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HOUSE BILL NO. 973

Offered January 13, 2016

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A *BILL to amend and reenact § 56-576 of the Code of Virginia, relating to electric utility regulation; definition of renewable energy; efficient biomass.*

Patron—Lopez

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:**1. That § 56-576 of the Code of Virginia is amended and reenacted as follows:****§ 56-576. Definitions.**

As used in this chapter:

"Affiliate" means any person that controls, is controlled by, or is under common control with an electric utility.

"Aggregator" means a person that, as an agent or intermediary, (i) offers to purchase, or purchases, electric energy or (ii) offers to arrange for, or arranges for, the purchase of electric energy, for sale to, or on behalf of, two or more retail customers not controlled by or under common control with such person. The following activities shall not, in and of themselves, make a person an aggregator under this chapter: (i) furnishing legal services to two or more retail customers, suppliers or aggregators; (ii) furnishing educational, informational, or analytical services to two or more retail customers, unless direct or indirect compensation for such services is paid by an aggregator or supplier of electric energy; (iii) furnishing educational, informational, or analytical services to two or more suppliers or aggregators; (iv) providing default service under § 56-585; (v) engaging in activities of a retail electric energy supplier, licensed pursuant to § 56-587, which are authorized by such supplier's license; and (vi) engaging in actions of a retail customer, in common with one or more other such retail customers, to issue a request for proposal or to negotiate a purchase of electric energy for consumption by such retail customers.

"Combined heat and power" means a method of using waste heat from electrical generation to offset traditional processes, space heating, air conditioning, or refrigeration.

"Commission" means the State Corporation Commission.

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

"Covered entity" means a provider in the Commonwealth of an electric service not subject to competition but shall not include default service providers.

"Covered transaction" means an acquisition, merger, or consolidation of, or other transaction involving stock, securities, voting interests or assets by which one or more persons obtains control of a covered entity.

"Curtailment" means inducing retail customers to reduce load during times of peak demand so as to ease the burden on the electrical grid.

"Customer choice" means the opportunity for a retail customer in the Commonwealth to purchase electric energy from any supplier licensed and seeking to sell electric energy to that customer.

"Demand response" means measures aimed at shifting time of use of electricity from peak-use periods to times of lower demand by inducing retail customers to curtail electricity usage during periods of congestion and higher prices in the electrical grid.

"Distribute," "distributing," or "distribution of" electric energy means the transfer of electric energy through a retail distribution system to a retail customer.

"Distributor" means a person owning, controlling, or operating a retail distribution system to provide electric energy directly to retail customers.

"Efficient biomass" means thermal or electric energy or combined heat and power from biomass generating units with an overall efficiency of 50 percent or greater on an annual basis. The overall efficiency shall be the sum of all electrical generation and useful thermal energy output measured in BTUs divided by the biomass fuel input heat content. For generating units that use both biomass and fossil fuels, the overall efficiency shall be the sum of all electrical generation and useful thermal energy output measured in BTUs divided by the total fuel input heat content.

"Electric utility" means any person that generates, transmits, or distributes electric energy for use by retail customers in the Commonwealth, including any investor-owned electric utility, cooperative electric utility, or electric utility owned or operated by a municipality.

"Energy efficiency program" means a program that reduces the total amount of electricity that is required for the same process or activity implemented after the expiration of capped rates. Energy

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59 efficiency programs include equipment, physical, or program change designed to produce measured and
60 verified reductions in the amount of electricity required to perform the same function and produce the
61 same or a similar outcome. Energy efficiency programs may include, but are not limited to, (i) programs
62 that result in improvements in lighting design, heating, ventilation, and air conditioning systems,
63 appliances, building envelopes, and industrial and commercial processes; (ii) measures, such as but not
64 limited to the installation of advanced meters, implemented or installed by utilities, that reduce fuel use
65 or losses of electricity and otherwise improve internal operating efficiency in generation, transmission,
66 and distribution systems; and (iii) customer engagement programs that result in measurable and
67 verifiable energy savings that lead to efficient use patterns and practices. Energy efficiency programs
68 include demand response, combined heat and power and waste heat recovery, curtailment, or other
69 programs that are designed to reduce electricity consumption so long as they reduce the total amount of
70 electricity that is required for the same process or activity. Utilities shall be authorized to install and
71 operate such advanced metering technology and equipment on a customer's premises; however, nothing
72 in this chapter establishes a requirement that an energy efficiency program be implemented on a
73 customer's premises and be connected to a customer's wiring on the customer's side of the
74 inter-connection without the customer's expressed consent.

75 "Generate," "generating," or "generation of" electric energy means the production of electric energy.

76 "Generator" means a person owning, controlling, or operating a facility that produces electric energy
77 for sale.

78 "Incumbent electric utility" means each electric utility in the Commonwealth that, prior to July 1,
79 1999, supplied electric energy to retail customers located in an exclusive service territory established by
80 the Commission.

81 "Independent system operator" means a person that may receive or has received, by transfer pursuant
82 to this chapter, any ownership or control of, or any responsibility to operate, all or part of the
83 transmission systems in the Commonwealth.

