

20107906D

HOUSE BILL NO. 1450

AMENDMENT IN THE NATURE OF A SUBSTITUTE
(Proposed by the House Committee on Labor and Commerce
on February 6, 2020)

(Patron Prior to Substitute—Delegate Sullivan)

A BILL to amend and reenact §§ 56-576, 56-585.1, and 56-596.2 of the Code of Virginia, relating to electric utility regulation; energy efficiency programs.

Be it enacted by the General Assembly of Virginia:

1. That §§ 56-576, 56-585.1, and 56-596.2 of the Code of Virginia are amended and reenacted as follows:

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.

(Expires December 31, 2023) "Business park" means a land development containing a minimum of 100 contiguous acres classified as a Tier 4 site under the Virginia Economic Development Partnership's Business Ready Sites Program that is developed and constructed by an industrial development authority, or a similar political subdivision of the Commonwealth created pursuant to § 15.2-4903 or other act of the General Assembly, in order to promote business development and that is located in an area of the Commonwealth designated as a qualified opportunity zone by the U.S. Secretary of the Treasury via his delegation of authority to the Internal Revenue Service.

"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~~ *does* 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.

"Cumulative energy savings" means the total combined kilowatt-hour savings achieved by deployed energy efficiency and demand response measures.

"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.

"Electric distribution grid transformation project" means a project associated with electric distribution infrastructure, including related data analytics equipment, that is designed to accommodate or facilitate the integration of utility-owned or customer-owned renewable electric generation resources with the utility's electric distribution grid or to otherwise enhance electric distribution grid reliability, electric distribution grid security, customer service, or energy efficiency and conservation, including advanced

60 metering infrastructure; intelligent grid devices for real time system and asset information; automated
61 control systems for electric distribution circuits and substations; communications networks for service
62 meters; intelligent grid devices and other distribution equipment; distribution system hardening projects
63 for circuits, other than the conversion of overhead tap lines to underground service, and substations
64 designed to reduce service outages or service restoration times; physical security measures at key
65 distribution substations; cyber security measures; energy storage systems and microgrids that support
66 circuit-level grid stability, power quality, reliability, or resiliency or provide temporary backup energy
67 supply; electrical facilities and infrastructure necessary to support electric vehicle charging systems; LED
68 street light conversions; and new customer information platforms designed to provide improved customer
69 access, greater service options, and expanded access to energy usage information.

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

73 "Energy efficiency program" means a program that reduces the total amount of electricity that is
74 required for the same process or activity implemented after the expiration of capped rates. Energy
75 efficiency programs include equipment, physical, or program change designed to produce measured and
76 verified reductions in the amount of electricity required to perform the same function and produce the
77 same or a similar outcome. Energy efficiency programs may include, but are not limited to, (i) programs
78 that result in improvements in lighting design, heating, ventilation, and air conditioning systems,
79 appliances, building envelopes, and industrial and commercial processes; (ii) measures, such as but not
80 limited to the installation of advanced meters, implemented or installed by utilities, that reduce fuel use
81 or losses of electricity and otherwise improve internal operating efficiency in generation, transmission,
82 and distribution systems; and (iii) customer engagement programs that result in measurable and
83 verifiable energy savings that lead to efficient use patterns and practices. Energy efficiency programs
84 include demand response, combined heat and power and waste heat recovery, curtailment, or other
85 programs that are designed to reduce electricity consumption so long as they reduce the total amount of
86 electricity that is required for the same process or activity. Utilities shall be authorized to install and
87 operate such advanced metering technology and equipment on a customer's premises; however, nothing
88 in this chapter establishes a requirement that an energy efficiency program be implemented on a
89 customer's premises and be connected to a customer's wiring on the customer's side of the
90 inter-connection without the customer's expressed consent.

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

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

94 "Historically economically disadvantaged community" means a community that is (i) a community in
95 which a majority of the population are people of color and (ii) is a low-income geographic area.

96 "Incumbent electric utility" means each electric utility in the Commonwealth that, prior to July 1,
97 1999, supplied electric energy to retail customers located in an exclusive service territory established by
98 the Commission.

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

102 "In the public interest," for purposes of assessing energy efficiency programs, describes an energy
103 efficiency program if the Commission determines that the net present value of the benefits exceeds the
104 net present value of the costs as determined by not less than any three of the following four tests: (i) the
105 Total Resource Cost Test; (ii) the Utility Cost Test (also referred to as the Program Administrator Test);
106 (iii) the Participant Test; and (iv) the Ratepayer Impact Measure Test. Such determination shall include
107 an analysis of all four tests, and a program or portfolio of programs shall be approved if the net present
108 value of the benefits exceeds the net present value of the costs as determined by not less than any three
109 of the four tests. If the Commission determines that an energy efficiency program or portfolio of
110 programs is not in the public interest, its final order shall include all work product and analysis
111 conducted by the Commission's staff in relation to that program, including testimony relied upon by the
112 Commission's staff, that has bearing upon the Commission's decision. If the Commission reduces the
113 proposed budget for a program or portfolio of programs, its final order shall include an analysis of the
114 impact such budget reduction has upon the cost-effectiveness of such program or portfolio of programs.
115 An order by the Commission (a) finding that a program or portfolio of programs is not in the public
116 interest or (b) reducing the proposed budget for any program or portfolio of programs shall adhere to
117 existing protocols for extraordinarily sensitive information. In addition, an energy efficiency program
118 may be deemed to be "in the public interest" if the program (i) provides measurable and verifiable
119 energy savings to low-income customers or elderly customers or (ii) is a pilot program of limited scope,
120 cost, and duration that is intended to determine whether a new or substantially revised program or
121 technology would be cost-effective.

"Low-income" means any person or household whose annual income is equal to or less than 80 percent of the lesser of either the state median income as set forth by U.S. Census Bureau's annual "American Community Survey" or the area median income as determined by the U.S. Department of Housing and Community Development.

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

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

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

"Peak-shaving" means measures aimed solely 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.

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

"Renewable energy" means energy derived from sunlight, wind, falling water, biomass, sustainable or otherwise, (the definitions of which shall be liberally construed), energy from waste, landfill gas, municipal solid waste, wave motion, tides, and geothermal power, and does not include energy derived from coal, oil, natural gas, or nuclear power. "Renewable energy shall energy" also include includes the proportion of the thermal or electric energy from a facility that results from the co-firing of biomass.

"Renewable thermal energy" means the thermal energy output from (i) a renewable-fueled combined heat and power generation facility that is (a) constructed, or renovated and improved, after January 1, 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.

"Rooftop solar installation" means a distributed electric generation facility, storage facility, or generation and storage facility utilizing energy derived from sunlight, with a rated capacity of not less than 50 kilowatts, that is installed on the roof structure of an incumbent electric utility's commercial or industrial class customer, including host sites on commercial buildings, multifamily residential buildings, school or university buildings, and buildings of a church or religious body.

"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.

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

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

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

190 **§ 56-585.1. Generation, distribution, and transmission rates after capped rates terminate or**
191 **expire.**

192 A. During the first six months of 2009, the Commission shall, after notice and opportunity for
193 hearing, initiate proceedings to review the rates, terms and conditions for the provision of generation,
194 distribution and transmission services of each investor-owned incumbent electric utility. Such
195 proceedings shall be governed by the provisions of Chapter 10 (§ 56-232 et seq.), except as modified
196 herein. In such proceedings the Commission shall determine fair rates of return on common equity
197 applicable to the generation and distribution services of the utility. In so doing, the Commission may use
198 any methodology to determine such return it finds consistent with the public interest, but such return
199 shall not be set lower than the average of the returns on common equity reported to the Securities and
200 Exchange Commission for the three most recent annual periods for which such data are available by not
201 less than a majority, selected by the Commission as specified in subdivision 2 b, of other
202 investor-owned electric utilities in the peer group of the utility, nor shall the Commission set such return
203 more than 300 basis points higher than such average. The peer group of the utility shall be determined
204 in the manner prescribed in subdivision 2 b. The Commission may increase or decrease such combined
205 rate of return by up to 100 basis points based on the generating plant performance, customer service,
206 and operating efficiency of a utility, as compared to nationally recognized standards determined by the
207 Commission to be appropriate for such purposes. In such a proceeding, the Commission shall determine
208 the rates that the utility may charge until such rates are adjusted. If the Commission finds that the
209 utility's combined rate of return on common equity is more than 50 basis points below the combined
210 rate of return as so determined, it shall be authorized to order increases to the utility's rates necessary to
211 provide the opportunity to fully recover the costs of providing the utility's services and to earn not less
212 than such combined rate of return. If the Commission finds that the utility's combined rate of return on
213 common equity is more than 50 basis points above the combined rate of return as so determined, it shall
214 be authorized either (i) to order reductions to the utility's rates it finds appropriate, provided that the
215 Commission may not order such rate reduction unless it finds that the resulting rates will provide the
216 utility with the opportunity to fully recover its costs of providing its services and to earn not less than
217 the fair rates of return on common equity applicable to the generation and distribution services; or (ii) to
218 direct that 60 percent of the amount of the utility's earnings that were more than 50 basis points above
219 the fair combined rate of return for calendar year 2008 be credited to customers' bills, in which event
220 such credits shall be amortized over a period of six to 12 months, as determined at the discretion of the
221 Commission, following the effective date of the Commission's order and be allocated among customer
222 classes such that the relationship between the specific customer class rates of return to the overall target
223 rate of return will have the same relationship as the last approved allocation of revenues used to design
224 base rates. Commencing in 2011, the Commission, after notice and opportunity for hearing, shall
225 conduct reviews of the rates, terms and conditions for the provision of generation, distribution and
226 transmission services by each investor-owned incumbent electric utility, subject to the following
227 provisions:

