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HOUSE BILL NO. 405

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Commerce and Energy
on January 27, 2022)

(Patron Prior to Substitute—Delegate Ballard)

A BILL to amend and reenact §§ 56-576 and 56-585.1:10 of the Code of Virginia, relating to business park electric transmission infrastructure pilot program; location of qualifying projects.

Be it enacted by the General Assembly of Virginia:

1. That §§ 56-576 and 56-585.1:10 of the Code of Virginia are amended and reenacted as follows:

§ 56-576. Definitions.

As used in this chapter:

"Affiliate" means any person that controls, is controlled by, or is under common control with an electric utility.

"Aggregator" means a person that, as an agent or intermediary, (i) offers to purchase, or purchases, electric energy or (ii) offers to arrange for, or arranges for, the purchase of electric energy, for sale to, or on behalf of, two or more retail customers not controlled by or under common control with such person. The following activities shall not, in and of themselves, make a person an aggregator under this chapter: (i) furnishing legal services to two or more retail customers, suppliers or aggregators; (ii) furnishing educational, informational, or analytical services to two or more retail customers, unless direct or indirect compensation for such services is paid by an aggregator or supplier of electric energy; (iii) furnishing educational, informational, or analytical services to two or more suppliers or aggregators; (iv) providing default service under § 56-585; (v) engaging in activities of a retail electric energy supplier, licensed pursuant to § 56-587, which are authorized by such supplier's license; and (vi) engaging in actions of a retail customer, in common with one or more other such retail customers, to issue a request for proposal or to negotiate a purchase of electric energy for consumption by such retail customers.

(Expires December 31, 2023) "Business park" means a land development containing a minimum of 100 contiguous acres classified as a Tier 4 site under the Virginia Economic Development Partnership's Business Ready Sites Program that is developed and constructed by a locality, an industrial development authority, or a similar political subdivision of the Commonwealth created pursuant to § 15.2-4903 or other act of the General Assembly, in order to promote business development and that is located in an area of the Commonwealth designated as a qualified opportunity zone by the U.S. Secretary of the Treasury via his delegation of authority to the Internal Revenue Service.

"Combined heat and power" means a method of using waste heat from electrical generation to offset traditional processes, space heating, air conditioning, or refrigeration.

"Commission" means the State Corporation Commission.

"Community in which a majority of the population are people of color" means a U.S. Census tract where more than 50 percent of the population comprises individuals who identify as belonging to one or more of the following groups: Black, African American, Asian, Pacific Islander, Native American, other non-white race, mixed race, Hispanic, Latino, or linguistically isolated.

"Cooperative" means a utility formed under or subject to Chapter 9.1 (§ 56-231.15 et seq.).

"Covered entity" means a provider in the Commonwealth of an electric service not subject to competition but does not include default service providers.

"Covered transaction" means an acquisition, merger, or consolidation of, or other transaction involving stock, securities, voting interests or assets by which one or more persons obtains control of a covered entity.

"Curtailement" means inducing retail customers to reduce load during times of peak demand so as to ease the burden on the electrical grid.

"Customer choice" means the opportunity for a retail customer in the Commonwealth to purchase electric energy from any supplier licensed and seeking to sell electric energy to that customer.

"Demand response" means measures aimed at shifting time of use of electricity from peak-use periods to times of lower demand by inducing retail customers to curtail electricity usage during periods of congestion and higher prices in the electrical grid.

"Distribute," "distributing," or "distribution of" electric energy means the transfer of electric energy through a retail distribution system to a retail customer.

"Distributor" means a person owning, controlling, or operating a retail distribution system to provide electric energy directly to retail customers.

"Electric distribution grid transformation project" means a project associated with electric distribution infrastructure, including related data analytics equipment, that is designed to accommodate or facilitate the integration of utility-owned or customer-owned renewable electric generation resources with the

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60 utility's electric distribution grid or to otherwise enhance electric distribution grid reliability, electric
61 distribution grid security, customer service, or energy efficiency and conservation, including advanced
62 metering infrastructure; intelligent grid devices for real time system and asset information; automated
63 control systems for electric distribution circuits and substations; communications networks for service
64 meters; intelligent grid devices and other distribution equipment; distribution system hardening projects
65 for circuits, other than the conversion of overhead tap lines to underground service, and substations
66 designed to reduce service outages or service restoration times; physical security measures at key
67 distribution substations; cyber security measures; energy storage systems and microgrids that support
68 circuit-level grid stability, power quality, reliability, or resiliency or provide temporary backup energy
69 supply; electrical facilities and infrastructure necessary to support electric vehicle charging systems; LED
70 street light conversions; and new customer information platforms designed to provide improved customer
71 access, greater service options, and expanded access to energy usage information.

