

# 2006 RECONVENED SESSION

## SENATE SUBSTITUTE

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### SENATE BILL NO. 262

#### AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Governor  
on April 10, 2006)

(Patron Prior to Substitute—Senator Wagner)

A *BILL to amend and reenact §§ 2.2-1132, 23-135.7:6, 45.1-390, 56-249.6, 58.1-322, and 58.1-3660 of the Code of Virginia and to amend the Code of Virginia by adding a title numbered 67, consisting of a chapter numbered 1, consisting of sections numbered 67-100 through 67-102; a chapter numbered 2, consisting of sections numbered 67-200 through 67-203; a chapter numbered 3, consisting of a section numbered 67-300; a chapter numbered 4, consisting of sections numbered 67-400 through 67-403; a chapter numbered 5, consisting of sections numbered 67-500 through 67-502; a chapter numbered 6, consisting of sections numbered 67-600 through 67-604; a chapter numbered 7, consisting of sections numbered 67-700 and 67-701; a chapter numbered 8, consisting of sections numbered 67-800 and 67-801; a chapter numbered 9, consisting of sections numbered 67-900 through 67-903; and a chapter numbered 10, consisting of sections numbered 67-1000 through 67-1003, relating to energy policy; offshore gas and oil resource development; grants for purchasing, producing or using clean and efficient energy; recovery of fuel and purchased power costs under utility rate caps; income tax credits for purchases of certain energy-efficient appliances and equipment; exempting certain certified pollution control equipment and facilities from local property taxation; clean coal projects; energy efficiency in state buildings; use of biodiesel fuel in public transportation vehicles and fuel alcohol in gasoline; covenants restricting the use of solar energy collection devices; motor vehicle fuel efficiency standards; and the establishment of a coastal energy research center, all of which comprise components of the Virginia Energy Plan.*

**Be it enacted by the General Assembly of Virginia:**

1. That §§ 2.2-1132, 23-135.7:6, 45.1-390, 56-249.6, 58.1-322, and 58.1-3660 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding a title numbered 67, consisting of a chapter numbered 1, consisting of sections numbered 67-100 through 67-102; a chapter numbered 2, consisting of sections numbered 67-200 through 67-203; a chapter numbered 3, consisting of a section numbered 67-300; a chapter numbered 4, consisting of sections numbered 67-400 through 67-403; a chapter numbered 5, consisting of sections numbered 67-500 through 67-502; a chapter numbered 6, consisting of sections numbered 67-600 through 67-604; a chapter numbered 7, consisting of sections numbered 67-700 and 67-701; a chapter numbered 8, consisting of sections numbered 67-800 and 67-801; a chapter numbered 9, consisting of sections numbered 67-900 through 67-903; and a chapter numbered 10, consisting of sections numbered 67-1000 through 67-1003, as follows:

§ 2.2-1132. Administration of capital outlay construction; exception for certain educational institutions.

A. The Division shall provide assistance in the administration of capital outlay construction projects set forth in the appropriation act, other than highway construction undertaken by the Department of Transportation and the acquisition or improvement of specialized cargo-handling equipment and related port infrastructure including, but not limited to, port construction, renovation, and demolition that is required in a timely manner to meet market demands to enhance commerce through the Virginia Port Authority, the review and approval of plans and specifications, and acceptance of completed projects.

B. The Division may establish standards, as needed, for construction by the Commonwealth and may, with the advice of the Attorney General, establish standard contract provisions and procedures for the procurement and administration of construction and for the procurement and administration of architectural and engineering services relating to construction, which shall be used by all departments, agencies and institutions of the Commonwealth. *All departments, agencies and institutions of the Commonwealth shall ensure that the design and construction of state-owned buildings comply with the standards governing energy use and efficiency established by the Division.* The standards may provide for incentive contracting that offers a contractor whose bid is accepted the opportunity to share in any cost savings realized by the Commonwealth when project costs are reduced by the contractor, without affecting project quality, during construction of the project. The fee, if any, charged by the project engineer or architect for determining the cost savings shall be paid as a separate cost and shall not be calculated as part of any cost savings.

C. Notwithstanding any standards established by the Division or law to the contrary except as provided in this subsection, any public institution of higher education that has in effect a signed memorandum of understanding with the Secretary of Administration regarding participation in the nongeneral fund decentralization program as set forth in the appropriation act may enter into contracts

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for specific construction projects without the preliminary review and approval of the Division, provided such institutions are in compliance with the requirements of the Virginia Public Procurement Act (§ 2.2-4300 et seq.) and utilize the general terms and conditions for those forms of procurement approved by the Division and the Office of the Attorney General. The authority granted in this subsection shall only become effective if the institution meets the conditions prescribed in subsection B of § 23-38.88. The Secretary of Administration shall establish guidelines to assist institutions in evaluating alternative project delivery methods prior to entering into a contract. For projects constructed pursuant to this subsection, the responsibility of the Division of Engineering and Buildings shall be as set forth in subsection C of § 36-98.1.

For purposes of this section, "construction" shall include new construction, reconstruction, renovation, restoration, major repair, demolition and all similar work upon buildings and ancillary facilities owned or to be acquired by the Commonwealth. It shall not include buildings or other facilities ancillary to the use of state highways that are located within the right-of-way of any state highway, or assets for use by the Virginia Port Authority within the boundaries of property owned or leased by the Virginia Port Authority.

§ 23-135.7:6. Powers and duties of Center.

The Center, under the direction of the executive director, shall have the following powers and duties:

1. To develop a degree program in energy production and conservation research at the master's level in conjunction with the State Council on Higher Education;

2. To develop and provide programs of continuing education and in-service training for persons who work in the field of coal or other energy research, development or production;

3. To operate in conjunction with other departments of Virginia Polytechnic Institute and State University, including but not limited to the Department of Mining Engineering;

4. To conduct research in the fields of coal, coal utilization, migrating natural gases such as methane and propane, and other energy related work;

5. To collect and maintain data on energy production, development and utilization;

6. To foster the utilization of research information, discoveries and data;

7. To coordinate the functions of the Center with the energy research facilities to prevent duplication of effort;

8. To apply for and accept grants from the United States government and the state government and agencies and instrumentalities thereof and from any other source in carrying out the purposes of this article. To these ends, the Center shall have the power to comply with conditions and execute such agreements as may be necessary;

9. To accept gifts, bequests, and any other thing of value to be used for carrying out the purposes of this article;

10. To receive, administer and expend all funds and other assistance made available to the Center for the purposes of carrying out this article; and

11. *To consult with the Division of Energy of the Department of Mines, Minerals and Energy in the preparation of the Virginia Energy Plan pursuant to § 67-201; and*

12. To do all things necessary or convenient for the proper administration of this article.

§ 45.1-390. Division of Energy established; findings and policy; powers and duties.

The General Assembly finds that because energy-related issues continually confront the Commonwealth, and many separate agencies are involved in providing energy programs and services, there exists a need for a state organization responsible for coordinating Virginia's energy programs and ensuring Virginia's commitment to the development of renewable and indigenous energy sources, as well as the efficient use of traditional energy resources. In accordance with this need, the Division of Energy is created in the Department of Mines, Minerals and Energy. The Director shall have the immediate authority to coordinate development and implementation of energy policy in Virginia.

The Division shall coordinate the energy-related activities of the various state agencies and advise the Governor on energy issues that arise at the local, state and national levels. All state agencies and institutions shall cooperate fully with the Division to assist in the proper execution of the duties assigned by this section.

In addition, the Division is authorized to make and enter into all contracts and agreements necessary or incidental to the performance of its duties or the execution of its powers, including the implementation of energy information and conservation plans and programs.

The Division shall:

1. Consult with any or all state agencies and institutions concerning energy-related activities or policies as needed for the proper execution of the duties assigned to the Division by this section;

2. Maintain liaison with appropriate agencies of the federal government on the activities of the federal government related to energy production, consumption, transportation and energy resource management in general;

3. Provide services to encourage efforts by and among Virginia businesses, industries, utilities,

academic institutions, state and local governments and private institutions to develop energy conservation programs and energy resources; and

4. *In consultation with the State Corporation Commission, the Department of Environmental Quality, and the Center for Coal and Energy Research, prepare the Virginia Energy Plan pursuant to § 67-201; and*

5. Observe the energy-related activities of state agencies and advise these agencies in order to encourage conformity with established energy policy.

§ 56-249.6. Recovery of fuel and purchased power costs.