228 1. Rates, terms and conditions for each service shall be reviewed separately on an unbundled basis,
229 and such reviews shall be conducted in a single, combined proceeding. Pursuant to subsection A of
230 § 56-585.1:1, the Commission shall conduct a review for a Phase I Utility in 2020, utilizing the three
231 successive 12-month test periods beginning January 1, 2017, and ending December 31, 2019. Thereafter,
232 reviews for a Phase I Utility will be on a triennial basis with subsequent proceedings utilizing the three
233 successive 12-month test periods ending December 31 immediately preceding the year in which such
234 review proceeding is conducted. Pursuant to subsection A of § 56-585.1:1, the Commission shall conduct
235 a review for a Phase II Utility in 2021, utilizing the four successive 12-month test periods beginning
236 January 1, 2017, and ending December 31, 2020, with subsequent reviews on a triennial basis utilizing
237 the three successive 12-month test periods ending December 31 immediately preceding the year in which
238 such review proceeding is conducted. All such reviews occurring after December 31, 2017, shall be
239 referred to as triennial reviews. For purposes of this section, a Phase I Utility is an investor-owned
240 incumbent electric utility that was, as of July 1, 1999, not bound by a rate case settlement adopted by
241 the Commission that extended in its application beyond January 1, 2002, and a Phase II Utility is an
242 investor-owned incumbent electric utility that was bound by such a settlement.

243 2. Subject to the provisions of subdivision 6, the fair rate of return on common equity applicable
244 separately to the generation and distribution services of such utility, and for the two such services

combined, and for any rate adjustment clauses approved under subdivision 5 or 6, shall be determined by the Commission during each such triennial review, as follows:

a. The Commission may use any methodology to determine such return it finds consistent with the public interest, but such return shall not be set lower than the average of the returns on common equity reported to the Securities and Exchange Commission for the three most recent annual periods for which such data are available by not less than a majority, selected by the Commission as specified in subdivision 2 b, of other investor-owned electric utilities in the peer group of the utility subject to such triennial review, nor shall the Commission set such return more than 300 basis points higher than such average.

b. In selecting such majority of peer group investor-owned electric utilities, the Commission shall first remove from such group the two utilities within such group that have the lowest reported returns of the group, as well as the two utilities within such group that have the highest reported returns of the group, and the Commission shall then select a majority of the utilities remaining in such peer group. In its final order regarding such triennial review, the Commission shall identify the utilities in such peer group it selected for the calculation of such limitation. For purposes of this subdivision, an investor-owned electric utility shall be deemed part of such peer group if (i) its principal operations are conducted in the southeastern United States east of the Mississippi River in either the states of West Virginia or Kentucky or in those states south of Virginia, excluding the state of Tennessee, (ii) it is a vertically-integrated electric utility providing generation, transmission and distribution services whose facilities and operations are subject to state public utility regulation in the state where its principal operations are conducted, (iii) it had a long-term bond rating assigned by Moody's Investors Service of at least Baa at the end of the most recent test period subject to such triennial review, and (iv) it is not an affiliate of the utility subject to such triennial review.

c. The Commission may, consistent with its precedent for incumbent electric utilities prior to the enactment of Chapters 888 and 933 of the Acts of Assembly of 2007, increase or decrease the utility's combined rate of return based on the Commission's consideration of the utility's performance.

d. In any Current Proceeding, the Commission shall determine whether the Current Return has increased, on a percentage basis, above the Initial Return by more than the increase, expressed as a percentage, in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the United States Department of Labor, since the date on which the Commission determined the Initial Return. If so, the Commission may conduct an additional analysis of whether it is in the public interest to utilize such Current Return for the Current Proceeding then pending. A finding of whether the Current Return justifies such additional analysis shall be made without regard to any enhanced rate of return on common equity awarded pursuant to the provisions of subdivision 6. Such additional analysis shall include, but not be limited to, a consideration of overall economic conditions, the level of interest rates and cost of capital with respect to business and industry, in general, as well as electric utilities, the current level of inflation and the utility's cost of goods and services, the effect on the utility's ability to provide adequate service and to attract capital if less than the Current Return were utilized for the Current Proceeding then pending, and such other factors as the Commission may deem relevant. If, as a result of such analysis, the Commission finds that use of the Current Return for the Current Proceeding then pending would not be in the public interest, then the lower limit imposed by subdivision 2 a on the return to be determined by the Commission for such utility shall be calculated, for that Current Proceeding only, by increasing the Initial Return by a percentage at least equal to the increase, expressed as a percentage, in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the United States Department of Labor, since the date on which the Commission determined the Initial Return. For purposes of this subdivision:

"Current Proceeding" means any proceeding conducted under any provisions of this subsection that require or authorize the Commission to determine a fair combined rate of return on common equity for a utility and that will be concluded after the date on which the Commission determined the Initial Return for such utility.

"Current Return" means the minimum fair combined rate of return on common equity required for any Current Proceeding by the limitation regarding a utility's peer group specified in subdivision 2 a.

"Initial Return" means the fair combined rate of return on common equity determined for such utility by the Commission on the first occasion after July 1, 2009, under any provision of this subsection pursuant to the provisions of subdivision 2 a.

e. In addition to other considerations, in setting the return on equity within the range allowed by this section, the Commission shall strive to maintain costs of retail electric energy that are cost competitive with costs of retail electric energy provided by the other peer group investor-owned electric utilities.

f. The determination of such returns shall be made by the Commission on a stand-alone basis, and specifically without regard to any return on common equity or other matters determined with regard to

306 facilities described in subdivision 6.

307 g. If the combined rate of return on common equity earned by the generation and distribution
308 services is no more than 50 basis points above or below the return as so determined or, for any test
309 period commencing after December 31, 2012, for a Phase II Utility and after December 31, 2013, for a
310 Phase I Utility, such return is no more than 70 basis points above or below the return as so determined,
311 such combined return shall not be considered either excessive or insufficient, respectively. However, for
312 any test period commencing after December 31, 2012, for a Phase II Utility, and after December 31,
313 2013, for a Phase I Utility, if the utility has, during the test period or periods under review, earned
314 below the return as so determined, whether or not such combined return is within 70 basis points of the
315 return as so determined, the utility may petition the Commission for approval of an increase in rates in
316 accordance with the provisions of subdivision 8 a as if it had earned more than 70 basis points below a
317 fair combined rate of return, and such proceeding shall otherwise be conducted in accordance with the
318 provisions of this section. The provisions of this subdivision are subject to the provisions of subdivision
319 8.

320 h. Any amount of a utility's earnings directed by the Commission to be credited to customers' bills
321 pursuant to this section shall not be considered for the purpose of determining the utility's earnings in
322 any subsequent triennial review.

323 3. Each such utility shall make a triennial filing by March 31 of every third year, with such filings
324 commencing for a Phase I Utility in 2020, and such filings commencing for a Phase II Utility in 2021,
325 consisting of the schedules contained in the Commission's rules governing utility rate increase
326 applications. Such filing shall encompass the three successive 12-month test periods ending December
327 31 immediately preceding the year in which such proceeding is conducted, except that the filing for a
328 Phase II Utility in 2021 shall encompass the four successive 12-month test periods ending December 31,
329 2020, and in every such case the filing for each year shall be identified separately and shall be
330 segregated from any other year encompassed by the filing. If the Commission determines that rates
331 should be revised or credits be applied to customers' bills pursuant to subdivision 8 or 9, any rate
332 adjustment clauses previously implemented related to facilities utilizing simple-cycle combustion turbines
333 described in subdivision 6, shall be combined with the utility's costs, revenues and investments until the
334 amounts that are the subject of such rate adjustment clauses are fully recovered. The Commission shall
335 combine such clauses with the utility's costs, revenues and investments only after it makes its initial
336 determination with regard to necessary rate revisions or credits to customers' bills, and the amounts
337 thereof, but after such clauses are combined as herein specified, they shall thereafter be considered part
338 of the utility's costs, revenues, and investments for the purposes of future triennial review proceedings.
339 In a triennial filing under this subdivision that does not result in an overall rate change a utility may
340 propose an adjustment to one or more tariffs that are revenue neutral to the utility.

341 4. (Expires December 31, 2023) The following costs incurred by the utility shall be deemed
342 reasonable and prudent: (i) costs for transmission services provided to the utility by the regional
343 transmission entity of which the utility is a member, as determined under applicable rates, terms and
344 conditions approved by the Federal Energy Regulatory Commission; (ii) costs charged to the utility that
345 are associated with demand response programs approved by the Federal Energy Regulatory Commission
346 and administered by the regional transmission entity of which the utility is a member; and (iii) costs
347 incurred by the utility to construct, operate, and maintain transmission lines and substations installed in
348 order to provide service to a business park. Upon petition of a utility at any time after the expiration or
349 termination of capped rates, but not more than once in any 12-month period, the Commission shall
350 approve a rate adjustment clause under which such costs, including, without limitation, costs for
351 transmission service; charges for new and existing transmission facilities, including costs incurred by the
352 utility to construct, operate, and maintain transmission lines and substations installed in order to provide
353 service to a business park; administrative charges; and ancillary service charges designed to recover
354 transmission costs, shall be recovered on a timely and current basis from customers. Retail rates to
355 recover these costs shall be designed using the appropriate billing determinants in the retail rate
356 schedules.

