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SENATE BILL NO. 1275

Offered January 10, 2007

Prefiled January 10, 2007

A BILL to amend and reenact § 56-249.6 of the Code of Virginia and to amend the Code of Virginia by adding in Title 56 a chapter numbered 24, consisting of sections numbered 56-597 through 56-606, relating to requirements that the generation of electric energy be from renewable sources and be reduced by implementation of energy efficiency programs.

Patron—Whipple

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That § 56-249.6 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding in Title 56 a chapter numbered 24, consisting of sections numbered 56-597 through 56-606, as follows:

§ 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 *and recoverable costs as defined in § 56-597*, 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. Until the capped rates for such utility expire or are terminated pursuant to the provisions of § 56-582, each electric utility described in subsection B shall submit annually to the Commission its estimate of fuel costs, including the cost of purchased power, for the successive 12-month periods beginning on July 1, 2007, 2008, and 2009, and the six-month period beginning July 1, 2010. *The estimate of fuel costs shall also include its recoverable costs for periods on and after June 1, 2008.* Upon investigation of such estimates and 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 periods, 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% 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.

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. *The Commission shall also disallow recovery of any recoverable costs to the extent that any of such costs are otherwise recovered by the electric utility.*

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

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

69 CHAPTER 24.

70 RENEWABLE ENERGY AND ENERGY EFFICIENCY REQUIREMENTS.

71 § 56-597. Definitions.

72 *As used in this chapter:*

73 "*Category 1 energy sources*" means the following sources of energy: (i) solar photovoltaic
74 technology; (ii) wind power technology having a capacity of no more than 500 kilowatts; (iii)
75 technology used to generate electricity that is fed back to the electric grid by an eligible
76 customer-generator under the program established pursuant to § 56-594; (iv) solar water heating
77 systems that are not used for heating pools; and (v) residential geothermal heating systems.

78 "*Category 2 energy sources*" means the following sources of energy: (i) wind power technology
79 having a capacity greater than 500 kilowatts; (ii) hydropower systems having a capacity of no more
80 than 500 kilowatts; (iii) hydropower systems that have a capacity greater than 500 kilowatts and that
81 either do not use a dam or are low-impact hydropower; (iv) incremental hydropower systems having a
82 capacity greater than 500 kilowatts but less than 30 megawatts per facility; (v) nonincremental
83 hydropower systems that are developed coincident with the construction of a new dam that has as its
84 primary purpose something other than power production; (vi) geothermal sources other than residential
85 geothermal heating systems constituting Category 1 energy sources; (vii) ocean energy sources; (viii)
86 sources that generate electricity through the combustion of combustible gases recovered from landfills;
87 (ix) sources that generate electricity through the combustion of closed-loop biomass; (x) sources that
88 generate electricity through the combustion of combustible gases recovered from the anaerobic digestion
89 of organic materials, including yard waste, such as grass clippings and leaves, food waste, animal
90 waste, and sewage sludge; and (xi) active solar water heating systems for pools.

91 "*Category 3 energy sources*" means the following sources of energy: (i) municipal solid waste
92 sources; (ii) sources that generate electricity through the combustion of open-loop biomass; (iii) sources
93 that generate electricity through the combustion of animal manure and animal bedding materials, such
94 as poultry litter, that contain manure; and (iv) hydropower systems that do not constitute Category 2
95 energy sources.

96 "*Closed-loop biomass*" has the same meaning ascribed to it in § 45 (c) (2) of the Internal Revenue
97 Code, as amended.

98 "*Commission*" means the State Corporation Commission.

99 "*Cooperative*" has the same meaning ascribed to it in § 56-576.

100 "*Cost recovery period*" means the period during which capped rates are in effect pursuant to
101 § 56-582.

102 "*Customer-generator*" means an eligible customer-generator as defined in subsection B of § 56-594.

103 "*Department*" means the Department of Environmental Quality.

104 "*Distributor*" means an investor-owned supplier that is designated by the Commission as a default
105 service provider pursuant to § 56-585 during the cost recovery period.

106 "*Electricity generated from renewable generation sources*," when used in the context of renewable
107 generation sources that do not generate electricity, such as residential geothermal heating systems and
108 solar water heating systems for pools, means the reduction in electricity generation that results from the
109 use of such renewable generation sources that do not generate electricity.

