

State Corporation Commission 2022 Fiscal Impact Statement

1. Bill Number: SB 565

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Surovell

3. Committee: Commerce and Energy

4. Title: Natural gas, biogas, and other gas sources of energy; definitions; energy conservation and efficiency; Steps to Advance Virginia's Energy Plan; biogas supply infrastructure projects; work group.

5. Summary: Permits natural gas utilities to include in their fuel portfolios, submitted to the State Corporation Commission to monitor fuel prices and purchases, supplemental or substitute forms of gas sources, defined in the bill, that meet certain standards and that reduce emissions intensity. The bill amends provisions of the Code related to conservation and energy efficiency programs, removes certain cost-effectiveness requirements for conservation and energy efficiency programs, and adds appliance rebates to the types of programs the Commission may consider. The bill expands conservation and ratemaking efficiency provisions of the Code that currently apply to natural gas consumption specifically to instead apply generally to energy consumption.

The bill introduces enhanced leak detection and repair programs, defined in the bill, as a type of eligible infrastructure replacement for a natural gas utility facility. Costs of detecting and repairing leaks may be added to a natural gas utility's plan to identify proposed eligible infrastructure replacement projects and related cost recovery mechanisms, known as the utility's Steps to Advance Virginia's Energy (SAVE) Plan.

The bill adds provisions to the Code related to biogas supply infrastructure projects. Eligible infrastructure costs for these projects include (i) the investment in eligible biogas supply infrastructure projects, (ii) the return on the investment, (iii) a revenue conversion factor, (iv) operating and maintenance expenses, (v) depreciation, (vi) property tax and other taxes or government fees, and (vii) carrying costs on the over-recovery or under-recovery of the eligible biogas supply infrastructure costs.

Under the bill, natural gas utilities can recover these eligible infrastructure costs on an ongoing basis through the gas component of the utility's rate structure or other recovery mechanism approved by the Commission. The plan submitted by the utility may include an option to receive the biogas or sell the biogas at market prices. The timeline for the Commission to approve such plan is included in the bill. The bill further states that a natural gas utility with an approved biogas supply infrastructure plan must file a report of the investments made, the eligible infrastructure costs incurred and the amount of such costs recovered, the volume of biogas delivered to customers or sold to third parties during the

12-month reporting period, and an analysis of the price of biogas delivered to customers and the market cost of biogas during the reporting period.

Additionally, the bill directs the Department of Environmental Quality to convene a stakeholder work group to determine the feasibility of setting a statewide methane reduction goal and plan. The recommendations of the work group shall be reported to the General Assembly by July 1, 2023.

- 6. Budget Amendment Necessary:** No
- 7. Fiscal Impact Estimates:** Fiscal Impact Estimates are not available on the State Corporation Commission. See Item 8.
- 8. Fiscal Implications:** The State Corporation Commission expects that there will be a fiscal impact, but the estimated cost is not known. It would depend on the actual number of filings authorized by this legislation that come before the Commission, as well as their individual scope and details. The Department of Environmental Quality reports that they can absorb the work of the stakeholder work group with existing resources.
- 9. Specific Agency or Political Subdivisions Affected:** State Corporation Commission; Department of Environmental Quality
- 10. Technical Amendment Necessary:** No
- 11. Other Comments:** None

KBP, JAS 3/7/22