-58, div. D, title I, § 40104(a)(1), title IV, § 40431(a), Nov. 15, 2021, 135 Stat. 930, 1047.)

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