State Corporation Commission
2018 Fiscal Impact Statement

1. **Bill Number:** SB966

   House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☒ Substitute ☐ Enrolled

2. **Patron:** Wagner

3. **Committee:** Passed House

4. **Title:** Electric utility regulation; grid modernization; energy efficiency programs; schedule; rate review.

5. **Summary**: Provides that, in lieu of the biennial review proceedings previously required, Dominion Energy Virginia (DEV) and Appalachian Power (APCo) will be subject to triennial reviews of their rates, terms, and conditions for generation, distribution, and transmission services. The measure advances the termination of the Transitional Rate Period for DEV by three years, to December 31, 2016. The termination of the Transitional Rate Period for APCo remains December 31, 2017. DEV's first review after its Transitional Rate Period will be held in 2021, which is one year earlier than currently scheduled, and will utilize the four 12-month test periods beginning January 1, 2017, and ending December 31, 2020. APCo's first review after its Transitional Rate Period will be held in 2020, which is unchanged, and will utilize the three 12-month test periods beginning January 1, 2017, and ending December 31, 2019. The measure also: (i) requires the State Corporation Commission (SCC) to enter its final order on petitions for approval of a voluntary rate or rate design test or experiment by the earlier of not more than six months after the filing of the petition or three months after the hearing on the petition; (ii) excludes from the definition of "public utility" for purposes of the Utility Facility Act a company that provides storage of electric energy that is not for sale to the public, if the company is not organized as a public utility; (iii) authorizes an investor-owned electric utility, if a cable operator does not elect to relocate facilities underground when the electric utility relocates its facilities underground, to either convey poles to the cable operator or retain ownership of the poles; (iv) provides that an energy efficiency program proposed by an electric or natural gas utility is in the public interest if the net present value of the benefits exceeds the net present value of the costs as determined by any three of four benefit cost tests; (v) exempts large general service customers from being charged any costs of new energy efficiency programs; (vi) establishes a new rate adjustment clause category for expenses of electric distribution grid transformation projects, which include advanced metering infrastructure, intelligent grid devices, automated control systems for electric distribution circuits and substations, communications networks for service meters, certain distribution system hardening projects, physical security measures at key distribution substations, cyber security measures, certain energy storage systems and microgrids, electrical facilities and infrastructure for electric