A. 1. Each electric utility that purchases fuel for the generation of electricity or purchases power and that was not, as of July 1, 1999, bound by a rate case settlement adopted by the Commission that extended in its application beyond January 1, 2002, shall submit to the Commission its estimate of fuel costs, including the cost of purchased power, for the 12-month period beginning on the date prescribed by the Commission. Upon investigation of such estimates and hearings in accordance with law, the Commission shall direct each company to place in effect tariff provisions designed to recover the fuel costs determined by the Commission to be appropriate for that period, adjusted for any over-recovery or under-recovery of fuel costs previously incurred.

2. The Commission shall continuously review fuel costs and if it finds that any utility described in subdivision A 1 is in an over-recovery position by more than five percent, or likely to be so, it may reduce the fuel cost tariffs to correct the over-recovery.

B. All fuel costs recovery tariff provisions in effect on January 1, 2004, for any electric utility that purchases fuel for the generation of electricity and that was, as of July 1, 1999, bound by a rate case settlement adopted by the Commission that extended in its application beyond January 1, 2002, shall remain in effect until the earlier of (i) July 1, 2007; (ii) the termination of capped rates pursuant to the provisions of subsection C of § 56-582; or (iii) the establishment of tariff provisions under subsection C. Any such utility shall continue to report to the Commission annually its actual fuel costs, including the cost of purchased power until July 1, 2007.

C. ~~Unless~~ *Until the capped rates for such utility expire or are terminated pursuant to the provisions of subsection C of § 56-582 prior to July 1, 2007, the Commission shall direct*, each electric utility described in subsection B ~~to shall~~ *submit annually* to the Commission its estimate of fuel costs, including the cost of purchased power, for the ~~42-month period~~ *successive 12-month periods* beginning ~~July 1, 2007, and ending December 31, 2010~~ *on July 1, 2007, 2008, and 2009, and the six-month period beginning July 1, 2010*. Upon investigation of such ~~estimate~~ *estimates* and ~~hearing~~ *hearings* in accordance with law, the Commission shall direct each such utility to place in effect tariff provisions designed to recover the fuel costs determined by the Commission to be appropriate for such ~~period~~ *periods, without adjustment* ~~adjusted~~ for any over-recovery or under-recovery of fuel costs previously incurred; *however, (i) no such adjustment for any over-recovery or under-recovery of fuel costs previously incurred shall be made for any period prior to July 1, 2007, and (ii) the Commission may order that up to 40 percent of any increase in fuel tariffs determined by the Commission to be appropriate for the 12-month period beginning July 1, 2007, above the fuel tariffs previously existing, shall be deferred and recovered during the period from July 1, 2008, through December 31, 2010. Such tariff provisions shall remain in effect until the capped rates for such utility expire or are terminated pursuant to the provisions of § 56-582.*

D. 1. In proceedings under subsections A and C, the Commission may, to the extent deemed appropriate, offset against fuel costs and purchased power costs to be recovered the revenues attributable to sales of power pursuant to interconnection agreements with neighboring electric utilities.

2. In proceedings under subsections A and C, the Commission shall disallow recovery of any fuel costs that it finds without just cause to be the result of failure of the utility to make every reasonable effort to minimize fuel costs or any decision of the utility resulting in unreasonable fuel costs, giving due regard to reliability of service and the need to maintain reliable sources of supply, economical generation mix, generating experience of comparable facilities, and minimization of the total cost of providing service.

3. The Commission is authorized to promulgate, in accordance with the provisions of this section, all rules and regulations necessary to allow the recovery by electric utilities of all of their prudently incurred fuel costs under subsections A and C, including the cost of purchased power, as precisely and promptly as possible, with no over-recovery or under-recovery, except as provided in subsection C, in a manner that will tend to assure public confidence and minimize abrupt changes in charges to consumers.

The Commission may, however, dispense with the procedures set forth above for any electric utility if it finds, after notice and hearing, that the electric utility's fuel costs can be reasonably recovered through the rates and charges investigated and established in accordance with other sections of this chapter.

§ 58.1-322. Virginia taxable income of residents.

183 A. The Virginia taxable income of a resident individual means his federal adjusted gross income for  
184 the taxable year, which excludes combat pay for certain members of the Armed Forces of the United  
185 States as provided in § 112 of the Internal Revenue Code, as amended, and with the modifications  
186 specified in this section.

187 B. To the extent excluded from federal adjusted gross income, there shall be added:

188 1. Interest, less related expenses to the extent not deducted in determining federal income, on  
189 obligations of any state other than Virginia, or of a political subdivision of any such other state unless  
190 created by compact or agreement to which Virginia is a party;

191 2. Interest or dividends, less related expenses to the extent not deducted in determining federal  
192 taxable income, on obligations or securities of any authority, commission or instrumentality of the  
193 United States, which the laws of the United States exempt from federal income tax but not from state  
194 income taxes;

195 3. Unrelated business taxable income as defined by § 512 of the Internal Revenue Code;

196 4. The amount of a lump sum distribution from a qualified retirement plan, less the minimum  
197 distribution allowance and any amount excludable for federal income tax purposes that is excluded from  
198 federal adjusted gross income solely by virtue of an individual's election to use the averaging provisions  
199 under § 402 of the Internal Revenue Code; and

200 5. through 8. [Repealed.]

201 9. The amount required to be included in income for the purpose of computing the partial tax on an  
202 accumulation distribution pursuant to § 667 of the Internal Revenue Code.

203 C. To the extent included in federal adjusted gross income, there shall be subtracted:

204 1. Income derived from obligations, or on the sale or exchange of obligations, of the United States  
205 and on obligations or securities of any authority, commission or instrumentality of the United States to  
206 the extent exempt from state income taxes under the laws of the United States including, but not limited  
207 to, stocks, bonds, treasury bills, and treasury notes, but not including interest on refunds of federal taxes,  
208 interest on equipment purchase contracts, or interest on other normal business transactions.

209 2. Income derived from obligations, or on the sale or exchange of obligations of this Commonwealth  
210 or of any political subdivision or instrumentality of the Commonwealth.

211 3. [Repealed.]

212 4. Benefits received under Title II of the Social Security Act and other benefits subject to federal  
213 income taxation solely pursuant to § 86 of the Internal Revenue Code.

214 4a. Through December 31, 2000, the same amount used in computing the federal credit allowed  
215 under § 22 of the Internal Revenue Code by a retiree under age 65 who qualified for such retirement on  
216 the basis of permanent and total disability and who is a qualified individual as defined in § 22 (b) (2) of  
217 the Internal Revenue Code; however, any person who claims a deduction under subdivision 5 of  
218 subsection D of this section may not also claim a subtraction under this subdivision.

219 4b. For taxable years beginning on or after January 1, 2001, up to \$20,000 of disability income, as  
220 defined in § 22 (c) (2) (B) (iii) of the Internal Revenue Code; however, any person who claims a  
221 deduction under subdivision 5 of subsection D of this section may not also claim a subtraction under  
222 this subdivision.

223 5. The amount of any refund or credit for overpayment of income taxes imposed by the  
224 Commonwealth or any other taxing jurisdiction.

225 6. The amount of wages or salaries eligible for the federal Targeted Jobs Credit which was not  
226 deducted for federal purposes on account of the provisions of § 280C (a) of the Internal Revenue Code.

227 7, 8. [Repealed.]

228 9. [Expired.]

229 10. Any amount included therein less than \$600 from a prize awarded by the State Lottery  
230 Department.

231 11. The wages or salaries received by any person for active and inactive service in the National  
232 Guard of the Commonwealth of Virginia, not to exceed the amount of income derived from 39 calendar  
233 days of such service or \$3,000, whichever amount is less; however, only those persons in the ranks of  
234 O3 and below shall be entitled to the deductions specified herein.

235 12. Amounts received by an individual, not to exceed \$1,000 in any taxable year, as a reward for  
236 information provided to a law-enforcement official or agency, or to a nonprofit corporation created  
237 exclusively to assist such law-enforcement official or agency, in the apprehension and conviction of  
238 perpetrators of crimes. This provision shall not apply to the following: an individual who is an employee  
239 of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime for which  
240 the reward was paid, or any person who is compensated for the investigation of crimes or accidents.

241 13. [Repealed.]

242 14. [Expired.]

243 15, 16. [Repealed.]

244 17. For taxable years beginning on and after January 1, 1995, the amount of "qualified research

expenses" or "basic research expenses" eligible for deduction for federal purposes, but which were not deducted, on account of the provisions of § 280C (c) of the Internal Revenue Code and which shall be available to partners, shareholders of S corporations, and members of limited liability companies to the extent and in the same manner as other deductions may pass through to such partners, shareholders, and members.

18. For taxable years beginning on or after January 1, 1995, all military pay and allowances, not otherwise subtracted under this subsection, earned for any month during any part of which such member performed military service in any part of the former Yugoslavia, including the air space above such location or any waters subject to related naval operations, in support of Operation JOINT ENDEAVOR as part of the NATO Peace Keeping Force. Such subtraction shall be available until the taxpayer completes such service.