357 4. (Effective January 1, 2024) The following costs incurred by the utility shall be deemed reasonable
358 and prudent: (i) costs for transmission services provided to the utility by the regional transmission entity
359 of which the utility is a member, as determined under applicable rates, terms and conditions approved
360 by the Federal Energy Regulatory Commission, and (ii) costs charged to the utility that are associated
361 with demand response programs approved by the Federal Energy Regulatory Commission and
362 administered by the regional transmission entity of which the utility is a member. Upon petition of a
363 utility at any time after the expiration or termination of capped rates, but not more than once in any
364 12-month period, the Commission shall approve a rate adjustment clause under which such costs,
365 including, without limitation, costs for transmission service, charges for new and existing transmission
366 facilities, administrative charges, and ancillary service charges designed to recover transmission costs,
367 shall be recovered on a timely and current basis from customers. Retail rates to recover these costs shall

be designed using the appropriate billing determinants in the retail rate schedules.

5. A utility may at any time, after the expiration or termination of capped rates, but not more than once in any 12-month period, petition the Commission for approval of one or more rate adjustment clauses for the timely and current recovery from customers of the following costs:

a. Incremental costs described in clause (vi) of subsection B of § 56-582 incurred between July 1, 2004, and the expiration or termination of capped rates, if such utility is, as of July 1, 2007, deferring such costs consistent with an order of the Commission entered under clause (vi) of subsection B of § 56-582. The Commission shall approve such a petition allowing the recovery of such costs that comply with the requirements of clause (vi) of subsection B of § 56-582;

b. Projected and actual costs for the utility to design and operate fair and effective peak-shaving programs or pilot programs. The Commission shall approve such a petition if it finds that the program is in the public interest, provided that the Commission shall allow the recovery of such costs as it finds are reasonable;

c. Projected and actual costs for the utility to design, implement, and operate energy efficiency programs, including a margin to be recovered on operating expenses, which margin for the purposes of this section shall be equal to the general rate of return on common equity determined as described in subdivision 2 or pilot programs. Any such petition shall include a proposed budget for the design, implementation, and operation of the energy efficiency program, including anticipated savings from and spending on each program, and the Commission shall grant a final order on such petitions within eight months of initial filing. The Commission shall only approve such a petition if it finds that the program is in the public interest. If the Commission determines that an energy efficiency program or portfolio of programs is not in the public interest, its final order shall include all work product and analysis conducted by the Commission's staff in relation to that program that has bearing upon the Commission's determination. Such order shall adhere to existing protocols for extraordinarily sensitive information. As part of such cost recovery, the Commission, if requested by the utility, shall allow for the recovery of revenue reductions related to energy efficiency programs. The Commission shall only allow such recovery to the extent that the Commission determines such revenue has not been recovered through margins from incremental off-system sales as defined in § 56-249.6 that are directly attributable to energy efficiency programs.

None of the costs of new energy efficiency programs of an electric utility, including recovery of revenue reductions, shall be assigned to any large general service customer. A large general service customer is a customer that has a verifiable history of having used more than 500 kilowatts of demand from a single meter of delivery. A utility shall not charge such large general service customer, as defined by the Commission, for the costs of installing energy efficiency equipment beyond what is required to provide electric service and meter such service on the customer's premises if the customer provides, at the customer's expense, equivalent energy efficiency equipment. In all relevant proceedings pursuant to this section, the Commission shall take into consideration the goals of economic development, energy efficiency and environmental protection in the Commonwealth; Energy efficiency pilot programs are in the public interest provided the pilot program is (i) of limited scope, cost, and duration and (ii) intended to determine whether a new or substantially revised program would be cost-effective.

Prior to January 1, 2022, the Commission shall award a margin for recovery on operating expenses for energy efficiency programs and pilot programs, which margin shall be equal to the general rate of return on common equity determined as described in subdivision 2. Beginning January 1, 2022, and thereafter, if the Commission determines that the utility meets in any year the annual energy efficiency standards set forth in § 56-596.2, in the following year, the Commission shall award a margin on energy efficiency program operating expenses in that year, to be recovered through a rate adjustment clause, which margin shall be equal to the general rate of return on common equity determined as described in subdivision 2. If the Commission does not approve energy efficiency programs that, in the aggregate, can achieve the annual energy efficiency standards, the Commission shall award a margin on energy efficiency operating expenses in that year for any programs the Commission has approved, to be recovered through a rate adjustment clause under this subdivision, which margin shall equal the general rate of return on common equity determined as described in subdivision 2. Any margin awarded pursuant to this subdivision shall be applied as part of the utility's next rate adjustment clause true-up proceeding. The Commission shall also award an additional 20 basis points for each additional incremental 0.1 percent in annual savings in any year, beyond the annual requirements set forth in § 56-596.2, provided that the total performance incentive awarded in any year shall not exceed 10 percent of that utility's total energy efficiency program spending in that same year.

The Commission shall annually monitor and report to the General Assembly the performance of all programs approved pursuant to this subdivision, including each utility's compliance with the net annual savings required by § 56-596.2, as well as the annual and lifecycle net and gross energy and capacity

429 savings, related emissions reductions, and other quantifiable benefits of each program; total customer
430 bill savings that the programs produce; utility spending on each program, including any associated
431 administrative costs; and each utility's avoided costs and cost-effectiveness results.

432 Notwithstanding any other provision of law, unless the Commission finds in its discretion and after
433 consideration of all in-state and regional transmission entity resources that there is a threat to the
434 reliability or security of electric service to the utility's customers, the Commission shall not approve
435 construction of any new utility-owned generating facilities that emit carbon dioxide as a byproduct of
436 combusting fuel to generate electricity unless the utility has already met the energy savings goals
437 identified in § 56-596.2 and the Commission finds that supply-side resources are more cost-effective than
438 demand-side or energy storage resources.

439 As used in this subdivision, "large general service customer" means a customer that has a verifiable
440 history of having used more than one megawatt of demand from a single site. Large general service
441 customers shall be exempt from requirements that they participate in energy efficiency programs if the
442 Commission finds that the large general service customer has, at the customer's own expense,
443 implemented energy efficiency programs that have produced or will produce measured and verified
444 results consistent with industry standards and other regulatory criteria stated in this section. The
445 Commission shall, no later than June 30, 2021, adopt rules or regulations (i) establishing the process
446 for large general service customers to apply for such an exemption, (ii) establishing the administrative
447 procedures by which eligible customers will notify the utility, (iii) establishing an energy savings
448 account where individual customer fees for efficiency are collected and earmarked for energy efficiency
449 instead of allocated to the general rider for utility-administered programs, and (iv) defining the standard
450 criteria that shall be satisfied by an applicant in order to notify the utility, including means of
451 evaluation measurement and verification and confidentiality requirements. At a minimum, such rules and
452 regulations shall require that each exempted large general service customer certify to the utility and
453 Commission that its implemented energy efficiency programs have delivered measured and verified
454 savings within the prior five years. A customer shall establish an account into which payments in lieu of
455 the energy efficiency rider shall be deposited for use by the customer in implementing energy efficiency
456 measures at its facility. Any energy savings account shall allow year-to-year flexibility but should sunset
457 on a rolling basis after five years, with funds unused for energy efficiency subject to forfeiture to the
458 utility for use in support of other energy efficiency programs. In adopting such rules or regulations, the
459 Commission shall also specify the timing as to when a utility shall accept and act on such notice, taking
460 into consideration the utility's integrated resource planning process as well as its administration of
461 energy efficiency programs that are approved for cost recovery by the Commission. Savings from large
462 general service customers shall be accounted for in utility reporting in the standards in § 56-596.2.

463 The notice of nonparticipation by a large general service customer shall be for the duration of the
464 service life of the customer's energy efficiency measures. The Commission may on its own motion initiate
465 steps necessary to verify such nonparticipant's achievement of energy efficiency if the Commission has a
466 body of evidence that the nonparticipant has knowingly misrepresented its energy efficiency achievement.
467 A utility shall not charge such large general service customer for the costs of installing energy
468 efficiency equipment beyond what is required to provide electric service and meter such service on the
469 customer's premises if the customer provides, at the customer's expense, equivalent energy efficiency
470 equipment. In all relevant proceedings pursuant to this section, the Commission shall take into
471 consideration the goals of economic development, energy efficiency, and environmental protection in the
472 Commonwealth;

473 d. Projected and actual costs of ~~participation in a compliance with~~ renewable energy portfolio
474 standard ~~program requirements~~ pursuant to § 56-585.2 that are not recoverable under subdivision 6. The
475 Commission shall approve such a petition allowing the recovery of such costs incurred as required by
476 ~~are provided for in a program approved pursuant to § 56-585.2;~~

477 e. Projected and actual costs of projects that the Commission finds to be necessary to mitigate
478 impacts to marine life caused by construction of offshore wind generating facilities, or to comply with
479 state or federal environmental laws or regulations applicable to generation facilities used to serve the
480 utility's native load obligations. The Commission shall approve such a petition if it finds that such costs
481 are necessary to comply with such environmental laws or regulations; and

482 f. Projected and actual costs, not currently in rates, for the utility to design, implement, and operate
483 programs approved by the Commission that accelerate the vegetation management of distribution
484 rights-of-way. No costs shall be allocated to or recovered from customers that are served within the
485 large general service rate classes for a Phase II Utility or that are served at subtransmission or
486 transmission voltage, or take delivery at a substation served from subtransmission or transmission
487 voltage, for a Phase I Utility; and

488 g. Reasonable administrative and operational costs, as reviewed and approved by the Commission,
489 incurred to comply with percentage of income payment programs as established in § 63.2-806.

