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HOUSE BILL NO. 1523

Offered January 18, 2008

A BILL to amend the Code of Virginia by adding in Title 56 a chapter numbered 24, consisting of sections numbered 56-597 through 56-602, relating to resource planning by electric utilities.

Patron—Orrock

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Title 56 a chapter numbered 24, consisting of sections numbered 56-597 through 56-602 as follows:

CHAPTER 24.**ELECTRIC UTILITY PROCUREMENT PLANNING.**

§ 56-597. Definitions.

As used in this chapter:

"Affiliate" means a person that controls, is controlled by, or is under common control with an electric utility.

"Electric utility" means any investor-owned public utility or utility formed under or subject to Chapter 9.1 (§ 56-231.15 et seq.), that provides electric energy for use by retail customers.

"Procurement plan" means a document that sets forth how an electric utility intends to meet its obligation to provide electric generation supply for use by its retail customers over the ensuing 20 years. A procurement plan shall:

1. Integrate, over the term of the plan, the electric utility's forecast of demand for electric generation supply with actions the utility recommends taking to meet that forecasted demand and assure adequate and sufficient reliability of service, including, but not limited to:

a. Generating electricity from generation facilities that it currently operates or intends to construct or purchase;

b. Purchasing electricity from affiliates and third parties through bilateral contracts; and

c. Reducing load growth and peak demand growth through cost-effective demand reduction contracts and services;

2. Identify a portfolio of electric generation supply resources, including purchased and self-generated electric power, that:

a. Is most likely to provide the electric generation supply needed to meet the forecasted demand, net of any reductions from demand side programs, at the lowest total price with reasonable price stability over the term of the plan so as to assure just and reasonable prices; and

b. Will minimize reliance on short-term or spot market transaction, consistent with a reasonable assessment of risk with respect to both price and generation supply availability over the term of the plan;

3. Reflect a diversity of electric generation supply and cost-effective demand reduction contracts and services so as to reduce the risks associated with an over-reliance on any particular fuel or type of generation demand and supply resources and demonstrate compliance with the Commonwealth's energy policies as set forth in § 67-102;

4. Contain a mechanism to rely on annual price changes for generation supply service that reflects the actual changes in price of the various components of the entire portfolio and to minimize, to the extent reasonable, the need to reconcile costs associated with price changes in the entire portfolio on an annual basis; and

5. Include such additional information as the Commission requests pertaining to how the electric utility intends to meet its obligation to provide electric generation supply for use by its retail customers over the ensuing 20 years.

"Retail customer" means any person that purchases retail electric energy for its own consumption at one or more metering points or nonmetered points of delivery located in the Commonwealth.

§ 56-598. Procurement plan required.

A. Not later than August 1, 2008, the Commission shall order each electric utility to develop a procurement plan. The order shall establish guidelines for the format and contents of the procurement plans.

B. By January 1, 2009, each electric utility shall file an initial procurement plan with the Commission, which plan shall comply with the provisions of the order of the Commission issued pursuant to subsection A.

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59 C. Each electric utility shall file an updated procurement plan every two years thereafter, which plan
60 shall comply with the provisions of any relevant order of the Commission establishing guidelines for the
61 format and contents of updated procurement plans.

62 D. In preparing a procurement plan, each electric utility shall systematically evaluate, and may
63 propose:

- 64 1. Entering into short-term and long-term electric power purchase contracts;
- 65 2. Owning and operating electric power generation facilities;
- 66 3. Making investments in demand-side resources, including energy efficiency and demand-side
67 management services; and
- 68 4. Taking such other actions, as the Commission may approve, to diversify its generation supply
69 portfolio and ensure that the electric utility is able to implement an approved plan.

70 E. The Commission shall approve a procurement plan if, after giving notice and opportunity to be
71 heard, it determines that the plan complies with the requirements of this chapter and is in the public
72 interest. The Commission may modify a procurement plan filed by an electric utility to ensure that it
73 conforms to the provisions of this chapter and is otherwise in the public interest.

74 F. The approval of a procurement plan shall not be construed to alter the obligations and powers of
75 electric utilities and the Commission pursuant to § 56-234.3.

76 § 56-599. Electric energy to be provided pursuant to approved plan.

77 Each electric utility shall provide electric energy for use by retail customers in accordance with its
78 approved procurement plan.

79 § 56-600. Cost recovery.

80 Each electric utility may recover the actual and incremental costs incurred to manage a generation
81 supply portfolio in an approved procurement plan. An electric utility may propose a balanced incentive
82 mechanism that includes both penalties and rewards and that establishes one or more procurement
83 benchmarks that use quantifiable objectives and standards in meeting the portfolio management goals
84 and objectives as set forth in the approved procurement plan.

85 § 56-601. Competitive acquisition practices.

86 To the extent possible, and consistent with the requirements of § 56-233.1, an electric utility shall
87 rely on competitive methods of acquiring the products, contracts, and resources that are identified in its
88 procurement plan for generation supply service that are not already owned by the utility. The
89 Commission shall approve any proposed method of competitive acquisition as part of its review of the
90 electric utility's proposed procurement plan.

91 § 56-602. Metering systems.

92 A. Any proposal by an electric utility, as an element of a procurement plan, to adopt an advanced
93 metering technology or system, including metering that identifies consumption in more detail than a
94 conventional meter and may communicate information regarding time of use to electric utility for
95 monitoring and billing purposes, for its residential customers shall include an evaluation of all other
96 reasonable demand response programs for residential customers that do not rely on such a metering
97 technology or system.

98 B. The Commission shall not require residential customers to pay for such a metering technology or
99 system unless it finds that the electric utility's investment in the technology or system will result in a net
100 reduction in the rates for electric service for such customers.

101 C. In evaluating the costs and benefits of any proposal for a new metering system for residential
102 customers, the Commission shall consider other cost-effective options to obtain the demand response
103 results identified in a procurement plan as necessary to achieve the plan's objectives and goals,
104 including direct load control programs in which the customer is provided a bill credit or incentive to
105 participate in the program.

106 D. In no event shall the Commission approve a procurement plan that provides for the
107 implementation of a demand response or time-based pricing program for residential customers unless a
108 customer's participation in the program is voluntary.