19. For taxable years beginning on and after January 1, 1996, any income received during the taxable year derived from a qualified pension, profit-sharing, or stock bonus plan as described by § 401 of the Internal Revenue Code, an individual retirement account or annuity established under § 408 of the Internal Revenue Code, a deferred compensation plan as defined by § 457 of the Internal Revenue Code, or any federal government retirement program, the contributions to which were deductible from the taxpayer's federal adjusted gross income, but only to the extent the contributions to such plan or program were subject to taxation under the income tax in another state.

20. For taxable years beginning on and after January 1, 1997, any income attributable to a distribution of benefits or a refund from a prepaid tuition contract or savings trust account with the Virginia College Savings Plan, created pursuant to Chapter 4.9 (§ 23-38.75 et seq.) of Title 23. The subtraction for any income attributable to a refund shall be limited to income attributable to a refund in the event of a beneficiary's death, disability, or receipt of a scholarship.

21. For taxable years beginning on or after January 1, 1998, all military pay and allowances, to the extent included in federal adjusted gross income and not otherwise subtracted, deducted or exempted under this section, earned by military personnel while serving by order of the President of the United States with the consent of Congress in a combat zone or qualified hazardous duty area which is treated as a combat zone for federal tax purposes pursuant to § 112 of the Internal Revenue Code.

22. For taxable years beginning on or after January 1, 2000, the gain derived from the sale or exchange of real property or the sale or exchange of an easement to real property which results in the real property or the easement thereto being devoted to open-space use, as that term is defined in § 58.1-3230, for a period of time not less than 30 years. To the extent a subtraction is taken in accordance with this subdivision, no tax credit under this chapter for donating land for its preservation shall be allowed for three years following the year in which the subtraction is taken.

23. Effective for all taxable years beginning on or after January 1, 2000, \$15,000 of military basic pay for military service personnel on extended active duty for periods in excess of 90 days; however, the subtraction amount shall be reduced dollar-for-dollar by the amount which the taxpayer's military basic pay exceeds \$15,000 and shall be reduced to zero if such military basic pay amount is equal to or exceeds \$30,000.

24. Effective for all taxable years beginning on and after January 1, 2000, the first \$15,000 of salary for each federal and state employee whose total annual salary from all employment for the taxable year is \$15,000 or less.

25. Unemployment benefits taxable pursuant to § 85 of the Internal Revenue Code.

26. For taxable years beginning on and after January 1, 2001, any amount received as military retirement income by an individual awarded the Congressional Medal of Honor.

27. Effective for all taxable years beginning on and after January 1, 1999, income received as a result of (i) the "Master Settlement Agreement," as defined in § 3.1-1106; (ii) the National Tobacco Grower Settlement Trust dated July 19, 1999; and (iii) the Tobacco Loss Assistance Program, pursuant to 7 C.F.R. Part 1464 (Subpart C, §§ 1464.201 through 1464.205), by (a) tobacco farmers; (b) any person holding a tobacco marketing quota, or tobacco farm acreage allotment, under the Agricultural Adjustment Act of 1938; or (c) any person having the right to grow tobacco pursuant to such a quota or allotment, but only to the extent that such income has not been subtracted pursuant to subdivision C 18 of § 58.1-402.

28. For taxable years beginning on and after January 1, 2000, items of income attributable to, derived from or in any way related to (i) assets stolen from, hidden from or otherwise lost by an individual who was a victim or target of Nazi persecution or (ii) damages, reparations, or other consideration received by a victim or target of Nazi persecution to compensate such individual for performing labor against his will under the threat of death, during World War II and its prelude and direct aftermath. This subtraction shall not apply to assets acquired with such items of income or with the proceeds from the sale of assets stolen from, hidden from or otherwise lost to, during World War II and its prelude and direct aftermath, a victim or target of Nazi persecution. The provisions of this

subdivision shall only apply to an individual who was the first recipient of such items of income and who was a victim or target of Nazi persecution, or a spouse, widow, widower, or child or stepchild of such victim.

"Victim or target of Nazi persecution" means any individual persecuted or targeted for persecution by the Nazi regime who had assets stolen from, hidden from or otherwise lost as a result of any act or omission in any way relating to (i) the Holocaust; (ii) World War II and its prelude and direct aftermath; (iii) transactions with or actions of the Nazi regime; (iv) treatment of refugees fleeing Nazi persecution; or (v) the holding of such assets by entities or persons in the Swiss Confederation during World War II and its prelude and aftermath. A victim or target of Nazi persecution shall also include any individual forced into labor against his will, under the threat of death, during World War II and its prelude and direct aftermath. As used in this subdivision, "Nazi regime" means the country of Nazi Germany, areas occupied by Nazi Germany, those European countries allied with Nazi Germany, or any other neutral European country or area in Europe under the influence or threat of Nazi invasion.

29. For taxable years beginning on and after January 1, 2002, any gain recognized as a result of the Peanut Quota Buyout Program of the Farm Security and Rural Investment Act of 2002 pursuant to 7 C.F.R. Part 1412 (Subpart H, §§ 1412.801 through 1412.811) as follows:

a. If the payment is received in installment payments pursuant to 7 C.F.R. § 1412.807(a) (2), then the entire gain recognized may be subtracted.

b. If the payment is received in a single payment pursuant to 7 C.F.R. § 1412.807(a) (3), then 20 percent of the recognized gain may be subtracted. The taxpayer may then deduct an equal amount in each of the four succeeding taxable years.

30. Effective for all taxable years beginning on and after January 1, 2002, but before January 1, 2005, the indemnification payments received by contract poultry growers and table egg producers from the U.S. Department of Agriculture as a result of the depopulation of poultry flocks because of low pathogenic avian influenza in 2002. In no event shall indemnification payments made to owners of poultry who contract with poultry growers qualify for this subtraction.

31. Effective for all taxable years beginning on or after January 1, 2001, the military death gratuity payment made after September 11, 2001, to the survivor of deceased military personnel killed in the line of duty, pursuant to Chapter 75 of Title 10 of the United States Code; however, the subtraction amount shall be reduced dollar-for-dollar by the amount that the survivor may exclude from his federal gross income in accordance with § 134 of the Internal Revenue Code.

D. In computing Virginia taxable income there shall be deducted from Virginia adjusted gross income as defined in § 58.1-321:

1. a. The amount allowable for itemized deductions for federal income tax purposes where the taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the amount of income taxes imposed by the Commonwealth or any other taxing jurisdiction and deducted on such federal return and increased by an amount which, when added to the amount deducted under § 170 of the Internal Revenue Code for mileage, results in a mileage deduction at the state level for such purposes at a rate of 18 cents per mile; or

b. Three thousand dollars for single individuals for taxable years beginning on and after January 1, 1989; \$5,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return) for taxable years beginning on and after January 1, 1989, but before January 1, 2005; and \$6,000 for married persons (one-half of such amounts in the case of a married individual filing a separate return) for taxable years beginning on and after January 1, 2005; provided that the taxpayer has not itemized deductions for the taxable year on his federal income tax return. For purposes of this section, any person who may be claimed as a dependent on another taxpayer's return for the taxable year may compute the deduction only with respect to earned income.

2. a. A deduction in the amount of \$800 for taxable years beginning on and after January 1, 1988, but before January 1, 2005, and \$900 for taxable years beginning on and after January 1, 2005, for each personal exemption allowable to the taxpayer for federal income tax purposes.

b. For taxable years beginning on and after January 1, 1987, each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code shall be entitled to an additional personal exemption in the amount of \$800.

The additional deduction for blind or aged taxpayers allowed under this subdivision shall be allowable regardless of whether the taxpayer itemizes deductions for the taxable year for federal income tax purposes.

3. A deduction equal to the amount of employment-related expenses upon which the federal credit is based under § 21 of the Internal Revenue Code for expenses for household and dependent care services necessary for gainful employment.

4. An additional \$1,000 deduction for each child residing for the entire taxable year in a home under permanent foster care placement as defined in § 63.2-908, provided the taxpayer can also claim the child as a personal exemption under § 151 of the Internal Revenue Code.