490 Any rate adjustment clause approved under subdivision 5 c by the Commission shall remain in effect

until the utility exhausts the approved budget for the energy efficiency program. The Commission shall have the authority to determine the duration or amortization period for any other rate adjustment clause approved under this subdivision.

6. To ensure the generation and delivery of a reliable and adequate supply of electricity, to meet the utility's projected native load obligations and to promote economic development, a utility may at any time, after the expiration or termination of capped rates, petition the Commission for approval of a rate adjustment clause for recovery on a timely and current basis from customers of the costs of (i) a coal-fueled generation facility that utilizes Virginia coal and is located in the coalfield region of the Commonwealth as described in § 15.2-6002, regardless of whether such facility is located within or without the utility's service territory, (ii) one or more other generation facilities, (iii) one or more major unit modifications of generation facilities, including the costs of any system or equipment upgrade, system or equipment replacement, or other cost reasonably appropriate to extend the combined operating license for or the operating life of one or more generation facilities utilizing nuclear power, (iv) one or more new underground facilities to replace one or more existing overhead distribution facilities of 69 kilovolts or less located within the Commonwealth, (v) one or more pumped hydroelectricity generation and storage facilities that utilize on-site or off-site renewable energy resources as all or a portion of their power source and such facilities and associated resources are located in the coalfield region of the Commonwealth as described in § 15.2-6002, regardless of whether such facility is located within or without the utility's service territory, or (vi) one or more electric distribution grid transformation projects; however, subject to the provisions of the following sentence, the utility shall not file a petition under clause (iv) more often than annually and, in such petition, shall not seek any annual incremental increase in the level of investments associated with such a petition that exceeds five percent of such utility's distribution rate base, as such rate base was determined for the most recently ended 12-month test period in the utility's latest review proceeding conducted pursuant to subdivision 3 and concluded by final order of the Commission prior to the date of filing of such petition under clause (iv). In all proceedings regarding petitions filed under clause (iv) or (vi), the level of investments approved for recovery in such proceedings shall be in addition to, and not in lieu of, levels of investments previously approved for recovery in prior proceedings under clause (iv) or (vi), as applicable. As of December 1, 2028, any costs recovered by a utility pursuant to clause (iv) shall be limited to any remaining costs associated with conversions of overhead distribution facilities to underground facilities that have been previously approved or are pending approval by the Commission through a petition by the utility under this subdivision. Such a petition concerning facilities described in clause (ii) that utilize nuclear power, facilities described in clause (ii) that are coal-fueled and will be built by a Phase I Utility, or facilities described in clause (i) may also be filed before the expiration or termination of capped rates. A utility that constructs or makes modifications to any such facility, or purchases any facility consisting of at least one megawatt of generating capacity using energy derived from sunlight and located in the Commonwealth and that utilizes goods or services sourced, in whole or in part, from one or more Virginia businesses, shall have the right to recover the costs of the facility, as accrued against income, through its rates, including projected construction work in progress, and any associated allowance for funds used during construction, planning, development and construction or acquisition costs, life-cycle costs, costs related to assessing the feasibility of potential sites for new underground facilities, and costs of infrastructure associated therewith, plus, as an incentive to undertake such projects, an enhanced rate of return on common equity calculated as specified below; however, in determining the amounts recoverable under a rate adjustment clause for new underground facilities, the Commission shall not consider, or increase or reduce such amounts recoverable because of (a) the operation and maintenance costs attributable to either the overhead distribution facilities being replaced or the new underground facilities or (b) any other costs attributable to the overhead distribution facilities being replaced. Notwithstanding the preceding sentence, the costs described in clauses (a) and (b) thereof shall remain eligible for recovery from customers through the utility's base rates for distribution service. A utility filing a petition for approval to construct or purchase a facility consisting of at least one megawatt of generating capacity using energy derived from sunlight and located in the Commonwealth and that utilizes goods or services sourced, in whole or in part, from one or more Virginia businesses may propose a rate adjustment clause based on a market index in lieu of a cost of service model for such facility. A utility seeking approval to construct or purchase a generating facility described in clause (i) ~~or (ii) that emits carbon dioxide~~ shall demonstrate that it has already met the energy savings goals identified in § 56-596.2 and the identified need cannot be met more affordably through the deployment or utilization of demand-side resources or energy storage resources, and that it has considered and weighed alternative options, including third-party market alternatives, in its selection process. In constructing any facility contemplated in subsection A of § 56-585.1:11, the utility shall (1) identify options for utilizing local workers; (2) identify the economic development benefits of the project for the Commonwealth, including capital investments and job creation; (3) consult with relevant governmental

552 *entities, including the Commonwealth's Chief Workforce Development Officer, on opportunities to*
553 *advance the Commonwealth's workforce and economic development goals, including furtherance of*
554 *apprenticeship and other workforce training programs, and (4) give priority to the hiring of local*
555 *workers, including workers from historically economically disadvantaged communities. For the purposes*
556 *of this subsection, "historically economically disadvantaged community" means a community that is (A)*
557 *a community in which a majority of the population are people of color and (B) a low-income*
558 *geographic area. Relevant state agencies shall identify historically economically disadvantaged*
559 *communities utilizing geographic information systems, U.S. Census tract demographic and poverty*
560 *threshold data for the Commonwealth, and zip code areas.*

561 The costs of the facility, other than return on projected construction work in progress and allowance
562 for funds used during construction, shall not be recovered prior to the date a facility constructed by the
563 utility and described in clause (i), (ii), (iii) or (v) begins commercial operation, the date the utility
564 becomes the owner of a purchased generation facility consisting of at least one megawatt of generating
565 capacity using energy derived from sunlight and located in the Commonwealth and that utilizes goods or
566 services sourced, in whole or in part, from one or more Virginia businesses, or the date new
567 underground facilities are classified by the utility as plant in service. *In any application to construct a*
568 *new generating facility, the utility shall include, and the Commission shall consider, the social cost of*
569 *carbon, as determined by the Commission, as a benefit or cost, whichever is appropriate. The*
570 *Commission shall ensure that the development of new or expansion of existing energy resources or*
571 *facilities does not have a disproportionate adverse impact on historically economically disadvantaged*
572 *communities or low-income geographic areas. The Commission may adopt any rules it deems necessary*
573 *to determine the social cost of carbon.*

574 Such enhanced rate of return on common equity shall be applied to allowance for funds used during
575 construction and to construction work in progress during the construction phase of the facility and shall
576 thereafter be applied to the entire facility during the first portion of the service life of the facility. The
577 first portion of the service life shall be as specified in the table below; however, the Commission shall
578 determine the duration of the first portion of the service life of any facility, within the range specified in
579 the table below, which determination shall be consistent with the public interest and shall reflect the
580 Commission's determinations regarding how critical the facility may be in meeting the energy needs of
581 the citizens of the Commonwealth and the risks involved in the development of the facility. After the
582 first portion of the service life of the facility is concluded, the utility's general rate of return shall be
583 applied to such facility for the remainder of its service life. As used herein, the service life of the
584 facility shall be deemed to begin on the date a facility constructed by the utility and described in clause
585 (i), (ii), (iii) or (v) begins commercial operation, the date the utility becomes the owner of a purchased
586 generation facility consisting of at least one megawatt of generating capacity using energy derived from
587 sunlight and located in the Commonwealth and that utilizes goods or services sourced, in whole or in
588 part, from one or more Virginia businesses, or the date new underground facilities or new electric
589 distribution grid transformation projects are classified by the utility as plant in service, and such service
590 life shall be deemed equal in years to the life of that facility as used to calculate the utility's
591 depreciation expense. Such enhanced rate of return on common equity shall be calculated by adding the
592 basis points specified in the table below to the utility's general rate of return, and such enhanced rate of
593 return shall apply only to the facility that is the subject of such rate adjustment clause. Allowance for
594 funds used during construction shall be calculated for any such facility utilizing the utility's actual
595 capital structure and overall cost of capital, including an enhanced rate of return on common equity as
596 determined pursuant to this subdivision, until such construction work in progress is included in rates.
597 The construction of any facility described in clause (i) or (v) is in the public interest, and in determining
598 whether to approve such facility, the Commission shall liberally construe the provisions of this title. The
599 construction or purchase by a utility of one or more generation facilities with at least one megawatt of
600 generating capacity, and with an aggregate rated capacity that does not exceed ~~5,000~~ 16,100 megawatts,
601 including rooftop solar installations with a capacity of not less than 50 kilowatts, and with an aggregate
602 capacity of ~~50~~ 100 megawatts, that use energy derived from sunlight or from wind and are located in
603 the Commonwealth or off the Commonwealth's Atlantic shoreline, regardless of whether any of such
604 facilities are located within or without the utility's service territory, is in the public interest, and in
605 determining whether to approve such facility, the Commission shall liberally construe the provisions of
606 this title. A utility may enter into short-term or long-term power purchase contracts for the power
607 derived from sunlight generated by such generation facility prior to purchasing the generation facility.
608 The replacement of any subset of a utility's existing overhead distribution tap lines that have, in the
609 aggregate, an average of nine or more total unplanned outage events-per-mile over a preceding 10-year
610 period with new underground facilities in order to improve electric service reliability is in the public
611 interest. In determining whether to approve petitions for rate adjustment clauses for such new
612 underground facilities that meet this criteria, and in determining the level of costs to be recovered
613 thereunder, the Commission shall liberally construe the provisions of this title.

