

State Corporation Commission 2020 Fiscal Impact Statement

1. Bill Number: HB1664

House of Origin ☐ Introduced ☒ Substitute ☐ Engrossed

Second House ☒ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Hayes

3. Committee: Commerce and Labor

4. Title: Electric utilities; offshore wind development.

5. Summary: Substitute: Requires the State Corporation Commission to allow Dominion Energy Virginia to recover all costs of certain utility-owned and utility-operated offshore wind generating facilities, including associated transmission and distribution facilities, and declares that these costs are presumed to be reasonably and prudently incurred, if the Commission determines that (i) the utility has complied with competitive solicitation and procurement requirements, (ii) the project's projected total levelized costs of energy, including any tax credit, on a cost per megawatt hour basis, inclusive of the costs of transmission and distribution facilities associated with the facility's interconnection does not exceed 1.6 times the comparable cost, on an unweighted average basis, of a conventional simple cycle combustion turbine generating facility as most recently estimated by the U.S. Energy Information Administration in its Annual Energy Outlook at the time of the utility's initial cost recovery request, and (iii) the utility has commenced construction of such facilities for U.S. income taxation purposes prior to January 1, 2024, or has a plan for such facility or facilities to be in service prior to January 1, 2028. The measure provides that such costs shall be allocated to all customers of the utility in the Commonwealth as a non-bypassable charge, regardless of the generation supplier of any such customer, other than (i) low-income residential customers and (ii) commercial and industrial customers, regardless of the generation supplier, with (a) an aggregate load over 100 megawatts and (b) an aggregate load of at least 200 megawatts of renewable energy supply under a long-term contract from facilities located within the Commonwealth prior to January 1, 2024, which directly procure from the utility the electricity and environmental attributes of the facility associated with the lesser of 50 megawatts of nameplate capacity or 15 percent of the commercial or industrial customer's annual peak demand for a contract period of 15 years. The measure requires the utility to (a) identify options for utilizing local workers, (b) consult with the Chief Workforce Development Officer, and (c) give priority to hiring local workers.

6. Budget Amendment Necessary: Yes. See Item 8 and Item 11.

7. Fiscal Impact Estimates: Fiscal impact estimates are final except for estimates for handling additional customer inquiries. See Item # 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020			
2021	\$76,000	1	NGF (Fund 02080)
2022	\$152,000	2	NGF (Fund 02080)
2023	\$156,500	2	NGF (Fund 02080)
2024	\$161,200	2	NGF (Fund 02080)
2025	\$166,000	2	NGF (Fund 02080)
2026	\$171,000	2	NGF (Fund 02080)

7b. Revenue Impact: No Additional Revenue will be collected.

- 8. Fiscal Implications: Substitute:** The bill creates an exemption for low-income residential customers which exempts them from paying for off-shore wind facilities. Neither the utilities nor the SCC have a list of the customers who qualify for this exemption. Assuming that 15% of Dominion's customers may qualify, approximately 342,000 customers potentially are eligible for this exemption. The customer is required to ask for the exemption. Given the \$7.8 billion cost estimate for off-shore wind, the probability of cost over-runs, and the substantial bill impacts, it is anticipated that our customer call volume will increase substantially. Further, the cost shifting that is created by exempting a substantial subclass of customers will add another level of complexity to future utility rate cases. It is estimated that this will require the addition of two additional utility analysts, one added beginning in FY2021 and a second one added beginning in FY2022. Salary and benefit increases of 3% per year have been applied to Fiscal Years 2023 through 2026. Further, a call center through a third-party vendor may be required or additional full-time personnel may need to be hired, depending on the actual call volume that materializes. No estimates have been prepared to handle the anticipated additional customer call volume since the amount of the increase is currently unknown.

Please note House Bill 1664, Senate Bill 860 and Senate Bill 998 all pertain to offshore wind development. A total of two positions will be needed whether one bill or all three bills pass.

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

- 10. Technical Amendment Necessary:** No

- 11. Other Comments:** House Bill 1664, Senate Bill 860 and Senate Bill 998 all pertain to offshore wind development.