

HOUSE BILL NO. 1191
AMENDMENT IN THE NATURE OF A SUBSTITUTE
(Proposed by the House Committee on Labor and Commerce
on _____)
(Patron Prior to Substitute—Delegate Shin)

A BILL to amend the Code of Virginia by adding a section numbered 56-594.01:2, relating to electric substation construction agreements; electric cooperatives.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered 56-594.01:2 as follows:

§ 56-594.01:2. Substation construction agreements; electric cooperatives.

A. As used in this section:

"Electric cooperative" or "cooperative" means a utility consumer services cooperative organized under Article 1 of Chapter 9.1.

"Member" has the same meaning as provided in § 56-231.15.

B. An electric cooperative may enter into an agreement to construct a substation with a member receiving regulated electric service, with an electric demand of at least 20 megawatts during the most recent calendar year, that requires a point of interconnection with a transmission line system of 230 kilovolts or more. Such agreement shall be filed jointly by the member and cooperative with the Commission for informational purposes and, if requested, treated with confidentiality by the Commission. Such substation shall be for dedicated service only to the member's facilities and shall be constructed at the member's sole expense, in accordance with all applicable laws, regulations, reliability standards, and the cooperative's specifications.

C. In addition to any inspections or milestones that may be included in an agreement described in subsection B, the member shall notify the cooperative in writing upon substantial completion of the substation. Within 60 days after receiving such notice, the cooperative shall inspect the substation and issue any final construction change orders within 30 days after the inspection.

D. Upon final completion of a substation constructed under an agreement described in subsection B, the member shall transfer ownership and control to the cooperative by donation or for mutually agreed consideration, which consideration shall be deemed legally sufficient to transfer ownership. Following such transfer of ownership, the cooperative shall operate and maintain such substation at the member's sole expense, pursuant to the cooperative's applicable rates, terms, and conditions.

E. The Commission shall exclude the costs of acquisition, operation, or maintenance of any substation acquired by a cooperative under this section from the cooperative's general and base rates and shall ensure

33 *that no costs associated with such substation are recovered from any ratepayer other than the member that*
34 *entered an agreement to construct the substation.*

35 *F. No provision of Chapter 5 (§ 56-88 et seq.) or Chapter 10.1 (§ 56-265.1 et seq.) shall apply to any*
36 *agreement or acquisition conducted pursuant to this section.*

37 *G. Any agreement described in subsection B shall be negotiated by the member and cooperative in good*
38 *faith. If a cooperative fails to negotiate or fails to propose a draft agreement within 120 days after the date of*
39 *written request for such agreement by the member, the member may file a petition with the Commission to*
40 *order the cooperative to negotiate and to offer a draft agreement for substation construction by the member.*

41 *If any such petition is filed, the Commission shall hear the petition, if necessary, within three months after*
42 *filings and shall issue an order on such petition within six months after filing. The Commission shall establish*
43 *a fee schedule for the adjudication of such petition, to be payable by the member seeking a draft agreement*
44 *from the cooperative, which fees shall be assessed for the purposes of funding the Commission's costs of*
45 *administering and enforcing the provisions of this section.*

46 *H. In the case of disputes that may arise during negotiation of an agreement described in subsection B, or*
47 *during the construction and transfer process of the substation, the cooperative and member shall have*
48 *recourse through the informal and formal dispute resolution processes of the Commission.*