110 "*Energy efficiency programs*" means programs that reduce waste of electricity, or that reduce the
111 amount of electricity consumed while producing the same or a similar outcome.

112 "*Generator*" means the owner of a renewable energy system.

113 "*Geothermal sources*" means technologies that produce electricity by extracting heat from geothermal
114 reserves in the earth's crust.

115 "*Hydropower systems*" do not include pump storage facilities.

116 "*Incremental hydropower*" means new hydroelectric generating capacity, added to existing
117 hydroelectric generation stations or added to existing dams and impoundments, that:

118 1. Improves or does not adversely change existing impacts to aquatic systems;

119 2. Provides an adequate instream flow for protection of existing instream beneficial uses, including
120 wildlife and cultural and historic resources; and

3. Provides for safe and effective fish passage.

"Low-impact hydropower" means hydroelectric generating capacity that meets the certification standards established by the Low Impact Hydropower Institute or American Rivers, Inc., or one of their successors.

"Municipal electricity supplier" means an electric utility owned or operated by a city, county, town, authority, or other political subdivision of the Commonwealth.

"Municipal solid waste sources" means existing waste-to-energy facilities that the Department has determined are in compliance with current environmental standards, including, but not limited to, all applicable requirements of the Clean Air Act (69 Stat. 322, 42 U.S.C. § 7401 et seq.) and associated permit restrictions, and all applicable requirements of the act of July 7, 1980 (P.L. 380, No. 97), known as the Solid Waste Management Act.

"Net energy metering" has the same meaning ascribed to it in § 56-594.

"Ocean energy sources" means technologies that produce electricity derived from ocean energy including wave or tidal action, currents, or thermal differences.

"Open-loop biomass" has the same meaning ascribed to it in § 45 (c) (3) of the Internal Revenue Code, as amended.

"Recoverable costs" means the incremental portion of the costs incurred by a distributor during the cost recovery period to comply with the requirements of this chapter that it acquire a sufficient number of renewable energy credits by self-generating or purchasing sufficient renewable energy credits, or that it make alternative compliance payments. With regard to self-generating renewable energy, recoverable costs shall include reasonable and prudently incurred costs of (i) constructing, operating, and maintaining facilities for the generation of renewable energy; (ii) constructing, operating, and maintaining lines and related facilities required to add such facilities to the transmission grid; and (iii) establishing and implementing verified energy efficiency programs. The incremental portion of such costs means the portion of such costs, if any, that exceeds the costs that would reasonably have been incurred by the distributor in meeting its obligations to provide generation to its retail customers in the absence of the requirements of this chapter, and which costs would not otherwise be recoverable by the distributor under § 56-249.6 in the absence of this chapter.

"Regional transmission organization" means an entity approved by the Federal Energy Regulatory Commission (FERC) that is created to operate and manage the electrical transmission grids of the member electric transmission utilities as required under FERC Order 2000, Docket No. RM99-2-000, FERC Chapter 31.089 (1999) or any successor organization approved by the FERC.

"Renewable energy" means electricity generated or derived from sources included in the definitions of Category 1, Category 2, and Category 3 energy sources and from electric energy savings from energy efficiency programs.

"Renewable energy credit" means a tradable instrument that is used to establish, verify, and monitor compliance with the requirements of § 56-598. One renewable energy credit shall represent one megawatt hour of electricity generated from renewable generation sources or resulting from energy efficiency programs that comply with the requirements of the program administrator and of Commission regulations pursuant to § 56-600.

"Renewable energy system" means a facility or system that uses a source included in the definition of a Category 1, Category 2, or Category 3 energy source to generate electricity, and includes verified energy efficiency programs.

"Renewable generation sources" means sources included in the definition of a Category 1, Category 2, or Category 3 energy source.

"Reporting year" means the 12-month period from June 1 through May 31. A reporting year shall be numbered according to the calendar year in which it ends.

"Retail customer" has the same meaning ascribed to it in § 56-576.

"Supplier" means any person who sells electric energy to retail customers, excluding any cooperative, municipal electricity supplier, or generator that produces electric energy exclusively for its own consumption or the consumption by an affiliate.