The conversion of any such facilities on or after September 1, 2016, is deemed to provide local and system-wide benefits and to be cost beneficial, and the costs associated with such new underground facilities are deemed to be reasonably and prudently incurred and, notwithstanding the provisions of subsection C or D, shall be approved for recovery by the Commission pursuant to this subdivision, provided that the total costs associated with the replacement of any subset of existing overhead distribution tap lines proposed by the utility with new underground facilities, exclusive of financing costs, shall not exceed an average cost per customer of \$20,000, with such customers, including those served directly by or downline of the tap lines proposed for conversion, and, further, such total costs shall not exceed an average cost per mile of tap lines converted, exclusive of financing costs, of \$750,000. A utility shall, without regard for whether it has petitioned for any rate adjustment clause pursuant to clause (vi), petition the Commission, not more than once annually, for approval of a plan for electric distribution grid transformation projects. Any plan for electric distribution grid transformation projects shall include both measures to facilitate integration of distributed energy resources and measures to enhance physical electric distribution grid reliability and security. In ruling upon such a petition, the Commission shall consider whether the utility's plan for such projects, and the projected costs associated therewith, are reasonable and prudent. Such petition shall be considered on a stand-alone basis without regard to the other costs, revenues, investments, or earnings of the utility; without regard to whether the costs associated with such projects will be recovered through a rate adjustment clause under this subdivision or through the utility's rates for generation and distribution services; and without regard to whether such costs will be the subject of a customer credit offset, as applicable, pursuant to subdivision 8 d. The Commission's final order regarding any such petition for approval of an electric distribution grid transformation plan shall be entered by the Commission not more than six months after the date of filing such petition. The Commission shall likewise enter its final order with respect to any petition by a utility for a certificate to construct and operate a generating facility or facilities utilizing energy derived from sunlight, pursuant to subsection D of § 56-580, within six months after the date of filing such petition. The basis points to be added to the utility's general rate of return to calculate the enhanced rate of return on common equity, and the first portion of that facility's service life to which such enhanced rate of return shall be applied, shall vary by type of facility, as specified in the following table:

Type of Generation Facility	Basis Points	First Portion of Service Life
Nuclear-powered	200	Between 12 and 25 years
Carbon capture compatible, clean-coal powered	200	Between 10 and 20 years
Renewable powered, other than landfill gas powered	200	Between 5 and 15 years
Coalbed methane gas powered	150	Between 5 and 15 years
Landfill gas powered	200	Between 5 and 15 years
Conventional coal or combined-cycle combustion turbine	100	Between 10 and 20 years

For generating facilities other than those utilizing nuclear power constructed pursuant to clause (ii) or those utilizing energy derived from offshore wind, as of July 1, 2013, only *Only* those facilities as to which a rate adjustment clause under this subdivision has been previously approved by the Commission, or as to which a petition for approval of such rate adjustment clause was filed with the Commission, on or before January 1, 2013 2019, shall be entitled to the enhanced rate of return on common equity as specified in the above table during the construction phase of the facility and the approved first portion of its service life.

For generating facilities within the Commonwealth utilizing nuclear power or those utilizing energy derived from offshore wind projects located in waters off the Commonwealth's Atlantic shoreline, such facilities shall continue to be eligible for an enhanced rate of return on common equity during the construction phase of the facility and the approved first portion of its service life of between 12 and 25 years in the case of a facility utilizing nuclear power and for a service life of between 5 and 15 years in the case of a facility utilizing energy derived from offshore wind, provided, however, that, as of July 1, 2013, the enhanced return for such facilities constructed pursuant to clause (ii) shall be 100 basis points, which shall be added to the utility's general rate of return as determined under subdivision 2. Thirty percent of all costs of such a facility utilizing nuclear power that the utility incurred between July 1, 2007, and December 31, 2013, and all of such costs incurred after December 31, 2013, may be deferred by the utility and recovered through a rate adjustment clause under this subdivision at such time as the Commission provides in an order approving such a rate adjustment clause. The remaining 70 percent of all costs of such a facility that the utility incurred between July 1, 2007, and December 31, 2013, shall not be deferred for recovery through a rate adjustment clause under this subdivision; however, such remaining 70 percent of all costs shall be recovered ratably through existing base rates as determined by the Commission in the test periods under review in the utility's next review filed after July 1, 2014. Thirty percent of all costs of such a facility utilizing energy derived from offshore wind that the utility incurred between July 1, 2007, and December 31, 2013, and all of such costs incurred after December

31, 2013, may be deferred by the utility and recovered through a rate adjustment clause under this subdivision at such time as the Commission provides in an order approving such a rate adjustment clause. The remaining 70 percent of all costs of such a facility that the utility incurred between July 1, 2007, and December 31, 2013, shall not be deferred for recovery through a rate adjustment clause under this subdivision; however, such remaining 70 percent of all costs shall be recovered ratably through existing base rates as determined by the Commission in the test periods under review in the utility's next review filed after July 1, 2014.

In connection with planning to meet forecasted demand for electric generation supply and assure the adequate and sufficient reliability of service, consistent with § 56-598, planning and development activities for a new nuclear generation facility or facilities are in the public interest.

In connection with planning to meet forecasted demand for electric generation supply and assure the adequate and sufficient reliability of service, consistent with § 56-598, planning and development activities for a new utility-owned and utility-operated generating facility or facilities utilizing energy derived from sunlight or from onshore or offshore wind are in the public interest.

Construction, purchasing, or leasing activities for a new utility-owned and utility-operated generating facility or facilities utilizing energy derived from sunlight or from wind with an aggregate capacity of 5,000 16,100 megawatts, including rooftop solar installations with a capacity of not less than 50 kilowatts, and with an aggregate capacity of 50 100 megawatts, together with a new test or demonstration project for a utility-owned and utility-operated generating facility or facilities utilizing energy derived from offshore wind with an aggregate capacity of not more than 16 5,000 megawatts, are in the public interest. To the extent that a utility elects to recover the costs of any such new generation facility or facilities through its rates for generation and distribution services and does not petition and receive approval from the Commission for recovery of such costs through a rate adjustment clause described in clause (ii), the Commission shall, upon the request of the utility in a triennial review proceeding, provide for a customer credit reinvestment offset, as applicable, pursuant to subdivision 8 d with respect to all costs deemed reasonable and prudent by the Commission in a proceeding pursuant to subsection D of § 56-580 or in a triennial review proceeding.

Electric distribution grid transformation projects are in the public interest. To the extent that a utility elects to recover the costs of such electric distribution grid transformation projects through its rates for generation and distribution services, and does not petition and receive approval from the Commission for recovery of such costs through a rate adjustment clause described in clause (vi), the Commission shall, upon the request of the utility in a triennial review proceeding, provide for a customer credit reinvestment offset, as applicable, pursuant to subdivision 8 d with respect to all costs deemed reasonable and prudent by the Commission in a proceeding for approval of a plan for electric distribution grid transformation projects pursuant to subdivision 6 or in a triennial review proceeding.

Neither generation facilities described in clause (ii) that utilize simple-cycle combustion turbines nor new underground facilities shall receive an enhanced rate of return on common equity as described herein, but instead shall receive the utility's general rate of return during the construction phase of the facility and, thereafter, for the entire service life of the facility. No rate adjustment clause for new underground facilities shall allocate costs to, or provide for the recovery of costs from, customers that are served within the large power service rate class for a Phase I Utility and the large general service rate classes for a Phase II Utility. New underground facilities are hereby declared to be ordinary extensions or improvements in the usual course of business under the provisions of § 56-265.2.

As used in this subdivision, a generation facility is (1) "coalbed methane gas powered" if the facility is fired at least 50 percent by coalbed methane gas, as such term is defined in § 45.1-361.1, produced from wells located in the Commonwealth, and (2) "landfill gas powered" if the facility is fired by methane or other combustible gas produced by the anaerobic digestion or decomposition of biodegradable materials in a solid waste management facility licensed by the Waste Management Board. A landfill gas powered facility includes, in addition to the generation facility itself, the equipment used in collecting, drying, treating, and compressing the landfill gas and in transmitting the landfill gas from the solid waste management facility where it is collected to the generation facility where it is combusted.

For purposes of this subdivision, "general rate of return" means the fair combined rate of return on common equity as it is determined by the Commission for such utility pursuant to subdivision 2.

Notwithstanding any other provision of this subdivision, if the Commission finds during the triennial review conducted for a Phase II Utility in 2021 that such utility has not filed applications for all necessary federal and state regulatory approvals to construct one or more nuclear-powered or coal-fueled generation facilities that would add a total capacity of at least 1500 megawatts to the amount of the utility's generating resources as such resources existed on July 1, 2007, or that, if all such approvals have been received, that the utility has not made reasonable and good faith efforts to construct one or more such facilities that will provide such additional total capacity within a reasonable time after obtaining such approvals, then the Commission, if it finds it in the public interest, may reduce on a

prospective basis any enhanced rate of return on common equity previously applied to any such facility to no less than the general rate of return for such utility and may apply no less than the utility's general rate of return to any such facility for which the utility seeks approval in the future under this subdivision.

