State Corporation Commission
2020 Fiscal Impact Statement

1. **Bill Number:** HB1450

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

2. **Patron:** Sullivan

3. **Committee:**

4. **Title:** Electric utility regulation; energy efficiency standard.

5. **Summary:** **Substitute:** Requires Dominion Energy Virginia (DEV) and American Electric Power (AEP) to achieve incremental net annual savings in accordance with a schedule that starts in 2021, when savings are required to be at least 0.25 percent of the average annual energy retail sales by that utility in 2019, and increases the level of required savings until 2025 and thereafter, when savings are required to be at least two percent of AEP's average annual energy retail sales in 2019 and at least five percent of DEV's average annual energy sales in 2019. The measure requires the utilities to retain an independent, qualified third-party evaluator to determine the utility's incremental net annual savings and other benefits of the program. The measure requires the State Corporation Commission, for any year that a utility meets the annual energy efficiency standard, to allow for the additional recovery of a margin on its program's operating expenses through a rate adjustment clause that provides the utility with a margin equal to the general rate of return on common equity. The Commission is directed to award an additional 20 basis points for each 0.1 percent of annual savings in excess of the required amount of savings, with a cap on total performance incentive awards in any year of 10 percent of the utility's total energy efficiency spending in that year. The measure also (i) increases the portion of the approved costs of certain utility energy efficiency programs that are required to be allocated to programs designed to benefit low-income, elderly, and disabled individuals from five percent to 15 percent of the approved costs of such programs and adds veterans to be benefited from such programs; (ii) requires the energy efficiency stakeholder process established for the purpose of providing input and feedback on the development of electric utilities' energy efficiency programs to include the participation of certain Commission personnel who participate in approval and oversight of utility efficiency programs; (iii) directs the Commission to increase the utility's rates to recover for revenue reductions related to energy efficiency programs if the revenue reductions have caused the utility, during the test period or periods under review, 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 DEV and after December 31, 2013, for AEP, more than 70 basis points below a fair combined rate of return on its generation and distribution services; (iv) allows certain large general service customers to avoid participation in energy efficiency programs and to avoid paying for the costs of such

programs through a rate adjustment clause upon receiving an exemption from the Commission; and (v) provides that certain energy efficiency pilot programs may be deemed to be in the public interest.

Requires that the Commission annually monitor and report to the General Assembly the performance of all programs approved pursuant to this subdivision. Requires the Commission adopt rules and regulations establishing the process for large general service customers to apply for an exemption from the requirements that they participate in energy efficiency programs. Requires that a utility seeking approval to construct or purchase a generating facility 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.

Establishes that the construction, purchasing, or leasing activities for a new utility-owned and -operated generating facility or facilities utilizing energy derived from sunlight or from wind with an aggregate capacity of 16,100 megawatts, including rooftop solar installations with a capacity of not less than 50 kilowatts, and with an aggregate capacity of 100 megawatts, together with a utility-owned and -operated generating facility or facilities utilizing energy derived from offshore wind with an aggregate capacity of not more than 5,000 megawatts, are in the public interest.

6. **Budget Amendment Necessary**: No.

7. **Fiscal Impact Estimates:** Fiscal impact estimates are not available. While there would be some level of fiscal impact, it is expected that it would be relatively minimal. An exact figure cannot be determined at this time. See Item #8.

8. **Fiscal Implications:** The Division of Public Utility Regulation may need to hire a consultant to review the utility's filing and offer conclusions and recommendations regarding the reasonableness of the third-party evaluator's net annual savings and other benefits findings. The Division does not currently have staff available to conduct such a review.

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

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** An amended version of the Substitute passed the House on 2/11/20.

GA 2/12/2020