"True-up period" means the period each year from the end of the reporting year until August 31 of the calendar year in which the reporting year ends.

"Wind power" means electricity derived from wind facilities located and designed to minimize damage to Virginia's natural, cultural and scenic resources.

§ 56-598. Requirements for use of renewable generation sources and energy efficiency programs; cost recovery.

A. By June 1, 2020, and in subsequent reporting years, a minimum of 12% of the electric energy sold by each supplier to retail customers in the Commonwealth shall be generated from renewable generation energy sources, in accordance with the following schedules:

1. During each reporting year commencing on or after June 1, 2008, the minimum percentage of

182 *electric energy sold by each supplier to retail customers in the Commonwealth that is generated from*
183 *Category 1 energy sources shall be as follows:*

- 184 *a. For reporting year 2009, 0.01%.*
- 185 *b. For reporting year 2010, 0.025%.*
- 186 *c. For reporting year 2011, 0.05%.*
- 187 *d. For reporting year 2012, 0.075%.*
- 188 *e. For reporting year 2013, 0.1%.*
- 189 *f. For reporting year 2014, 0.125%.*
- 190 *g. For reporting year 2015, 0.15%.*
- 191 *h. For reporting year 2016, 0.175%.*
- 192 *i. For reporting year 2017, 0.2%.*
- 193 *j. For reporting year 2018, 0.233%.*
- 194 *k. For reporting year 2019, 0.266%.*
- 195 *l. For reporting year 2020 and subsequent reporting years, 0.3%.*

196 *2. During each reporting year commencing on or after June 1, 2008, the minimum percentage of*
197 *electric energy sold by each supplier to retail customers in the Commonwealth that is generated from*

198 *Category 2 energy sources shall be as follows:*

- 199 *a. For reporting year 2009, 1%.*
- 200 *b. For reporting year 2010, 1.5%.*
- 201 *c. For reporting year 2011, 2%.*
- 202 *d. For reporting year 2012, 2.5%.*
- 203 *e. For reporting year 2013, 3%.*
- 204 *f. For reporting year 2014, 3.5%.*
- 205 *g. For reporting year 2015, 4%.*
- 206 *h. For reporting year 2016, 4.7%.*
- 207 *i. For reporting year 2017, 5.7%.*
- 208 *j. For reporting year 2018, 6.7%.*
- 209 *k. For reporting year 2019, 7.7%.*
- 210 *l. For reporting year 2020 and subsequent reporting years, 8.7%.*

211 *3. During each reporting year commencing on or after June 1, 2008, the minimum percentage of*
212 *electric energy sold by each supplier to retail customers in the Commonwealth that is generated from*

213 *Category 3 energy sources shall be as follows:*

- 214 *a. For reporting year 2009, 1.9%.*
- 215 *b. For reporting year 2010, 2%.*
- 216 *c. For reporting year 2011, 2.1%.*
- 217 *d. For reporting year 2012, 2.2%.*
- 218 *e. For reporting year 2013, 2.3%.*
- 219 *f. For reporting year 2014, 2.4%.*
- 220 *g. For reporting year 2015, 2.5%.*
- 221 *h. For reporting year 2016, 2.6%.*
- 222 *i. For reporting year 2017, 2.7%.*
- 223 *j. For reporting year 2018, 2.8%.*
- 224 *k. For reporting year 2019, 2.9%.*
- 225 *l. For reporting year 2020 and subsequent reporting years, 3.0%.*

226 *B. By June 1, 2020, and in subsequent reporting years, each supplier shall achieve reductions in the*
227 *consumption of electric energy by its retail customers in the Commonwealth, through the implementation*
228 *of energy efficiency programs, in an amount equal to not less than 5% of the amount of electric energy*
229 *consumed by its retail customers in 2006, in accordance with the following schedule:*

230 *During each reporting year commencing on or after June 1, 2008, the minimum percentage of*
231 *reductions in the consumption of electric energy that shall be achieved through the supplier's*
232 *implementation of energy efficiency programs shall be as follows:*

- 233 *1. For reporting year 2009, 0.5%.*
- 234 *2. For reporting year 2010, 1%.*
- 235 *3. For reporting year 2011, 1.5%.*
- 236 *4. For reporting year 2012, 2%.*
- 237 *5. For reporting year 2013, 2.5%.*
- 238 *6. For reporting year 2014, 3%.*
- 239 *7. For reporting year 2015, 3.5%.*
- 240 *8. For reporting year 2016, 4%.*
- 241 *9. For reporting year 2017, 4.25%.*
- 242 *10. For reporting year 2018, 4.5%.*
- 243 *11. For reporting year 2018, 4.75%.*

12. For reporting year 2020 and subsequent reporting years, 5%.

C. A distributor shall have the right to recover its recoverable costs as provided in § 56-249.6.

§ 56-599. Demonstrating compliance; reporting.

