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**HOUSE BILL NO. 963**

Offered January 10, 2018

Prefiled January 9, 2018

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.*

Patrons—Sullivan and Kory

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 of energy and capital resources.**

A. *Utilities shall, to the extent possible, meet their resource needs, such as for generation, transmission, fuel, or purchases of capacity or energy, first through energy efficiency with lower costs and emissions. If, in any proceeding, the Commission finds that the need for one or more resources can be deferred or avoided, in whole or in part, through efficiency programs or measures with lower costs and emissions, then it shall order that such energy efficiency programs or measures be implemented and may, as appropriate, reject or condition approval of a new resource in light of the energy efficiency alternative.* 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~~ *that* 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~~ *that* is clearly not cost-based or ~~which~~ *that* 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, which may consist of multiple measures, that target consumer or utility 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. Energy conservation and load management are examples of energy efficiency.*

*"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 weather-normalized annual sales of electricity or natural gas to all retail customers in a utility's Virginia service territory.*

*"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 or to meet ancillary service needs.*

*"Total resource cost test" means a test to determine if the benefit-cost ratio of a proposed energy efficiency program or measure is greater than one. "Benefit-cost ratio" means the ratio of the net present value of the total benefits of a program or measure, including savings and non-energy benefits, to the net present value of the total incremental costs of implementing that program or measure as*

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59 calculated over the lifetime of the measures implemented thereunder. An energy efficiency program or  
60 measure that meets the total resource cost test is in the public interest. An energy efficiency program or  
61 measure that fails the total resource cost test shall be reviewed by the Commission under the other tests  
62 for approving energy efficiency set forth in §§ 56-576 and 56-600.

63 "Utility" means an electric utility or gas utility.

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

66 a. In calendar years 2019 and 2020, the electric utility shall have an annual energy-savings goal  
67 equal to 0.25 percent of gross annual energy retail sales by the electric utility in the preceding calendar  
68 year; and

69 b. In each subsequent two-year period, the annual energy-savings goal shall be increased by 0.25  
70 percent of gross annual retail sales by the electric utility until the annual energy-savings goal reaches  
71 two percent of gross annual retail sales in calendar years 2033 and thereafter.

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

74 a. In calendar years 2019 and 2020, the gas utility shall have an annual energy-savings goal equal  
75 to 0.125 percent of gross annual energy retail sales by the gas utility in the preceding calendar year;  
76 and

77 b. In each subsequent two-year period, the annual energy-savings goal shall be increased by 0.125  
78 percent of gross annual retail sales by the gas utility until the annual energy-savings goal reaches one  
79 percent of gross annual retail sales in calendar years 2033 and thereafter.

80 4. Each utility shall file an energy efficiency plan with the Commission in accordance with a filing  
81 schedule adopted by the Commission. By October 1, 2018, the Commission shall adopt a schedule for  
82 the filing and implementation of energy efficiency plans by utilities.

83 5. The Commission shall order changes to a plan submitted by a utility that does not demonstrate  
84 that the utility will achieve incremental annual energy efficiency goals.

85 6. The Commission shall require utilities to commence compliance efforts with the incremental  
86 annual energy efficiency goals during calendar year 2019. The Commission may adjust the goal for  
87 2019 if appropriate to address a partial year of implementation.

88 7. The Commission may design performance incentives that reward utilities for exceeding efficiency  
89 goals. The Commission may average performance over two-year periods and may consider significant,  
90 net additions of large customer loads when assessing compliance with the incremental annual energy  
91 efficiency goals.

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

94 9. The Commission shall establish requirements that programs implemented by utilities to comply  
95 with the incremental annual energy efficiency goals are (i) designed to decrease consumption of natural  
96 gas or electricity, as applicable, or to reduce or defer the need for new utility facilities, fuel, or other  
97 resources and (ii) determined by the Commission to be cost effective. Without limitation, rate designs or  
98 rate mechanisms, customer education, customer incentives, and weatherization programs are examples of  
99 elements of energy efficiency programs that the Commission may consider.

100 10. The Commission shall report its findings regarding compliance with the requirements of the  
101 incremental annual energy efficiency goals to the Governor and the General Assembly no later than July  
102 1, 2023, and every five years thereafter.

103 11. The Commission by October 1, 2018, shall adopt such rules and regulations as may be necessary  
104 to implement the requirements of this subsection.

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