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SENATE BILL NO. 718

Offered January 17, 2008

A *BILL to amend and reenact §§ 56-585.2 and 67-202 of the Code of Virginia, relating to renewable energy, energy conservation, and energy efficiency.*

Patrons—Puller, Hanger, Miller, Y.B., Puckett and Watkins; Delegate: Plum

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That §§ 56-585.2 and 67-202 of the Code of Virginia are amended and reenacted as follows:

§ 56-585.2. Sale of electricity from renewable sources through a renewable energy portfolio standard program.

A. As used in this section:

"Renewable energy" shall have the same meaning ascribed to it in § 56-576, provided such renewable energy is (i) generated or purchased in the Commonwealth or in the interconnection region of the regional transmission entity of which the participating utility is a member, as it may change from time to time; (ii) generated by a public utility providing electric service in the Commonwealth from a facility in which the public utility owns at least a 49 percent interest and that is located in a control area adjacent to such interconnection region; or (iii) represented by certificates issued by an affiliate of such regional transmission entity, or any successor to such affiliate, and held or acquired by such utility, which validate the generation of renewable energy by eligible sources in such region. "Renewable energy" shall not include electricity generated from pumped storage, but shall include run-of-river generation from a combined pumped-storage and run-of-river facility.

"Total electric energy sold in the base year" means total electric energy sold to Virginia jurisdictional retail customers by a participating utility in calendar year 2007, excluding an amount equivalent to the average of the annual percentages of the electric energy that was supplied to such customers from nuclear generating plants for the calendar years 2004 through 2006.

B. Any investor-owned incumbent electric utility may apply to the Commission for approval to participate in a renewable energy portfolio standard program, as defined in this section. The Commission shall approve such application if the applicant demonstrates that it has a reasonable expectation of achieving 12 percent of its base year electric energy sales from renewable energy sources during calendar year 2022, as provided in subsection D.

C. It is in the public interest for utilities to achieve the goals set forth in subsection D, such goals being referred to herein as "RPS Goals". Accordingly, the Commission, in addition to providing recovery of incremental RPS program costs pursuant to subsection E, shall increase the fair combined rate of return on common equity for each utility participating in such program by a single Performance Incentive, as defined in subdivision A 2 of § 56-585.1, of 50 basis points whenever the utility attains an RPS Goal established in subsection D. Such Performance Incentive shall first be used in the calculation of a fair combined rate of return for the purposes of the immediately succeeding biennial review conducted pursuant to § 56-585.1 after any such RPS Goal is attained, and shall remain in effect if the utility continues to meet the RPS Goals established in this section through and including the third succeeding biennial review conducted thereafter. Any such Performance Incentive, if implemented, shall be in lieu of any other Performance Incentive reducing or increasing such utility's fair combined rate of return on common equity for the same time periods. However, if the utility receives any other Performance Incentive increasing its fair combined rate of return on common equity by more than 50 basis points, the utility shall be entitled to such other Performance Incentive in lieu of this Performance Incentive during the term of such other Performance Incentive. A utility shall receive double credit toward meeting the renewable energy portfolio standard for energy derived from sunlight or from wind.

D. To qualify for the Performance Incentive established in subsection C, the total electric energy sold by a utility to meet the RPS Goals shall be composed of the following amounts of electric energy from renewable energy sources, as adjusted for any sales volumes lost through operation of the customer choice provisions of subdivision A 3 or A 4 of § 56-577:

RPS Goal I: In calendar year 2010, 4 percent of total electric energy sold in the base year.

RPS Goal II: For calendar years 2011 through 2015, inclusive, an average of 4 percent of total electric energy sold in the base year, and in calendar year 2016, 7 percent of total electric energy sold in the base year.

RPS Goal III: For calendar years 2017 through 2021, inclusive, an average of 7 percent of total electric energy sold in the base year, and in calendar year 2022, 12 percent of total electric energy sold

59 in the base year.

60 A utility may apply renewable energy sales achieved or renewable energy certificates acquired during
61 the periods covered by any such RPS Goal that are in excess of the sales requirement for that RPS Goal
62 to the sales requirements for any future RPS Goal.