By September 1 of each year, commencing in 2009, each supplier shall file an annual report with the Commission demonstrating that the supplier has met the requirements of § 56-598 for the reporting year ending the preceding May 31 either by self-generating or purchasing sufficient renewable energy credits pursuant to § 56-600, (ii) making appropriate alternative compliance payments pursuant to § 56-602, or (iii) any combination of (i) and (ii).

§ 56-600. Renewable energy credits.

A. The Commission shall establish a renewable energy credits program and shall appoint a renewable energy credits program administrator as needed to implement this chapter.

B. Generators seeking to participate in the renewable energy credits program may apply to the Commission for qualification either directly or through designated agents.

C. The Commission shall establish a procedure to determine whether a generator that applies for renewable energy credits qualifies for such credits.

D. For all other renewable energy credit program functions, the Commission shall appoint an independent entity to provide such services. The provisions of the Virginia Public Procurement Act (§ 2.2-4300 et seq.) shall not apply to the approval by the Commission of such a renewable energy credits service provider.

E. The administrator and service provider shall have those powers and duties assigned by Commission regulations. Such powers and duties shall include, but not be limited to, the following:

1. To create and administer a renewable energy credits certification, tracking, and reporting program. This program should include, at a minimum, processes to qualify renewable energy systems, including systems that use qualified renewable energy resources as co-fuels, and to determine when and how renewable energy credits shall be created, accounted for, transferred, and retired; and

2. To submit reports to the Commission at such times and in such manner as the Commission shall direct.

F. The Commission shall establish procedures for verifying the production of renewable energy, and savings of electric energy, by renewable energy systems for which credits are created that are certified as qualified.

G. A supplier that complies with the requirements of § 56-598 by self-generating or purchasing sufficient renewable energy credits shall submit documentation of such self-generation or purchases, or a combination thereof, to the program administrator.

H. Renewable energy credits of one category shall not be used to meet the requirements of this chapter in another category except as follows:

1. Category 1 credits in excess of a supplier's requirements for Category 1 compliance may, at the supplier's option, be used for Category 2 or Category 3 compliance.

2. Category 2 credits in excess of a supplier's requirements for Category 2 compliance may, at the supplier's option, be used for Category 3 compliance.

3. Energy efficiency credits in excess of a supplier's requirement under subsection B of § 56-598 may, at the supplier's option, be used first for Category 3 compliance until compliant, then for 50% of Category 2 compliance until compliant, and then for 25% of Category 1 compliance.

I. A supplier electing to take advantage of any of the options described in the preceding subsection shall so indicate in its compliance report filed pursuant to § 56-599.

J. The renewable energy credits program shall include a true-up period during which suppliers may make alternative compliance payments or obtain the required number of renewable energy credits in the marketplace to make up for any shortfall of renewable energy credits they might otherwise experience.

K. A supplier may bank or place in reserve renewable energy credits produced in any reporting year for compliance in any future reporting year, subject to the limitations set forth in this subsection and provided that such supplier is in compliance for all previous reporting years. In addition, the supplier shall demonstrate to the satisfaction of the Commission that such credits:

1. Were in excess of the renewable energy credits needed by the supplier for compliance in the reporting year in which they were generated and that such excess credits have not previously been used for compliance under this chapter; and

2. Have not otherwise been nor will be sold, retired, claimed, or represented as part of satisfying compliance with alternative or renewable energy portfolio standards in other states.

