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LEGISLATIVE AGENDA

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Powered by Facts
Richmond, VA

info@poweredbyfacts.com
www.poweredbyfacts.com
561.568.8737

INTRODUCTION

Thanks to bipartisan legislation passed by the General Assembly in recent years, Virginia has emerged as a national clean energy leader. Policies that pave the way for a clean energy future are popular among both parties because they simply make sense economically. Clean energy attracts business, creates high paying jobs, and saves Virginians money on their electric bills. That's why 62% of Virginians support the Virginia Clean Economy Act, as indicated by a poll conducted by Conservatives for Clean Energy this summer.

BRINGING BUSINESS AND INVESTMENT TO VIRGINIA

Virginia's commitment to clean energy is attractive to businesses looking to relocate. Many major employers have committed to eliminating their carbon emissions, making states with options for clean energy available a desirable place to set up shop. Already considered one of the top states for business, Virginia's rapidly developing wind and solar resources beacon to these businesses. It's part of the reason why Amazon chose to locate their new headquarters here in Virginia.

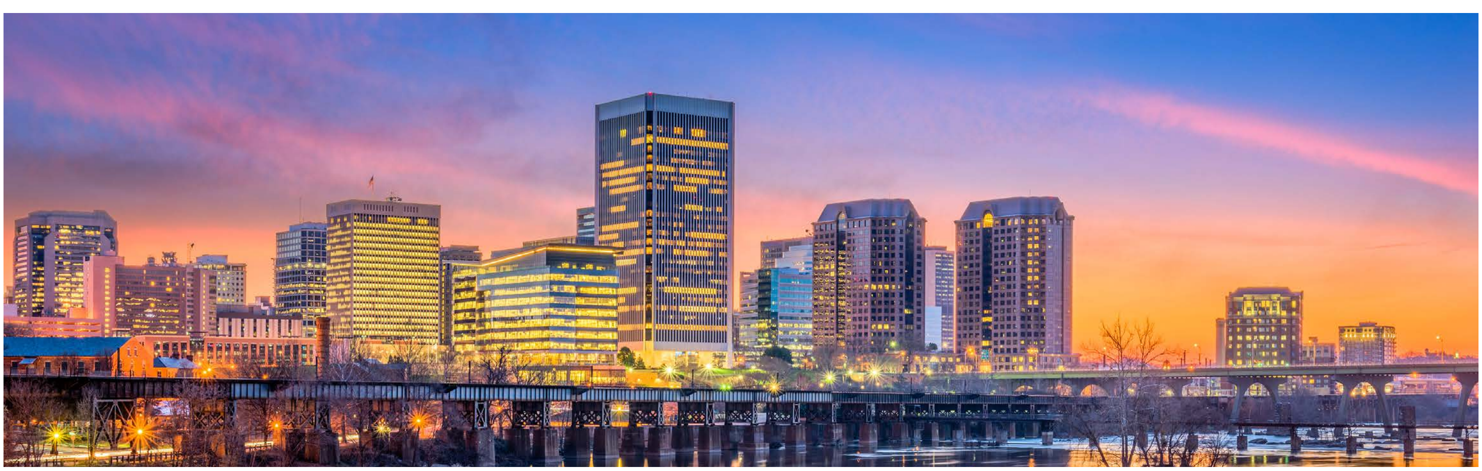
CLEAN ENERGY IS A MAJOR EMPLOYER

The advanced energy industry — which includes energy efficiency, energy storage, electric vehicles, wind, and solar — employs 93,000 in Virginia alone. Clearly, clean energy is a big business. And since clean energy jobs typically come with high wages, countless Virginia families are being supported by the burgeoning clean energy industry.

SAVING VIRGINIANS MONEY

Electric bills are reduced when investments in energy efficiency are made. The Regional Greenhouse Gas Initiative, through carbon auctions, has brought in over $100 million in revenue for Virginia this year alone. Half of these proceeds are earmarked for energy efficiency updates in low- and middle-income households, cutting electric costs for those most in need. And when Virginians are able to shop for energy from competitive suppliers, they end up getting better deals and saving money.