Notwithstanding any other provision of this subdivision, if a Phase II utility obtains approval from the Commission of a rate adjustment clause pursuant to subdivision 6 associated with a test or demonstration project involving a generation facility utilizing energy from offshore wind, and such utility has not, as of July 1, 2023, commenced construction as defined for federal income tax purposes of an offshore wind generation facility or facilities with a minimum aggregate capacity of 250 megawatts, then the Commission, if it finds it in the public interest, may direct that the costs associated with any such rate adjustment clause involving said test or demonstration project shall thereafter no longer be recovered through a rate adjustment clause pursuant to subdivision 6 and shall instead be recovered through the utility's rates for generation and distribution services, with no change in such rates for generation and distribution services as a result of the combination of such costs with the other costs, revenues, and investments included in the utility's rates for generation and distribution services. Any such costs shall remain combined with the utility's other costs, revenues, and investments included in its rates for generation and distribution services until such costs are fully recovered.

7. Any petition filed pursuant to subdivision 4, 5, or 6 shall be considered by the Commission on a stand-alone basis without regard to the other costs, revenues, investments, or earnings of the utility. Any costs incurred by a utility prior to the filing of such petition, or during the consideration thereof by the Commission, that are proposed for recovery in such petition and that are related to subdivision 5 a, or that are related to facilities and projects described in clause (i) of subdivision 6, or that are related to new underground facilities described in clause (iv) of subdivision 6, shall be deferred on the books and records of the utility until the Commission's final order in the matter, or until the implementation of any applicable approved rate adjustment clauses, whichever is later. Except as otherwise provided in subdivision 6, any costs prudently incurred on or after July 1, 2007, by a utility prior to the filing of such petition, or during the consideration thereof by the Commission, that are proposed for recovery in such petition and that are related to facilities and projects described in clause (ii) or clause (iii) of subdivision 6 that utilize nuclear power, or coal-fueled facilities and projects described in clause (ii) of subdivision 6 if such coal-fueled facilities will be built by a Phase I Utility, shall be deferred on the books and records of the utility until the Commission's final order in the matter, or until the implementation of any applicable approved rate adjustment clauses, whichever is later. Any costs prudently incurred after the expiration or termination of capped rates related to other matters described in subdivision 4, 5, or 6 shall be deferred beginning only upon the expiration or termination of capped rates, provided, however, that no provision of this act shall affect the rights of any parties with respect to the rulings of the Federal Energy Regulatory Commission in PJM Interconnection LLC and Virginia Electric and Power Company, 109 F.E.R.C. P 61,012 (2004). A utility shall establish a regulatory asset for regulatory accounting and ratemaking purposes under which it shall defer its operation and maintenance costs incurred in connection with (i) the refueling of any nuclear-powered generating plant and (ii) other work at such plant normally performed during a refueling outage. The utility shall amortize such deferred costs over the refueling cycle, but in no case more than 18 months, beginning with the month in which such plant resumes operation after such refueling. The refueling cycle shall be the applicable period of time between planned refueling outages for such plant. As of January 1, 2014, such amortized costs are a component of base rates, recoverable in base rates only ratably over the refueling cycle rather than when such outages occur, and are the only nuclear refueling costs recoverable in base rates. This provision shall apply to any nuclear-powered generating plant refueling outage commencing after December 31, 2013, and the Commission shall treat the deferred and amortized costs of such regulatory asset as part of the utility's costs for the purpose of proceedings conducted (a) with respect to triennial filings under subdivision 3 made on and after July 1, 2014, and (b) pursuant to § 56-245 or the Commission's rules governing utility rate increase applications as provided in subsection B. This provision shall not be deemed to change or reset base rates.

The Commission's final order regarding any petition filed pursuant to subdivision 4, 5, or 6 shall be entered not more than three months, eight months, and nine months, respectively, after the date of filing of such petition. If such petition is approved, the order shall direct that the applicable rate adjustment clause be applied to customers' bills not more than 60 days after the date of the order, or upon the expiration or termination of capped rates, whichever is later.

8. In any triennial review proceeding, for the purposes of reviewing earnings on the utility's rates for generation and distribution services, the following utility generation and distribution costs not proposed for recovery under any other subdivision of this subsection, as recorded per books by the utility for financial reporting purposes and accrued against income, shall be attributed to the test periods under review and deemed fully recovered in the period recorded: costs associated with asset impairments

related to early retirement determinations made by the utility for utility generation facilities fueled by coal, natural gas, or oil or for automated meter reading electric distribution service meters; 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 pursuant to subdivision 5 e; costs associated with severe weather events; and costs associated with natural disasters. Such costs shall be deemed to have been recovered from customers through rates for generation and distribution services in effect during the test periods under review unless such costs, individually or in the aggregate, together with the utility's other costs, revenues, and investments to be recovered through rates for generation and distribution services, result in the utility's earned return on its generation and distribution services for the combined test periods under review to fall more than 50 basis points below the fair combined rate of return authorized under subdivision 2 for such periods or, for any test period commencing after December 31, 2012, for a Phase II Utility and after December 31, 2013, for a Phase I Utility, to fall more than 70 basis points below the fair combined rate of return authorized under subdivision 2 for such periods. In such cases, the Commission shall, in such triennial review proceeding, authorize deferred recovery of such costs and allow the utility to amortize and recover such deferred costs over future periods as determined by the Commission. The aggregate amount of such deferred costs shall not exceed an amount that would, together with the utility's other costs, revenues, and investments to be recovered through rates for generation and distribution services, cause the utility's earned return on its generation and distribution services to exceed the fair rate of return authorized under subdivision 2, less 50 basis points, for the combined test periods under review or, for any test period commencing after December 31, 2012, for a Phase II Utility and after December 31, 2013, for a Phase I Utility, to exceed the fair rate of return authorized under subdivision 2 less 70 basis points. Nothing in this section shall limit the Commission's authority, pursuant to the provisions of Chapter 10 (§ 56-232 et seq.), including specifically § 56-235.2, following the review of combined test period earnings of the utility in a triennial review, for normalization of nonrecurring test period costs and annualized adjustments for future costs, in determining any appropriate increase or decrease in the utility's rates for generation and distribution services pursuant to subdivision 8 a or 8 c.

If the Commission determines as a result of such triennial review that:

a. The Revenue reductions related to energy efficiency measures or programs approved and deployed since the utility's previous triennial review have caused the utility, as verified by the Commission, during the test period or periods under review, considered as a whole, to earn more than 50 basis points below a fair combined rate of return on its generation and distribution services or, for any test period commencing after December 31, 2012, for a Phase II Utility and after December 31, 2013, for a Phase I Utility, more than 70 basis points below a fair combined rate of return on its generation and distribution services, as determined in subdivision 2, without regard to any return on common equity or other matters determined with respect to facilities described in subdivision 6, the Commission shall order increases to the utility's rates for generation and distribution services necessary to recover such revenue reductions. If the Commission finds, for reasons other than revenue reductions related to energy efficiency measures, that the utility has, during the test period or periods under review, considered as a whole, earned more than 50 basis points below a fair combined rate of return on its generation and distribution services or, for any test period commencing after December 31, 2012, for a Phase II Utility and after December 31, 2013, for a Phase I Utility, more than 70 basis points below a fair combined rate of return on its generation and distribution services, as determined in subdivision 2, without regard to any return on common equity or other matters determined with respect to facilities described in subdivision 6, the Commission shall order increases to the utility's rates necessary to provide the opportunity to fully recover the costs of providing the utility's services and to earn not less than such fair combined rate of return, using the most recently ended 12-month test period as the basis for determining the amount of the rate increase necessary. However, in the first triennial review proceeding conducted after January 1, 2021, for a Phase II Utility, the Commission may not order a rate increase, and in all triennial reviews of a Phase I or Phase II utility, the Commission may not order such rate increase unless it finds that the resulting rates are necessary to provide the utility with the opportunity to fully recover its costs of providing its services and to earn not less than a fair combined rate of return on both its generation and distribution services, as determined in subdivision 2, without regard to any return on common equity or other matters determined with respect to facilities described in subdivision 6, using the most recently ended 12-month test period as the basis for determining the permissibility of any rate increase under the standards of this sentence, and the amount thereof; and provided that, solely in connection with making its determination concerning the necessity for such a rate increase or the amount thereof, the Commission shall, in any triennial review proceeding conducted prior to July 1, 2028, exclude from this most recently ended 12-month test period any remaining investment levels associated with a prior customer credit reinvestment offset pursuant to subdivision d.

