

Department of Planning and Budget 2019 Fiscal Impact Statement

1. Bill Number: HB1902

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

2. Patron: Rasoul

3. Committee: Appropriations

4. Title: Solar Demonstration Projects Grant Program.

5. Summary: Establishes the Solar Demonstration Projects Grant Program (the Program). The Program, to be administered by the Virginia Solar Energy Center, will make \$1 billion in grants available over three years to religious institutions (to the extent permitted under Article IV, Section 16 of the Constitution of Virginia, which addresses appropriations to religious or charitable bodies), public schools, institutions of higher education, and localities in order to finance the installation and operation of solar photovoltaic energy generation systems. Grants may be used by the eligible entity to make payments (i) to an EPC firm that will install or operate the solar facility, which will be owned by the eligible entity, or (ii) to a third party that will own and operate the solar facility pursuant to a third-party power purchase agreement. The measure provides that the sale of electric power under a third-party power purchase agreement does not constitute a retail sale of electricity and is not subject to regulation by the State Corporation Commission. The measure establishes the Solar Energy Special Fund from which the grants are to be paid. Sources of moneys in the Fund include \$1 billion in voluntary contributions over three years that are required to be made by each Phase I Utility and each Phase II Utility. The utilities are barred from recovering the contributed funds from ratepayers by raising electricity rates, adding fees, or other means. Of the grants awarded, 40 percent shall be awarded to congregations, 50 percent shall be awarded to educational institutions, and 10 percent shall be awarded to localities. The measure establishes a Community Advisory Board to oversee the implementation of the Program.

6. Budget Amendment Necessary: Indeterminate, see Item 8.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2019	\$0	n/a
2020	\$333,333,333	NGF
2021	\$333,333,333	NGF
2022	\$333,333,334	NGF

- 8. Fiscal Implications:** It is anticipated that this bill will have a nongeneral fund revenue impact and an indeterminate expenditure impact. This bill creates a new program, the Solar Demonstration Projects Grant Program, to be administered by the Virginia Solar Energy Center, which is part of the Department of Mines, Minerals, and Energy (DMME). The bill requires that Phase I and Phase II Utilities voluntarily contribute a total of \$1.0 billion over a three-year period toward grants that will be awarded by the Center to congregations, educational institutions and localities. Under the Virginia Electric Utility Regulation Act, a Phase I Utility is an investor-owned incumbent electric utility that was, as of July 1, 1999, not bound by a rate case settlement adopted by the State Corporation Commission (SCC) that extended its application beyond January 1, 2002. A Phase II Utility is an investor-owned incumbent electric utility that was bound by such a settlement. The contributions will be deposited to the Solar Energy Special Fund established by this bill.

The revenues listed in the table above reflect the contributions to be made by Phase I and Phase II Utilities over the three-year period in the following amounts:

Contribution		Fiscal Year	Phase I Utilities	Phase II Utilities	Total
Due Date					
August 1, 2019		FY 2020	95,238,095	238,095,238	333,333,333
August 1, 2020		FY 2021	95,238,095	238,095,238	333,333,333
August 1, 2021		FY 2022	95,238,095	238,095,239	333,333,334
		Total	285,714,285	714,285,715	1,000,000,000

Additionally, this bill establishes a Community Advisory Board, which is to be comprised of nine members appointed by the Director of DMME, to advise the Center on the implementation of the provisions of this bill and the merits of each grant request. DMME is required to reimburse members of the advisory board for their expenses incurred in the performance of their duties, and staff the advisory board. This bill also requires DMME to develop program guidelines and to report annually to the House Appropriations and Senate Finance Committees a list of all eligible entities that received a grant under the program.

The bill does not allow for DMME to use grant funds to recover administrative costs. The fiscal impact to DMME for the necessary administrative and technical support for this new program is indeterminate. It is unknown how many applications DMME would receive for this grant program after guidelines are written to establish the new program. Currently, the Virginia Solar Energy Center is funded with general fund support and consists of one staff.

It is anticipated that this bill will not result in a fiscal impact to the State Corporation Commission.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals and Energy; State Corporation Commission.

- 10. Technical Amendment Necessary:** No.

11. Other Comments: None.