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## HOUSE BILL NO. 1280

AMENDMENT IN THE NATURE OF A SUBSTITUTE  
(Proposed by the House Committee on Labor and Commerce  
on January 28, 2020)

(Patron Prior to Substitute—Delegate O'Quinn)

A *BILL to amend and reenact § 56-585.1:9 of the Code of Virginia, relating to electric utilities; broadband capacity pilot program.*

**Be it enacted by the General Assembly of Virginia:**

**1. That § 56-585.1:9 of the Code of Virginia is amended and reenacted as follows:**

**§ 56-585.1:9. Pilot program for broadband capacity to unserved areas of the Commonwealth.**

A. The Commission shall establish pilot programs under which each Phase I Utility and each Phase II Utility, as such terms are defined in subdivision A 1 of § 56-585.1, may submit one or more petitions to provide or make available broadband capacity to nongovernmental Internet service providers in areas of the Commonwealth unserved by broadband. Any such petitions that a Phase I Utility submits shall not exceed \$60 million in costs annually. Any such petitions that a Phase II Utility submits shall not exceed \$60 million in costs annually. The provision of such broadband capacity to nongovernmental Internet service providers in areas of the Commonwealth unserved by broadband pursuant to this section is in the public interest.

B. The incremental costs of providing broadband capacity pursuant to any such pilot program, net of revenue generated therefrom, shall be eligible for recovery from customers as an electric grid transformation project pursuant to clause (vi) of subdivision A 6 of § 56-585.1 filed on or after July 1, 2020.

C. Notwithstanding the provisions of § 13.1-620 or the articles of incorporation of an investor-owned utility, an investor-owned utility may, either directly or through an affiliate or subsidiary, pursuant to a pilot program that the Commissioner approves pursuant to this section, (i) own, manage, or control any broadband capacity equipment and electronics, including any plant, works, system, lines, facilities, or properties, or any part or parts thereof, together with all appurtenances thereto, used or useful in connection with the provision and extension of such broadband services; (ii) lease indefeasible rights of use in such broadband capacity equipment and electronics to nongovernmental Internet service providers in areas of the Commonwealth unserved by broadband pursuant to this section; and (iii) provide access points that are outside the utility's energized zone to allow connection between the utility's broadband capacity system and the nongovernmental Internet service provider's system.

D. Each petition to provide broadband capacity pursuant to this section that an investor-owned utility submits to the Commission shall identify the nongovernmental Internet service provider to which the utility shall lease such capacity, together with the area to be served using such capacity. The Commission shall, after notice and opportunity for hearing, initiate proceedings to review each petition submitted. In determining whether an area is unserved by broadband, the Commission shall take into account the impact of any grants or loans made to provide broadband access to the designated area. The Commission's final order regarding any such petition shall be entered by the Commission not more than six months after the date of the filing of such petition. The Commission shall condition any approval of such petition on the requirement that construction shall commence within three years of such approval. If the utility fails to commence construction within such period, the utility may resubmit the petition for Commission approval.

E. An investor-owned utility shall be responsible to obtain all necessary rights-of-way or other easements or real property rights to permit leasing of broadband capacity to nongovernmental Internet service providers. A nongovernmental Internet service provider shall be responsible to obtain all necessary rights-of-way or other easements or real property rights from utility access point to permit the provision of broadband services to end-user customers.

F. As used in this section:

"Broadband" means Internet access at speeds greater than 10 MBps download speed and one MBps upload speed, provided that the Department of Housing and Community Development for its Virginia Telecommunication Initiative may by guideline modify such speeds from time to time.

"Unserved by broadband" means a designated area in which less than 10 percent of residential and commercial units are capable of receiving broadband service, provided that the Department of Housing and Community Development for its Virginia Telecommunication Initiative may by guideline increase such percentage from time to time.

G. No investor-owned utility nor any affiliate thereof may offer broadband or Internet service provider services to residential or commercial end-user customers in the Commonwealth pursuant to this section. Nothing in this section shall be construed to prevent an investor-owned utility or an affiliate

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60 thereof from providing transport of or capacity for broadband or Internet service as a wholesaler or  
61 intermediate vendor, provided that an unaffiliated nongovernmental third party is the provider of  
62 broadband or Internet services to the end-user customer.

63 H. The provision and extension of broadband capacity by an incumbent electric utility to an area of  
64 the Commonwealth unserved by broadband pursuant to a pilot program that the Commission approves  
65 pursuant to this section, including any business activity related to the construction or leasing of  
66 broadband capacity facilities, shall be exempt from any rules and regulations that the Commission has  
67 promulgated or may promulgate governing functional separation of generation, retail transmission, and  
68 distribution of incumbent electric utilities. Investor-owned electric utilities may for the purposes of this  
69 section engage in such coordination between and among their various corporate divisions as necessary  
70 for the purposes of providing broadband capacity to an area of the Commonwealth unserved by  
71 broadband.

72 I. The pilot program established pursuant to this section shall continue for the three-year period  
73 ending three years following the date the Commission approves the first petition to provide broadband  
74 capacity pursuant to this section, unless the Commission extends the pilot program or makes the pilot  
75 program permanent. At the termination of the pilot program, a utility shall continue to provide  
76 broadband capacity pursuant to leases existing as of the date of such termination.

77 *J. Notwithstanding the provisions of § 13.1-620 or the articles of incorporation of an investor-owned*  
78 *utility, an investor-owned utility may, either directly or through an affiliate or subsidiary, lease to any*  
79 *third party that is a wholesaler and that is not a government-owned broadband authority, for the*  
80 *purposes of providing broadband connectivity. The leases may, if the parties choose, extend in length*  
81 *beyond the end of the pilot program, notwithstanding any Commission order issued pursuant to*  
82 *subsection I terminating the pilot program. The revenues generated from such leases shall offset (i) the*  
83 *incremental costs of the pilot program recovered through the rate adjustment clause described in*  
84 *subsection B or (ii) the utility's electric cost of service.*