b. The utility has, during the test period or test periods under review, considered as a whole, earned

more than 50 basis points above a fair combined rate of return on its generation and distribution services or, for any test period commencing after December 31, 2012, for a Phase II Utility and after December 31, 2013, for a Phase I Utility, more than 70 basis points above a fair combined rate of return on its generation and distribution services, as determined in subdivision 2, without regard to any return on common equity or other matters determined with respect to facilities described in subdivision 6, the Commission shall, subject to the provisions of subdivisions 8 d and 9, direct that 60 percent of the amount of such earnings that were more than 50 basis points, or, for any test period commencing after December 31, 2012, for a Phase II Utility and after December 31, 2013, for a Phase I Utility, that 70 percent of the amount of such earnings that were more than 70 basis points, above such fair combined rate of return for the test period or periods under review, considered as a whole, shall be credited to customers' bills. Any such credits shall be amortized over a period of six to 12 months, as determined at the discretion of the Commission, following the effective date of the Commission's order, and shall be allocated among customer classes such that the relationship between the specific customer class rates of return to the overall target rate of return will have the same relationship as the last approved allocation of revenues used to design base rates; or

c. In any triennial review proceeding conducted after January 1, 2020, for a Phase I Utility or after January 1, 2021, for a Phase II Utility in which the utility has, during the test period or test periods under review, considered as a whole, earned more than 50 basis points above a fair combined rate of return on its generation and distribution services or, for any test period commencing after December 31, 2012, for a Phase II Utility and after December 31, 2013, for a Phase I Utility, more than 70 basis points above a fair combined rate of return on its generation and distribution services, as determined in subdivision 2, without regard to any return on common equity or other matter determined with respect to facilities described in subdivision 6, and the combined aggregate level of capital investment that the Commission has approved other than those capital investments that the Commission has approved for recovery pursuant to a rate adjustment clause pursuant to subdivision 6 made by the utility during the test periods under review in that triennial review proceeding in new utility-owned generation facilities utilizing energy derived from sunlight, or from wind, and in electric distribution grid transformation projects, as determined pursuant to subdivision 8 d, does not equal or exceed 100 percent of the earnings that are more than 70 basis points above the utility's fair combined rate of return on its generation and distribution services for the combined test periods under review in that triennial review proceeding, the Commission shall, subject to the provisions of subdivision 9 and in addition to the actions authorized in subdivision b, also order reductions to the utility's rates it finds appropriate. However, in the first triennial review proceeding conducted after January 1, 2021, for a Phase II Utility, any reduction to the utility's rates ordered by the Commission pursuant to this subdivision shall not exceed \$50 million in annual revenues, with any reduction allocated to the utility's rates for generation services, and in each triennial review of a Phase I or Phase II Utility, the Commission may not order such rate reduction unless it finds that the resulting rates will provide the utility with the opportunity to fully recover its costs of providing its services and to earn not less than a fair combined rate of return on its generation and distribution services, as determined in subdivision 2, without regard to any return on common equity or other matters determined with respect to facilities described in subdivision 6, using the most recently ended 12-month test period as the basis for determining the permissibility of any rate reduction under the standards of this sentence, and the amount thereof; and

d. (Expires July 1, 2028) In any triennial review proceeding conducted after December 31, 2017, upon the request of the utility, the Commission shall determine, prior to directing that 70 percent of earnings that are more than 70 basis points above the utility's fair combined rate of return on its generation and distribution services for the test period or periods under review be credited to customer bills pursuant to subdivision 8 b, the aggregate level of prior capital investment that the Commission has approved other than those capital investments that the Commission has approved for recovery pursuant to a rate adjustment clause pursuant to subdivision 6 made by the utility during the test period or periods under review in both (i) new utility-owned generation facilities utilizing energy derived from sunlight, or from onshore or offshore wind, and (ii) electric distribution grid transformation projects, as determined by the utility's plant in service and construction work in progress balances related to such investments as recorded per books by the utility for financial reporting purposes as of the end of the most recent test period under review. Any such combined capital investment amounts shall offset any customer bill credit amounts, on a dollar for dollar basis, up to the aggregate level of invested or committed capital under clauses (i) and (ii). The aggregate level of qualifying invested or committed capital under clauses (i) and (ii) is referred to in this subdivision as the customer credit reinvestment offset, which offsets the customer bill credit amount that the utility has invested or will invest in new solar or wind generation facilities or electric distribution grid transformation projects for the benefit of customers, in amounts up to 100 percent of earnings that are more than 70 basis points above the utility's fair rate of return on its generation and distribution services, and thereby reduce or eliminate

otherwise incremental rate adjustment clause charges and increases to customer bills, which is deemed to be in the public interest. If 100 percent of the amount of earnings that are more than 70 basis points above the utility's fair combined rate of return on its generation and distribution services, as determined in subdivision 2, exceeds the aggregate level of invested capital in new utility-owned generation facilities utilizing energy derived from sunlight, or from wind, and electric distribution grid transformation projects, as provided in clauses (i) and (ii), during the test period or periods under review, then 70 percent of the amount of such excess shall be credited to customer bills as provided in subdivision 8 b in connection with the triennial review proceeding. The portion of any costs associated with new utility-owned generation facilities utilizing energy derived from sunlight, or from wind, or electric distribution grid transformation projects that is the subject of any customer credit reinvestment offset pursuant to this subdivision shall not thereafter be recovered through the utility's rates for generation and distribution services over the service life of such facilities and shall not thereafter be included in the utility's costs, revenues, and investments in future triennial review proceedings conducted pursuant to subdivision 2 and shall not be the subject of a rate adjustment clause petition pursuant to subdivision 6. The portion of any costs associated with new utility-owned generation facilities utilizing energy derived from sunlight, or from wind, or electric distribution grid transformation projects that is not the subject of any customer credit reinvestment offset pursuant to this subdivision may be recovered through the utility's rates for generation and distribution services over the service life of such facilities and shall be included in the utility's costs, revenues, and investments in future triennial review proceedings conducted pursuant to subdivision 2 until such costs are fully recovered, and if such costs are recovered through the utility's rates for generation and distribution services, they shall not be the subject of a rate adjustment clause petition pursuant to subdivision 6. Only the portion of such costs of new utility-owned generation facilities utilizing energy derived from sunlight, or from wind, or electric distribution grid transformation projects that has not been included in any customer credit reinvestment offset pursuant to this subdivision, and not otherwise recovered through the utility's rates for generation and distribution services, may be the subject of a rate adjustment clause petition by the utility pursuant to subdivision 6.

The Commission's final order regarding such triennial review shall be entered not more than eight months after the date of filing, and any revisions in rates or credits so ordered shall take effect not more than 60 days after the date of the order. The fair combined rate of return on common equity determined pursuant to subdivision 2 in such triennial review shall apply, for purposes of reviewing the utility's earnings on its rates for generation and distribution services, to the entire three successive 12-month test periods ending December 31 immediately preceding the year of the utility's subsequent triennial review filing under subdivision 3 and shall apply to applicable rate adjustment clauses under subdivisions 5 and 6 prospectively from the date the Commission's final order in the triennial review proceeding, utilizing rate adjustment clause true-up protocols as the Commission in its discretion may determine.

9. If, as a result of a triennial review required under this subsection and conducted with respect to any test period or periods under review ending later than December 31, 2010 (or, if the Commission has elected to stagger its biennial reviews of utilities as provided in subdivision 1, under review ending later than December 31, 2010, for a Phase I Utility, or December 31, 2011, for a Phase II Utility), the Commission finds, with respect to such test period or periods considered as a whole, that (i) any utility has, during the test period or periods under review, considered as a whole, earned more than 50 basis points above a fair combined rate of return on its generation and distribution services or, for any test period commencing after December 31, 2012, for a Phase II Utility and after December 31, 2013, for a Phase I Utility, more than 70 basis points above a fair combined rate of return on its generation and distribution services, as determined in subdivision 2, without regard to any return on common equity or other matters determined with respect to facilities described in subdivision 6, and (ii) the total aggregate regulated rates of such utility at the end of the most recently ended 12-month test period exceeded the annual increases in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the United States Department of Labor, compounded annually, when compared to the total aggregate regulated rates of such utility as determined pursuant to the review conducted for the base period, the Commission shall, unless it finds that such action is not in the public interest or that the provisions of subdivisions 8 b and c are more consistent with the public interest, direct that any or all earnings for such test period or periods under review, considered as a whole that were more than 50 basis points, or, for any test period commencing after December 31, 2012, for a Phase II Utility and after December 31, 2013, for a Phase I Utility, more than 70 basis points, above such fair combined rate of return shall be credited to customers' bills, in lieu of the provisions of subdivisions 8 b and c, provided that no credits shall be provided pursuant to this subdivision in connection with any triennial review unless such bill credits would be payable pursuant to the provisions of subdivision 8 d, and any credits under this subdivision shall be calculated net of any customer credit reinvestment offset amounts under subdivision 8 d. Any such credits shall be amortized and allocated among customer classes in the manner provided by subdivision 8 b. For purposes of this

subdivision:

"Base period" means (i) the test period ending December 31, 2010 (or, if the Commission has elected to stagger its biennial reviews of utilities as provided in subdivision 1, the test period ending December 31, 2010, for a Phase I Utility, or December 31, 2011, for a Phase II Utility), or (ii) the most recent test period with respect to which credits have been applied to customers' bills under the provisions of this subdivision, whichever is later.

"Total aggregate regulated rates" shall include: (i) fuel tariffs approved pursuant to § 56-249.6, except for any increases in fuel tariffs deferred by the Commission for recovery in periods after December 31, 2010, pursuant to the provisions of clause (ii) of subsection C of § 56-249.6; (ii) rate adjustment clauses implemented pursuant to subdivision 4 or 5; (iii) revisions to the utility's rates pursuant to subdivision 8 a; (iv) revisions to the utility's rates pursuant to the Commission's rules governing utility rate increase applications, as permitted by subsection B, occurring after July 1, 2009; and (v) base rates in effect as of July 1, 2009.

