

Issue: Renewable Energy

## Renewable Energy in Virginia

### How Virginia Stacks Up Against Other States

In 2017, based on total megawatts of solar capacity installed, Virginia ranked 22<sup>nd</sup> of all states—a drop of 5 places from the prior year. In 2015 based on solar capacity per capita, Virginia rated 39<sup>th</sup>—a drop of 7 places from the prior year. Neighboring states North Carolina and Maryland ranked 2<sup>nd</sup> and 14<sup>th</sup>, respectively, in 2017 on total solar capacity. In 2015, North Carolina and Maryland ranked 5<sup>th</sup> and 14<sup>th</sup>, respectively on capacity per capita.

Although Virginia is making incremental progress, the state has dropped in the rankings because other states are developing solar energy much faster. Resistance from utilities, weak incentives, and tepid policymaking by a legislature that supports utilities and the fossil-fuel industry are key factors inhibiting the growth of renewable energy.

An attorney for the Natural Resources Defense Council stated that Virginia is missing out on one of the largest job growth markets in the United States because its market is largely closed to third party (non-utility) developers. The National Solar Jobs Census found that 69% of solar jobs in 2016 were focused on the residential and commercial market segment, while only 31% were focused on utility-scale development. Virginia ranks 20<sup>th</sup> for solar jobs. North Carolina ranks 8<sup>th</sup>, while Maryland ranks 12<sup>th</sup>. It doesn't help that in 2016 the Republican-controlled legislature defeated the Democratic governor's solar energy budget amendment, which would have allocated \$1 million per year for the development of solar energy statewide. The amendment gave priority to projects that would have created jobs in the economically-depressed area of southwest Virginia.

### Utilities' Resistance Began at the National Level

In 2012 utility executives at a private industry association meeting were warned that rooftop solar posed a serious threat. Renewable energy could cut sales, lose customers, and make traditional electricity providers obsolete. Ever since, utilities have lobbied state legislatures to adopt policies that impede the development of residential solar power.

Their argument is that utilities lose revenue when customers generate their own solar energy, while infrastructure costs (maintaining power plants and transmission lines) remain the same. The rebuttal arguments are: 1) Solar panels reduce the strain on electric grids during peak demand times; 2) They help states meet federal requirements to reduce greenhouse gas emissions; 3) They produce new jobs; and 4) They eliminate the need to build expensive new power plants and transmission lines.

Some utilities actively oppose net metering, a practice allowing solar panel customers to earn credit for the solar electricity they provide to the utility's grid. A customer is billed only for the difference between the electricity that the customer draws from the grid and the solar energy that the customer's solar panels feed into it. The customer's lower monthly bills help offset installation costs. Legislation to make net metering illegal or more costly has been introduced in nearly two dozen state houses since 2013. Some of the proposals were virtual copies of model legislation drafted by the conservative American Legislative Exchange Council (ALEC), a nonprofit organization with ties to billionaire industrialists Charles and David Koch.

## Resistance to Renewable Energy in Virginia

Utility-owned projects dominate solar energy development in Virginia. Dominion Virginia Power seeks to control solar facilities and resists residential and community-owned facilities by putting capacity limits and standby charges on private systems.

Furthermore, the state legislature does not mandate renewable energy production. Renewable Portfolio Standards (RPS) are regulations on utilities to produce a specific fraction of their electricity from renewable sources, such as solar and wind. In other states, such as North Carolina and Maryland, the RPS is mandatory; in Virginia, the RPS levels are *voluntary* “goals”—and those goals are modest. Virginia’s target for renewable energy by 2025 seems to be 15%, but is in reality 7%, because the percentage is based on 2007 energy production levels and excludes nuclear-generated power from that baseline amount. In addition, the utility can satisfy those goals by buying Renewable Energy Certificates (RECs) from trash incinerator, wood burning, and pre-WWII hydroelectric facilities, meaning that Virginia’s RPS doesn’t require investment in new wind and solar projects.

Currently just 0.09% of the state’s electricity is generated from solar, with 241.5MW installed. Dominion has pledged to add 400MW of solar capacity by 2020. Unlike its neighboring states, Virginia has no operating wind farms. Dominion won the right to develop wind power offshore of Virginia Beach but has no timeline for this. A two-turbine pilot effort that could be in service in 2021 is the only project planned.

Much of the incentive to develop utility-scale solar projects has come not from the legislature but from corporate demand. A year ago, 18 big companies wrote Virginia lawmakers and the State Corporation Commission calling for more renewable options. Now the state, Dominion, and Microsoft are partnering on a 20MW solar farm in Fauquier County. Dominion will build and run it; the state will buy the power for its buildings; Microsoft will buy the RECs. In another partnership, Amazon Web Services will buy power from Dominion’s solar facilities in Buckingham, New Kent, Sussex, Powhatan, and Southampton counties.

