# Department of Planning and Budget
## 2008 Fiscal Impact Statement

1. **Bill Number:** SB446

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   | **House of Origin** | X | Introduced | ___ | Substitute | ___ | Engrossed |
   | **Second House** | ___ | In Committee | ___ | Substitute | ___ | Enrolled |

2. **Patron:** Petersen

3. **Committee:** Commerce and Labor

4. **Title:** **Clean energy future.**

5. **Summary:** This bill requires that, by July 1, 2020 and in subsequent reporting years, (i) 20 percent of the electric energy sold by each supplier to retail customers in the Commonwealth be generated from renewable generation energy sources, and (ii) each supplier implement energy efficiency programs to achieve reductions in the consumption of electric energy by its retail customers equal to 10 percent of the amount of electric energy consumed in 2007. Both requirements are phased-in on an annual basis from July 1, 2008-July 1, 2021. The bill charges the State Corporation Commission (SCC) with establishing and administering a renewable energy credits program. Through this program, generators of renewable energy receive renewable energy credits for power generated through eligible renewable sources or conserved through energy efficiency programs. This bill also establishes the Virginia Sustainable Energy Fund (Sustainable Fund) and the Clean Energy Fund, both to be administered by SCC. Suppliers who do not comply with the minimum percentage requirements are required to make alternative compliance payments into the Sustainable Fund. Distributors are authorized to recover incremental costs of compliance under the procedure for recovery of the costs of purchased power. Electric cooperatives and municipal electric utilities are exempted from the measure. Generators of eligible renewable energy using certain components manufactured within the Commonwealth receive double the amount of renewable energy credits. This bill also tasks the Secretary of Commerce and Trade with (i) developing incentives for renewable energy manufacturing in the coalfield region of Virginia and (ii) developing a Green Jobs program that will provide training for workers in new industries relating to the field of alternative energies. This bill also establishes a commercial in-state production tax credit of 0.06 cents per kWh for solar photovoltaic energy and 0.03 cents per kWh for wind energy for any taxpayer owning a commercial clean energy production facility. Finally, this bill repeals §56-585.2 of the Code of Virginia, the section that deals with the sale of electricity from renewable sources through a renewable energy portfolio standard program

6. **Fiscal Impact Estimates:** Indeterminate. See Item 8.

7. **Budget Amendment Necessary:** Items 477, 216, and amendments providing appropriations to the Virginia Sustainable Energy Fund and the Clean Energy Fund, both established by this bill.

**8. Fiscal Implications:**

State Corporation Commission (SCC)

This bill places many new responsibilities on the SCC, including: establishing a renewable energy credits program; establishing procedures for verifying the production of renewable energy and savings of electric energy for which credits are created; developing a registry of pertinent information regarding all available renewable energy credits and the number of credits sold or transferred; promulgating regulations for the verification and tracking of energy efficiency programs and savings from such programs; developing a depreciation schedule for renewable energy credits created through energy efficiency programs; administering the newly-established Virginia Sustainable Energy and Clean Energy funds; collecting alternative compliance payments; establishing a process to review the renewable energy credit market and identify changes needed to the payment amounts; and establishing procedures and eligibility criteria for the administration of the energy production tax credits established by this bill. The SCC is also to cooperate with the Department of Environmental Quality (DEQ) to (i) conduct an ongoing renewable energy resources planning assessment for Virginia, (ii) ensure all qualified renewable generation sources meet all application environmental standards, and (iii) provide reports to the applicable House and Senate Committees.

The SCC estimates that this bill may result in the need for additional full-time positions and additional technology costs to address the responsibilities created by this bill. The total cost of such positions is unavailable at this time. The bill stipulates that the SCC is to establish a procedure to determine how to recover the actual costs of administering the renewable energy credits program. It is unclear, however, with what authority the SCC may impose regulations that would result in the production of revenue used to support the costs of administering the program. Therefore, should the SCC not be able to produce the revenue necessary to cover the expenses for administering the program, other funding to cover these costs would need to be appropriated to the SCC.

Department of Environmental Quality (DEQ)

This bill places responsibility on DEQ to serve as support to the SCC for implementation of the renewable energy programs. DEQ estimates that this supporting role should not result in a significant fiscal impact on their agency and that any impact can be absorbed within current resources.

Virginia Sustainable Energy Fund and Clean Energy Fund

This bill establishes two funds; the Virginia Sustainable Energy Fund (Sustainable Fund) and the Clean Energy Fund. Both funds are special nonreverting funds that are to be administered by the SCC.

Deposits to the Sustainable Fund include all alternative compliance payments collected by the SCC and any moneys appropriated by the General Assembly. The Sustainable Fund is to be used solely for the payment of financial incentives, including grants and low-interest loans for projects that will increase the amount of electric energy generated for renewable energy resources and for energy efficiency programs in Virginia. Moneys from alternative compliance payments are to be spent in a manner intended to increase the future supply of renewable energy credits. The quantity and magnitude of any alternative compliance payments are indeterminate at this time and are dependent upon how many suppliers do not meet the established energy efficiency requirements. A budget amendment is necessary for funds to be appropriated to the Sustainable Fund.

