

State Corporation Commission 2022 Fiscal Impact Statement

1. Bill Number: HB 558

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: O'Quinn

3. Committee: Commerce and Labor

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; report.

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.

The bill requires each natural gas utility with an eligible biogas supply infrastructure project to report annually to the Commission the reduction in methane and carbon dioxide equivalent emissions from each such approved project.

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: No fiscal impact on the State Corporation Commission. There is no fiscal impact on the Department of Environmental Quality to convene the workgroup and report on the recommendations.

8. Fiscal Implications: None

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission;
Department of Environmental Quality

10. Technical Amendment Necessary: No

11. Other Comments: None

KBP 2/15/22