72 "Electric utility" means any person that generates, transmits, or distributes electric energy for use by
73 retail customers in the Commonwealth, including any investor-owned electric utility, cooperative electric
74 utility, or electric utility owned or operated by a municipality.

75 "Energy efficiency program" means a program that reduces the total amount of electricity that is
76 required for the same process or activity implemented after the expiration of capped rates. Energy
77 efficiency programs include equipment, physical, or program change designed to produce measured and
78 verified reductions in the amount of electricity required to perform the same function and produce the
79 same or a similar outcome. Energy efficiency programs may include, but are not limited to, (i) programs
80 that result in improvements in lighting design, heating, ventilation, and air conditioning systems,
81 appliances, building envelopes, and industrial and commercial processes; (ii) measures, such as but not
82 limited to the installation of advanced meters, implemented or installed by utilities, that reduce fuel use
83 or losses of electricity and otherwise improve internal operating efficiency in generation, transmission,
84 and distribution systems; and (iii) customer engagement programs that result in measurable and
85 verifiable energy savings that lead to efficient use patterns and practices. Energy efficiency programs
86 include demand response, combined heat and power and waste heat recovery, curtailment, or other
87 programs that are designed to reduce electricity consumption so long as they reduce the total amount of
88 electricity that is required for the same process or activity. Utilities shall be authorized to install and
89 operate such advanced metering technology and equipment on a customer's premises; however, nothing
90 in this chapter establishes a requirement that an energy efficiency program be implemented on a
91 customer's premises and be connected to a customer's wiring on the customer's side of the
92 inter-connection without the customer's expressed consent.

93 "Generate," "generating," or "generation of" electric energy means the production of electric energy.

94 "Generator" means a person owning, controlling, or operating a facility that produces electric energy
95 for sale.

96 "Historically economically disadvantaged community" means (i) a community in which a majority of
97 the population are people of color or (ii) a low-income geographic area.

98 "Incumbent electric utility" means each electric utility in the Commonwealth that, prior to July 1,
99 1999, supplied electric energy to retail customers located in an exclusive service territory established by
100 the Commission.

101 "Independent system operator" means a person that may receive or has received, by transfer pursuant
102 to this chapter, any ownership or control of, or any responsibility to operate, all or part of the
103 transmission systems in the Commonwealth.

104 "In the public interest," for purposes of assessing energy efficiency programs, describes an energy
105 efficiency program if the Commission determines that the net present value of the benefits exceeds the
106 net present value of the costs as determined by not less than any three of the following four tests: (i) the
107 Total Resource Cost Test; (ii) the Utility Cost Test (also referred to as the Program Administrator Test);
108 (iii) the Participant Test; and (iv) the Ratepayer Impact Measure Test. Such determination shall include
109 an analysis of all four tests, and a program or portfolio of programs shall be approved if the net present
110 value of the benefits exceeds the net present value of the costs as determined by not less than any three
111 of the four tests. If the Commission determines that an energy efficiency program or portfolio of
112 programs is not in the public interest, its final order shall include all work product and analysis
113 conducted by the Commission's staff in relation to that program, including testimony relied upon by the
114 Commission's staff, that has bearing upon the Commission's decision. If the Commission reduces the
115 proposed budget for a program or portfolio of programs, its final order shall include an analysis of the
116 impact such budget reduction has upon the cost-effectiveness of such program or portfolio of programs.
117 An order by the Commission (a) finding that a program or portfolio of programs is not in the public
118 interest or (b) reducing the proposed budget for any program or portfolio of programs shall adhere to
119 existing protocols for extraordinarily sensitive information. In addition, an energy efficiency program
120 may be deemed to be "in the public interest" if the program (1) provides measurable and verifiable
121 energy savings to low-income customers or elderly customers or (2) is a pilot program of limited scope,

cost, and duration, that is intended to determine whether a new or substantially revised program or technology would be cost-effective.