## State Legislation

The bill summary included below reveals a lack of legislative leadership and a pro-utility bias. Virginia’s Republican-controlled legislature accedes to Dominion’s opposition to residential rooftop solar, net metering, and mandatory renewable standards. For example, legislators approved low-cost financing for renewable energy projects for commercial customers, but in a committee vote they refused to extend such financing to residential customers. A committee also killed a bill allowing community net metering for local governments and for apartment and condominium residents. Another bill allowed farmers to install solar panel systems but phased out agricultural net metering in areas served by electric cooperatives. Instead of establishing mandatory renewable energy levels, the legislature set a five-year limit on using RECs to satisfy voluntary RPS targets.

At the same time, the Republican General Assembly repeatedly voted to extend tax credits to coal companies, only to be vetoed by the Democratic governor. And Republican lawmakers repeatedly proposed legislation attacking Virginia’s implementation of the EPA’s Clean Power Plan. The General Assembly’s deference to the utility company is apparent from the fate of renewable energy legislation in 2016. That year, more than a dozen clean energy bills were filed. Nearly all were “tabled” or carried over to 2017, which essentially means they failed in committee without a recorded vote.

## One Bill’s History Sums Up Dominion’s Influence

HB1286 was a bill that the solar industry hoped would remove obstacles to private solar development. The bill would have confirmed the legality of third-party power purchase agreements (PPAs) so that

private solar companies could install and own solar systems on customers' homes and the customers could purchase power from the solar company. The bill also would have lifted the 1% cap on net metering programs, ended standby charges on residential and agricultural facilities, ended limits on system size, and authorized community net metering.

After weeks of negotiations between Dominion lobbyists and a renewable energy industry coalition, the bill was cut to a single paragraph ensuring the legality of third-party PPAs. All sides were in agreement. Or not. Two days before the House subcommittee hearing, Dominion produced new language eliminating authority for almost all PPAs. It contained a provision never previously discussed, adding standby charges on small commercial customers who install renewable systems.

Rather than vote down all of the solar industry's bills in full view of the public and press, the chairmen of the House and Senate Commerce and Labor Committees (Terry Kilgore and Frank Wagner, respectively) decided to "carry over" all the renewable energy bills to 2017. As those committee chairs advised, representatives from Dominion, Appalachian Power, the Solar Energy Industries Association, and a pro-agricultural group met with a mediator for months to reach consensus on these issues. Environmental and consumer advocacy groups were not included in the meetings, although the mediator said he consulted with those stakeholders. Four bills emerged, but the utilities would not budge on the issue of rooftop solar. In the spring of 2017, the legislature adopted those four bills. One of them (HB2390) uses the language that Dominion substituted for HB1286. It limits third-party PPAs only to private colleges in Appalachian Power territory for up to 10MW.

## Dominion's Campaign Contributions

Dominion contributes millions of dollars at the state level to the PACs of both parties and to individual candidates of both parties, although it donates more to Republicans than to Democrats. From 1996 to the present, Dominion Energy has donated more than \$2.26 million to Republican state-level party, caucus, and leadership committees. During that same time period, Dominion Energy donated about \$1.8 million to the Democratic state-level committees. From 1996 to the present, Dominion has donated \$2.45 million to Republican state House delegates and state Senators, while it donated \$2.07 million to Democratic state House delegates and state Senators.

A review of Dominion Energy's contributions to Virginia House delegates from 2010 to 2017 shows it has heavily favored Republican delegates who control the chamber. Of its total donations, about 70% has been for Republican candidates and 30% has been for Democratic candidates — roughly mirroring the composition of the House (about 2/3 Republicans, 1/3 Democrats).

The Committee on Commerce and Labor oversees all matters pertaining to utilities, and the chairs of the committee receive major campaign donations from Dominion. Terry Kilgore is the current committee chair in the House. From 1996 through 2006, he received relatively small campaign contributions from Dominion—a total of \$17,750 over 11 years, averaging \$1,614 annually. Dominion's contributions to Kilgore increased dramatically when he became the committee chair. In the 2007 election he received \$10,500 from Dominion, was re-elected, and became the chair of the House Commerce and Labor Committee in 2008. From 2007 through 2017, Dominion donated \$151,000 to Kilgore, averaging \$13,727 annually—about 9 times more per year when he became chair. And companies from the energy and natural resources sector make up Kilgore's largest donor base.

Frank Wagner chairs the state Senate Committee on Commerce and Labor. From 2000 through 2014, he also received relatively small campaign contributions from Dominion—a total of \$41,850 over 15 years, averaging \$2,790 annually. Then in the 2015 election, he received \$26,385 from Dominion, was re-elected, and became the committee chair in 2016. From 2015 through 2017, Dominion donated \$56,385 to Kilgore, averaging \$18,795—about 7 times more per year as chair.

Furthermore, companies from the energy and natural resources sector make up Wagner's fifth largest donor base.

In the 2017 election, 57 candidates running for the Virginia House of Delegates, 53 of whom are Democrats, have signed a pledge stating that they will never accept campaign contributions from Dominion or Appalachian Power.