L. The Commission or its designee shall develop a registry of pertinent information regarding all available renewable energy credits and the number of renewable energy credits sold or transferred. The registry shall be available to the general public, but shall not include nor disclose any competitively sensitive information such as the names of parties to specific transactions, the number of renewable energy credits created, purchased, or owned by any specific party, or the price received or paid for

305 renewable energy credits by any specific party, unless the party so-named agrees to inclusion or
306 disclosure, or both, of such information, except as the inclusion or disclosure, or both, of such
307 information may be necessary to demonstrate compliance with other portions of this chapter or to
308 compute the cost of service for cost-based rate tariffs.

309 M. Renewable energy credits shall be the property of the generator producing the electricity from
310 which such credits are derived. Renewable energy credits are alienable separate from their associated
311 electric energy, and a contract for the sale of electric energy shall not result in the transfer of
312 ownership of the renewable energy credits unless such a transfer is explicitly agreed to in such contract.
313 Renewable energy credits resulting from energy efficiency programs shall be the property of the supplier
314 whose energy efficiency program produced the energy savings.

315 N. The Commission shall establish a procedure to determine how to recover the actual costs of
316 administering the renewable energy credits program in a way that achieves a reasonable balance
317 between equitable cost apportionment and cost efficiency.

318 O. The Commission shall promulgate regulations providing for the verification and tracking of
319 energy efficiency programs implemented pursuant to this chapter, which shall include regulations to be
320 used in determining the eligibility of such programs for renewable energy credits. All verified energy
321 efficiency programs shall accrue renewable energy credits beginning on June 1, 2008.

322 P. The Commission shall, no later than June 1, 2008, develop a depreciation schedule for renewable
323 energy credits created through energy efficiency programs and shall develop standards for tracking and
324 verifying savings from energy efficiency programs. The Commission shall allow for a 60-day public
325 comment period and shall issue final standards for the depreciation schedule within 60 days of the close
326 of the public comment period.

327 § 56-601. Virginia Sustainable Energy, Energy Efficiency, and Energy Conservation Fund
328 established.

329 There is hereby established a special fund in the state treasury to be known as the Virginia
330 Sustainable Energy, Energy Efficiency, and Energy Conservation Fund (the Fund), which shall be
331 administered by the Commission. The Fund shall include all alternative compliance payments collected
332 by the Commission pursuant to § 56-602 and such moneys as may be appropriated by the General
333 Assembly from time to time and designated for the Fund. The Fund shall be used solely for the payment
334 of financial incentives, including but not limited to grants and low-interest loans, for projects that will
335 increase the amount of electric energy generated from renewable energy resources and for energy
336 efficiency programs in the Commonwealth. Alternative compliance payments collected pursuant to
337 § 56-602 shall be spent in a manner intended to increase the future supply of renewable energy credits
338 in the category for which the compliance payment was received. Unallocated moneys in the Fund in any
339 year shall remain in the Fund and be available for allocation for grants under this section in ensuing
340 fiscal years.

341 § 56-602. Alternative compliance payment.

342 A. The alternative compliance payment to be paid:

343 1. To achieve compliance with the requirements of subdivision A 1 of § 56-598, regarding electricity
344 generated from Category 1 energy sources, shall be \$0.30 for every kilowatt hour of electricity less than
345 the required amount;

346 2. To achieve compliance with the requirements of subdivision A 2 of § 56-598, regarding electricity
347 generated from Category 2 energy sources, shall be \$0.02 for every kilowatt hour of electricity less than
348 the required amount;

349 3. To achieve compliance with the requirements of subdivision A 3 of § 56-598, regarding electricity
350 generated from Category 3 energy sources, shall be \$0.01 for every kilowatt hour of electricity less than
351 the required amount; and

352 4. To achieve compliance with the requirements of subsection B of § 56-598, regarding reductions in
353 the consumption of electric energy to be achieved through the implementation of energy efficiency
354 programs, shall be \$0.01 for every kilowatt hour of electricity less than the required amount.

355 B. Alternative compliance payments imposed pursuant to this section shall be paid into the Virginia
356 Sustainable Energy, Energy Efficiency, and Energy Conservation Fund created pursuant to § 56-601.

