

Repeal of Va. renewable energy incentives proposed

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Virginia Attorney General Ken Cuccinelli and the state's largest electric utilities are proposing to repeal financial incentives for using renewable energy after a report last year found that the millions of dollars in bonuses haven't yielded the intended environmental gains and have contributed to increases in customer bills.

Under the agreement announced Tuesday by the attorney general's office, Dominion Virginia Power and Appalachian Power would no longer be eligible to receive the bonuses called "adders" for using sources of renewable energy or building new power plants that use fossil fuels. Incentives will still remain for nuclear and offshore wind energy, but the bonuses would be reduced.

The agreement does not, however, repeal the state's voluntary goals that utilities have 15 percent of their generation coming from renewable sources by 2025. And utilities can still seek to recover the costs related to reaching those goals, officials said.

The move would save Dominion customers \$38.5 million and Appalachian Power customers \$7.75 million annually through 2025, the attorney general's office said.

In a statement, Dominion spokesman Jim Norvelle said the proposal is "another step forward" for its customers and allows the company to "continue investing billions of dollars in projects that enhance reliability, meet the growing energy demand and create thousands of jobs." Norvelle also noted that the company's electric rates are virtually the same as in 2008.

Following a November report from the attorney general's office, the commission asked Cuccinelli to work with electric utilities to reform part of the 2007 law that changed how state regulators handled utility rates. The parties hope to present a final legislative proposal when the General Assembly's Commission on Electric Utility Regulation meets Thursday.

Under the 2007 law, rather than having one rate case that considered all of a company's costs, utilities now file separate requests for specific costs like surcharges for constructing new plants or environmental compliance. It also requires the State Corporation Commission to review rates every two years, and allows for customers to receive refunds if utilities make more money on an increase than authorized.

But the report from the attorney general's office said the utilities have primarily relied on buying renewable energy certificates from existing renewable facilities to receive the incentives allowed by law rather than build any new renewable energy

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facilities. Overall the report suggested the bonuses be eliminated or significantly changed because they are not meaningfully protecting customers from unnecessary rate increases, not promoting reliable electricity or fuel diversity, and not providing environmental benefits or stimulating economic development.

Several environmental groups also have criticized that part of the law, saying utilities need to do more in order to earn the renewable energy bonuses.

"The standard is flawed, but there's a clear way to fix that," said Mike Tidwell, executive director of the Chesapeake Climate Action Network. But he said the proposal between the attorney general's office and the electric utilities is a "radical" and "anti-environmental" step. The group has worked with legislators to introduce other bills to address the incentive program.

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