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## SENATE BILL NO. 1440

Offered January 19, 2009

A *BILL to amend and reenact §§ 56-597 and 56-599 of the Code of Virginia, relating to investments in energy efficiency resources by electric utilities.*

\_\_\_\_\_  
Patron—Herring

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Referred to Committee on Commerce and Labor

**Be it enacted by the General Assembly of Virginia:****1. That §§ 56-597 and 56-599 of the Code of Virginia are amended and reenacted as follows:**

§ 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.

"Cooperative" means a utility formed under or subject to Chapter 9.1 (§ 56-231.15 *et seq.*) of this title.

"Electric utility" means any investor-owned public utility *or cooperative* that provides electric energy for use by retail customers.

"Integrated resource plan" or "IRP" means a document developed by an electric utility that provides a forecast of its load obligations and a plan to meet those obligations by supply side and demand side resources over the ensuing 15 years to promote reasonable prices, reliable service, energy independence, and environmental responsibility.

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

§ 56-599. Integrated resource plan required.

A. Not later than December 31, 2008, the Commission shall order each electric utility to develop an integrated resource plan. The order may establish guidelines for developing an IRP.

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

C. Each electric utility shall file an updated integrated resource plan at least every two years thereafter, which plan shall comply with the provisions of any relevant order of the Commission establishing guidelines for the format and contents of updated and revised integrated resource plans.

D. In preparing an integrated resource plan, each electric utility shall systematically evaluate, and may propose:

1. Entering into short-term and long-term electric power purchase contracts;

2. Owning and operating electric power generation facilities;

3. Building new generation facilities;

4. Relying on purchases from the short term or spot markets;

5. Making investments in demand-side resources, including energy efficiency and demand-side management services;

6. Taking such other actions, as the Commission may approve, to diversify its generation supply portfolio and ensure that the electric utility is able to implement an approved plan; and

7. The methods by which the electric utility proposes to acquire the supply and demand resources identified in its proposed integrated resource plan.

E. *The integrated resource plan's evaluation of investments in demand-side resources required by subdivision D 5 shall include:*

1. *A forecast of the quantity of electricity that will be consumed by the electric utility's retail customers in the aggregate in calendar year 2025, which forecast shall be based on actual consumption in 2007 with an average annual growth rate between 2008 and 2025 of 1.4 percent;*

2. *A plan to reduce the consumption of electricity by the utility's retail customers, through the utility's investments in energy efficiency resources, to such an extent that the quantity of electricity consumed by the utility's retail customers in 2025 will be 19 percent less than the quantity forecasted for such year as provided in subdivision 1; and*

3. *A description of the utility's schedule for investing in energy efficiency resources, including projections of how such investments will result in the utility's attainment of the reduction in consumption described in subdivision 2.*

As used in this subsection, "energy efficiency resources" means programs that reduce the amount of

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59 base load power that a utility will be required to make available to meet expected customer  
60 consumption. "Energy efficiency resources" includes programs that result in improvements in lighting  
61 design; heating, ventilation, and air conditioning systems; appliances; building envelopes; and  
62 manufacturing processes that permanently reduce the amount of electricity that the electric utility is  
63 required to provide. "Energy efficiency resources" shall not include demand response programs, peak  
64 load shaving programs, or other programs that are designed to reduce electricity consumption at certain  
65 times by shifting it to other times when the demand for electricity is less but which programs do not  
66 necessarily reduce the total amount of electricity consumed.

67 Each updated integrated resource plan shall detail the electric utility's current and planned  
68 investments in energy efficiency resources and report on the electric utility's progress in implementing  
69 its plan to achieve the consumption reduction as described in subdivision 2 and the status and  
70 effectiveness of its investments in energy efficiency resources.

71 F. The Commission shall analyze and review an integrated resource plan and, after giving notice and  
72 opportunity to be heard, the Commission shall make a determination as to whether an IRP is reasonable  
73 and is in the public interest. If, after notice and hearing, the Commission determines that a utility is not  
74 in compliance with its approved schedule for investing in energy efficiency resources under subdivision  
75 E 3, the Commission shall order the utility to make an alternative compliance payment. Alternative  
76 compliance payments shall be assessed at a rate of \$0.03 for every kilowatt hour by which consumption  
77 of electric energy by its retail customers in such year exceeds the amount forecasted in subdivision E 2.  
78 Alternative compliance payments collected pursuant to this section shall be paid into the Virginia  
79 Energy Efficiency and Integrated Resource Plan Compliance Fund created pursuant to subsection G.

80 G. There is hereby established a special fund in the state treasury to be known as the Virginia  
81 Energy Efficiency and Integrated Resource Plan Compliance Fund (the Fund), which shall be  
82 administered by the Department of Mines, Minerals and Energy. The Fund shall include all alternative  
83 compliance payments collected by the Commission through its oversight of Integrated Resource Plans,  
84 pursuant to subsection F, and such moneys as may be appropriated by the General Assembly or  
85 contributed from any other source from time to time and designated for the Fund. The Fund shall be  
86 used solely for the payment of financial incentives, including grants and low-interest loans, to persons  
87 other than utilities for the implementation of energy efficiency and conservation programs. Unallocated  
88 moneys in the Fund in any year shall remain in the Fund and be available for allocation for grants  
89 under this section in ensuing fiscal years.