vehicle charging systems, LED street light conversions, and new customer information platforms; (vii) declares that electric distribution grid transformation projects are in the public interest; (viii) provides that the costs of such projects may be recovered either through a rate adjustment clause or through a customer credit reinvestment offset; (ix) directs the SCC to approve, without consideration of their reasonableness or prudence, the costs of the conversion of an investor-owned electric utility's existing overhead distribution tap lines with new underground facilities if the average cost per customer does not exceed $20,000 and the costs per mile do not exceed $750,000; (x) requires SCC to enter an order on a petition for approval of an electric distribution grid transformation project within six months after the petition's filing; (xi) increases the amount of capacity of solar and wind generation facilities constructed by a utility that are in the public interest from 50 megawatts to 5,000 megawatts, including rooftop solar installations with a capacity of not less than 50 kilowatts; (xii) declares that electric distribution grid transformation projects, offshore wind generation facilities with a capacity of not more than 16 megawatts, and all onshore wind generation facilities, are in the public interest and that the costs thereof may be recovered either through a rate adjustment clause or through a customer credit reinvestment offset; (xiii) provides that if DEV has not commenced construction of an offshore wind generation facility by July 1, 2023, the SCC may cease its rate adjustment clause and roll the costs into its rate base without increasing base rates; (xiv) requires certain costs related to generation plant facilities fueled by coal, natural gas, or oil or for automated meter reading electric distribution service meters and costs associated with projects necessary to comply with state or federal environmental laws, regulations, or judicial or administrative orders relating to coal combustion by-product management that the utility does not petition to recover through a rate adjustment clause to be deemed to have been recovered through customer rates during the test period under review unless doing so would place the utility in an under-earning position, in which event the SCC is required to authorize deferred recovery of such costs and allow the utility to amortize and recover the deferred costs over future periods; (xv) bars the SCC, in the first triennial review proceeding conducted after January 1, 2021, from ordering a rate increase for DEV and from ordering a rate decrease of more than $50 million; (xvi) allows utilities to reduce or eliminate amounts of overearnings that otherwise would be required to be credited to customers by applying a customer credit reinvestment offset for expenses on new solar and wind generation facilities and electric distribution grid transformation projects, if the utility has invested in such projects an amount not less than 100 percent of amount of its overearnings; (xvii) provides that costs associated with new utility-owned solar or wind generation facilities or with electric distribution grid transformation projects, that are the subject of a customer credit reinvestment offset are recoverable through the utility's base rates without a rate base or other cost of service adjustment and shall not be the subject of a rate adjustment clause petition; (xviii) requires APCo to continue funding its pilot program for energy assistance and weatherization for low-income, elderly, and disabled individuals at no less than the existing levels, and requires DEV to fund its similar pilot program at no less than $13 million annually; (xix) directs the SCC to find that prior to January 1, 2024, the construction or purchase by a public utility of certain solar or wind generation facilities, or the purchase by a public utility of energy, capacity, and environmental attributes from such solar facilities is in the public interest, and requires 25 percent of the generation capacity from such facilities to be from the purchase by a public utility of energy, capacity, and environmental attributes from solar facilities owned by persons other than a public utility; (xx) requires all of such solar generation capacity located in the Commonwealth to be subject to competitive procurement but allows a public utility to select solar generation capacity without regard to whether such selection satisfies price criteria if the selection of the solar generating capacity materially advances non-price criteria if such non-price solar generating capacity selected does not exceed 25 percent of the utility's solar generating capacity; (xxi) requires electric utilities to file updates its integrated resource plan (IRP) in each year immediately preceding the year the utility is subject to a triennial review filing rather than annually; and (xxii) requires each electric utility's IRP to evaluate long-term electric distribution grid planning and proposed electric distribution grid transformation projects and developing a long-term plan for energy efficiency measures to accomplish policy goals of reduction in customer bills, reduction in emissions, and reduction in carbon intensity. The provision creating the customer credit reinvestment offset expires on July 1, 2028. The measure also includes enactment clauses that (a) establish a pilot program consisting of the approval of the underground construction of two electrical transmission lines and directs the SCC to approve as a qualifying project a transmission line that appears to track the I-66 Hybrid Route that has been considered in the application of DEV for the Haymarket transmission line project in Prince William County and approve a rate adjustment clause to allow the utility to recover from the utility's Virginia jurisdictional customers the costs of the project; (b) bar APCo bar from recovering $10 million of incurred fuel costs; (c) require DEV to provide current customers voluntary bill credits of $133 million in 2018 and $67 million in 2019; (d) require reductions in the rates for incumbent electric utilities to reflect reductions in federal tax liability resulting from the enactment of federal tax legislation, including reductions in 2018 of $50 million by APCo and $125 million by DEV; (e) direct the SCC to conduct pilot programs for the deployment of electric power storage batteries with capacity limits of up to 10 MW for APCo and 30 MW for DEV; (f) allow certain large nonresidential customers that enter into a three-year minimum exclusive supply agreement to receive a Manufacturing and Commercial Competitiveness Retention Credit that reduces their base generation charges by two percent; (h) require DEV to consider in its next IRP whether the construction or purchase of one or more generation facilities with at least one MW of generating capacity that use combined heat and power or waste heat to power are in the customer interest; (i) require APCo and DEV to investigate the feasibility of providing broadband Internet services using utility distribution and transmission infrastructure; (j) require the SCC to submit annual reports that assess, among other things, new construction and development of new utility-owned and utility-operated generating facilities utilizing energy derived from sunlight; (k) require APCo and DEV to develop programs of energy conservation measures, with APCo's program costing not less than $140 million and DEV's program costing not less than $870 million; (l) require APCo and DEV to investigate and report upon its economic development activities and assistance provided to Virginia localities in the area of economic development in each utility's respective service area; (m) require APCo and DEV to investigate potential improvements to net energy metering programs; (n) require DEV's IRPs to incorporate policy goals of reduction in customer bills, reduction in emissions, and reduction in the utility's carbon intensity; (o) require the SCC to submit annual reports assessing the reliability of electrical transmission or distribution systems, the integration of utility-owned or customer-owned renewable electric generation resources with the utility's electric distribution grid, the level of investment in generation, transmission, or distribution of electricity, and related matters; (p) provide that the provisions of this measure apply retroactively to applications regarding new underground facilities or offshore wind facilities pending with the SCC on or after January 1, 2018; (q) require APCo, subject to SCC approval, by July 1, 2018, to construct or acquire solar generation facilities in Virginia with an aggregate capacity of not less than 200 MW; and (r) provide that no more than one half of the combined capital investment amount attributable to investments in new utility-owned solar or wind generation facilities, electric distribution grid transformation projects, undergrounding distribution facilities, undergrounding two transmission lines, and energy efficiency programs shall be investments in undergrounding distribution facilities, undergrounding two transmission lines, and electric grid distribution transformation projects solely designed for physical security at distribution substations.

6. **Budget Amendment Necessary**: Yes. Request language amendment to Item 478 of HB30 and SB30: A*ny expenses incurred as the result of enactment clause 15 of SB966 or HB1558 shall be paid from revenues as defined under §58.1-2900.*

7. **Fiscal Impact Estimates:** Indeterminate fiscal impact. Enactment clause 15 establishes a stakeholder process for the purpose of developing a portfolio of energy efficiency programs. Funding for an independent monitor to facilitate such stakeholder process will come from funding from the State Corporation Commission as identified in § 56-592.1 E.

8. **Fiscal Implications:** The bill will increase State Corporation Commission expenditures.

9. **Specific Agency or Political Subdivisions Affected:** State Corporation Commission

10. **Technical Amendment Necessary:** None

11. **Other Comments:** None

KP 2/27/18