"Low-income geographic area" means any locality, or community within a locality, that has a median household income that is not greater than 80 percent of the local median household income, or any area in the Commonwealth designated as a qualified opportunity zone by the U.S. Secretary of the Treasury via his delegation of authority to the Internal Revenue Service.

"Low-income utility customer" means any person or household whose income is no more than 80 percent of the median income of the locality in which the customer resides. The median income of the locality is determined by the U.S. Department of Housing and Urban Development.

"Measured and verified" means a process determined pursuant to methods accepted for use by utilities and industries to measure, verify, and validate energy savings and peak demand savings. This may include the protocol established by the United States Department of Energy, Office of Federal Energy Management Programs, Measurement and Verification Guidance for Federal Energy Projects, measurement and verification standards developed by the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE), or engineering-based estimates of energy and demand savings associated with specific energy efficiency measures, as determined by the Commission.

"Municipality" means a city, county, town, authority, or other political subdivision of the Commonwealth.

"New underground facilities" means facilities to provide underground distribution service. "New underground facilities" includes underground cables with voltages of 69 kilovolts or less, pad-mounted devices, connections at customer meters, and transition terminations from existing overhead distribution sources.

"Peak-shaving" means measures aimed solely at shifting time of use of electricity from peak-use periods to times of lower demand by inducing retail customers to curtail electricity usage during periods of congestion and higher prices in the electrical grid.

"Percentage of Income Payment Program (PIPP) eligible utility customer" means any person or household whose income does not exceed 150 percent of the federal poverty level.

"Person" means any individual, corporation, partnership, association, company, business, trust, joint venture, or other private legal entity, and the Commonwealth or any municipality.

"Previously developed project site" means any property, including related buffer areas, if any, that has been previously disturbed or developed for non-single-family residential, non-agricultural, or non-silvicultural use, regardless of whether such property currently is being used for any purpose.

"Previously developed project site" includes a brownfield as defined in § 10.1-1230 or any parcel that has been previously used (i) for a retail, commercial, or industrial purpose; (ii) as a parking lot; (iii) as the site of a parking lot canopy or structure; (iv) for mining, which is any lands affected by coal mining that took place before August 3, 1977, or any lands upon which extraction activities have been permitted by the Department of Energy under Title 45.2; (v) for quarrying; or (vi) as a landfill.

"Qualified waste heat resource" means (i) exhaust heat or flared gas from an industrial process that does not have, as its primary purpose, the production of electricity and (ii) a pressure drop in any gas for an industrial or commercial process.

"Renewable energy" means energy derived from sunlight, wind, falling water, biomass, sustainable or otherwise, (the definitions of which shall be liberally construed), energy from waste, landfill gas, municipal solid waste, wave motion, tides, and geothermal power, and does not include energy derived from coal, oil, natural gas, or nuclear power. "Renewable energy" also includes the proportion of the thermal or electric energy from a facility that results from the co-firing of biomass. "Renewable energy" does not include waste heat from fossil-fired facilities or electricity generated from pumped storage but includes run-of-river generation from a combined pumped-storage and run-of-river facility.

"Renewable thermal energy" means the thermal energy output from (i) a renewable-fueled combined heat and power generation facility that is (a) constructed, or renovated and improved, after January 1, 2012, (b) located in the Commonwealth, and (c) utilized in industrial processes other than the combined heat and power generation facility or (ii) a solar energy system, certified to the OG-100 standard of the Solar Ratings and Certification Corporation or an equivalent certification body, that (a) is constructed, or renovated and improved, after January 1, 2013, (b) is located in the Commonwealth, and (c) heats water or air for residential, commercial, institutional, or industrial purposes.

"Renewable thermal energy equivalent" means the electrical equivalent in megawatt hours of renewable thermal energy calculated by dividing (i) the heat content, measured in British thermal units (BTUs), of the renewable thermal energy at the point of transfer to a residential, commercial, institutional, or industrial process by (ii) the standard conversion factor of 3.413 million BTUs per megawatt hour.

"Renovated and improved facility" means a facility the components of which have been upgraded to enhance its operating efficiency.

183 "Retail customer" means any person that purchases retail electric energy for its own consumption at
184 one or more metering points or nonmetered points of delivery located in the Commonwealth.

185 "Retail electric energy" means electric energy sold for ultimate consumption to a retail customer.

