

2024 SESSION

LEGISLATION NOT PREPARED BY DLS
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SENATE BILL NO. 737

Offered January 19, 2024

A BILL to amend the Code of Virginia by to amend and re-enact a section numbered 56-576, relating to energy efficiency programs.

Patrons—Surovell; Delegate: Sullivan

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 amending section number 56-576 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.

"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.

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

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

74 "Energy efficiency program" means a program that reduces the total amount of ~~electricity~~ *energy* that
75 is required for the same process or activity implemented after the expiration of capped rates. Energy
76 efficiency programs include equipment, physical, or program change designed to produce measured and
77 verified reductions in the amount of ~~electricity~~ *site energy* required to perform the same function and
78 produce the same or a similar outcome. Energy efficiency programs may include, but are not limited to,
79 (i) *electrification, including measures that electrify space heating, water heating, cooling, drying,*
80 *cooking, industrial processes, and other building and industrial end uses that would otherwise be served*
81 *by on-site, non-electric fuels, provided that the electrification measures reduce total on-site energy*
82 *consumption, and that, to the maximum extent practical, seek to utilize federally-authorized customer*
83 *rebates for heat pump technology;* (ii) programs that result in improvements in lighting design, heating,
84 ventilation, and air conditioning systems, appliances, building envelopes, and industrial and commercial
85 processes; ~~(ii)~~ (iii) measures, such as but not limited to the installation of advanced meters, implemented
86 or installed by utilities, that reduce fuel use or losses of electricity and otherwise improve internal
87 operating efficiency in generation, transmission, and distribution systems; and ~~(iii)~~ (iv) customer
88 engagement programs that result in measurable and verifiable energy savings that lead to efficient use
89 patterns and practices. Energy efficiency programs include demand response, combined heat and power
90 and waste heat recovery, curtailment, or other programs that are designed to reduce ~~electricity~~ *site*
91 *energy* consumption so long as they reduce the total amount of ~~electricity~~ *site energy* that is required for
92 the same process or activity. *Electricity consumption increases that result from commission-approved*
93 *electrification measures shall not be considered as a reduction in energy savings under the energy*
94 *savings requirements set forth in § 56-596.2(B). Utilities may apply any verified total site energy*
95 *reductions that are attributable to electrification measures to the energy savings requirements set forth*
96 *in § 56-596.2(B), subject to a conversion of British thermal unit-based energy savings to an equivalent*
97 *kilowatt-hour-based energy savings, which conversion shall be subject to Commission approval.* Utilities
98 shall be authorized to install and operate such advanced metering technology and equipment on a
99 customer's premises; however, nothing in this chapter establishes a requirement that an energy efficiency
100 program be implemented on a customer's premises and be connected to a customer's wiring on the
101 customer's side of the inter-connection without the customer's expressed consent.

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

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

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

107 "Incumbent electric utility" means each electric utility in the Commonwealth that, prior to July 1,
108 1999, supplied electric energy to retail customers located in an exclusive service territory established by
109 the Commission.

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

113 "In the public interest," for purposes of assessing energy efficiency programs, describes an energy
114 efficiency program if the Commission determines that the net present value of the benefits exceeds the
115 net present value of the costs as determined by not less than any three of the following four tests: (i) the
116 Total Resource Cost Test; (ii) the Utility Cost Test (also referred to as the Program Administrator Test);
117 (iii) the Participant Test; and (iv) the Ratepayer Impact Measure Test. Such determination shall include
118 an analysis of all four tests, and a program or portfolio of programs shall be approved if the net present
119 value of the benefits exceeds the net present value of the costs as determined by not less than any three
120 of the four tests. If the Commission determines that an energy efficiency program or portfolio of

programs is not in the public interest, its final order shall include all work product and analysis conducted by the Commission's staff in relation to that program, including testimony relied upon by the Commission's staff, that has bearing upon the Commission's decision. If the Commission reduces the proposed budget for a program or portfolio of programs, its final order shall include an analysis of the impact such budget reduction has upon the cost-effectiveness of such program or portfolio of programs. An order by the Commission (a) finding that a program or portfolio of programs is not in the public interest or (b) reducing the proposed budget for any program or portfolio of programs shall adhere to existing protocols for extraordinarily sensitive information. In addition, an energy efficiency program may be deemed to be "in the public interest" if the program (1) provides measurable and verifiable 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

182 Solar Ratings and Certification Corporation or an equivalent certification body, that (a) is constructed, or
183 renovated and improved, after January 1, 2013, (b) is located in the Commonwealth, and (c) heats water
184 or air for residential, commercial, institutional, or industrial purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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