

## Department of Planning and Budget 2009 Fiscal Impact Statement

**1. Bill Number:** SB1447

House of Origin      X      Introduced                  Substitute                  Engrossed  
Second House                 In Committee              Substitute                  Enrolled

**2. Patron:**        McEachin

**3. Committee:** Commerce and Labor

**4. Title:**         **Energy efficiency by electric utilities.**

**5. Summary:** This bill requires investor-owned electric utilities and electric cooperatives to implement energy efficiency programs. Utilities are eligible to recover costs of approved programs that achieve quantifiable, observable savings where the scope of the program is sufficient to reduce demand from retail customers by amounts needed to attain a targeted 19 percent consumption reduction goal by 2025. Investor-owned electric utilities are also eligible to earn a 200 basis points' enhanced return on equity on investments in approved energy efficiency programs. The integrated resource plans developed by electric utilities shall include investments in energy efficiency resources sufficient to achieve a 19 percent reduction in the utility customer's consumption in 2025, compared to the projected level of consumption that would occur without such investments. The net energy metering program shall be revised to supplement energy efficiency programs. The State Corporation Commission is required to develop regulations that provide access to the electrical grid by distributed generators with combined heat and power systems. The measure requires electric cooperatives to prepare integrated resource plans on the same terms applicable to investor-owned electric utilities. If a utility fails to comply with a benchmark, it is required to pay an alternate compliance payment in an amount not to exceed 3 cents per kilowatt hour consumed in excess of the benchmark amount. Funds collected from alternate compliance payments are to be deposited in a special fund named the Virginia Energy Efficiency and Integrated Resource Plan Compliance Fund. The Fund shall be used to finance financial incentives, including grants and low-interest loans, to persons other than utilities for the implementation of energy efficiency and conservation programs. The bill also establishes a Virginia Energy Efficiency Commission as an advisory Commission in the executive branch to evaluate the success of energy efficiency programs, to verify the achievements of such programs, and to identify new cost-effective opportunities for new energy efficiency programs.

**6. Fiscal Impact Estimates:** Preliminary.

**7. Budget Amendment Necessary:** Yes, Item 121.

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2009	\$0	n/a	n/a
2010	\$2,400	0.0	GF
2011	\$2,400	0.0	GF

2012	\$2,400	0.0	GF
2013	\$2,400	0.0	GF
2014	\$2,400	0.0	GF
2015	\$2,400	0.0	GF

- 8. Fiscal Implications:** This bill adds a penalty of \$.03/kWh if the utility fails to meet its benchmark, and deposits these funds into the Virginia Energy Efficiency and Integrated Resource Plan Compliance Fund created by this bill, under the supervision of the Virginia Energy Efficiency Commission, also established by this bill. These fees are to be used to finance financial incentives, including grants and low-interest loans, to persons other than utilities for the implementation of energy efficiency and conservation programs. This new penalty will not have a direct fiscal impact on public state agencies, but the SCC notes that the bill is silent as to how it will affect the private sector; specifically whether stockholders or ratepayers pay for the premium.

It is unknown how much revenue will be generated by this bill, as the State Corporation Commission (SCC), anticipates that programs like those this bill proposes may save energy if properly implemented, but the cost to implement may exceed the amount of savings and could potentially increase electric utility rates overall.

This bill allows for recovery of investment costs, plus enhanced general rate of return plus 200 basis points leading to increased electricity rates. The SCC shall revise the net energy metering program to supplement energy efficiency programs and develop regulations that provide access to the electrical grid by distributed generators with combined heat and power systems. The measure requires electric cooperatives to prepare integrated resource plans on the same terms applicable to investor-owned electric utilities.

The bill also requires the SCC to establish the projected amount of electric energy reductions and determine the effectiveness of utilities to meet such targets as submitted with the entity's integrated resource plan. Such programs would be reported with a utility's integrated resource plan. According to the SCC, in combination with passage of other potential legislation, additional staff could be required.

The bill requires that the two funds created by this bill; the Virginia Energy Efficiency and Integrated Resource Plan Compliance Fund and the Virginia Energy Efficiency and Conservation Fund, both to be administered and staffed by the Department of Mines, Minerals and Energy (DMME). DMME indicates it will be able to absorb the costs and responsibilities of administering these funds with current staff. However, this bill also mandates that DMME provide for the costs of compensation and expenses of the members of the Commission.

The Commission shall have a total membership of seven, including five citizen members and two ex officio members, specifically the Secretary of Commerce and Trade and the Governor's Senior Advisor for Energy Policy. Costs for compensation are estimated to be \$1,000 per year, or \$50 per meeting for the five citizen members, time an estimated four meetings a year. Costs for expenses are anticipated to be \$1,400, or the average of \$70 a meeting (taking the median of the expense reimbursement range of \$20 to \$120 a day) for

each of five citizen members, for four meetings. Ex officio members are not to receive compensation or reimbursement for expenditures. Total costs for expenses and compensation are estimated to be \$2,400, and are to be paid for by DMME.

- 9. Specific Agency or Political Subdivisions Affected:** State Corporation Commission, Department of Mines, Minerals and Energy, Secretary of Commerce and Trade, Governor's Senior Advisor for Energy Policy.

- 10. Technical Amendment Necessary:** None.

- 11. Other Comments:** The SCC forecasts an average growth rate of 1.4 percent until 2025 and reducing the resulting forecast of electricity consumption by 19 percent effectively mitigates any load growth through 2025.

**Date:** 2/5/2009 dpb

**Document:** G:\FIS\2009 Fiscal Impact Statements\DMME\SB1447.Doc aek

cc: Secretary of Commerce and Trade