186 "Revenue reductions related to energy efficiency programs" means reductions in the collection of
187 total non-fuel revenues, previously authorized by the Commission to be recovered from customers by a
188 utility, that occur due to measured and verified decreased consumption of electricity caused by energy
189 efficiency programs approved by the Commission and implemented by the utility, less the amount by
190 which such non-fuel reductions in total revenues have been mitigated through other program-related
191 factors, including reductions in variable operating expenses.

192 "Rooftop solar installation" means a distributed electric generation facility, storage facility, or
193 generation and storage facility utilizing energy derived from sunlight, with a rated capacity of not less
194 than 50 kilowatts, that is installed on the roof structure of an incumbent electric utility's commercial or
195 industrial class customer, including host sites on commercial buildings, multifamily residential buildings,
196 school or university buildings, and buildings of a church or religious body.

197 "Solar energy system" means a system of components that produces heat or electricity, or both, from
198 sunlight.

199 "Supplier" means any generator, distributor, aggregator, broker, marketer, or other person who offers
200 to sell or sells electric energy to retail customers and is licensed by the Commission to do so, but it
201 does not mean a generator that produces electric energy exclusively for its own consumption or the
202 consumption of an affiliate.

203 "Supply" or "supplying" electric energy means the sale of or the offer to sell electric energy to a
204 retail customer.

205 "Total annual energy savings" means (i) the total combined kilowatt-hour savings achieved by
206 electric utility energy efficiency and demand response programs and measures installed in that program
207 year, as well as savings still being achieved by measures and programs implemented in prior years, or
208 (ii) savings attributable to newly installed combined heat and power facilities, including waste
209 heat-to-power facilities, and any associated reduction in transmission line losses, provided that biomass
210 is not a fuel and the total efficiency, including the use of thermal energy, for eligible combined heat and
211 power facilities must meet or exceed 65 percent and have a nameplate capacity rating of less than 25
212 megawatts.

213 "Transmission of," "transmit," or "transmitting" electric energy means the transfer of electric energy
214 through the Commonwealth's interconnected transmission grid from a generator to either a distributor or
215 a retail customer.

216 "Transmission system" means those facilities and equipment that are required to provide for the
217 transmission of electric energy.

218 "Waste heat to power" means a system that generates electricity through the recovery of a qualified
219 waste heat resource.

220 **§ 56-585.1:10. (Expires December 31, 2023) Pilot program for transmission facilities serving**
221 **business parks.**

222 The Virginia Economic Development Partnership shall conduct a pilot program within the certificated
223 service territory of each investor-owned electric utility other than a utility described in subsection G of
224 § 56-580 (Pilot Utility) for the purpose of promoting economic development in areas of the
225 Commonwealth designated as an opportunity zone listed by the U.S. Secretary of the Treasury via his
226 delegation of authority to the Internal Revenue Service. The pilot program shall allow any Pilot Utility
227 to complete the construction phase of a transmission line and associated substation to provide the
228 electric infrastructure to a business park, as defined in § 56-576, located in an opportunity zone within
229 the Pilot Utility's certificated service territory where investments by a locality or an industrial
230 development authority, or a similar political subdivision of the Commonwealth created pursuant to
231 § 15.2-4903 or other act of the General Assembly, in the siting, environmental review, pre-engineering
232 design, and transmission right-of-way acquisition have been made prior to the public announcement of a
233 prospective occupant of the business park. Each pilot program shall be subject to the following terms,
234 conditions, and restrictions:

235 1. As used in this section, "opportunity zone" means areas of the Commonwealth designated as a
236 qualified opportunity zone by the U.S. Secretary of the Treasury via his delegation of authority to the
237 Internal Revenue Service.

238 2. The costs incurred by the Pilot Utility after January 1, 2019, to construct, operate, and maintain
239 transmission lines and associated substations installed in order to provide service to a business park
240 participating in the pilot program shall be recovered by the Pilot Utility pursuant to a rate adjustment
241 clause approved by the Commission in subdivision A 4 of § 56-585.1.

242 3. 2. Qualifying projects shall have revenue sharing agreements between two or more localities.

243 4. 3. Each individual qualifying project shall be less than seven miles in length.

244 5. 4. The role of the Virginia Economic Development Partnership in conducting the pilot program is

245 to certify that up to three petitions within the certificated service territory of each Pilot Utility addresses
246 the eligibility criteria for participation in the pilot program set forth in § 56-576 and in this section.