357 C. If, after notice and hearing, the Commission determines that a supplier has failed to comply with
358 the requirements of § 56-598, the Commission shall order the supplier to make the alternative
359 compliance payment that is required to achieve compliance with the requirements of this chapter for the
360 applicable reporting year. Any alternative compliance payment made by a supplier following or
361 pursuant to an order of the Commission issued pursuant to this subsection shall not constitute an
362 alternative compliance payment that is voluntarily paid by the supplier and shall not constitute a
363 recoverable cost.

364 D. The Commission shall establish a process to provide for, at least annually, a review of the
365 renewable energy credit market within the Commonwealth and the service territories of the regional
366 transmission organizations that manage the transmission system in any part of the Commonwealth. The

Commission shall use the results of this study to identify any changes to the alternative compliance payment program amounts needed to induce suppliers to self-generate or purchase renewable energy credits rather than submit alternative compliance payments. If the Commission finds that the alternative compliance payment program needs to be changed to have the intended effect, the Commission shall present these findings to the General Assembly with a recommendation for legislative enactment.

§ 56-603. Portfolio requirements in other states.

If a supplier sells electricity in any other jurisdiction and is subject to renewable energy portfolio requirements in that jurisdiction, it shall list any such requirement and shall indicate how it satisfied those renewable energy portfolio requirements in its annual report to the Commission demonstrating compliance with this chapter. To prevent double-counting, suppliers shall not satisfy Virginia's renewable energy portfolio requirements using renewable energy or renewable energy credits used to satisfy another jurisdiction's portfolio requirements. Suppliers shall document that this energy was not used to satisfy another jurisdiction's renewable energy portfolio standards.

§ 56-604. Interagency responsibilities and authority.

A. The Commission will carry out the responsibilities delineated within this chapter. The Commission also shall, in cooperation with the Department, conduct an ongoing renewable energy resources planning assessment for the Commonwealth. This assessment shall, at a minimum, identify (i) current and operating qualifying renewable energy facilities; (ii) the potential to add future qualifying renewable energy generating capacity, including the potential for air or water permitting or other regulatory approval processes to affect the construction or operation, or both, of qualifying renewable energy facilities within the Commonwealth, or the availability of renewable energy credits generated by qualifying renewable energy facilities located within the Commonwealth; (iii) innovative ratemaking approaches that could be pursued by the Commission to increase the use of energy efficiency and renewable energy; and (iv) the conditions of the renewable energy credits marketplace. In conducting the assessment, the Commission shall consult with the National Renewable Energy Laboratory. The assessment shall identify whether and how to maintain or increase the competitiveness of the renewable energy credits market within the Commonwealth.

B. The Commission, in cooperation with the Department, shall ensure that all qualified renewable generation sources meet all applicable state and federal environmental standards.

C. The Commission and the Department shall work cooperatively to monitor the performance of all aspects of this chapter and will provide an annual report to the chairmen of the Senate Committee on Agriculture, Conservation and Natural Resources, the Senate Committee on Commerce and Labor, the House Committee on Agriculture, Chesapeake and Natural Resources, and the House Committee on Commerce and Labor. The report shall include at a minimum:

1. The status of compliance with the provisions of this act by suppliers;
2. Current costs of renewable energy credits on a per kilowatt hour basis for all renewable energy technology types;
3. Costs associated with the renewable energy credits program under this chapter, including the number and amount of alternative compliance payments;
4. The status of the renewable energy credits marketplace within the Commonwealth; and
5. Recommendations for program improvements.

D. Nothing in this chapter shall alter in any way the authority of the Virginia Air Pollution Control Board.

§ 56-605. Qualifying geographic areas for renewable generation sources and energy efficiency programs.

Renewable energy credits used for compliance with this chapter shall be sourced from renewable generation sources inside the geographical boundaries of the Commonwealth or within the service territory of any regional transmission organization serving the load that creates the need for compliance. Renewable energy credits derived from energy efficiency programs shall be sourced from energy efficiency programs located within the Commonwealth.

§ 56-606. Compliance review; report to General Assembly.

Upon commencement of reporting year 2013, the Commission shall undertake a review of compliance by suppliers with the requirements of this chapter. The review shall include the status of renewable energy technologies within the Commonwealth and the capacity to add additional renewable energy resources. The Commission shall use the results of this review to recommend to the General Assembly additional compliance goals beyond reporting year 2020. The Commission shall work with the Department in evaluating the future renewable energy resource potential.