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SENATE BILL NO. 1096

AMENDMENT IN THE NATURE OF A SUBSTITUTE  
(Proposed by the House Committee on Labor and Commerce  
on March 7, 2020)

(Patron Prior to Substitute—Senator Lucas)

A BILL to amend and reenact § 58.1-3660 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 56-585.1:11, relating to electric utilities; electric school bus projects.

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-3660 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 56-585.1:11 as follows:

§ 56-585.1:11. Development of electric school bus projects.

A. As used in this section:

"Electric school bus" means a school bus, as defined in § 46.2-100, that is powered by an electric motor drawing current from rechargeable storage batteries that are recharged with electric energy from an electric vehicle charging station.

"Electric school bus project" means a project conducted by a Phase II utility pursuant to the provisions of this section for the use of electric school buses, along with associated charging and other infrastructure, including any occupant restraint system, for the purpose of transporting students of any public school division within the Commonwealth and that may also serve as electric grid stabilization or peak shaving resources.

"Participating school division" means a school division within a Phase II utility's service territory that participates in an electric school bus project pursuant to an agreement between its school board and a Phase II utility.

"Phase II utility" means an investor-owned incumbent electric utility that was, as of July 1, 1999, bound by a rate case settlement adopted by the Commission that extended in its application beyond January 1, 2002.

B. 1. A Phase II utility is authorized, notwithstanding the provisions of § 13.1-620 or the articles of incorporation of such utility, either directly or through an affiliate or subsidiary, to (i) enter into third-party agreements for the purchase, lease, or use of electric school buses; (ii) enter into agreements with any school board of any participating school division for ownership or for leasing on commercially competitive terms of electric school buses; (iii) provide financial incentives or rebates to any school board of a public school division in the Commonwealth to promote or facilitate the purchase and ownership by such school board of electric school buses; and (iv) engage in other activities, as approved by the Commission, to promote the use of electric school bus transportation in the Commonwealth. Such agreements shall provide that (a) electric school buses are titled in the name of the participating school division and (b) the Phase II utility owns the storage batteries and associated charging and related infrastructure.

2. Any electric school buses associated with an electric school bus project shall be procured pursuant to a competitive solicitation process conducted by the Phase II utility, a participating school division, or the Commonwealth.

3. Any participating school division located within the service territory of a Phase II Utility shall be eligible to participate in an electric school bus project. A Phase II utility shall limit the total number of electric school buses participating in the project to no more than an average of 250 electric school buses in each calendar year and a lifetime project total of no more than 1,250 electric school buses.

4. When selecting a school division that has applied to participate in the electric school bus project, a Phase II utility shall give consideration to the locational benefits that the school buses' storage batteries are expected to bring to the Phase II utility's electric system.

5. In any agreement between a Phase II utility and a participating school division concerning an electric school bus project, the agreement shall address compensation to the participating school division for the use of the bus battery for electric grid stabilization or as a peak shaving resource when such use compromises the participating school division's ability to transport the students either through bus unavailability or insufficient charge.

6. Any electric energy from an electric school bus utilized by a Phase II utility in connection with grid stability aspects of a project shall be replaced at no cost to the participating school division. No participating school division shall be required to pay a Phase II utility for the cost associated with the installation, operation, and maintenance of charging infrastructure or equipment.

7. A participating school division is responsible for the operation and maintenance of an electric school bus and may retain any expense savings, including fuel costs savings that it achieves in connection with such project.

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60 8. Any school bus associated with an electric school bus project shall be equipped with an active  
61 lap-and-shoulder belt occupant restraint system for each designated passenger seating position.

62 C. A Phase II Utility may submit a petition to the Commission, no more than once annually, for a  
63 rate adjustment clause to recover the costs of one or more electric school bus projects pursuant to  
64 subdivision A 6 of § 56-585.1. Any such electric school bus project capital investment amounts shall,  
65 upon the request of the utility in a triennial review proceeding directed by subdivisions A 1 and 3 of  
66 § 56-585.1, qualify for a customer credit reinvestment offset pursuant to subdivision A 8 d of § 56-585.1.  
67 To the extent that revenues are generated from the leasing of utility-owned electric school buses or  
68 associated charging or other infrastructure to a school board, such revenues shall be applied by the  
69 utility to offset the costs of the associated equipment.

70 D. Nothing in this section shall authorize a utility to directly engage in student transportation. The  
71 utility shall not incur any liability for civil damages arising out of acts or omissions relating to the  
72 operation or maintenance of an electric school bus included in an electric school bus project.

73 E. The development of electric school bus projects by a Phase II utility is in the public interest,  
74 including the public interest in reduced carbon and other emissions from school buses fueled by  
75 petroleum-based fuels, the public health benefit to pupils and citizens at large associated with school  
76 buses fueled by electricity, and the use of such buses as electric grid stabilization or peak shaving  
77 resources.

