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HOUSE BILL NO. 1730

Offered January 14, 2015

Prefiled January 12, 2015

A *BILL to amend and reenact § 56-235.1 of the Code of Virginia, relating to electric and natural gas utilities; energy efficiency goals established.*

Patron—Sullivan

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That § 56-235.1 of the Code of Virginia is amended and reenacted as follows:

§ 56-235.1. Conservation and efficient use of energy and capital resources.

A. It shall be the duty of the Commission to investigate from time to time the acts, practices, rates or charges of public utilities so as to determine whether such acts, practices, rates, or charges are reasonably calculated to promote the maximum effective conservation and *efficient* use of energy and capital resources used by public utilities in rendering utility service. Where the Commission finds that the public interest would be served, it may order any public utility to eliminate, alter, or adopt a substitute for any act, practice, rate, or charge which is not reasonably calculated to promote the maximum effective conservation and *efficient* use of energy and capital resources used by public utilities in providing utility service and it may further provide for the dissemination of information to the public, either through the Commission staff or through a public utility, in order to promote public understanding and cooperation in achieving effective conservation and *efficient use* of such resources; provided, however, that nothing in this ~~section~~ subsection shall be construed to authorize the adoption of any rate or charge which is clearly not cost-based or which is in the nature of a penalty for otherwise permissible use of utility services.

B. In furtherance of its duty to promote the efficient use of energy in the delivery of electric service and natural gas service, the Commission shall administer and implement an energy efficiency program that requires energy utilities to implement energy efficiency in accordance with the following:

1. As used in this subsection:

"Cost-effective" means that an energy efficiency measure or program satisfies the total resource cost test.

"Electric utility" means any investor-owned electric utility or cooperative electric utility.

"Energy conservation" means demand-side management of energy supplies resulting in a net reduction in energy use. Load management that reduces overall energy use is energy conservation.

"Energy efficiency" means measures or programs, including energy conservation measures or programs, that target consumer behavior, equipment, processes, or devices designed to produce either an absolute decrease in consumption of electric energy or natural gas or a decrease in consumption of electric energy or natural gas on a per unit of production basis without a reduction in the quality or level of service provided to the energy consumer.

"Gas utility" means any investor-owned public service company engaged in the business of furnishing natural gas service to the public in the Commonwealth.

"Gross annual retail energy sales" means annual electric sales to all retail customers in a utility's Virginia service territory or natural gas throughput to all retail customers, including natural gas transportation customers, on a utility's distribution system in Virginia.

"Load management" means an activity, service, or technology to change the timing or the efficiency of a customer's use of energy that allows a utility or a customer to respond to wholesale market fluctuations or to reduce peak and seasonal demand for energy or capacity.

"Total resource cost test" means a standard that is met if, for an investment in energy efficiency, the benefit-cost ratio is greater than one. The benefit-cost ratio is the ratio of the net present value of the total benefits of the program, including non-energy benefits, to the net present value of the total costs as calculated over the lifetime of the measures.

"Utility" means an electric utility or gas utility.

2. Each electric utility shall implement cost-effective energy efficiency measures to meet the following incremental annual energy efficiency goals:

a. In calendar years 2016 and 2017, the electric utility shall have an annual energy-savings goal equal to 0.25 percent of gross annual energy retail sales by the electric utility in the preceding calendar year;

b. In calendar years 2018 and 2019, the electric utility shall have an annual energy-savings goal

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59 equal to 0.50 percent of gross annual energy retail sales by the electric utility in the preceding calendar
60 year;

61 c. In calendar years 2020 and 2021, the electric utility shall have an annual energy-savings goal
62 equal to 0.75 percent of gross annual energy retail sales by the electric utility in the preceding calendar
63 year;

64 d. In calendar years 2022 and 2023, the electric utility shall have an annual energy-savings goal
65 equal to one percent of gross annual energy retail sales by the electric utility in the preceding calendar
66 year;

67 e. In calendar years 2024 and 2025, the electric utility shall have an annual energy-savings goal
68 equal to 1.25 percent of gross annual energy retail sales by the electric utility in the preceding calendar
69 year;