5. a. Effective for all taxable years beginning on or after January 1, 1996, but before January 1, 2004, a deduction in the amount of \$12,000 for taxpayers age 65 or older, or \$6,000 for taxpayers age 62 through 64.

b. For taxable years beginning on and after January 1, 2004, a deduction in the amount of \$12,000 for individuals born on or before January 1, 1939.

c. For taxable years beginning January 1, 2004, but before January 1, 2005, a deduction in the amount of \$6,000 for individuals born on or between January 2, 1940, and January 1, 1942.

d. For taxable years beginning January 1, 2005, but before January 1, 2006, a deduction in the amount of \$6,000 for individuals born on or between January 2, 1941, and January 1, 1942.

e. For taxable years beginning on and after January 1, 2004, a deduction in the amount of \$12,000 for individuals born after January 1, 1939, who have attained the age of 65. This deduction shall be reduced by \$1 for every \$1 that the taxpayer's adjusted federal adjusted gross income exceeds \$50,000 for single taxpayers or \$75,000 for married taxpayers. For married taxpayers filing separately, the deduction will be reduced by \$1 for every \$1 the total combined adjusted federal adjusted gross income of both spouses exceeds \$75,000.

f. For the purposes of this subdivision, "adjusted federal adjusted gross income" means federal adjusted gross income minus any benefits received under Title II of the Social Security Act and other benefits subject to federal income taxation solely pursuant to § 86 of the Internal Revenue Code, as amended.

6. For taxable years beginning on and after January 1, 1997, the amount an individual pays as a fee for an initial screening to become a possible bone marrow donor, if (i) the individual is not reimbursed for such fee or (ii) the individual has not claimed a deduction for the payment of such fee on his federal income tax return.

7. a. A deduction shall be allowed to the purchaser or contributor for the amount paid or contributed during the taxable year for a prepaid tuition contract or savings trust account entered into with the Virginia College Savings Plan, pursuant to Chapter 4.9 (§ 23-38.75 et seq.) of Title 23. Except as provided in subdivision 7 c, the amount deducted on any individual income tax return in any taxable year shall be limited to \$2,000 per prepaid tuition contract or savings trust account. No deduction shall be allowed pursuant to this section if such payments or contributions are deducted on the purchaser's or contributor's federal income tax return. If the purchase price or annual contribution to a savings trust account exceeds \$2,000, the remainder may be carried forward and subtracted in future taxable years until the purchase price or savings trust contribution has been fully deducted; however, except as provided in subdivision 7 c, in no event shall the amount deducted in any taxable year exceed \$2,000 per contract or savings trust account. Notwithstanding the statute of limitations on assessments contained in § 58.1-312, any deduction taken hereunder shall be subject to recapture in the taxable year or years in which distributions or refunds are made for any reason other than (i) to pay qualified higher education expenses, as defined in § 529 of the Internal Revenue Code or (ii) the beneficiary's death, disability, or receipt of a scholarship. For the purposes of this subdivision, the term "purchaser" or "contributor" means the person shown as such on the records of the Virginia College Savings Plan as of December 31 of the taxable year. In the case of a transfer of ownership of a prepaid tuition contract or savings trust account, the transferee shall succeed to the transferor's tax attributes associated with a prepaid tuition contract or savings trust account, including, but not limited to, carryover and recapture of deductions.

b. The amount paid for a prepaid tuition contract during taxable years beginning on or after January 1, 1996, but before January 1, 1998, shall be deducted in taxable years beginning on or after January 1, 1998, and shall be subject to the limitations set out in subdivision 7 a.

c. A purchaser of a prepaid tuition contract or contributor to a savings trust account who has attained age 70 shall not be subject to the limitation that the amount of the deduction not exceed \$2,000 per prepaid tuition contract or savings trust account in any taxable year. Such taxpayer shall be allowed a deduction for the full amount paid for the contract or contributed to a savings trust account, less any amounts previously deducted. If a prepaid tuition contract was purchased by such taxpayer during taxable years beginning on or after January 1, 1996, but before January 1, 1998, such taxpayer may take the deduction for the full amount paid during such years, less any amounts previously deducted with respect to such payments, in taxable year 1999 or by filing an amended return for taxable year 1998.

8. For taxable years beginning on and after January 1, 2000, the total amount an individual actually contributed in funds to the Virginia Public School Construction Grants Program and Fund, established in Chapter 11.1 (§ 22.1-175.1 et seq.) of Title 22.1, provided the individual has not claimed a deduction for such amount on his federal income tax return.

9. For taxable years beginning on and after January 1, 1999, an amount equal to 20 percent of the tuition costs incurred by an individual employed as a primary or secondary school teacher licensed pursuant to Chapter 15 (§ 22.1-289.1 et seq.) of Title 22.1 to attend continuing teacher education courses that are required as a condition of employment; however, the deduction provided by this subsection shall

be available only if (i) the individual is not reimbursed for such tuition costs and (ii) the individual has not claimed a deduction for the payment of such tuition costs on his federal income tax return.

10. For taxable years beginning on and after January 1, 2000, the amount an individual pays annually in premiums for long-term health care insurance, provided the individual has not claimed a deduction for federal income tax purposes.

11. For taxable years beginning on and after January 1, 2007, an amount equal to 20 percent of the sum paid by an individual pursuant to Chapter 6 (§ 58.1-600 et seq.) of this title, not to exceed \$500 in each taxable year, in purchasing for his own use the following items of tangible personal property: (i) any clothes washers, room air conditioners, dishwashers, and standard size refrigerators that meet or exceed the applicable energy star efficiency requirements developed by the United States Environmental Protection Agency and the United States Department of Energy; (ii) any fuel cell that (a) generates electricity using an electrochemical process, (b) has an electricity-only generation efficiency greater than 35%, and (c) has a generating capacity of at least two kilowatts; (iii) any gas heat pump that has a coefficient of performance of at least 1.25 for heating and at least 0.70 for cooling; (iv) any electric heat pump hot water heater that yields an energy factor of at least 1.7; (v) any electric heat pump that has a heating system performance factor of at least 8.0 and a cooling seasonal energy efficiency ratio of at least 13.0; (vi) any central air conditioner that has a cooling seasonal energy efficiency ratio of at least 13.5; (vii) any advanced gas or oil water heater that has an energy factor of at least 0.65; (viii) any advanced oil-fired boiler with a minimum annual fuel-utilization rating of 85; (ix) any advanced oil-fired furnace with a minimum annual fuel-utilization rating of 85; and (ix) programmable thermostats.

E. There shall be added to or subtracted from federal adjusted gross income, as the case may be, the individual's share, as beneficiary of an estate or trust, of the Virginia fiduciary adjustment determined under § 58.1-361.

F. There shall be added or subtracted, as the case may be, the amounts provided in § 58.1-315 as transitional modifications.

§ 58.1-3660. Certified pollution control equipment and facilities.

A. Certified pollution control equipment and facilities, as defined herein, are hereby declared to be a separate class of property and shall constitute a classification for local taxation separate from other such classification of real or personal property and such property. The governing body of any county, city or town may, by ordinance, exempt or partially exempt such property from local taxation. *Certified pollution control equipment and facilities consisting of equipment used in collecting, processing, and distributing, or generating electricity from, landfill gas or synthetic or natural gas recovered from waste, including equipment used to grind, chip, or mulch trees, tree stumps, underbrush, and other vegetative cover for reuse as landfill gas or synthetic or natural gas recovery from waste, placed in service on or after July 1, 2006, shall be exempt from state and local taxation pursuant to subsection d of Section 6 of Article X of the Constitution of Virginia.*

B. As used in this section:

"Certified pollution control equipment and facilities" shall mean any property, including real or personal property, equipment, facilities, or devices, used primarily for the purpose of abating or preventing pollution of the atmosphere or waters of the Commonwealth and which the state certifying authority having jurisdiction with respect to such property has certified to the Department of Taxation as having been constructed, reconstructed, erected, or acquired in conformity with the state program or requirements for abatement or control of water or atmospheric pollution or contamination. Such property shall include, but is not limited to, any equipment used to grind, chip, or mulch trees, tree stumps, underbrush, and other vegetative cover for reuse as mulch, compost, *landfill gas, synthetic or natural gas recovery from waste or other fuel, and equipment used in collecting, processing, and distributing, or generating electricity from, landfill gas or synthetic or natural gas recovered from waste*, whether or not such property has been certified to the Department of Taxation by a state certifying authority.

"State certifying authority" shall mean the State Water Control Board, for water pollution; the State Air Pollution Control Board, for air pollution; the Department of Mines, Minerals and Energy, for coal, oil, and gas production, including gas, natural gas, and coalbed methane gas; and the Virginia Waste Management Board, for waste disposal facilities, *natural gas recovery from waste facilities, and landfill gas production facilities*, and shall include any interstate agency authorized to act in place of a certifying authority of the Commonwealth.

#### TITLE 67.

#### VIRGINIA ENERGY PLAN.

#### CHAPTER 1.

#### ENERGY POLICY OF THE COMMONWEALTH.

§ 67-100. Legislative findings.