## Summary of State Legislation on Renewable Energy 2014 - 2017

Below is a summary of the bills on renewable energy in Virginia's General Assembly during the last four years. Noted after the description of each bill are the votes of these nine Republican incumbents: Anderson HD51, Greason HD32, Hugo HD40, LeMunyon HD67, Lingamfelter HD31, Marshall HD13, Miller HD50, Yancey HD94, and Yost HD12.

### 2017

SB1258 Solar Energy Development and Energy Storage Authority (enacted)—Expands the scope of the agency to include development of energy storage (battery) technology in Virginia. Eight of the incumbent Republicans voted yes. Miller voted no.

SB1394 and HB2303 Agriculture Renewable Energy (enacted)—Allows farmers to install solar panels on 25% of their acreage and sell electricity to the utility company. Opposed by Sierra Club because: (1) farmers must sell all the electricity generated and cannot use it to power their farms, and (2) the bill terminates an existing program that allows farmers to use net metering from an electric cooperative (i.e., farmers lose the ability to power multiple buildings from a single community wind turbine or solar panel array). All nine incumbent Republicans voted yes.

SB1395 Renewable Energy Permit by Rule (enacted)—Streamlines permitting process for more types of solar and wind projects. Increases size of eligible projects from 100MW to 150MW and allows utilities to use this expedited permit process for their renewable energy projects instead of getting approval from the State Corporation Commission. All nine incumbent Republicans voted yes.

HB2390 Restricted Renewable Energy Financing (enacted)—Expands a pilot project establishing financing options for renewable energy through third-party Power Purchase Agreements by including customers in Appalachian Power Company territory. Opposed by Sierra Club because: (1) the bill actually reduces the scope of the pilot project by limiting eligibility only to private, nonprofit colleges, thereby excluding public colleges, commercial, industrial, and residential customers, and (2) it caps the Power Purchase Agreements at 10MW. All nine incumbent Republicans voted yes.

### 2016

Governor's Amendment #10 to state budget bill for solar development funding HB30 (failed)—The General Assembly stripped the amendment from the budget, which would have allocated \$1 million per year to the Department of Mines, Minerals, and Energy for the development of solar energy across Virginia, with priority given to projects that would have created jobs in economically depressed southwest Virginia. Eight of the incumbent Republicans opposed the amendment. Yancey voted for it.

### 2015

SB1099 and HB2267 Virginia Solar Energy Development Authority (enacted)—Establishes an 11-member agency to support the development of the solar energy industry and solar-powered electric energy facilities in Virginia. Eight of the incumbent Republicans voted yes. Yost did not cast a vote.

SB1395 Raising the Cap on Commercial Net Metering (enacted)—Raises the net metering cap from 500KW to 1MW for non-residential customers to install solar projects. Eight of the Republican incumbents voted yes. Greason abstained.

HB1446 Property Assessed Clean Energy (enacted)—Establishes loan program for commercial property owners to finance energy efficiency and renewable energy improvements. All nine incumbents Republicans voted yes.

HB2237 Recovery of Costs of Solar Energy Facilities (enacted)—Allows utilities to recover the costs of building or buying solar facilities in Virginia of at least 1MW and includes language making it easier for utilities to get state approval for these projects. All nine Republican incumbents voted yes.

## 2014

SB222 Lifting Home and Community Association Bans (enacted)—Invalidates pre-existing homeowner association covenants banning solar panels on private property. All nine Republican incumbents voted yes.

SB350 Expanding Net Energy Metering (failed)—Would have allowed customers in multi-family housing (condominiums and apartments) to participate in community net metering and would have allowed local governments to combine the energy load of its municipal buildings for net metering purposes. No House delegate vote because the bill failed in the Senate Commerce and Labor Committee.

SB418 Redefining Solar Panels as Pollution Control Equipment (enacted)—Makes solar panels more affordable by redefining them as tax-exempt, pollution-control equipment instead of manufacturing equipment, which is subject to high local taxes. All nine Republican incumbents voted yes.

SB498 Renewable Portfolio Standard (RPS) Reform (enacted)—RPS laws require utilities to generate a specific percentage of electricity from clean renewable sources (although in Virginia, renewable standards for utilities are *voluntary*). Instead of installing renewable energy facilities in Virginia, the utility companies buy renewable energy certificates (RECs) from other states to meet RPS goals. Until now the utilities were allowed to stockpile RECs to meet future RPS goals, which inhibited the development of renewable energy in Virginia. This bill imposes a five-year limit for applying RECs to RPS goals. Eight of the incumbent Republicans voted yes. Yost did not cast a vote.

SB653 Renewable Energy Property Grant Fund (enacted but not funded)—Establishes a fund to encourage private investment in property for Virginia-based companies to develop all types of renewable energy sources. As of August 2014, no funding in the state budget had been allocated to the program. Eight of the Republican incumbents voted yes. Marshall did not cast a vote.

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