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HOUSE BILL NO. 2444

House Amendments in [] - February 6, 2023

A BILL to amend and reenact § 56-585.1:11 of the Code of Virginia, relating to development of offshore wind capacity; cost recovery.

Patron Prior to Engrossment—Delegate Bloxom

Referred to Committee on Commerce and Energy

Be it enacted by the General Assembly of Virginia:**1. That § 56-585.1:11 of the Code of Virginia is amended and reenacted as follows:****§ 56-585.1:11. Development of offshore wind capacity.****A. As used in this section:**

"Advanced clean energy buyer" means a commercial or industrial customer of a Phase II Utility, irrespective of generation supplier, (i) with an aggregate load over 100 megawatts; (ii) with an aggregate amount of at least 200 megawatts of solar or wind energy supply under contract with a term of 10 years or more from facilities located within the Commonwealth by January 1, 2024; and (iii) that directly procures from the utility the electric supply and environmental attributes of the offshore wind facility associated with the lesser of 50 megawatts of nameplate capacity or 15 percent of the commercial or industrial customer's annual peak demand for a contract period of 15 years.

"Aggregate load" means the combined electrical load associated with selected accounts of an advanced clean energy buyer with the same legal entity name as, or in the names of affiliated entities that control, are controlled by, or are under common control of, such legal entity or are the names of affiliated entities under a common parent.

"Control" means the legal right, directly or indirectly, to direct or cause the direction of the management, actions, or policies of an affiliated entity, whether through the ability to exercise voting power, by contract, or otherwise. "Control" does not include control of an entity through a franchise or similar contractual agreement.

"Qualifying large general service customer" means a customer of a Phase II Utility, irrespective of general supplier, (i) whose peak demand during the most recent calendar year exceeded five megawatts and (ii) that contracts with the utility to directly procure electric supply and environmental attributes associated with the offshore wind facility in amounts commensurate with the customer's electric usage for a contract period of 15 years or more.

"Wind turbine generator" means a structure comprising of a tower, a rotor with blades connected at the hub, and nacelle and ancillary electrical and other equipment that is affixed to a foundation of which multiple structures comprise a generating facility.

B. In order to meet the Commonwealth's clean energy goals, prior to December 31, 2034 2032, the construction or purchase by a public utility of one or more offshore wind generation facilities located off the Commonwealth's Atlantic shoreline or in federal waters and interconnected directly into the Commonwealth, with an aggregate capacity of up to 5,200 megawatts, is in the public interest and the Commission shall so find, provided that no customers of the utility shall be responsible for costs of any such facility in a proportion greater than the utility's share of the facility.

C. 1. Pursuant to subsection B, construction by a Phase II Utility of one or more new utility-owned and utility-operated generating facilities utilizing energy derived from offshore wind and located off the Commonwealth's Atlantic shoreline, with an aggregate rated capacity of not less than 2,500 megawatts and not more than 3,000 megawatts, along with electrical transmission or distribution facilities associated therewith for interconnection is in the public interest. In acting upon any request for cost recovery by a Phase II Utility for costs associated with such a facility, the Commission shall determine the reasonableness and prudence of any such costs, provided that such costs shall be presumed to be reasonably and prudently incurred if the Commission determines that (i) the utility has complied with the competitive solicitation and procurement requirements pursuant to subsection E; (ii) the project's projected total levelized cost of energy, including any tax credit, on a cost per megawatt hour basis, inclusive of the costs of transmission and distribution facilities associated with the facility's interconnection, does not exceed 1.4 times the comparable cost, on an unweighted average basis, of a conventional simple cycle combustion turbine generating facility as estimated by the U.S. Energy Information Administration in its Annual Energy Outlook 2019; and (iii) the utility has commenced construction of such facilities for U.S. income taxation purposes prior to January 1, 2024, or has a plan for such facility or facilities to be in service prior to January 1, 2028. The Commission shall disallow costs, or any portion thereof, only if they are otherwise unreasonably and imprudently incurred. In its

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59 review, the Commission shall give due consideration to (a) the Commonwealth's renewable portfolio
60 standards and carbon reduction requirements, (b) the promotion of new renewable generation resources,
61 and (c) the economic development benefits of the project for the Commonwealth, including capital
62 investments and job creation [: *The Commission shall also give preference to requests for cost recovery*
63 *by a Phase II Utility for generating facilities utilizing energy derived from offshore wind that maximize*
64 *economic benefits to the Commonwealth, such as benefits arising from the construction and operation of*
65 *such facilities and the manufacture of wind turbine generator components , arising from project*
66 *construction and operation and the manufacture of wind turbine generator components and*
67 *subcomponents*] .