The General Assembly hereby finds that:

1. Energy is essential to the health, safety, and welfare of the people of this Commonwealth and to



the Commonwealth's economy;

2. The state government should facilitate the availability and delivery of reliable and adequate supplies of energy to industrial, commercial, and residential users at reasonable costs such that these users and the Commonwealth's economy are able to be productive; and

3. The Commonwealth would benefit from articulating clear objectives pertaining to energy issues, adopting an energy policy that advances these objectives, and establishing a procedure for measuring the implementation of these policies.

§ 67-101. Energy objectives.

The Commonwealth recognizes each of the following objectives pertaining to energy issues will advance the health, welfare, and safety of the residents of the Commonwealth:

1. Ensuring the availability of reliable energy at costs that are reasonable and in quantities that will support the Commonwealth's economy;

2. Managing the rate of consumption of existing energy resources in relation to economic growth;

3. Establishing sufficient supply and delivery infrastructure to maintain reliable energy availability in the event of a disruption occurring to a portion of the Commonwealth's energy matrix;

4. Using energy resources more efficiently;

5. Facilitating conservation;

6. Optimizing intrastate and interstate use of energy supply and delivery to maximize energy availability, reliability, and price opportunities to the benefit of all user classes and the Commonwealth's economy as stated in subdivision 2 of § 67-100;

7. Increasing Virginia's reliance on sources of energy that, compared to traditional energy resources, are less polluting of the Commonwealth's air and waters;

8. Researching the efficacy, cost, and benefits of reducing, avoiding, or sequestering the emissions of greenhouse gases produced in connection with the generation of energy;

9. Removing impediments to the use of abundant low-cost energy resources located within and outside the Commonwealth and ensuring the economic viability of the producers, especially those in the Commonwealth, of such resources;

10. Developing energy resources and facilities in a manner that does not impose a disproportionate adverse impact on economically disadvantaged or minority communities;

11. Recognizing the need to foster those economically developable alternative sources of energy that can be provided at market prices as vital components of a diversified portfolio of energy resources; and

12. Increasing Virginia's reliance on biodiesel and ethanol produced from corn, soybeans, hullless barley, and other suitable crops grown in the Commonwealth that will create jobs and income, produce clean-burning fuels that will help to improve air quality, and provide the new markets for Virginia's agricultural products needed to preserve farm employment, conserve farmland, and help pay for agricultural best management practices to protect water quality.

Nothing in this section shall be deemed to abrogate or modify in any way the provisions of the Virginia Electric Utility Restructuring Act (§ 56-576 et seq.).

§ 67-102. Commonwealth Energy Policy.

A. To achieve the objectives enumerated in § 67-101, it shall be the policy of the Commonwealth to:

1. Support research and development of, and promote the use of, renewable energy sources;

2. Ensure that the combination of energy supplies and energy-saving systems are sufficient to support the demands of economic growth;

3. Promote research and development of clean coal technologies, including but not limited to integrated gasification combined cycle systems;

4. Promote cost-effective conservation of energy and fuel supplies;

5. Ensure the availability of affordable natural gas throughout the Commonwealth by expanding Virginia's natural gas distribution and transmission pipeline infrastructure; developing coalbed methane gas resources and methane hydrate resources; encouraging the productive use of landfill gas; and siting one or more liquefied natural gas terminals;

6. Promote the generation of electricity through technologies that do not contribute to greenhouse gases and global warming;

7. Facilitate the development of new, and the expansion of existing, petroleum refining facilities within the Commonwealth;

8. Promote the use of motor vehicles that utilize alternate fuels and are highly energy efficient;

9. Support efforts to reduce the demand for imported petroleum by developing alternative technologies, including but not limited to the production of synthetic and hydrogen-based fuels, and the infrastructure required for the widespread implementation of such technologies;

10. Promote the use of biodiesel and ethanol produced from agricultural crops grown in the Commonwealth;

11. Ensure that development of new, or expansion of existing, energy resources or facilities does not

552 have a disproportionate adverse impact on economically disadvantaged or minority communities; and

553 12. Ensure that energy generation and delivery systems that may be approved for development in the  
554 Commonwealth, including liquefied natural gas and related delivery and storage systems, should be  
555 located so as to minimize impacts to pristine natural areas and other significant onshore natural  
556 resources, and as near to compatible development as possible.

557 B. The elements of the policy set forth in subsection A shall be referred to collectively in this title as  
558 the Commonwealth Energy Policy.

559 C. All agencies and political subdivisions of the Commonwealth, in taking discretionary action with  
560 regard to energy issues, shall recognize the elements of the Commonwealth Energy Policy and where  
561 appropriate, shall act in a manner consistent therewith.

562 D. The Commonwealth Energy Policy is intended to provide guidance to the agencies and political  
563 subdivisions of the Commonwealth in taking discretionary action with regard to energy issues, and shall  
564 not be construed to amend, repeal, or override any contrary provision of applicable law. The failure or  
565 refusal of any person to recognize the elements of the Commonwealth Energy Policy, to act in a manner  
566 consistent with the Commonwealth Energy Policy, or to take any other action whatsoever, shall not  
567 create any right, action, or cause of action or provide standing for any person to challenge the action  
568 of the Commonwealth or any of its agencies or political subdivisions.

## 569 CHAPTER 2.

### 570 VIRGINIA ENERGY PLAN.

571 § 67-200. Definitions.

572 As used in this title:

573 "Division" means the Division of Energy of the Department of Mines, Minerals and Energy.

574 "Plan" means the Virginia Energy Plan prepared pursuant to this chapter, including any updates  
575 thereto.

576 § 67-201. Development of the Virginia Energy Plan.

577 A. The Division, in consultation with the State Corporation Commission, the Department of  
578 Environmental Quality, and the Center for Coal and Energy Research, shall prepare a comprehensive  
579 Virginia Energy Plan covering a 10-year period. The Plan shall propose actions, consistent with the  
580 objectives enumerated in § 67-101, that will implement the Commonwealth Energy Policy set forth in  
581 § 67-102.

582 B. In addition, the Plan shall include:

583 1. Projections of energy consumption in the Commonwealth, including but not limited to the use of  
584 fuel sources and costs of electricity, natural gas, gasoline, coal, renewable resources, and other forms of  
585 energy resources used in the Commonwealth;

586 2. An analysis of the adequacy of electricity generation, transmission, and distribution resources in  
587 the Commonwealth for the natural gas and electric industries, and how regional generation,  
588 transmission, and distribution resources affect the Commonwealth;

589 3. An analysis of siting requirements for electric generation resources and natural gas and electric  
590 transmission and distribution resources;

591 4. An analysis of fuel diversity for electricity generation, recognizing the importance of flexibility in  
592 meeting future capacity needs;

593 5. An analysis of the efficient use of energy resources and conservation initiatives;

594 6. An analysis of how these Virginia-specific issues relate to regional initiatives to assure the  
595 adequacy of fuel production, generation, transmission, and distribution assets;

596 7. An analysis of siting of energy resource development, refining or transmission facilities to identify  
597 any disproportionate adverse impact of such activities on economically disadvantaged or minority  
598 communities; and

599 8. Recommendations, based on the analyses completed under subdivisions 1 through 7, for  
600 legislative, regulatory, and other public and private actions to implement the elements of the  
601 Commonwealth Energy Policy.

602 C. In preparing the Plan, the Division and other agencies involved in the planning process shall  
603 utilize state geographic information systems, to the extent deemed practicable, to assess how  
604 recommendations in the plan may affect pristine natural areas and other significant onshore natural  
605 resources.

606 D. In preparing the Plan, the Division and other agencies involved in the planning process shall  
607 develop a system for ascribing numerical scores to parcels of real property based on the extent to which  
608 the parcels are suitable for the siting of a wind energy facility or solar energy facility. For wind energy  
609 facilities, the scoring system shall address the wind velocity, sustained velocity, turbulence, proximity to  
610 electric power transmission systems, potential impacts to natural and historic resources and to  
611 economically disadvantaged or minority communities, and compatibility with the local land use plan.  
612 For solar energy facilities, the scoring system shall address the parcel's proximity to electric power  
613 transmission lines, potential impacts of such a facility to natural and historic resources and to

economically disadvantaged or minority communities, and compatibility with the local land use plan. The system developed pursuant to this section shall allow the suitability of the parcel for the siting of a wind energy facility or solar energy facility to be compared to the suitability of other parcels so scored, and shall be based on a scale that allows the suitability of the parcel for the siting of a such an energy facility to be measured against the hypothetical score of an ideal location for such a facility.

E. After July 1, 2007, upon receipt by the Division of a recommendation from the Department of General Services, a local governing body, or the parcel's owner that a parcel of real property is a potentially suitable location for a wind energy facility or solar energy facility, the Division shall analyze the suitability of the parcel for the location of such a facility. In conducting its analysis, the Division shall ascribe a numerical score to the parcel using the scoring system developed pursuant to subsection D.