It's clear that clean energy is popular in Virginia. Aside from improving public health, clean energy pays high wages, attracts major employers, and helps to save energy rate payers money each month. Virginia should continue to lead the country toward a clean energy future; the General Assembly must continue to allow clean energy to thrive in the Commonwealth.



ON-BILL TARIFF EXPANSION

Policy Summary:

Create an On-Bill Tariff pilot program, similar to the existing program available to electric cooperatives, in territories served by Dominion Energy and Appalachian Power.

BACKGROUND

On-bill financing allows customers to pay for energy efficiency upgrades through payments made on electric bills over time. It is commonly structured where either a utility loans the capital to the customer upfront for the cost of the upgrades or a third-party lender offers loans to eligible customers and collects payments through charges on the utility bill.

The on-bill tariff structure does not require customers to take on personal debt. Rather, investment in upgrades is tied to the location until the value of the utility's investment is recovered.

Effective at the beginning of 2021, Virginia's electric cooperatives may establish and implement an on-bill tariff program[1]. This program, however, is not available in territories served by investor-owned utilities (IOUs) like Dominion Energy and Appalachian Power.

RATIONALE

Customers benefit from on-bill tariff programs through the installation of energy efficient products. The upgrades lower a customer's energy usage and thus their costs, and in most cases the monthly tariff is less than the money saved from decreased usage. Once the cost of the upgrades is recovered and the fee removed from the utility bill, customers will see a significant cost reduction as they are able to keep 100% of the savings. Additionally, the financing is generally offered below prevailing market rates and the debt is not tied to any customer directly.

Utilities benefit in two ways. They are able to recover all costs of administering the program as well as a reasonable margin. Additionally, these investments in upgrades serve as investments in system reliability, as energy performance improves and demand decreases.

Because the tariff is tied to the metered location, if there is change in ownership, residence, or occupation, the fee simply transitions to the next customer. The new customer is obligated to pay the fee, however, the customer still enjoys net savings due to the reduction in energy consumption.

Dominion Energy and Appalachian Power both have existing billing and collection systems capable of processing additional charges throughout the lifetime of the recovery. Expanding a pilot program similar to that permitted in co-op territories, would not be overly burdensome to the utilities and would benefit both company and customer alike.

[1] Va. Code Ann. § 56-585.7 (2020).

TRANSPORTATION AND CLIMATE INITIATIVE PROGRAM

Policy Summary:

Authorize Virginia's participation in the TCI-P and sign the memorandum on understanding committing Virginia to the necessary policy implementation.

BACKGROUND

The Transportation and Climate Initiative Program, or TCI-P, is a multi-state policy program designed to cut carbon emissions from the transportation sector while accruing funds to be used for clean transportation investments. The TCI-P is a program designed by the Transportation and Climate Initiative, or TCI, a regional collaboration of 13 states and the District of Columbia that coordinates to develop policy that will cut transportation emissions and promote clean transportation initiatives. Virginia joined the TCI in 2018. Four jurisdictions signed a memorandum of understanding[2] in late 2020 committing to implement policy that supports the goals of the TCI-P.

Similar to the Regional Greenhouse Gas Initiative (RGGI), the TCI-P will establish base annual carbon emission caps for jurisdictions participating in the program. Fuel suppliers will be required to purchase allowances that cover carbon levels emitted over the established emission caps. These allowances will be sold via auction. Participating jurisdictions will use auction proceeds to make investments that support TCI-P goals.

RATIONALE

The transportation sector accounts for roughly 40% of carbon emissions in the Northeast and Mid-Atlantic regions, and for nearly 50% of carbon emissions in Virginia. TCI-P is expected to reduce carbon emissions by 26% within the first ten years of the program.

Over the first ten years of the program, jurisdictions participating in TCI-P are expected to collect roughly $3 billion through carbon auctions. If all TCI states implement TCI-P policy, revenue from the auctions is expected to exceed $2 billion per year.

Over 100 companies, investors, and institutions located in the Northeast and Mid-Atlantic regions have signed letters in support of jurisdictions adopting TCI-P.