84 "In the public interest," for purposes of assessing energy efficiency programs, describes an energy
85 efficiency program if, among other factors, the net present value of the benefits exceeds the net present
86 value of the costs as determined by the Commission upon consideration of the following four tests: (i)
87 the Total Resource Cost Test; (ii) the Utility Cost Test (also referred to as the Program Administrator
88 Test); (iii) the Participant Test; and (iv) the Ratepayer Impact Measure Test. Such determination shall
89 include an analysis of all four tests, and a program or portfolio of programs shall not be rejected based
90 solely on the results of a single test. In addition, an energy efficiency program may be deemed to be "in
91 the public interest" if the program provides measurable and verifiable energy savings to low-income
92 customers or elderly customers.

93 "Measured and verified" means a process determined pursuant to methods accepted for use by
94 utilities and industries to measure, verify, and validate energy savings and peak demand savings. This
95 may include the protocol established by the United States Department of Energy, Office of Federal
96 Energy Management Programs, Measurement and Verification Guidance for Federal Energy Projects,
97 measurement and verification standards developed by the American Society of Heating, Refrigeration
98 and Air Conditioning Engineers (ASHRAE), or engineering-based estimates of energy and demand
99 savings associated with specific energy efficiency measures, as determined by the Commission.

100 "Municipality" means a city, county, town, authority, or other political subdivision of the
101 Commonwealth.

102 "New underground facilities" means facilities to provide underground distribution service. "New
103 underground facilities" includes underground cables with voltages of 69 kilovolts or less, pad-mounted
104 devices, connections at customer meters, and transition terminations from existing overhead distribution
105 sources.

106 "Peak-shaving" means measures aimed solely at shifting time of use of electricity from peak-use
107 periods to times of lower demand by inducing retail customers to curtail electricity usage during periods
108 of congestion and higher prices in the electrical grid.

109 "Person" means any individual, corporation, partnership, association, company, business, trust, joint
110 venture, or other private legal entity, and the Commonwealth or any municipality.

111 "Renewable energy" means energy derived from sunlight, wind, falling water, *efficient* biomass,
112 ~~sustainable or otherwise, (the definitions of which shall be liberally construed),~~ energy from waste,
113 landfill gas, municipal solid waste, wave motion, tides, and geothermal power, and does not include
114 energy derived from coal, oil, natural gas, or nuclear power. Renewable energy (i) shall *include any*
115 *biomass energy capacity, efficient or otherwise, in operation prior to January 1, 2016,* and (ii) may also
116 include the proportion of the thermal or electric energy from a facility that results from the co-firing of
117 *efficient biomass on or after January 1, 2016.*

118 "Renewable thermal energy" means the thermal energy output from (i) a renewable-fueled combined
119 heat and power generation facility that is (a) constructed, or renovated and improved, after January 1,
120 2012, (b) located in the Commonwealth, and (c) utilized in industrial processes other than the combined

heat and power generation facility or (ii) a solar energy system, certified to the OG-100 standard of the Solar Ratings and Certification Corporation or an equivalent certification body, that (a) is constructed, or renovated and improved, after January 1, 2013, (b) is located in the Commonwealth, and (c) heats water or air for residential, commercial, institutional, or industrial purposes.

"Renewable thermal energy equivalent" means the electrical equivalent in megawatt hours of renewable thermal energy calculated by dividing (i) the heat content, measured in British thermal units (BTUs), of the renewable thermal energy at the point of transfer to a residential, commercial, institutional, or industrial process by (ii) the standard conversion factor of 3.413 million BTUs per megawatt hour.

"Renovated and improved facility" means a facility the components of which have been upgraded to enhance its operating efficiency.

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

"Retail electric energy" means electric energy sold for ultimate consumption to a retail customer.

"Revenue reductions related to energy efficiency programs" means reductions in the collection of total non-fuel revenues, previously authorized by the Commission to be recovered from customers by a utility, that occur due to measured and verified decreased consumption of electricity caused by energy efficiency programs approved by the Commission and implemented by the utility, less the amount by which such non-fuel reductions in total revenues have been mitigated through other program-related factors, including reductions in variable operating expenses.

"Solar energy system" means a system of components that produces heat or electricity, or both, from sunlight.

"Supplier" means any generator, distributor, aggregator, broker, marketer, or other person who offers to sell or sells electric energy to retail customers and is licensed by the Commission to do so, but it does not mean a generator that produces electric energy exclusively for its own consumption or the consumption of an affiliate.

"Supply" or "supplying" electric energy means the sale of or the offer to sell electric energy to a retail customer.

"Transmission of," "transmit," or "transmitting" electric energy means the transfer of electric energy through the Commonwealth's interconnected transmission grid from a generator to either a distributor or a retail customer.

"Transmission system" means those facilities and equipment that are required to provide for the transmission of electric energy.

"Useful thermal energy output" means energy in the form of direct heat, steam, hot water, or other thermal form that is used in production and beneficial measures for heating, cooling, humidity control, process use, or other valid thermal end-use energy requirements and for which fuel or electricity would otherwise be consumed. "Useful thermal energy output" does not include thermal energy used for the purpose of drying or refining biomass fuel.