§ 67-202. Schedule.

A. The Division shall complete the Plan by July 1, 2007.

B. Prior to completion of the Plan, the Division shall present drafts to, and consult with, the Coal and Energy Commission and the Commission on Electric Utility Restructuring.

C. The Plan shall be updated by the Division no less frequently than every five years.

§ 67-203. Submission of Plan.

Upon completion, the Division shall submit the Plan, including periodic updates thereto, to the Governor, the Commissioners of the State Corporation Commission, and the General Assembly. The Plan shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents. The Plan's executive summary shall be posted on the General Assembly's website.

### CHAPTER 3.

#### OFFSHORE NATURAL GAS AND WIND RESOURCES.

§ 67-300. Offshore natural gas and wind resources.

A. In recognition of the need for energy independence, it shall be the policy of the Commonwealth to support federal efforts to determine the extent of natural gas resources 50 miles or more off the Atlantic shoreline, including appropriate federal funding for such an investigation. The policy of the Commonwealth shall further support the inclusion of the Atlantic Planning Areas in the Minerals Management Service's draft environmental impact statement with respect to natural gas exploration 50 miles or more off the Atlantic shoreline. Nothing in this Act shall be construed as a policy statement on the executive or Congressional moratoria on production and development of natural gas off the Atlantic shoreline.

B. It shall be the policy of the Commonwealth to support federal efforts to examine the feasibility of offshore wind energy being utilized in an environmentally responsible fashion.

### CHAPTER 4.

#### CLEAN COAL PROJECTS.

§ 67-400. Definitions.

As used in this chapter:

"Center" means the Virginia Center for Coal and Energy Research.

"Clean coal project" means any project that uses any technology, including technologies applied at the precombustion, combustion, or postcombustion stage, at a new or existing facility that will achieve significant reductions in air emissions of sulfur dioxide or oxides of nitrogen associated with the utilization of coal in the generation of electricity, process steam, or industrial products, which is not in widespread use, or is otherwise defined as clean coal technology pursuant to 42 U.S.C. § 7651n.

§ 67-401. Permitting process for clean coal projects.

To the extent authorized by federal law, the State Air Pollution Control Board shall implement permit processes that facilitate the construction of clean coal projects in the Commonwealth by, among such other actions as it deems appropriate, giving priority to processing permit applications for clean coal projects.

§ 67-402. Center for excellence for clean coal technologies.

A. The Center shall encourage qualified state institutions of higher education to apply to the U.S. Secretary of Energy, pursuant to § 404 of the federal Energy Policy Act of 2005, for competitive, merit-based grants to be used to assist in financing the establishment in the Commonwealth of a center of excellence for advancing new clean coal technologies.

B. The Center shall be authorized to provide such assistance it deems reasonable and appropriate to qualified state institutions of higher education that elect to apply for grants pursuant to subsection A.

§ 67-403. Clean Coal Technology Research Fund.

A. There is hereby established in the state treasury a special nonreverting fund to be known as the Clean Coal Technology Research Fund. The Fund shall consist of such moneys as may be appropriated by the General Assembly from time to time. Any moneys deposited to or remaining in the Fund during

675 or at the end of each fiscal year or biennium, including interest thereon, shall not revert to the general  
676 fund but shall remain in the Fund and be available for allocation under this chapter in ensuing fiscal  
677 years. Interest on all moneys in the Fund shall remain in the Fund and be credited to it. The Fund shall  
678 be used solely for the payment of grants to state institutions of higher education to assist in the  
679 development and implementation of clean coal technologies. The Center shall administer the Fund.

680 B. The Center shall award such grants to applying eligible institutions on a competitive basis.

681 C. The Center shall not allocate an amount in excess of the moneys available in the Fund for the  
682 payment of grants.

683 D. Beginning in calendar year 2007, by June 30 of each year, the Center shall (i) determine the  
684 amount of the grants to be allocated to eligible institutions and (ii) certify to the Comptroller and each  
685 eligible grant applicant the amount of the grant allocated to successful applicants. Payment of such  
686 grants shall be made by the State Treasurer on warrant of the Comptroller within 60 days of such  
687 certification.

## 688 CHAPTER 5. 689 BIOFUELS.

690 § 67-500. Definitions.

691 As used in this chapter:

692 "Biodiesel fuel" means a renewable, biodegradable, mono-alkyl ester combustible liquid fluid fuel  
693 from agricultural plant oils or animal fats that meets the applicable American Society for Testing and  
694 Materials (ASTM) Specification for Biodiesel Fuel (B100) Blend Stock for Distillate Fuels.

695 "Fuel alcohol" shall have the same meaning as is provided for in § 58.1-2201.

696 "Gasoline" shall have the same meaning as is provided for in § 58.1-2201.

697 § 67-501. Use of biodiesel and other alternative fuels in vehicles providing public transportation.

698 The Commonwealth Transportation Board shall encourage the use of biodiesel and other alternative  
699 fuels, to the extent practicable, in buses and other vehicles used to provide public transportation in the  
700 Commonwealth.

701 § 67-502. Fuel alcohol content of gasoline.

702 A. Upon request from the Secretary of Commerce and Trade, any producer of fuel alcohol in  
703 Virginia shall provide the Secretary information identifying the number of gallons of fuel alcohol  
704 produced on a quarterly basis for a minimum of the last five calendar quarters. Based upon the  
705 information gathered as provided in this subsection, once the production of fuel alcohol in Virginia has  
706 exceeded 300 million gallons on an annualized basis and has been maintained at that level of  
707 production or greater for at least three months, the Secretary of Commerce and Trade shall publish a  
708 notice in the Virginia Register certifying such production level.

709 B. Beginning 12 months after the date on which a notice is published in the Virginia Register  
710 pursuant to subsection A, all gasoline sold and delivered for use in Virginia, except gasoline with an  
711 American Society for Testing Materials octane number of 91 or greater, shall be blended with, at a  
712 minimum, 10 percent alcohol by volume.

713 C. If the production of fuel alcohol in Virginia drops below 150 million gallons on an annualized  
714 basis, the Secretary of Commerce and Trade may waive the requirements of subsection B, by publication  
715 of a notice in the Virginia Register.

## 716 CHAPTER 6.

### 717 VIRGINIA COASTAL ENERGY RESEARCH CONSORTIUM.

718 § 67-600. Virginia Coastal Energy Research Consortium established.

719 The Virginia Coastal Energy Research Consortium, hereinafter referred to as the Research  
720 Consortium, is hereby created to include Old Dominion University, the Virginia Institute of Marine  
721 Science, the Virginia Tech Advanced Research Institute, James Madison University, and Norfolk State  
722 University and is to be located at Old Dominion University.

723 § 67-601. Functions, powers, and duties of the Research Consortium.

724 The Coastal Energy Research Consortium shall serve as an interdisciplinary study, research, and  
725 information resource for the Commonwealth on coastal energy issues. As used in this chapter, "coastal  
726 energy" includes wave or tidal action, currents, offshore winds, thermal differences, and methane  
727 hydrates. The Research Consortium shall (i) consult with the General Assembly, federal, state, and local  
728 agencies, nonprofit organizations, private industry and other potential users of coastal energy research;  
729 (ii) establish and administer agreements with other universities of the Commonwealth to carry out  
730 research projects relating to the feasibility of recovering fuel gases from methane hydrates and  
731 increasing the Commonwealth's reliance on other forms of coastal energy; (iii) disseminate new  
732 information and research results; (iv) apply for grants made available pursuant to federal legislation,  
733 including but not limited to the federal Methane Hydrate Research and Development Act of 1999, P.L.  
734 106-193 and from other sources; and (v) facilitate the application and transfer of new coastal energy  
735 technologies.

736 § 67-602. Control and supervision.

The Research Consortium shall be governed by a board which shall consist of nine members as follows: (i) the Director of the Department of Mines, Minerals and Energy or his designee; (ii) the Commissioner of Marine Resources or his designee; (iii) a member of the maritime industry to be appointed by the Virginia Manufacturers Association; (iv) a member of the maritime industry to be appointed by the Hampton Roads Maritime Association; (v) the Director of the Virginia Tech Advanced Research Institute or his designee; (vi) the President of Old Dominion University or his designee; (vii) the Director of the Virginia Institute of Marine Sciences or his designee; (viii) the President of Norfolk State University or his designee; and (ix) the President of James Madison University or his designee.

§ 67-603. Appointment of a director.

The board of the Research Consortium shall appoint a director to serve as the principal administrative officer of the Research Consortium. The director shall report to the board and be under its supervision.

§ 67-604. Powers and duties of the director.

