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**HOUSE BILL NO. 1166**

Offered January 17, 2012

*A BILL to amend and reenact § 56-585.2 of the Code of Virginia, relating to electric utilities; reporting requirements of the renewable energy portfolio standard program.*

Patrons—McClellan and Scott, J.M.

Referred to Committee on Commerce and Labor

**Be it enacted by the General Assembly of Virginia:****1. That § 56-585.2 of the Code of Virginia is amended and reenacted as follows:**

§ 56-585.2. Sale of electricity from renewable sources through a renewable energy portfolio standard program.

A. As used in this section:

"Renewable energy" shall have the same meaning ascribed to it in § 56-576, provided such renewable energy is (i) generated or purchased in the Commonwealth or in the interconnection region of the regional transmission entity of which the participating utility is a member, as it may change from time to time; (ii) generated by a public utility providing electric service in the Commonwealth from a facility in which the public utility owns at least a 49 percent interest and that is located in a control area adjacent to such interconnection region; or (iii) represented by certificates issued by an affiliate of such regional transmission entity, or any successor to such affiliate, and held or acquired by such utility, which validate the generation of renewable energy by eligible sources in such region. "Renewable energy" shall not include electricity generated from pumped storage, but shall include run-of-river generation from a combined pumped-storage and run-of-river facility.

"Total electric energy sold in the base year" means total electric energy sold to Virginia jurisdictional retail customers by a participating utility in calendar year 2007, excluding an amount equivalent to the average of the annual percentages of the electric energy that was supplied to such customers from nuclear generating plants for the calendar years 2004 through 2006.

B. Any investor-owned incumbent electric utility may apply to the Commission for approval to participate in a renewable energy portfolio standard program, as defined in this section. The Commission shall approve such application if the applicant demonstrates that it has a reasonable expectation of achieving 12 percent of its base year electric energy sales from renewable energy sources during calendar year 2022, and 15 percent of its base year electric energy sales from renewable energy sources during calendar year 2025, as provided in subsection D.

C. It is in the public interest for utilities to achieve the goals set forth in subsection D, such goals being referred to herein as "RPS Goals". Accordingly, the Commission, in addition to providing recovery of incremental RPS program costs pursuant to subsection E, shall increase the fair combined rate of return on common equity for each utility participating in such program by a single Performance Incentive, as defined in subdivision A 2 of § 56-585.1, of 50 basis points whenever the utility attains an RPS Goal established in subsection D. Such Performance Incentive shall first be used in the calculation of a fair combined rate of return for the purposes of the immediately succeeding biennial review conducted pursuant to § 56-585.1 after any such RPS Goal is attained, and shall remain in effect if the utility continues to meet the RPS Goals established in this section through and including the third succeeding biennial review conducted thereafter. Any such Performance Incentive, if implemented, shall be in lieu of any other Performance Incentive reducing or increasing such utility's fair combined rate of return on common equity for the same time periods. However, if the utility receives any other Performance Incentive increasing its fair combined rate of return on common equity by more than 50 basis points, the utility shall be entitled to such other Performance Incentive in lieu of this Performance Incentive during the term of such other Performance Incentive. A utility shall receive double credit toward meeting the renewable energy portfolio standard for energy derived from sunlight or from onshore wind, and triple credit toward meeting the renewable energy portfolio standard for energy derived from offshore wind.

D. To qualify for the Performance Incentive established in subsection C, the total electric energy sold by a utility to meet the RPS Goals shall be composed of the following amounts of electric energy from renewable energy sources, as adjusted for any sales volumes lost through operation of the customer choice provisions of subdivision A 3 or A 4 of § 56-577:

RPS Goal I: In calendar year 2010, 4 percent of total electric energy sold in the base year.

RPS Goal II: For calendar years 2011 through 2015, inclusive, an average of 4 percent of total electric energy sold in the base year, and in calendar year 2016, 7 percent of total electric energy sold in

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59 the base year.

60 RPS Goal III: For calendar years 2017 through 2021, inclusive, an average of 7 percent of total  
61 electric energy sold in the base year, and in calendar year 2022, 12 percent of total electric energy sold  
62 in the base year.

63 RPS Goal IV: For calendar years 2023 and 2024, inclusive, an average of 12 percent of total electric  
64 energy sold in the base year, and in calendar year 2025, 15 percent of total electric energy sold in the  
65 base year.

66 A utility may apply renewable energy sales achieved or renewable energy certificates acquired during  
67 the periods covered by any such RPS Goal that are in excess of the sales requirement for that RPS Goal  
68 to the sales requirements for any future RPS Goal.