70 f. In calendar years 2026 and 2027, the electric utility shall have an annual energy-savings goal
71 equal to 1.5 percent of gross annual energy retail sales by the electric utility in the preceding calendar
72 year;

73 g. In calendar years 2028 and 2029, the electric utility shall have an annual energy-savings goal
74 equal to 1.75 percent of gross annual energy retail sales by the electric utility in the preceding calendar
75 year; and

76 h. In calendar years 2030 and thereafter, the electric utility shall have an annual energy-savings
77 goal equal to two percent of gross annual energy retail sales by the electric utility in the preceding
78 calendar year.

79 3. Each gas utility shall implement cost-effective energy efficiency measures to meet the following
80 incremental annual energy efficiency goals:

81 a. In calendar years 2016 and 2017, the gas utility shall have an annual energy-savings goal equal
82 to 0.125 percent of gross annual energy retail sales by the gas utility in the preceding calendar year;

83 b. In calendar years 2018 and 2019, the gas utility shall have an annual energy-savings goal equal
84 to 0.25 percent of gross annual energy retail sales by the gas utility in the preceding calendar year;

85 c. In calendar years 2020 and 2021, the gas utility shall have an annual energy-savings goal equal
86 to 0.375 percent of gross annual energy retail sales by the gas utility in the preceding calendar year;

87 d. In calendar years 2022 and 2023, the gas utility shall have an annual energy-savings goal equal
88 to 0.5 percent of gross annual energy retail sales by the gas utility in the preceding calendar year;

89 e. In calendar years 2024 and 2025, the gas utility shall have an annual energy-savings goal equal
90 to 0.625 percent of gross annual energy retail sales by the gas utility in the preceding calendar year;

91 f. In calendar years 2026 and 2027, the gas utility shall have an annual energy-savings goal equal
92 to 0.75 percent of gross annual energy retail sales by the gas utility in the preceding calendar year;

93 g. In calendar years 2028 and 2029, the gas utility shall have an annual energy-savings goal equal
94 to 0.875 percent of gross annual energy retail sales by the gas utility in the preceding calendar year;
95 and

96 h. In calendar years 2030 and thereafter, the gas utility shall have an annual energy-savings goal
97 equal to one percent of gross annual energy retail sales by the gas utility in the preceding calendar
98 year.

99 4. Each utility shall file an energy efficiency plan with the Commission in accordance with a filing
100 schedule adopted by the Commission. By October 1, 2015, the Commission shall adopt a schedule for
101 the filing of energy efficiency plans by utilities.

102 5. The Commission shall not approve a plan submitted by a utility that does not demonstrate that the
103 utility will achieve incremental annual energy efficiency goals.

104 6. The Commission shall require utilities to commence efforts to comply with the incremental annual
105 energy efficiency goals during calendar year 2016.

106 7. The Commission shall design performance incentives that shall reward utilities for meeting or
107 exceeding efficiency goals and consider a penalty for failing to meet efficiency goals.

108 8. The Commission shall require utilities to report annually to the Commission on their efforts and
109 progress in meeting the incremental annual energy efficiency goals.

110 9. The Commission shall establish requirements that programs implemented by utilities to comply
111 with the incremental annual energy efficiency goals are (i) designed to decrease the average customer's
112 annual, weather-normalized consumption or total bill for natural gas or electricity, as applicable, or to
113 avoid energy costs or consumption that the customer may otherwise have incurred and (ii) determined
114 by the Commission to be cost-effective. Without limitation, rate designs or rate mechanisms, customer
115 education, customer incentives, and weatherization programs are examples of elements of energy
116 efficiency programs that the Commission may consider.

117 10. The Commission shall report its findings regarding compliance with the requirements of the
118 incremental annual energy efficiency goals to the Governor and the General Assembly no later than July
119 1, 2020, and every five years thereafter.

120 11. The Commission by October 1, 2015, shall adopt such rules and regulations as may be necessary

121 *to implement the requirements of this subsection.*

122 C. This section shall not apply to telephone companies.