63 E. A utility participating in such program shall have the right to recover all incremental costs
64 incurred for the purpose of such participation in such program, as accrued against income, through rate
65 adjustment clauses as provided in subdivisions A 5 and A 6 of § 56-585.1, including, but not limited to,
66 administrative costs, ancillary costs, capacity costs, costs of energy represented by certificates described
67 in subsection A, and, in the case of construction of renewable energy generation facilities, allowance for
68 funds used during construction until such time as an enhanced rate of return, as determined pursuant to
69 subdivision A 6 of § 56-585.1, on construction work in progress is included in rates, projected
70 construction work in progress, planning, development and construction costs, life-cycle costs, and costs
71 of infrastructure associated therewith, plus an enhanced rate of return, as determined pursuant to
72 subdivision A 6 of § 56-585.1. All incremental costs of the RPS program shall be allocated to and
73 recovered from the utility's customer classes based on the demand created by the class and within the
74 class based on energy used by the individual customer in the class, except that the incremental costs of
75 the RPS program shall not be allocated to or recovered from customers that are served within the large
76 industrial rate classes of the participating utilities and that are served at primary or transmission voltage.

77 F. A utility participating in such program shall apply towards meeting its RPS Goals any renewable
78 energy from existing renewable energy sources owned by the participating utility or purchased as
79 allowed by contract at no additional cost to customers to the extent feasible. A utility participating in
80 such program shall not apply towards meeting its RPS Goals renewable energy certificates attributable to
81 any renewable energy generated at a renewable energy generation source in operation as of July 1, 2007,
82 that is operated by a person that is served within a utility's large industrial rate class and that is served
83 at primary or transmission voltage. A participating utility shall be required to fulfill any remaining
84 deficit needed to fulfill its RPS Goals from new renewable energy supplies at reasonable cost and in a
85 prudent manner to be determined by the Commission at the time of approval of any application made
86 pursuant to subsection B. Utilities participating in such program shall collectively, either through the
87 installation of new generating facilities, through retrofit of existing facilities or through purchases of
88 electricity from new facilities located in Virginia, use or cause to be used no more than a total of 1.5
89 million tons per year of green wood chips, bark, sawdust, a tree or any portion of a tree which is used
90 or can be used for lumber and pulp manufacturing by facilities located in Virginia, towards meeting
91 RPS goals, excluding such fuel used at electric generating facilities using wood as fuel prior to January
92 1, 2007. A utility with an approved application shall be allocated a portion of the 1.5 million tons per
93 year in proportion to its share of the total electric energy sold in the base year, as defined in subsection
94 A, for all utilities participating in the RPS program. A utility may use in meeting RPS goals, without
95 limitation, the following sustainable biomass and biomass based waste to energy resources: mill residue,
96 except wood chips, sawdust and bark; pre-commercial soft wood thinning; slash; logging and
97 construction debris; brush; yard waste; shipping crates; dunnage; non-merchantable waste paper;
98 landscape or right-of-way tree trimmings; agricultural and vineyard materials; grain; legumes; sugar; and
99 gas produced from the anaerobic decomposition of animal waste.

100 G. The Commission shall promulgate such rules and regulations as may be necessary to implement
101 the provisions of this section including a requirement that participants verify whether the RPS goals are
102 met in accordance with this section.

103 *H. Each investor-owned incumbent electric utility shall report to the Commission annually by*
104 *November 1 on (i) its efforts, if any, to meet the RPS Goals, (ii) its overall generation of renewable*
105 *energy, and (iii) advances in renewable generation technology that affect activities described in clauses*
106 *(i) and (ii).*

107 § 67-202. Schedule.

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

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

111 C. The Plan shall be updated by the Division ~~no less frequently than every five years~~ and submitted
112 *as provided in § 67-203 by July 1, 2010, and every four years thereafter. Updated reports shall reassess*
113 *goals for energy conservation based on progress to date in meeting the goals in the previous plan and*
114 *lessons learned from attempts to meet such goals.*

115 **2. That each investor-owned public utility providing electric service in the Commonwealth shall**
116 **prepare an annual report disclosing its efforts to conserve energy, including but not limited to (i)**
117 **its implementation of customer demand-side management programs and (ii) efforts by the utility**
118 **to improve efficiency and conserve energy in its internal operations pursuant to § 56-235.1 of the**
119 **Code of Virginia. The utility shall submit each annual report to the Division of Energy of the**
120 **Department of Mines, Minerals and Energy by November 1 of each year, and the Division shall**

121 compile the reports of the utilities and submit the compilation to the Governor and the General
122 Assembly as provided in the procedures of the Division of Legislative Automated Systems for the
123 processing of legislative documents.

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