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HOUSE BILL NO. 396

Offered January 12, 2022

Prefiled January 11, 2022

A *BILL to amend and reenact § 56-585.1:8 of the Code of Virginia, relating to electric utilities; municipal net energy metering.*

Patron—Sullivan

Committee Referral Pending

Be it enacted by the General Assembly of Virginia:**1. That § 56-585.1:8 of the Code of Virginia is amended and reenacted as follows:****§ 56-585.1:8. Pilot program for municipal net energy metering.**

A. As used in this section:

"Host account" means the premises on which a municipal customer-generator's electrical generating facility is located.

"Municipal customer-generator" means a ~~single~~ municipality ~~metered account~~ that owns and or operates, or that contracts with other persons to own or operate, an electrical generating facility that (i) uses as its total source of fuel renewable energy as defined in § 56-576, (ii) has a generating capacity of not more than ~~two~~ three megawatts, (iii) is located on land owned or leased by the municipality's premises municipality and is connected to the municipality's wiring on the municipality's side of its interconnection with the utility, (iv) is interconnected and operated in parallel with the utility's transmission and distribution facilities, and (v) is intended primarily to offset all or part of the customer account's own electricity requirements. The capacity of any generating facility installed under this section, other than a generating facility located on airports, landfills, parking lots, parks, post-mine land, or a reservoir that is owned, operated, or leased by the municipality, shall not exceed the same limitation established with respect to an eligible customer-generator as set forth in the definition of such term in subsection B of § 56-594.

"Municipality" means any county, city, or town in the Commonwealth, other than a municipality that owns and operates its own electric utility, or any authority created pursuant to the Park Authorities Act (§ 15.2-5700 et seq.).

"Net energy metering" means measuring the difference, over the net metering period, between (i) electricity supplied to a municipal customer-generator from the electric grid and (ii) the electricity generated and fed back to the electric grid by the municipal customer-generator.

"Net metering period" means the 12-month period following the date of final interconnection of the municipal customer-generator's system with its utility and each 12-month period thereafter.

"Utility" means Phase I Utility or Phase II Utility, as such terms are defined in § 56-585.1:3.

B. The Commission shall require each utility to submit a proposal to the Commission to conduct a pilot program for municipal net energy metering in accordance with the following terms, conditions, and restrictions:

1. A pilot program shall be conducted within the service territory of each utility. The pilot program shall allow any municipal customer-generator that generates electricity from a renewable energy generation facility in amounts that exceed the amount of the utility's electricity consumed by the ~~host~~ municipal customer-generator *host* account to credit one or more of the municipality's target metered accounts (*target accounts or beneficial accounts*) or, if the pilot program is conducted by a Phase I Utility, also to metered accounts of the public school division of the municipality. In each utility's pilot program, the target accounts may be at one or more other separately utility-metered public buildings or facilities at contiguous or noncontiguous sites owned or leased by the municipality and used for a public purpose; however, if the pilot program is conducted by a Phase I Utility, target accounts may also be at one or more other separately utility-metered buildings or facilities of the public school division of the municipality. In each utility's pilot program, excess electricity *beyond that used by the host account* shall be credited to the ~~metered account of the target~~ *beneficial accounts selected by the municipal customer* in the same municipality, ~~such that the~~ *The virtual net metering credit associated with the excess electricity shall include generation, transmission, and distribution charges. The generation energy charges on the electric bills of such target's metered beneficial accounts shall be reduced by the amount of the excess generation kilowatt-hours apportioned to the metered accounts multiplied by the applicable generation energy rate of the target's selected beneficial accounts, plus 85 percent of the transmission and distribution charges associated with the kilowatt-hours apportioned to the metered accounts. The generation energy rate of the target's virtual net metering credit that applies to the beneficial accounts*

includes all applicable ~~kilowatt-hour-based~~ rate adjustment clauses ~~with the exception of any non-fuel-related or non-generation-related kilowatt-hour-based rate adjustment clauses and non-bypassable surcharges.~~ The netting of the amount of electricity generated and the amount of electricity consumed, and the crediting for the amount of any excess generation determined as a result of such netting, shall occur in the twelfth month following the commencement of the host municipal customer-generator's generation of electricity under a pilot program and annually thereafter, regardless of the municipal customer-generator's regular billing period.

2. The pilot program shall not limit the current authority of any municipality to participate in any other net energy metering program.

3. The amount of generating capacity of the generating facilities that are the subject of a pilot program under this section shall not exceed:

a. If the pilot program is conducted by a Phase I Utility, five megawatts although the Phase I Utility may, in its discretion, increase the generating capacity that is part of the program up to 10 megawatts; or

b. If the pilot program is conducted by a Phase II Utility, ~~25~~ 500 megawatts.

4. The aggregated capacity of all generation facilities that are the subject of each utility's pilot program under this section shall constitute a portion of the existing limit of the utility's adjusted Virginia peak-load forecast of the previous year that is available to (i) municipal customer-generators under this section, (ii) eligible customer-generators and eligible agricultural customer-generators under § 56-594, and (iii) small agricultural generators under § 56-594.2 in the utility's service area. Municipal customer-generators shall be eligible to participate in a utility's pilot program implemented under this section on a first-come, first-served basis in each utility's Virginia service area until the limits set forth in subdivision 3 are met.

5. Any pilot program conducted under this section shall require that:

a. If conducted by a Phase I Utility or Phase II Utility, each participating municipality shall be responsible for all *demonstrated* administrative costs associated with implementing the pilot program, including *demonstrated* administrative costs associated with crediting excess ~~generation~~ *electricity* to target accounts; and

b. If conducted by a Phase I Utility, the credit for excess ~~energy~~ *electricity*, to the extent possible, shall be prioritized to be directed to accounts at buildings or facilities of the public school division of the municipality before the credit is directed to any of the municipality's target accounts.

6. Any pilot program conducted pursuant to this section shall not limit the current authority of any municipality to participate in any other net energy metering program.

7. Neither jurisdictional customers nor non-jurisdictional customers, including those that are members of a joint powers association representing member units of a political subdivision of the Commonwealth, that do not participate in a pilot program under this section shall bear any costs associated with participation in such pilot program by a participating host municipal customer-generator and participating target municipal customer.

C. The duration of any pilot program approved by the Commission pursuant to this section shall be six years *or until July 1, 2028, whichever is later.* If the pilot program is not extended beyond such initial term, host and target accounts participating at the end of the initial term shall be permitted to continue to participate under the terms of the pilot program that existed during the initial term. The terms of the pilot program shall be included in future contracts for each municipality that elects to continue its program.

D. The Commission shall review the pilot programs established pursuant to this section in ~~2024~~ 2024 and every two years thereafter for the duration of the pilot program.