68 2. Notwithstanding the provisions of § 56-585.1, the Commission shall not grant an enhanced rate of
69 return to a Phase II Utility for the construction of one or more new utility-owned and utility-operated
70 generating facilities utilizing energy derived from offshore wind and located off the Commonwealth's
71 Atlantic shoreline pursuant to this section.

72 3. Any such costs proposed for recovery through a rate adjustment clause pursuant to subdivision A
73 6 of § 56-585.1 shall be allocated to all customers of the utility in the Commonwealth as a
74 non-bypassable charge, regardless of the generation supplier of any such customer, other than (i) PIPP
75 eligible utility customers, (ii) advanced clean energy buyers, and (iii) qualifying large general service
76 customers. No electric cooperative customer of the utility shall be assigned, nor shall the utility collect
77 from any such cooperative, any of the costs of such facilities, including electrical transmission or
78 distribution facilities associated therewith for interconnection. The Commission may promulgate such
79 rules, regulations, or other directives necessary to administer the eligibility for these exemptions.

80 4. The Commission shall permit a portion of the nameplate capacity of any such facility, in the
81 aggregate, to be allocated to (i) advanced clean energy buyers or (ii) qualifying large general service
82 customers, provided that no more than 10 percent of the offshore wind facility's capacity is allocated to
83 qualifying large general service customers. A Phase II Utility shall petition the Commission for approval
84 of a special contract with any advanced clean energy buyer, or any special rate applicable to qualifying
85 large general service customers, pursuant to § 56-235.2, no later than 15 months prior to the projected
86 commercial operation date of the facility, and all customer enrollments associated with such special
87 contracts or rates shall be completed prior to commercial operation of the facility. Any such special
88 contract or rate may include provisions for levelized rates of service over the duration of the customer's
89 contracted agreement with the utility, and the Commission shall determine that such special contract or
90 rate is designed to hold nonparticipating customers harmless over its term in connection with any
91 petition for approval by the utility. The utility may petition for approval of such special contracts or
92 rates in connection with any petition for approval of a rate adjustment clause pursuant to subdivision A
93 6 of § 56-585.1 to recover the costs of the facility, and the Commission shall rule upon any such
94 petitions in its final order in such proceeding within nine months from the date of filing.

95 D. In constructing any such facility contemplated in subsection B, the utility shall develop and
96 submit a plan to the Commission for review that includes the following considerations: (i) options for
97 utilizing local workers; (ii) the economic development benefits of the project for the Commonwealth,
98 including capital investments and job creation; (iii) consultation with the Commonwealth's Chief
99 Workforce Development Officer, the Chief Diversity, Equity, and Inclusion Officer, and the Virginia
100 Economic Development Partnership on opportunities to advance the Commonwealth's workforce and
101 economic development goals, including furtherance of apprenticeship and other workforce training
102 programs; (iv) giving priority to the hiring, apprenticeship, and training of veterans, as that term is
103 defined in § 2.2-2000.1, local workers, and workers from historically economically disadvantaged
104 communities; and (v) procurement of equipment from Virginia-based or United States-based
105 manufacturers using materials or product components made in Virginia or the United States, if
106 reasonably available and competitively priced.

107 E. Any project constructed or purchased pursuant to subsection B shall (i) be subject to competitive
108 procurement or solicitation for a substantial majority of the services and equipment, exclusive of
109 interconnection costs, associated with the facility's construction; (ii) involve at least one experienced
110 developer; and (iii) demonstrate the economic development benefits within the Commonwealth, including
111 capital investments and job creation. A utility may give appropriate consideration to suppliers and
112 developers that have demonstrated successful experience in offshore wind.

113 F. Any project *constructed or purchased pursuant to subsection B* shall include an environmental and
114 fisheries mitigation plan submitted to the Commission for the construction and operation of such
115 offshore wind facilities, provided that such plan includes an explicit description of the best management
116 practices the bidder will employ that considers the latest science at the time the proposal is made to
117 mitigate adverse impacts to wildlife, natural resources, ecosystems, and traditional or existing
118 water-dependent uses. The plan shall include a summary of pre-construction assessment activities,
119 consistent with federal requirements, to determine the spatial and temporal presence and abundance of
120 marine mammals, sea turtles, birds, and bats in the offshore wind lease area.