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HOUSE BILL NO. 1001

Offered January 8, 2014

Prefiled January 8, 2014

A *BILL to amend the Code of Virginia by adding a section numbered 56-585.4, relating to electric utility regulation; on-bill financing programs for eligible energy efficiency measures.*

Patron—Yancey

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered 56-585.4 as follows:

§ 56-585.4. On-bill financing programs for eligible energy efficiency measures.

A. As used in this section, unless the context otherwise requires:

"Eligible customer" means an individual owner of a single-family dwelling, receiving service from the electric utility as a residential customer, who is determined by the electric utility to be eligible to participate in the electric utility's on-bill financing program based on the individual's payment history with the electric utility and credit worthiness.

"Eligible measure" means an energy efficiency measure that is projected to have estimated electricity savings, determined by rates in effect at the time of purchase, that are sufficient to exceed the costs of the measure, including finance charges, by not less than 10 percent.

"Energy efficiency measure" means materials, equipment, or fixtures that are permanently affixed to or installed in a customer's dwelling for the primary purpose of improving the energy efficiency of the dwelling and reducing its consumption of electricity. "Energy efficiency measure" does not include (i) any improvement made to newly constructed dwellings or dwellings that are under initial construction.

"Energy efficiency measure" includes:

1. High-efficiency furnaces, boilers, space heaters, air conditioners, and air conditioning systems;
2. Insulation in walls, roofs, floors, and foundations and in heating and cooling distribution systems;
3. Storm windows and doors, multiglazed windows and doors, heat-absorbing or heat-reflective glazed and coated window and door systems, additional glazing, reductions in glass area, and other window and door system modifications that reduce energy consumption;
4. Automatic energy control systems; and
5. Caulking and weatherstripping.

"Meter conservation charge" means a charge placed on a customer's periodic billing statement by which an electric utility may recover the costs, including financing costs, of eligible measures provided for the customer's dwelling.

"On-bill financing arrangement" means an agreement between an eligible customer and an electric utility that provides for the costs, including financing costs, of eligible measures to be paid by or through the utility and repaid by the customer to or through the utility by means of a meter conservation charge.

"On-bill financing program" means a program that allows eligible customers (i) to arrange through the utility for pre-approved vendors to provide eligible measures for the eligible customer's dwelling without any required upfront payment and (ii) to pay back the costs of the eligible measures through on-bill financing arrangements.

B. By January 1, 2015, each electric utility shall file a plan for implementing an on-bill financing program with the Commission for approval. The plan shall include guidelines for on-bill financing arrangements; limits on their individual and aggregate amounts; limits on the duration of on-bill financing arrangements, which shall not exceed five years; criteria and standards for identifying and approving eligible measures; qualifications of pre-selected vendors that will market or install eligible measures, including a methodology for ensuring ongoing compliance with such qualifications; and sample contracts and agreements necessary to implement the program. The proposed plan submitted by each electric utility shall be consistent with the provisions of this section that define operational, financial, and billing arrangements between and among participating eligible customers, vendors, and the electric utility. After the Commission has accepted a filing, the Commission shall review and approve an on-bill financing plan if it determines, after notice and an opportunity for public hearing, that the plan would:

1. Not adversely affect the quality, safety, or reliability of electricity service by the electric utility or the provision of adequate service to the electric utility's customers;
2. Not result in rates charged by the electric utility that are in excess of levels approved by the

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59 Commission under this title;

60 3. Not adversely affect the electric utility's customers not participating in the program;

61 4. Not unreasonably discriminate against one class of the electric utility's customers in favor of
62 another class;

63 5. Satisfy the requirements for an on-bill financing program set forth in subsection D; and

64 6. Be in the public interest.

65 C. The Commission shall, after the acceptance of a filing of a plan pursuant to subsection B,
66 approve or disapprove the plan within 120 days. The 120-day period may be extended by Commission
67 order for an additional period not to exceed 60 days. The plan shall be deemed approved if the
68 Commission fails to act within 120 days or any extended period ordered by the Commission. The
69 Commission may modify a plan filed by an electric utility to ensure that it conforms to the provisions of
70 this subsection and is otherwise in the public interest. Plans approved pursuant to this section shall not
71 be placed into effect before January 1, 2016.

72 D. A plan for an on-bill financing program that meets the following requirements shall be eligible
73 for approval by the Commission:

74 1. Participation in the program, and financing therefor, shall only be offered to customers of the
75 utility that also have an electric service account at the dwelling where the eligible measures being
76 financed shall be installed;

77 2. The on-bill financing arrangement shall identify each eligible measure to be completed and the
78 vendor responsible for its completion and shall specify that the participating eligible customer shall only
79 be responsible for the payment of the meter conservation charge upon satisfactory completion of all
80 eligible measures by the responsible vendor;

81 3. The on-bill financing arrangement shall specify that the electric utility shall be entitled to recover
82 its costs, including financing costs, of completing the eligible measures solely through the meter
83 conservation charge, which shall:

84 a. Be stated as a separate line item on the customer's utility bill;

85 b. Be in a total amount that does not exceed the costs, including financing costs, of the installed
86 eligible measures;

87 c. Have a fixed rate of interest over the term of the on-bill financing arrangement that is clearly set
88 forth in the arrangement and does not exceed the legal rate of interest; and

89 d. Have a term that does not exceed five years;

90 4. The electric utility shall provide, or arrange from third-party lenders, financing to participating
91 eligible customers to pay for eligible measures. The plan shall identify the interest rate, origination fees,
92 and credit terms of any on-bill financing arrangement;

93 5. The electric utility shall establish the terms and processes pursuant to which a participating
94 eligible customer may purchase eligible measures using the on-bill financing arrangement;

95 6. Upon transfer of ownership of the dwelling at which the eligible measures were installed or the
96 participating eligible customer's request to terminate service at the dwelling, the customer shall pay in
97 full his electric utility bill, including all amounts due under the on-bill financing arrangement;

98 7. Amounts due under an on-bill financing arrangement shall be deemed amounts owed for
99 residential electric service; and

100 8. The electric utility shall retain a security interest in any eligible measure purchased under the
101 program, and the electric utility shall have the right to disconnect a participating eligible customer who
102 defaults on the payment of its utility bill.

103 E. An electric utility shall recover all of the prudently incurred costs of offering an on-bill financing
104 program approved by the Commission pursuant to this section, including, but not limited to, all start-up
105 and administrative costs, through meter conservation charges.