The director shall exercise all powers imposed upon him by law, carry out the specific duties imposed on him by the board of the Research Consortium, and develop appropriate policies and procedures for (i) identifying priority coastal energy research projects; (ii) cooperating with the General Assembly, federal, state, and local governmental agencies, nonprofit organizations and private industry in formulating its research projects; (iii) selecting research projects to be funded; and (iv) disseminating information and transferring technology related to coastal energy within the Commonwealth. The director shall employ such personnel and secure such services as may be required to carry out the purposes of this chapter, expend appropriated funds, and accept moneys from federal or private sources for cost-sharing on coastal energy projects.

#### CHAPTER 7.

##### COVENANTS RESTRICTING SOLAR ENERGY COLLECTION DEVICES.

§ 67-700. Definitions.

As used in this chapter:

"Community association" means an unincorporated association or corporation that owns or has under its care, custody, or control real estate subject to a recorded declaration of covenants that obligates a person, by virtue of ownership of specific real estate, to be a member of the unincorporated association or corporation.

"Solar energy collection device" means any device that facilitates the collection and beneficial use of solar energy, including passive heating panels or building components and solar photovoltaic apparatus.

§ 67-701. Covenants regarding solar power.

A. Except to the extent provided in the condominium instruments, declaration, or rules and regulations duly adopted pursuant thereto, no community association shall enact any provisions restricting solar power or the use of solar energy collection device on units or lots that are part of the development.

B. The community association may prohibit or restrict the installation and use of such solar energy collection devices on the common elements or common areas.

#### CHAPTER 8.

##### MOTOR VEHICLE FUEL EFFICIENCY STANDARDS.

§ 67-800. Definitions.

As used in this section, "CAFE standards" means the corporate average fuel economy standards for passenger cars and light trucks manufactured for sale in the United States that have been implemented pursuant to the federal Energy Policy and Conservation Act of 1975 (P. L. 94-163), as amended.

§ 67-801. Efforts to increase CAFE standards.

It is the policy of the Commonwealth to support federal action that provides for:

1. An increase the CAFE standards from the current standard by promoting performance-based tax credits for advanced technology, fuel-efficient vehicles to facilitate the introduction and purchase of such vehicles; and

2. Market incentives and education programs to build demand for high-efficiency, cleaner vehicles, including tax incentives for highly efficient vehicles.

#### CHAPTER 9.

##### RENEWABLE ELECTRICITY PRODUCTION GRANT PROGRAM.

§ 67-900. Definitions.

As used in this chapter, unless the context clearly requires otherwise:

"Corporation" means an entity subject to the tax imposed by Article 10 (§ 58.1-400 et seq.) of Chapter 3 of Title 58.1.

"Department" means the Department of Mines, Minerals and Energy.

"Fund" means the Renewable Electricity Production Grant Fund established pursuant to § 67-902.

"Qualified energy resources" means the same as that term is defined by Internal Revenue Code

798 § 45(c)(1), and includes wind, closed-loop biomass, organic, livestock, and poultry waste resources and  
799 lignin and other organic by-products of kraft pulping processes, bark, chip rejects, sawdust, fines and  
800 other wood waste, regardless of the point of origin.

801 "Qualified Virginia facility" means a facility located in the Commonwealth that uses qualified energy  
802 resources to produce electricity.

803 § 67-901. Eligibility for grants for production of qualified energy resources.

804 Subject to appropriation of sufficient moneys in the Fund, an eligible corporation may receive a  
805 grant payable from the Fund for certain kilowatt hours of electricity produced after December 31, 2005.  
806 The grant amount shall be 0.85 cents for each kilowatt hour of electricity (i) produced by the  
807 corporation from qualified energy resources at a qualified Virginia facility and (ii) sold and transmitted  
808 into the electric grid, or used in production by a qualified Virginia facility, in a calendar year. Grant  
809 amounts shall be based on each such kilowatt hour of electricity sold or used in production by a  
810 qualified Virginia facility beginning with calendar year 2006.

811 § 67-902. Renewable Electricity Production Grant Fund.

812 A. There is hereby established in the state treasury a special nonreverting fund to be known as the  
813 Renewable Electricity Production Grant Fund. The Fund shall consist of such moneys as may be  
814 appropriated by the General Assembly from time to time. Any moneys deposited to or remaining in the  
815 Fund during or at the end of each fiscal year or biennium, including interest thereon, shall not revert to  
816 the general fund but shall remain in the Fund and be available for allocation under this chapter in  
817 ensuing fiscal years. Interest on all moneys in the Fund shall remain in the Fund and be credited to it.  
818 The Fund shall be used solely for the payment of the grants provided under this chapter. The  
819 Department shall administer the Fund.

820 B. The Department shall allocate moneys from the Fund in the following order of priority: (i) first to  
821 unpaid grant amounts carried forward from prior years because eligible corporations did not receive  
822 the full amount of any grant to which they were eligible in a prior year pursuant to this chapter and (ii)  
823 then to other approved applicants. If the moneys in the Fund are less than the amount of grants to  
824 which approved applicants in any class of priority are eligible, the moneys in the Fund shall be  
825 apportioned pro rata among eligible applicants in such class, based upon the amount of the grant to  
826 which an approved applicant is eligible and the amount of money in the Fund available for allocation  
827 to such class.

828 C. The Department shall not allocate an amount in excess of the moneys available in the Fund for  
829 the payment of grants.

830 D. Beginning in calendar year 2007, by June 30 of each year, the Department shall (i) determine the  
831 amount of the grants to be allocated to eligible corporations and (ii) certify to the Comptroller and  
832 each eligible corporation the amount of the grant allocated to such corporation. Payment of such grants  
833 shall be made by the State Treasurer on warrant of the Comptroller within 60 days of such certification,  
834 subject to appropriation of sufficient moneys in the Fund.

835 E. If a grant recipient is allocated less than the full amount of a grant to which it is eligible in any  
836 year pursuant to this chapter, such corporation shall not be eligible for the deficiency in that year, but  
837 the unpaid portion of the grant to which it was eligible shall be carried forward by the Department to  
838 the following year, during which it shall be in the first class of priority as provided in clause (i) of  
839 subsection B.

840 F. In no case shall the Department certify grants from the Fund for kilowatts of electricity produced  
841 prior to January 1, 2006.

842 G. Actions of the Department relating to the allocation and awarding of grants shall be exempt from  
843 the provisions of the Administrative Process Act pursuant to subdivision B 4 of § 2.2-4002.

844 § 67-903. Requirements for grants generally.

845 A. The Department shall establish an application process by which eligible corporations shall apply  
846 for a grant under this chapter. An application for a grant under this chapter shall not be approved until  
847 the Department has verified that the electricity has been produced from qualified energy resources at a  
848 qualified Virginia facility and that sufficient moneys are available in the Fund.

849 B. The application shall be filed with the director of the Department no later than March 31 each  
850 year following the calendar year in which such kilowatt hours of electricity were sold or used in  
851 production by a qualified Virginia facility. Failure to meet the filing deadline shall render the applicant  
852 ineligible to receive a grant for such kilowatt hours of electricity sold or so used in the prior calendar  
853 year. For filings by mail, the postmark cancellation shall govern the date of the filing determination.

854 C. The application shall provide evidence, satisfactory to the Department, of the number of kilowatt  
855 hours of electricity produced by the corporation from qualified energy resources at a qualified Virginia  
856 facility that were sold, or used in production by a qualified Virginia facility, by such corporation in the  
857 prior calendar year.

858 D. As a condition of receipt of a grant, an eligible corporation shall make available to the  
859 Department for inspection upon request all relevant and applicable documents to determine whether the

requirements for the receipt of grants as set forth in this chapter have been satisfied. All such documents appropriately identified by the eligible corporation shall be considered confidential and proprietary.

E. A corporation receiving a grant for the production and sale of kilowatt hours of electricity under this chapter may not use the production or sale of such kilowatt hours of electricity as the basis for claiming any other grant or credit against taxes, as provided under the Code of Virginia or in an appropriation act.

#### CHAPTER 10.

#### PHOTOVOLTAIC, SOLAR, AND WIND ENERGY UTILIZATION GRANT PROGRAM.

§ 67-1000. Definitions.

As used in this chapter, unless the context clearly requires otherwise:

"Corporation" means an entity subject to the tax imposed by Article 10 (§ 58.1-400 et seq.) of Chapter 3 of Title 58.1.

"Department" means the Department of Mines, Minerals and Energy.

"Fund" means the Photovoltaic, Solar, and Wind Energy Utilization Grant Fund established pursuant to § 67-1002.

"Individual" means the same as that term is defined in § 58.1-302.