Deposits to the Clean Energy Fund include any moneys appropriated by the General Assembly. The Clean Energy Fund is to be used to facilitate the research, development, and implementation of energy efficiency and renewable energy technology in Virginia. Specifically, the SCC is to disburse the moneys in the Clean Energy Fund into existing solar and wind energy grant programs for residential use. A budget amendment is necessary for any funding to be appropriated to the Clean Energy Fund.

Secretary of Commerce and Trade, Virginia Community College System

This bill requires the Secretary of Commerce and Trade (the Secretary) to establish a renewable energy manufacturing zone program to make incentives available to localities within the coalfield region of Virginia. These incentives are to encourage the establishment or expansion of facilities to manufacture equipment, devices, or machinery that are used to generate electricity from renewable energy sources. The Secretary does not anticipate that the responsibility for establishing a renewable energy zone program will result in a significant fiscal impact on their office specifically, and that any fiscal impact from staffing can be absorbed within current resources.

The bill also provides that the Secretary is to establish incentives for the program, but is unclear as to how these incentives are to be funded, and with what authority these incentives will be leveraged. Based on the authority for both funds established by the bill, it may be interpreted that the Secretary may utilize moneys from either the Virginia Sustainable Energy Fund or Clean Energy Fund for the incentive program.

The bill also tasks the Secretary with developing a Green Jobs program to provide training for workers in new industries relating to the field of alternative energies. The Secretary does not anticipate that the responsibility for establishing a Green Jobs program will result in a significant fiscal impact on their office, as the bulk of the workload associated with this responsibility should lie with other state agencies. The bill provides that existing state agencies are to provide the workforce training, specifically the Virginia Community College System (VCCS) and the Virginia Employment Commission (VEC). Due to a recent transfer of all workforce responsibilities from VEC to VCCS, VEC no longer has the capability of providing such assistance. Therefore, the responsibility now lies fully with VCCS to provide any workforce training.

VCCS anticipates experiencing a fiscal impact from this bill ranging from approximately $0 to $200,000. If the bill is interpreted such that the job training is to be noncredit, then the program would be fully self-supporting and would not require additional funding for the agency. Under such an arrangement, a company would contract with a community college to devise a renewable energy program and the company would pay the full cost of the training. However, if the bill is interpreted that the community colleges would offer a credited program, then VCCS estimates that the costs could be as much as $200,000. VCCS reports that the costs could increase further if the program is to be implemented at more than one college.

Department of Mines, Minerals and Energy

The Department of Mines, Minerals and Energy (DMME) anticipates that their agency will be called upon to serve as staff support for various aspects of this bill. At this point it is not clear how significant these staffing needs will be, and so the exact fiscal impact on DMME is indeterminate. However, additional staffing may be required.

Tax Credit

This bill establishes a commercial clean energy production tax credit allowing any taxpayer owning a commercial clean energy production facility the credit of (i) 0.06 cents per kWh of solar electricity and (ii) 0.03 cents per kWh of wind electricity produced and sold in Virginia. The Department of Taxation does not foresee any significant administrative costs to their agency as a result of this bill, and anticipates being able to absorb the workload as part of the annual changes to their systems and forms.

The revenue impact of this tax credit is unknown at this time, as data on electricity generation from renewable energy sources available from the U.S. Energy Information Administration (EIA) indicate that, as of the most recent data in 2005, Virginia did not have any commercial generation of solar or wind technology. To serve as a comparison, SCC reports that the same data from the 2005 EIA report indicates that West Virginia produced 154 million kWh of wind energy in 2005. Using this data, were Virginia to produce an equivalent volume of wind energy as West Virginia did in 2005, the 0.03 cents per kWh of wind electricity produced tax credit would result in an annual negative revenue impact to the state general fund of $46,200.

9. **Specific Agency or Political Subdivisions Affected:** State Corporation Commission, Department of Taxation, Department of Environmental Quality, Secretary of Commerce and Trade, Virginia Community College System, Department of Mines, Minerals and Energy.

10. **Technical Amendment Necessary:** Line 913, strike "and the", Line 914 strike "Virginia Employment Commission". (This bill places partial responsibility for providing workforce training with VEC. However, a recent action transferred such responsibilities from VEC to VCCS).

11. **Other Comments:** This bill places responsibility on the Secretary of Commerce and Trade to establish a renewable energy manufacturing zone program to make incentives available to localities within the coalfield region of Virginia. These incentives are to encourage the establishment or expansion of facilities to manufacture equipment, devices, or machinery that are used to generate electricity from renewable energy sources. The Coalfield Economic Development Authority already exists in the coalfield region for the purpose of establishing incentives for businesses to locate in the coalfield region.

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cc: Secretary of Commerce and Trade
Secretary of Finance
Secretary of Natural Resources
Secretary of Administration
Secretary of Education