Researchers from Harvard, Boston University, and the University of North Carolina conducted a study last year that found TCI-P, once implemented, will avoid over 1,000 deaths and nearly 5,000 asthma cases that would have been the result of exposure to carbon emissions. The study estimated that TCI-P could save jurisdictions over $11 billion in health costs.

[2] TRANSPORTATION AND CLIMATE INITIATIVE PROGRAM Memorandum of Understanding (2020).

COMPETITIVE RENEWABLE ENERGY SUPPLY

Policy Summary:

Remove language that prohibits competitive renewable energy in areas where an incumbent utility provides a comparable program.

BACKGROUND

In 2007, the General Assembly passed a bill to create a limited competitive market for renewable energy.[4] This program intended to allow Virginia residents and businesses to shop for renewable energy options. However, the 2007 law also contains a provision that prohibits competition from renewable energy providers if the incumbent utility offers a renewable energy product.[5]

In response, Dominion Energy and Appalachian power each offer 100% renewable energy products, triggering the prohibition of competition. These renewable offerings are not bespoke to the needs of residents or businesses and are expensive due to the complete lack of a competitive market.

During the 2020 General Assembly Session, a bill was introduced to remove this exclusion of competition and allow for a free market for renewable energy.[6] It ultimately passed both the House of Delegates and Senate, but with a provision requiring that it pass a second time in 2021 to become effective. The bill, when introduced again[7] in the 2021 General Assembly Session, was continued to the 2021 Special Session where it was passed by indefinitely by the Senate Committee on Commerce and Labor.

RATIONALE

As the price of renewables falls and the demand from both residential and commercial customers increases, the need for a competitive market is imperative.

According to some non-utility suppliers, in the time before Dominion Energy implemented its renewable energy offering, triggering the block on competition, approximately 12,000 business customer accounts switched to competitive suppliers and 6,860 retail commercial accounts were in the process of switching when they were prevented as of July 2, 2020.

The demand from Virginia's businesses is clear. In 2016, 18 large companies with operations in Virginia, including Best Buy, Microsoft, and Walmart, wrote a letter to the State Corporation Commission asking for a legal framework that would give them choice of renewable energy suppliers, many of them stating that Dominion was significantly overcharging them.[8] As Virginia continues to serve its residents and these companies, while attracting new business to the state, it must offer a reasonable pathway to purchase competitive renewable energy.

[4] Va. Code Ann. § 56-577 (2007) (2007 Va. Acts. Senate Bill 1416 & House Bill 3068).
[5] Va. Code Ann. § 56-577(A)(5)(a) (2007).
[6] 2020 Va. Acts. House Bill 868.
[7] 2021 Va. Acts. House Bill 2048.
[8] Richmond Times Dispatch "Major companies call for more renewable energy options in Virginia." (November 2016).

RESTORATION OF SCC OVERSIGHT

Policy Summary:

Restore the proper oversight role of the State Corporation Commission (SCC) over utility rates, profits, and long-term investments and capital allocations.

BACKGROUND

In an effort to exert influence over Virginia's energy economy and future, the General Assembly has, through new legislation and the insertion of specific language, eroded much of the SCC's discretion and oversight of electric utilities in Virginia.

In response to this legislative overreach, a few legislators have proposed various routes to power restoration, none of which have succeeded. Some of these proposals include:

1. Replace the word "shall" with the word "may" in § 56-585.1 of the Virginia Code, which governs the process of the SCC's triennial review of electric rates of investor-owned utilities.[9]

2. Eliminate utility discretion over how to time the payment of certain one-time costs, such as the closure of a power plant.[10] Utilities have used this accounting strategy to put all of these costs on one year of its books, allowing it to argue it had not made excess profits.

3. Eliminate the Customer Credit Reinvestment Offset, which allows utilities to spend profits on capital projects, at its own discretion.[11] This, similarly, serves to reduce the appearance of profits to prevent the SCC from mandating customer refunds or cutting electric rates.