10. For purposes of this section, the Commission shall regulate the rates, terms and conditions of any utility subject to this section on a stand-alone basis utilizing the actual end-of-test period capital structure and cost of capital of such utility, excluding any debt associated with securitized bonds that are the obligation of non-Virginia jurisdictional customers, unless the Commission finds that the debt to equity ratio of such capital structure is unreasonable for such utility, in which case the Commission may utilize a debt to equity ratio that it finds to be reasonable for such utility in determining any rate adjustment pursuant to subdivisions 8 a and c, and without regard to the cost of capital, capital structure, revenues, expenses or investments of any other entity with which such utility may be affiliated. In particular, and without limitation, the Commission shall determine the federal and state income tax costs for any such utility that is part of a publicly traded, consolidated group as follows: (i) such utility's apportioned state income tax costs shall be calculated according to the applicable statutory rate, as if the utility had not filed a consolidated return with its affiliates, and (ii) such utility's federal income tax costs shall be calculated according to the applicable federal income tax rate and shall exclude any consolidated tax liability or benefit adjustments originating from any taxable income or loss of its affiliates.

B. Nothing in this section shall preclude an investor-owned incumbent electric utility from applying for an increase in rates pursuant to § 56-245 or the Commission's rules governing utility rate increase applications; however, in any such filing, a fair rate of return on common equity shall be determined pursuant to subdivision A 2. Nothing in this section shall preclude such utility's recovery of fuel and purchased power costs as provided in § 56-249.6.

C. Except as otherwise provided in this section, the Commission shall exercise authority over the rates, terms and conditions of investor-owned incumbent electric utilities for the provision of generation, transmission and distribution services to retail customers in the Commonwealth pursuant to the provisions of Chapter 10 (§ 56-232 et seq.), including specifically § 56-235.2.

D. The Commission may determine, during any proceeding authorized or required by this section, the reasonableness or prudence of any cost incurred or projected to be incurred, by a utility in connection with the subject of the proceeding. A determination of the Commission regarding the reasonableness or prudence of any such cost shall be consistent with the Commission's authority to determine the reasonableness or prudence of costs in proceedings pursuant to the provisions of Chapter 10 (§ 56-232 et seq.). In determining the reasonableness or prudence of a utility providing energy and capacity to its customers from renewable energy resources, the Commission shall consider the extent to which such renewable energy resources, whether utility-owned or by contract, further the objectives of the Commonwealth Energy Policy set forth in §§ 67-101 and 67-102, and shall also consider whether the costs of such resources is likely to result in unreasonable increases in rates paid by customers.

E. The Commission shall promulgate such rules and regulations as may be necessary to implement the provisions of this section.

§ 56-596.2. Energy efficiency programs.

A. For purposes of this section:

"Net annual savings" means (i) the total combined energy savings achieved by deployed energy efficiency and demand response measures, net of free rider savings from customers who would have implemented a measure in absence of utility-delivered energy efficiency programs, and net of spillover savings from customers who implement an efficiency measure not directly targeted by utility-delivered energy efficiency programs and (ii) savings attributable to newly installed combined heat and power facilities, including waste heat-to-power facilities, either as a demand-side energy efficiency measure or a supply-side generation alternative, including any associated reduction in transmission line losses, provided that biomass is not a fuel and the total efficiency, including the use of thermal energy, for eligible combined heat and power facilities must meet or exceed 65 percent and have a nameplate capacity rating of less than 25 megawatts.

1045 *"Qualified waste heat resource" means (i) exhaust heat or flared gas from an industrial process that*
1046 *does not have, as its primary purpose, the production of electricity and (ii) a pressure drop in any gas*
1047 *for an industrial or commercial process.*

1048 *"Waste heat to power" means a system that generates electricity through the recovery of a qualified*
1049 *waste heat resource.*

1050 *Each Phase I Utility and Phase II Utility, as such terms are defined in subdivision A 1 of § 56-585.1,*
1051 *B. Notwithstanding subsection G of § 56-580, or any other provision of law, each incumbent*
1052 *investor-owned electric utility shall develop a proposed program of energy conservation measures. Any*
1053 *program shall provide for the submission of a petition or petitions for approval to design, implement,*
1054 *and operate energy efficiency programs pursuant to subdivision A 5 c of § 56-585.1. At least five 15*
1055 *percent of such proposed costs of energy efficiency programs shall be allocated to programs designed to*
1056 *benefit low-income, elderly, and or disabled individuals or veterans.*

1057 *C. Notwithstanding any other provision of law, each investor-owned incumbent electric utility shall*
1058 *implement energy efficiency programs and measures to achieve the following annual energy efficiency*
1059 *savings, as measured by the total combined kilowatt-hour savings achieved by deployed efficiency and*
1060 *demand response measures:*

1061 *1. For Phase I electric utilities:*

1062 *a. In calendar year 2022, at least 0.25 percent of the average annual energy jurisdictional retail*
1063 *sales by that utility in 2019, adjusted for any supply service customer loss since that time;*

1064 *b. In calendar year 2023, at least 0.50 percent of the average annual energy jurisdictional retail*
1065 *sales by that utility in 2019, adjusted for any supply service customer loss since that time;*

1066 *c. In calendar year 2024, at least 0.75 percent of the average annual energy jurisdictional retail*
1067 *sales by that utility in 2019, adjusted for any supply service customer loss since that time;*

1068 *d. In calendar year 2025, at least 1.00 percent of the average annual energy jurisdictional retail*
1069 *sales by that utility in 2019, adjusted for any supply service customer loss since that time;*

1070 *2. For Phase II electric utilities:*

1071 *a. In calendar year 2022, at least 0.25 percent of the average annual energy jurisdictional retail*
1072 *sales by that utility in 2019, adjusted for any supply service customer loss since that time;*

1073 *b. In calendar year 2023, at least 0.75 percent of the average annual energy jurisdictional retail*
1074 *sales by that utility in 2019, adjusted for any supply service customer loss since that time;*

1075 *c. In calendar year 2024, at least 1.75 percent of the average annual energy jurisdictional retail*
1076 *sales by that utility in 2019, adjusted for any supply service customer loss since that time;*

1077 *d. In calendar year 2025, at least 2.5 percent of the average annual energy jurisdictional retail sales*
1078 *by that utility in 2019, adjusted for any supply service customer loss since that time.*

1079 *3. Beginning in 2026, and every three years thereafter, in each utility's annual energy efficiency rate*
1080 *adjustment clause proceeding, the Commission shall adjust the utility's required energy efficiency*
1081 *savings goals for the successive three-year period. As part of such proceeding, the Commission may*
1082 *consider the feasibility of achieving energy efficiency goals and future energy efficiency savings through*
1083 *cost-effective programs and measures.*

1084 *D. The projected costs for the utility to design, implement, and operate such energy efficiency*
1085 *programs, including a margin to be recovered on operating expenses, shall be no less than an aggregate*
1086 *amount of \$140 million for a Phase I Utility and \$870 million for a Phase II Utility for the period*
1087 *beginning July 1, 2018, and ending July 1, 2028, including any existing approved energy efficiency*
1088 *programs. In developing such portfolio of energy efficiency programs, each utility shall utilize a*
1089 *stakeholder process, to be facilitated by an independent monitor compensated under the funding provided*
1090 *pursuant to subdivision E of § 56-592.1, to provide input and feedback on (i) the development of such*
1091 *energy efficiency programs and portfolios of programs; (ii) compliance with the annual energy*
1092 *efficiency savings set forth in this subsection and how such savings affect utility integrated resource*
1093 *plans; (iii) recommended policy reforms by which the General Assembly or the Commission can ensure*
1094 *maximum and cost-effective deployment of energy efficiency technology across the Commonwealth; and*
1095 *(iv) best practices for evaluation, measurement, and verification for the purposes of assessing*
1096 *compliance with the annual energy efficiency savings set forth in subsection C. Utilities shall utilize the*
1097 *services of a third party to perform evaluation, measurement, and verification services to determine a*
1098 *utility's cumulative annual savings as required by this subdivision, as well as the annual and lifecycle*
1099 *net and gross energy and capacity savings, related emissions reductions, and other quantifiable benefits*
1100 *of each program; total customer bill savings that the programs and portfolios produce; and utility*
1101 *spending on each program, including any associated administrative costs. The third-party evaluator*
1102 *shall include and review each utility's avoided costs and cost-benefit analyses. The findings and reports*
1103 *of such third parties shall be concurrently provided to both the Commission and the utility, and the*
1104 *Commission shall make each such final annual report easily and publicly accessible online. Such*
1105 *stakeholder process shall include the participation of representatives from each utility, relevant directors,*
1106 *deputy directors, and staff members of the State Corporation Commission who participate in approval*

1107 *and oversight of utility efficiency programs*, the office of Consumer Counsel of the Attorney General,
1108 the Department of Mines, Minerals and Energy, energy efficiency program implementers, energy
1109 efficiency providers, residential and small business customers, and any other interested stakeholder who
1110 the independent monitor deems appropriate for inclusion in such process. The independent monitor shall
1111 convene meetings of the participants in the stakeholder process not less frequently than twice in each
1112 calendar year during the period beginning July 1, 2019, and ending July 1, 2028. The independent
1113 monitor shall report on the status of the energy efficiency stakeholder process, including (i) the
1114 objectives established by the stakeholder group during this process related to programs to be proposed,
1115 (ii) recommendations related to programs to be proposed that result from the stakeholder process, and
1116 (iii) the status of those recommendations, in addition to the petitions filed and the determination thereon,
1117 to the Governor, the State Corporation Commission, and the Chairmen of the House and Senate
1118 Commerce and Labor Committees on July 1, 2019, and annually thereafter through July 1, 2028.
1119 *E. Nothing in this section shall apply to any entity organized under Chapter 9.1 (§ 56-231.15 et seq.)*
1120 *of Title 56.*