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SENATE BILL NO. 729

Offered January 27, 2010

A *BILL to amend and reenact § 56-235.4 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 56-249.6:1, relating to electric utilities; alternative energy research and demonstration projects; recovery of costs.*

Patron—McEachin

Unanimous consent to introduce

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That § 56-235.4 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 56-249.6:1 as follows:

§ 56-235.4. Prohibition of multiple rate increases within any twelve-month period; exception.

A. The regulated operating revenues of a public utility shall not be increased pursuant to Chapter 9.1 (§ 56-231.15 et seq.), 10 (§ 56-232 et seq.) or 19 (§ 56-531 et seq.) of this title more than once within any twelve-month period. This limitation shall not apply to increases in regulated operating revenues resulting from (i) increases in rates pursuant to § 56-245 or § 56-249.6, (ii) any automatic rate adjustment clause approved by the Commission, (iii) new rate schedules for service not offered under existing rate schedules or for expansion, reduction, or termination of existing services, (iv) initiation, modification or termination of experimental rates under § 56-234, ~~or~~ (v) the making permanent of an experimental program, or (vi) *increases in rates resulting from the Commission's approval of alternative energy research and demonstration projects pursuant to § 56-249.6:1.* Notwithstanding any other provisions of this section, a telephone company may apply to the Commission to pass on to its customers as a part of its rates any changes approved by the Commission in the carrier access charges.

B. The Commission may adopt such rules and regulations as may be necessary to carry out the provisions of this section. The Commission may specify, by rule, the time during the calendar year when application may be filed by electric utility and cooperatives, gas utilities, telephone utilities and cooperatives, and other utilities.

The Commission may by rule provide standards and procedures for expedited handling of rate increase applications, and such rules may provide that an expedited rate increase may take effect in less than twelve months after the preceding increase so long as regulated operating revenues are not increased pursuant to the provisions of subsection A of this section more than once in any calendar year.

§ 56-249.6:1. *Alternative energy research and demonstration projects.*

A. *As used in this section:*

"Alternative energy research and demonstration project" means a research project implemented primarily to collect information regarding the feasibility and cost effectiveness of alternative energy technologies, including offshore wind energy, solar energy, energy storage other than pump storage, distributed renewable power programs and tariffs, and customer-based metering energy management and efficiency projects.

"Approved project" means an alternative energy research and demonstration project proposed by an electric utility that has been approved by the Commission pursuant to subsection C.

"Electric utility" means an investor-owned public utility that provides electric energy for use by retail customers.

"Participating utility" means an electric utility that implements an alternative energy research and demonstration project pursuant to this section.

B. An electric utility may apply to the Commission for approval of its implementation of an alternative energy research and demonstration project. The application shall include such information regarding the proposed alternative energy research and demonstration project as the Commission reasonably may request, including the information sought to be obtained by implementation of the project, the electric utility's inability to obtain such information from other sources, the project's location and size, potential effects on system reliability, the anticipated timeline for the project, the costs of the project for each year of the project's duration, and the amount of any rate increase requested in connection with the project's implementation.

C. Upon receipt of the electric utility's application and required information, the Commission shall commence a proceeding to determine whether the proposed alternative energy research and demonstration project, including any tariff provisions designed to recover the participating utility's

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59 approved costs incurred in connection with the proposed project, should be approved. The Commission,
60 before approving an alternative energy research and demonstration project, shall ensure that such
61 action (i) protects the public interest, (ii) will not unreasonably prejudice or disadvantage any customer
62 or class of customers, and (iii) will not jeopardize the continuation of reliable electric service.
63 Proceedings upon a request for approval of such an application shall provide for notice and opportunity
64 for hearing and shall be conducted in accordance with the Commission's rules governing utility rate
65 increase applications. In addition to any other requirements established by this section, the Commission
66 shall not approve an electric utility's proposal for an alternative energy research and demonstration
67 project:

68 1. If the project, together with the electric utility's other approved projects, if any, would cause the
69 electric utility's total investments in alternative energy research and demonstration projects in any year
70 to exceed the lesser of (i) 1.5 percent of the electric utility's revenues from operations in Virginia for the
71 preceding year or (ii) \$100 million; or

72 2. Unless the electric utility demonstrates that the project will satisfy one or more of the following:
73 (i) enhance the electric utility's understanding of the effect of emerging energy technologies on the
74 utility's systems and customers; (ii) promote economic development; (iii) provide environmental benefits;
75 and (iv) supplement any of the electric utility's other renewable energy or energy efficiency initiatives.

76 D. If the Commission approves an application for an alternative energy research and demonstration
77 project, it shall allow the participating utility to recover the reasonable costs of the approved project
78 with a fair return thereon. The participating utility may file, for Commission approval, a proposed tariff
79 to collect such amounts from customers.

80 E. Each participating utility shall submit a report to the Commission annually by November 1 that
81 summarizes the status and results of each approved project, including the expenses incurred in
82 connection with each project and the number of full-time employment positions created in the
83 Commonwealth as the direct result of the implementation of the approved project.

84 F. The Commission is authorized to adopt any regulations necessary to implement this section.

85 G. The provisions of this section shall expire on July 1, 2015; however, any tariff providing for the
86 recovery of costs for an approved project that was approved by the Commission prior to that date shall
87 remain in effect as provided in the order approving the tariff.