4. Prohibit, or at least limit, the use of non-disclosure agreements in cases before the SCC.

RATIONALE

The SCC's role is to ensure Virginia consumers receive adequate utility services at just and reasonable rates. The nature of utility monopolies requires expert oversight to protect ratepayers, who are essentially a captive audience. This has largely been done, in Virginia as well as in other states, through an analysis of whether an action is in the public interest based on an analysis of costs and benefits to consumers and the reasonableness and prudence of particular projects.

Many legislators and advocates have argued that this analysis, as applied historically by the SCC, is too restrictive and does not account for other factors such as carbon reduction goals and resiliency. However, the lack of expertise among legislators in a particularly complex area, changing political pressure, and the overt lobbying presence has led to a convoluted structure that is being exploited by utilities.

These loopholes and exemptions hurt Virginia's ratepayers the most, as the impact of a lack of oversight often results in higher electric bills. While companies like Dominion Energy continually boast about having low electric rates, Virginians still pay the 8th highest residential, commercial, and industrial electricity bills in the country.[12]

This is due, in part, to the creation of rate adjustment clauses[13] (RACs), which cover capital projects for new electricity generation and are reviewed outside of the base rate evaluation. RACs guarantee a full return on investment to IOUs, regardless of energy produced or consumed by the new project. This creates a perverse incentive for IOUs to build more capital projects than necessary while enjoying a guaranteed return on investment.

Lack of oversight and the creation of these loopholes and legislative convolution is what led to the estimated $280 million in over earnings[14] by Dominion between 2017 and 2019. Allowing IOUs to spend without limit in a monopoly environment with no competition will continue to cause price increases for consumers with no measurable improvement to service.

[9] 2021 Va. Acts. House Bill 2200.
[10] 2021 Va. Acts House Bill 1914.
[11] 2021 Va. Acts. House Bill 2049.
[12] U.S. Energy Info. Admin., 2020 Average Monthly Bill- Residential, Commercial, Industrial (2020).
[13] Va. Code Ann. § 56-585.1 (2021).
[14] Status Report: Implementation of the Virginia Electric Utility Regulation Act Pursuant to § 56-596 B of the Code of Virginia (2020).

SHARED SOLAR

Policy Summary:

Increase the Shared Solar cap, expand the program to Appalachian Power and Old Dominion Power territories, and limit the minimum bill and administrative fees.

BACKGROUND

In 2020, the General Assembly passed a bill[17] to create a pilot program for Shared Solar in Virginia. This program allows customers of Dominion Energy to purchase energy from a shared solar facility through a subscription. The subscribed customer is given a bill credit for the proportional output of energy from the facility.

The legislation directs the SCC to establish a minimum bill to include the cost of infrastructure and related services. The program is also limited to 150 megawatts.

RATIONALE

Shared solar allows customers who cannot afford the upfront costs of installation or live in a multifamily building to take advantage of solar and, with a reasonable minimum bill, enjoy saving on their electric bill. Additionally, distributed sources of energy production enhances grid reliability.

The passage of the Shared Solar program is laudable, however there is both room for expansion and a need to ensure the program is conceivable for prospective customers.

In accordance with the new law, the SCC has been in the process of determining the minimum bill for the program. Dominion Energy has asserted that approximately an additional $75[16] per month is necessary for its administration. This minimum would be charged to customers in addition to the cost of the energy, making the program entirely uneconomical and unfeasible for customers. It also removes any of the potential benefits associated with the declining cost of solar. The existing program and any expansion thereof must limit the program costs to a reasonable amount, otherwise it will go unused.

Additionally, the cap on Shared Solar is unnecessarily small, even for a pilot program. Maryland has implemented a pilot program with a cap of 418 megawatts[17] and plans to significantly increase that cap with its permanent program. Virginia, with 2.5 million more people than Maryland, should increase this cap and work towards a much larger permanent program.

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[15] Va. Code Ann. § 56-594.3 (2020) (2020 Va. Acts. Senate Bill 629 & House Bill 1634).
[16] Commonwealth of Virginia, ex rel. State Corporation Commission Ex Parte: In the matter of establishing regulations for a shared solar program (2021).
[17] Maryland Public Service Commission, Community Solar Pilot Program.