

State Corporation Commission 2020 Fiscal Impact Statement

1. Bill Number: SB851

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

2. Patron: McClellan

3. Committee: Commerce and Labor

4. Title: Electric utility regulation; environmental goals.

5. Summary: Requires the adoption of regulations establishing a carbon dioxide cap and trade program that comply with the RGGI model rule. Directs the total revenues received from the sale of allowances be directed to the Department of Mines, Minerals and Energy, which is directed to distribute specific percentages of the moneys to low-income, disability, veteran, and age-qualifying energy efficiency programs; additional energy efficiency measures for public facilities; coastal resiliency efforts; and administrative costs. Replaces the existing voluntary renewable energy portfolio system (RPS) program with a mandatory RPS that applies to electric utilities and licensed competitive suppliers. Under the mandatory RPS, utilities and suppliers are required to produce their electricity from 100 percent renewable sources by 2050, with annual steps that direct the electricity be generated in specific percentages in nine tiers or sub-tiers. A utility or supplier that does not meet its targets is required to pay a specific deficiency payment or purchase renewable energy certificates. The proceeds from the deficiency payments are to be deposited into an account administered by the Department of Mines, Minerals and Energy, which is directed to distribute specific percentages of the moneys to low-income, disability, veteran, and age-qualifying energy efficiency programs; additional energy efficiency measures for public facilities; coastal resiliency efforts; and administrative costs. Among other things, the measure also (i) adopts a 2,400 megawatt energy storage deployment target for the Commonwealth and requires the State Corporation Commission (the Commission) to adopt regulations for the implementation of the energy storage deployment target that outline a deployment target of 2,400 megawatts by 2035 with interim targets that include Commission-approved energy storage system resources; (ii) establishes an energy efficiency standard under which each investor-owned incumbent electric utility is required to achieve incremental annual energy efficiency savings that start in 2021 at 0.35 percent of the average annual energy retail sales by that utility in the three preceding calendar years and increase annually until 2027 and thereafter when energy efficiency savings of at least two percent of the average annual energy retail sales by that utility in the three preceding calendar years are required; (iii) exempts large general service customers from energy savings requirements; (iv) revises the incentive for electric utility energy efficiency programs; (v) provides that if the Commission finds in any triennial review that revenue reductions related to energy efficiency measures or programs approved and deployed since the utility's previous triennial review have caused the utility 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 Dominion Energy

Virginia and after December 31, 2013, for American Electric Power, more than 70 basis points below a fair combined rate of return on its generation and distribution services, the Commission shall order increases to the utility's rates for generation and distribution services necessary to recover such revenue reductions; (vi) provides that in the case of a facility utilizing energy derived from offshore wind, the utility shall identify options for utilizing local workers, consult with the Commonwealth's Chief Workforce Development Officer on opportunities to advance the Commonwealth's workforce goals, including furtherance of apprenticeship and other workforce training programs to develop the local workforce, and give priority to the hiring of local workers; (vii) requires each utility to include, and the Commission to consider, in any application to construct a new generating facility the social cost of carbon as a cost adder; (viii) removes provisions that authorize nuclear and offshore wind generating facilities to 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; (ix) removes a provision that declares that planning and development activities for new nuclear generation facilities are in the public interest; (x) removes the limit of 16 megawatts on those offshore wind generation facilities that are declared to be in the public interest; (xi) amends the net energy metering program by increasing the maximum capacity of renewable generation facilities of participating nonresidential eligible customer-generators from one to three megawatts, increases the cap on the capacity of generation from facilities from the customer's expected annual energy consumption to 150 percent of such amount, increases each utility's systemwide cap from one percent of its adjusted Virginia peak-load forecast for the previous year to 10 percent of such amount, eliminates the ability of a utility to assess standby charges, and establishes the right to finance electrical generating facilities via leases and power purchase agreements; (xii) removes the ability of utilities in triennial rate reviews to attribute to test periods under review the booked costs of early retirement determinations made by the utility for utility generation facilities fueled by coal, natural gas, or oil; (xiii) directs the State Air Pollution Control Board (the Board) to report to the General Assembly by January 1, 2021, on how to achieve 100 percent carbon free electric energy generation by 2050 and whether the General Assembly should permanently repeal the ability to obtain a certificate of public convenience and necessity for electric generating units that emit carbon as a byproduct of combusting fuel to generate electricity; (xiv) bars the Commission from issuing a certificate for public convenience and necessity for any investor-owned utility to own, operate, or construct any electric generating unit that emits carbon as a byproduct of combusting fuel to generate electricity until the General Assembly receives the Board's report; (xv) directs the Board to adopt regulations establishing a carbon dioxide cap and trade program to limit and reduce the total carbon dioxide emissions released by electric generation facilities, which regulations shall comply with the Regional Greenhouse Gas Initiative model rule; (xvi) exempts certain pilot programs from the requirements that an energy efficiency program be in the public interest; (xvii) establishes requirements regarding the development by Dominion Energy Virginia of qualified offshore wind projects having an

aggregate rated capacity of not less than 5,200 megawatts by January 1, 2034; (xviii) directs the Board to adopt a regulation to reduce, for the period of 2031 to 2050, the carbon dioxide emissions from any electricity generating unit in the Commonwealth that serves an electricity generator with a nameplate capacity equal to or greater than 25 megawatts that supplies 10 percent or more of its annual net electrical generation to the electric grid or more than 15 percent of its annual total useful energy to any entity other than the manufacturing facility to which the generating source is interconnected; (xix) establishes a shared solar program that allows customers to purchase electric power through a subscription in a shared solar facility; (xx) repeals the Manufacturing and Commercial Competitiveness Retention Credit that allows certain large nonresidential customers that enter into a three-year minimum exclusive supply agreement to receive a two percent reduction in their base generation charges; (xxi) repeals the authorization for certain third-party power purchase agreements; and (xxii) requires the Department of Mines, Minerals and Energy to prepare a report to the House and Senate Committees on Commerce and Labor and to the Governor's Advisory Council on Environmental Justice that ensures that the implementation of this act does not impose a disproportionate burden on minority or historically disadvantaged communities.

- 6. Budget Amendment Necessary:** No.
- 7. Fiscal Impact Estimates:** Fiscal Impact Estimates are not available. See Item # 8.
- 8. Fiscal Implications:** The requirement that the State Corporation Commission adopt regulations for meeting an energy storage requirement target of 2,400 MW by 2035 and establish interim targets may require the Commission to hire an outside consultant.
- 9. Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals and Energy; State Air Pollution Control Board; and the State Corporation Commission
- 10. Technical Amendment Necessary:** No
- 11. Other Comments:** No