78 F. Each Phase II utility shall, by December 1, 2021, and annually thereafter, report on the status of  
79 its participation in an electric school bus project to the Governor, the Commission, and the Chairs of  
80 the House Committee on Labor and Commerce and the Senate Committee on Commerce and Labor.

81 G. After December 31, 2025, a Phase II utility shall not develop any new electric school bus  
82 projects, and no school board that is not participating in an existing electric school bus project shall  
83 participate in an electric school bus project.

84 **§ 58.1-3660. Certified pollution control equipment and facilities.**

85 A. Certified pollution control equipment and facilities, as defined herein, are hereby declared to be a  
86 separate class of property and shall constitute a classification for local taxation separate from other such  
87 classification of real or personal property and such property. Certified pollution control equipment and  
88 facilities shall be exempt from state and local taxation pursuant to Article X, Section 6 (d) of the  
89 Constitution of Virginia.

90 B. As used in this section:

91 "Certified pollution control equipment and facilities" shall mean any property, including real or  
92 personal property, equipment, facilities, or devices, used primarily for the purpose of abating or  
93 preventing pollution of the atmosphere or waters of the Commonwealth and which the state certifying  
94 authority having jurisdiction with respect to such property has certified to the Department of Taxation as  
95 having been constructed, reconstructed, erected, or acquired in conformity with the state program or  
96 requirements for abatement or control of water or atmospheric pollution or contamination. Such property  
97 shall include, but is not limited to, any equipment used to grind, chip, or mulch trees, tree stumps,  
98 underbrush, and other vegetative cover for reuse as mulch, compost, landfill gas, synthetic or natural gas  
99 recovered from waste or other fuel, and equipment used in collecting, processing, and distributing, or  
100 generating electricity from, landfill gas or synthetic or natural gas recovered from waste, whether or not  
101 such property has been certified to the Department of Taxation by a state certifying authority. Such  
102 property shall also include solar energy equipment, facilities, or devices owned or operated by a business  
103 that collect, generate, transfer, or store thermal or electric energy whether or not such property has been  
104 certified to the Department of Taxation by a state certifying authority. For solar photovoltaic (electric  
105 energy) systems, this exemption applies only to (i) projects equaling 20 megawatts or less, as measured  
106 in alternating current (AC) generation capacity, for which an initial interconnection request form has  
107 been filed with an electric utility or a regional transmission organization on or before December 31,  
108 2018; (ii) projects equaling 20 megawatts or less, as measured in alternating current (AC) generation  
109 capacity, that serve any of the public institutions of higher education listed in § 23.1-100 or any private  
110 college as defined in § 23.1-105; (iii) 80 percent of the assessed value of projects for which an initial  
111 interconnection request form has been filed with an electric utility or a regional transmission  
112 organization (a) between January 1, 2015, and June 30, 2018, for projects greater than 20 megawatts or  
113 (b) on or after July 1, 2018, for projects greater than 20 megawatts and less than 150 megawatts, as  
114 measured in alternating current (AC) generation capacity, and that are first in service on or after January  
115 1, 2017; (iv) projects equaling five megawatts or less, as measured in alternating current (AC)  
116 generation capacity, for which an initial interconnection request form has been filed with an electric  
117 utility or a regional transmission organization on or after January 1, 2019; and (v) 80 percent of the  
118 assessed value of all other projects equaling more than five megawatts and less than 150 megawatts, as  
119 measured in alternating current (AC) generation capacity for which an initial interconnection request  
120 form has been filed with an electric utility or a regional transmission organization on or after January 1,  
121 2019. The exemption for solar photovoltaic (electric energy) projects greater than 20 megawatts, as

122 measured in alternating current (AC) generation capacity, shall not apply to projects upon which  
123 construction begins after January 1, 2024. *Such property shall also include electric school buses and*  
124 *associated charging and other infrastructure that is related or incidental to an electric school bus*  
125 *project authorized pursuant to § 56-585.1:11.* For pollution control equipment and facilities certified by  
126 the Virginia Department of Health, this exemption applies only to onsite sewage systems that serve 10  
127 or more households, use nitrogen-reducing processes and technology, and are constructed, wholly or  
128 partially, with public funds. All such property as described in this definition shall not include the land  
129 on which such equipment or facilities are located.

130 "State certifying authority" shall mean the State Water Control Board or the Virginia Department of  
131 Health, for water pollution; the State Air Pollution Control Board, for air pollution; the Department of  
132 Mines, Minerals and Energy, for solar energy projects and for coal, oil, and gas production, including  
133 gas, natural gas, and coalbed methane gas; and the Virginia Waste Management Board, for waste  
134 disposal facilities, natural gas recovered from waste facilities, and landfill gas production facilities, and  
135 shall include any interstate agency authorized to act in place of a certifying authority of the  
136 Commonwealth.