"Photovoltaic property" means property that uses a solar photovoltaic process to generate electricity and that meets applicable performance and quality standards and certification requirements in effect at the time of acquisition of the property, as specified by the Department.

"Solar water heating property" means property that, when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within the structure and meets applicable performance and quality standards and certification requirements in effect at the time of acquisition of the property, as specified by the Department.

"Wind-powered electrical generator" means an electrical generating unit that (i) has a capacity of not more than 10 kilowatts, (ii) uses wind as its total source of fuel, (iii) is located on the individual's or corporation's premises, and (iv) is intended primarily to offset all or part of the individual's or corporation's own electricity requirements.

§ 67-1001. Eligibility for grants for installation of photovoltaic property, solar water heating property, and wind-powered electrical generators.

A. Subject to appropriation of sufficient moneys in the Fund, beginning with calendar year 2006, an eligible individual or corporation may receive a grant payable from the Fund for a portion of the cost of photovoltaic property, solar water heating property, or wind-powered electrical generators placed in service during the calendar year by such individual or corporation. The grant amount shall be 15% of the total installed cost of photovoltaic property, solar water heating property, or wind-powered electrical generators but shall not exceed an aggregate total of:

1. \$2,000 for each system of photovoltaic property;
2. \$1,000 for each system of solar water heating property; and
3. \$1,000 for each system of wind-powered electrical generators.

B. Persons or entities placing in service photovoltaic property, solar water heating property, or wind-powered electrical generators for or on behalf of another person or entity shall not be eligible to receive a grant for such property.

§ 67-1002. Photovoltaic, Solar, and Wind Energy Utilization Grant Fund.

A. There is hereby established in the state treasury a special nonreverting fund to be known as the Photovoltaic, Solar, and Wind Energy Utilization Grant Fund. The Fund shall consist of such moneys as may be appropriated by the General Assembly from time to time. Any moneys deposited to or remaining in the Fund during or at the end of each fiscal year or biennium, including interest thereon, shall not revert to the general fund but shall remain in the Fund and be available for allocation under this chapter in ensuing fiscal years. Interest on all moneys in the Fund shall remain in the Fund and be credited to it. The Fund shall be used solely for the payment of the grants provided under this chapter. The Department shall administer the Fund.

B. The Department shall allocate moneys from the Fund in the following order of priority: (i) first to unpaid grant amounts carried forward from prior years because eligible individuals or corporations did not receive the full amount of any grant to which they were eligible in a prior year pursuant to this chapter and (ii) then to other approved applicants. If the moneys in the Fund are less than the amount of grants to which approved applicants in any class of priority are eligible, the moneys in the Fund shall be apportioned pro rata among eligible applicants in such class, based upon the amount of the grant to which an approved applicant is eligible and the amount of money in the Fund available for allocation to such class.

C. The Department shall not allocate an amount in excess of the moneys available in the Fund for the payment of grants.



921 *D. Beginning in calendar year 2007, by June 30 of each year, the Department shall (i) determine the*  
922 *amount of the grants to be allocated to eligible individuals and corporations, and (ii) certify to the*  
923 *Comptroller and each eligible grant applicant the amount of the grant allocated to such applicant.*  
924 *Payment of such grants shall be made by the State Treasurer on warrant of the Comptroller within 60*  
925 *days of such certification.*

926 *E. If a grant recipient is allocated less than the full amount of a grant to which it is eligible in any*  
927 *year pursuant to this chapter, such individual or corporation shall not be eligible for the deficiency in*  
928 *that year, but the unpaid portion of the grant to which it was eligible shall be carried forward by the*  
929 *Department to the following year, during which it shall be in the first class of priority as provided in*  
930 *clause (i) of subsection B.*

931 *F. In no case shall the Department certify grants from the Fund for photovoltaic property, solar*  
932 *water heating property, or wind-powered electrical generators placed in service prior to January 1,*  
933 *2006.*

934 *G. Actions of the Department relating to the allocation and awarding of grants shall be exempt from*  
935 *the provisions of the Administrative Process Act pursuant to subdivision B 4 of § 2.2-4002.*

936 *§ 67-1003. Requirements for grants generally.*

937 *A. The Department shall establish an application process by which eligible individuals and*  
938 *corporations shall apply for a grant under this chapter. The application shall be filed with the director*  
939 *of the Department no later than March 31 each year following the calendar year in which such*  
940 *property was placed in service. Failure to meet the filing deadline shall render the applicant ineligible*  
941 *to receive a grant for photovoltaic property, solar water heating property, or wind-powered electrical*  
942 *generators placed in service in the prior calendar year. For filings by mail, the postmark cancellation*  
943 *shall govern the date of the filing determination.*

944 *B. The application shall provide evidence, satisfactory to the Department, of the total installed cost*  
945 *of each system of photovoltaic property, solar water heating property, or wind-powered electrical*  
946 *generators placed in service by such individual or corporation in the prior calendar year.*

947 *C. As a condition of receipt of a grant, an eligible individual or corporation shall make available to*  
948 *the Department for inspection upon request all relevant and applicable documents to determine whether*  
949 *the requirements for the receipt of grants as set forth in this chapter have been satisfied.*

950 *D. An individual or corporation receiving a grant pursuant to this chapter for a system of*  
951 *photovoltaic property, solar water heating property, or wind-powered electrical generators may not use*  
952 *such system as the basis for claiming any other grant or credit against taxes, as provided under the*  
953 *Code of Virginia or in an appropriation act.*

954 **2. That the Department of Mines, Minerals and Energy shall develop guidelines, in accordance**  
955 **with the Administrative Process Act (§ 2.2-4000 et seq. of the Code of Virginia), for purposes of**  
956 **carrying out the provisions of Chapters 9 (§ 67-900 et seq.) and 10 (§ 67-1000 et seq.) of Title 67 of**  
957 **the Code of Virginia.**

958 **3. That the Department of Mines, Minerals and Energy, working with the Department of General**  
959 **Services, the State Council on Higher Education, and representatives of other agencies and**  
960 **institutions that construct and operate facilities shall analyze current energy performance**  
961 **standards that agencies and institutions use in facility design, make recommendations for changes**  
962 **to the current design and construction practices that will enhance energy performance and**  
963 **efficiency, and research facility energy performance and efficiency benchmarks and metrics that**  
964 **may be used to measure facility performance.**

965 **4. That the State Corporation Commission and Secretary of Natural Resources shall develop a**  
966 **proposal for a coordinated review of permits for an energy facility requiring (i) an environmental**  
967 **permit that is subject to issuance by any agency or board within the Secretariat of Natural**  
968 **Resources and (ii) a certificate of public convenience and necessity that is subject to issuance by**  
969 **the Commission. The State Corporation Commission and Secretary of Natural Resources shall**  
970 **submit their proposal for a coordinated review process, together with a listing of the types of**  
971 **projects and permits to be reviewed under the coordinated process, an analysis of the potential**  
972 **costs and benefits of such a process, and any legislation required to establish the coordinated**  
973 **review process, to the Governor and the chairmen of the House Committee on Commerce and**  
974 **Labor, the House Committee on Agriculture, Chesapeake and Natural Resources, the Senate**  
975 **Committee on Commerce and Labor, and the Senate Committee on Agriculture, Conservation and**  
976 **Natural Resources by December 1, 2006.**

977 **5. That the Department of Taxation shall develop guidelines that describe the items that qualify**  
978 **for the deduction under subdivision D 11 of § 58.1-322 of the Code of Virginia for energy-efficient**  
979 **appliances and equipment, and shall make such guidelines available, both electronically and in**  
980 **hard copy, no later than October 1, 2006.**

981 **6. That if the Fund established under § 67-403 of the Code of Virginia does not receive a deposit**  
982 **of general funds, nongeneral funds, grant funds, or other funds before July 1, 2009, then §§ 67-402**



983 and 67-403 shall expire on July 1, 2009.

984 7. That if the Virginia Coastal Energy Research Consortium established under § 67-600 of the  
985 Code of Virginia is not funded before July 1, 2009, then Chapter 6 of Title 67 (§ 67-600 et seq.)  
986 shall expire on July 1, 2009.

987 8. That if the Fund established under § 67-902 of the Code of Virginia does not receive a deposit  
988 of general funds, nongeneral funds, grant funds, or other funds before July 1, 2009, then the  
989 provisions of Chapter 9 of Title 67 (§ 67-900 et seq.) shall expire on July 1, 2009.

990 9. That if the Fund established under § 67-1002 of the Code of Virginia does not receive a deposit  
991 of general funds, nongeneral funds, grant funds, or other funds before July 1, 2009, then the  
992 provisions of Chapter 10 of Title 67 (§ 67-1000 et seq.) shall expire on July 1, 2009.