69 E. A utility participating in such program shall have the right to recover all incremental costs  
70 incurred for the purpose of such participation in such program, as accrued against income, through rate  
71 adjustment clauses as provided in subdivisions A 5 and A 6 of § 56-585.1, including, but not limited to,  
72 administrative costs, ancillary costs, capacity costs, costs of energy represented by certificates described  
73 in subsection A, and, in the case of construction of renewable energy generation facilities, allowance for  
74 funds used during construction until such time as an enhanced rate of return, as determined pursuant to  
75 subdivision A 6 of § 56-585.1, on construction work in progress is included in rates, projected  
76 construction work in progress, planning, development and construction costs, life-cycle costs, and costs  
77 of infrastructure associated therewith, plus an enhanced rate of return, as determined pursuant to  
78 subdivision A 6 of § 56-585.1. All incremental costs of the RPS program shall be allocated to and  
79 recovered from the utility's customer classes based on the demand created by the class and within the  
80 class based on energy used by the individual customer in the class, except that the incremental costs of  
81 the RPS program shall not be allocated to or recovered from customers that are served within the large  
82 industrial rate classes of the participating utilities and that are served at primary or transmission voltage.

83 F. A utility participating in such program shall apply towards meeting its RPS Goals any renewable  
84 energy from existing renewable energy sources owned by the participating utility or purchased as  
85 allowed by contract at no additional cost to customers to the extent feasible. A utility participating in  
86 such program shall not apply towards meeting its RPS Goals renewable energy certificates attributable to  
87 any renewable energy generated at a renewable energy generation source in operation as of July 1, 2007,  
88 that is operated by a person that is served within a utility's large industrial rate class and that is served  
89 at primary or transmission voltage. A participating utility shall be required to fulfill any remaining  
90 deficit needed to fulfill its RPS Goals from new renewable energy supplies at reasonable cost and in a  
91 prudent manner to be determined by the Commission at the time of approval of any application made  
92 pursuant to subsection B. A participating utility may sell renewable energy certificates produced at its  
93 own generation facilities located in the Commonwealth or, if located outside the Commonwealth, owned  
94 by such utility and in operation as of January 1, 2010, or renewable energy certificates acquired as part  
95 of a purchase power agreement, to another entity and purchase lower cost renewable energy certificates  
96 and the net difference in price between the renewable energy certificates shall be credited to customers.  
97 Utilities participating in such program shall collectively, either through the installation of new generating  
98 facilities, through retrofit of existing facilities or through purchases of electricity from new facilities  
99 located in Virginia, use or cause to be used no more than a total of 1.5 million tons per year of green  
100 wood chips, bark, sawdust, a tree or any portion of a tree which is used or can be used for lumber and  
101 pulp manufacturing by facilities located in Virginia, towards meeting RPS goals, excluding such fuel  
102 used at electric generating facilities using wood as fuel prior to January 1, 2007. A utility with an  
103 approved application shall be allocated a portion of the 1.5 million tons per year in proportion to its  
104 share of the total electric energy sold in the base year, as defined in subsection A, for all utilities  
105 participating in the RPS program. A utility may use in meeting RPS goals, without limitation, the  
106 following sustainable biomass and biomass based waste to energy resources: mill residue, except wood  
107 chips, sawdust and bark; pre-commercial soft wood thinning; slash; logging and construction debris;  
108 brush; yard waste; shipping crates; dunnage; non-merchantable waste paper; landscape or right-of-way  
109 tree trimmings; agricultural and vineyard materials; grain; legumes; sugar; and gas produced from the  
110 anaerobic decomposition of animal waste.

111 G. The Commission shall promulgate such rules and regulations as may be necessary to implement  
112 the provisions of this section including a requirement that participants verify whether the RPS goals are  
113 met in accordance with this section.

114 H. Each investor-owned incumbent electric utility shall report to the Commission annually by  
115 November 1 ~~on~~ ~~(i)~~ ~~its~~ that identifies:

116 1. The utility's efforts, if any, to meet the RPS Goals, ~~(ii)~~ ~~its~~ specifically identifying:

117 a. A list of all states where the applied renewable energy was generated, specifying the number of  
118 megawatt hours or renewable energy certificates originating from each state;

119 b. A list of the decades in which the applied renewable energy generating units were placed in  
120 service, specifying the number of megawatt hours or renewable energy certificates originating from

121 *those units; and*  
122 *c. A list of fuel types used to generate the applied renewable energy, specifying the number of*  
123 *megawatt hours or renewable energy certificates originating from each fuel type;*  
124 *2. The utility's overall generation of renewable energy; and (iii) advances*  
125 *3. Advances in renewable generation technology that affect activities described in clauses (i) and (ii)*  
126 *subdivisions 1 and 2.*  
127 *I. The Commission shall post on its website the reports submitted by each investor-owned incumbent*  
128 *electric utility pursuant to subsection H.*