

## Department of Planning and Budget 2010 Fiscal Impact Statement

**1. Bill Number:** HB389

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

**2. Patron:** Janis

**3. Committee:** Commerce and Labor

**4. Title:** **Virginia Offshore Wind Project Development Authority.**

**5. Summary:** This bill creates the Virginia Offshore Wind Development Authority (the Authority) to facilitate, coordinate, and support the development of wind-powered electric energy facilities located off the coast of the Commonwealth beyond the Commonwealth's three-mile jurisdictional limit. The Authority is charged with, among other tasks, (i) collecting metocean data, (ii) identifying existing state and regulatory or administrative barriers to the development of the offshore wind industry, (iii) working with relevant government agencies to upgrade port facilities to accommodate the manufacturing and assembly of offshore wind energy project components and vessels that will support the construction and operations of offshore wind energy projects, and (iv) ensuring that the development of such projects is compatible with other ocean uses and avian and marine resources.

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

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010	\$0	0.00	n/a
2011	\$279,240	2.50	General Fund
2012	\$279,240	2.50	General Fund
2013	\$279,240	2.50	General Fund
2014	\$279,240	2.50	General Fund
2015	\$279,240	2.50	General Fund
2016	\$279,240	2.50	General Fund

**7. Budget Amendment Necessary:** Yes, Item 2 (Auditor of Public Accounts), Item 58 (Office of the Attorney General), and Item 111 (Department of Mines, Minerals and Energy). Also, an appropriation is needed for the estimated \$3,240 in Authority reimbursement costs.

**8. Fiscal Implications:** This bill creates the Virginia Offshore Wind Development Authority (the Authority), to be staffed and directed by the Department of Mines, Minerals and Energy (DMME).

The Authority is established with the purpose of working with the federal government to facilitate and coordinate the development of offshore wind energy projects. The Authority is

to consist of 11 nonlegislative citizen members appointed by the Governor. This bill specifies that the members are to serve without compensation, but are to be reimbursed for all reasonable and necessary expenses incurred in the performance of their duties. The bill stipulates that these expenses are to be paid from such funds as are appropriated to the Authority by the General Assembly. The estimated calculation of reimbursement for expenses is as follows:

### **Assumptions**

Number of commission members:	11
Meetings per year when GA is not in session:	3
Meetings per year when GA is in session:	1
Expense Reimbursement:	\$20-\$120
(30% at \$20; 30% at \$50; 40% at \$120)	

### **Reimbursement Expense Calculation**

3 members*	\$20	4 meetings	=\$240
3 members*	\$50	4 meetings	=\$600
5 members*	\$120	4 meetings	<u>=\$2,400</u>
		TOTAL	\$3,240

As such, this expense of \$3,240 would need to be appropriated by the General Assembly.

This bill names the Director of DMME as the Director of the Authority, and DMME staff as staff to the Authority. The bill also directs DMME to (i) request that the incumbent, investor-owned utility adjacent to any offshore wind generation project initiate a transmission study, then collect the study and report the findings to the Authority; and (ii) report to the Authority by September 30, 2010, on the appropriate placement of meteorological towers and necessary renovations to existing structures. DMME estimates that at least one position would be needed to meet the requirements of this bill. This position would be at an estimated cost of \$100,000 (including salary, benefits, and agency costs) and would be responsible for managing the affairs and business of the Authority. The bill does not specify where funding for this position is to come from; as such, a general fund appropriation may be needed to support this position.

In addition, this bill requires the Auditor of Public Accounts (APA) to conduct an annual audit of the accounts of the Authority. The APA estimates this could cost approximately \$14,000 per year. The bill does not specify whether these costs are to be covered by the Authority or absorbed by the agency.

The bill also directs the Office of the Attorney General (OAG) to provide counsel to the Authority. According to the OAG, this may require the services of one full-time attorney and a part-time bond counsel once the Authority is fully-functional. It is uncertain whether these services will be needed in the initial year of the Authority. The OAG estimates these costs will be ongoing at approximately \$162,000 per year. The bill does not specify whether these costs are to be covered by the Authority or absorbed by the agency.

The Authority is authorized to apply, on behalf of the Commonwealth, to the U.S. Department of Energy for up to \$4 billion of federal loan guarantees authorized or made

available by the Energy Policy Act of 2005, the American Recovery and Reinvestment Act of 2009, or any similar federal legislation. Upon obtaining these federal loan guarantees for offshore wind energy projects, the Authority may allocate or assign all or portions thereof to qualified third parties, on such terms and conditions as the Authority find appropriate.

**9. Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals and Energy, Office of the Attorney General, Auditor of Public Accounts.

**10. Technical Amendment Necessary:** If it is the intent of the bill to include local agencies, then a technical amendment is needed. On line 39, after “relevant” insert “local”.

**11. Other Comments:** This bill is similar to the substitute version of SB577.

**Date:** 2/17/2010 dpbaek

**Document:** G:\FIS\2010 Fiscal Impact Statements\DMME\HB389H1.Doc