

Appalachian Power's Unfair Restrictions on Local Government and School Solar

Background

The current contracts in place with Appalachian Power Company (APCo) for electric service to government entities, often referred to as non-jurisdictional customers or public authorities, cap the total aggregate amount of net-metering generation at 3 megawatts (MW), and effectively block third-party power-purchase agreement (PPA) financing for solar energy and other distributed energy resources.ⁱ This past legislative session, the Virginia General Assembly enacted multiple pieces of legislation including the Solar Freedom Act and the Virginia Clean Economy Act, which expand net metering and PPA provisions across the Commonwealth. Local governments should have equal access to these new expanded programs.

Net Metering and PPAs create local jobs and clean energy that stays in our community.

- According to a recent study by the Center for Urban and Regional Analysis at Virginia Commonwealth University, the current distributed solar industry in Virginia generates nearly \$203 million in labor income and about \$492 million in total direct economic output per year. Taken together, the direct, indirect, and induced impacts of the current distributed solar industry produce nearly 5,200 jobs, with a combined \$308 million in labor income (distributed wages), and a total economic benefit of \$803.3 million.ⁱⁱ
- By comparison, Appalachian Power employs approximately 1,000 employees in Virginia, and almost all of its generation is located out-of-state.ⁱⁱⁱ

APCo's limits on net metering inconsistent with current laws.

- The law now allows for the aggregate generation from net-metered systems to reach up to 6% of an investor-owned utility's peak load (increased from 1%), which is roughly 211 MW total in APCo territory in Virginia.^{iv}
- Under the current contract, the 3 MW cap on net metering from public authority customers means that public authority customers can only account for 1.4% of the entire cap. This arbitrary cap harms the Commonwealth's ability to reach its clean energy goals and local governments' ability to reap the financial savings, economic development, and environmental benefits of clean energy.^v
- Appalachian Power should be required to increase the 3 MW cap on net metering for public authority customers to at least 18 MW, consistent with the increase to the statewide cap (which is a six-fold increase).

APCo's limits on PPAs are inconsistent with current laws

- APCO's contracts effectively prohibit PPAs for schools and local governments.
- Laws enacted in 2020 open up PPA financing to non-residential customers with system sizes greater than 50 kW and less than 3 MW, and for tax-exempt entities with system sizes less than 3 MW.
- The General Assembly expanded the PPA program with the specific intent that it should be available to and used by tax-exempt entities including government and school buildings that cannot take advantage of the federal tax credits without financing through a third party.^{vi}

APCo Green Tariff is a more costly and insufficient option resulting in little local benefits.

- APCo offers Renewable Energy Credit purchase programs called a “Green Tariff” or 100% clean energy tariff option, and markets this program as an alternative to having building owners install solar on their own property.
- APCo’s green tariff program costs more for building owners than it would cost to install their own projects through a PPA.
- The program uses renewable energy from out-of-state facilities, meaning that Virginia loses out on the key benefits of local solar jobs and economic development.

APCo's limitations on local governments are more restrictive than Dominion Energy’s.

- Schools in APCo territory account for only 22 kW of solar, while solar installed at schools in Dominion Energy and other electric cooperatives accounts for 20,192 kW.
- Installed solar capacity has grown 10x since 2017, with 90% of that growth financed with PPAs.

APCo cannot demonstrate with data that allowing at least 18 MW of net metered solar and PPAs of solar has more costs than benefits.

- Appalachian Power’s reported claim that it must raise rates on other customers if the net metering cap is increased for public authority customers ignores the myriad benefits of solar and the fact that net metering systems reduce the overall costs for the utility.
- Customer-owned solar does not cause unfair cost-shifting especially at the low-level of penetration in Virginia.
- Rooftop solar has been shown to save all ratepayers (and the utility) money, while providing economic and environmental benefits for everyone.^{vii}
- New laws enacted this year require a study of the costs and benefits of net metering to evaluate the costs and benefits. After the study, the Commission will establish an appropriate rate schedule to compensate customer generators if the study deems that changes are needed to the current net metering system.

Solar on schools and government building locks in long term, predictable energy rates at a lower rate.

- APCo overcharged ratepayers by \$7 million in 2018 according to the SCC,
- APCo continues to raise rates on its customers, as evidenced by its application to increase rates filed in March, regardless of the resources that are used to generate electricity.^{viii}
- Solar has the potential to decrease the total amount of taxpayer dollars that goes to paying for the electricity bills in government-owned buildings while creating more Virginia-based jobs and economic benefits, instead of paying a utility that has nearly all of its generation out of state.

ⁱ Net metering is the policy that makes compensation for solar electricity production possible, allowing a customer to offset your electric bill with that production. Read more at <https://www.solarunitedneighbors.org/learn-the-issues/net-metering/>. A PPA is a financial arrangement in which a third-party developer owns, operates, and maintains the solar system, and a host customer agrees to site the system on its property and purchases the system’s electric output from the solar services provider for a predetermined period. Read more at: <https://www.epa.gov/greenpower/solar-power-purchase-agreements>

ⁱⁱ Assessing the Benefits of Distributed Solar in Virginia (v. 1.2), Virginia Commonwealth University: Center for Urban and Regional Analysis (updated April 2020), *available at*:

<https://cura.vcu.edu/media/cura/pdfs/cura-documents/CURAdistributedsolarreportv.1.2.withupdatedcurrentemployment.pdf>

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<https://www.appalachianpower.com/global/utilities/lib/docs/info/facts/factsheets/APCoVaFactSheet2019.pdf>

^{iv} https://www.scc.virginia.gov/getattachment/b43235e6-4e9f-45ce-9ab4-8f43ce5379d9/apco_capmgmt.pdf

^v Appalachian Power FERC Form 1, April 28, 2020, showing 792,616 MWh of electricity sold to public authority customers and 28,021,094 MWh sold to all customers total.

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^{vi} Legislators working to advance PPA legislation in the 2020 session were specifically targeting school projects, as illustrated in these news articles: https://www.washingtonpost.com/local/virginia-politics/fairfax-solar-plan-could-spur-change-to-va-law-meant-to-shield-dominion-energy-from-competitors/2019/12/25/bfde04ca-21f8-11ea-a153-dce4b94e4249_story.html and <https://www.dailypress.com/virginiagazette/va-vg-wire-renewable-energy-0219-20200218-i3r7jk66cvaepg7cwgolmo2o4e-story.html>

^{vii} See e.g., Muro, Mark and Devashree Saha, Rooftop solar: Net metering is a net benefit, Brookings Institute (May 23, 2016), *available at*:

<https://www.brookings.edu/research/rooftop-solar-net-metering-is-a-net-benefit/> (study examining net metering and value of solar studies from across the country;

Solar Energy in Michigan: The Economic Impact of Distributed Generation on Non-Solar Customers, Institute for Energy Innovation, (June 2017), *available at*: <https://mieibc.org/wp-content/uploads/2018/04/Econ-Impact-non-solar-summary.pdf> (study showing the benefits of rooftop solar);

Why Rooftop Solar is Not a Cost-Shift, Solar United Neighbors, *available at*:

<https://www.solarunitedneighbors.org/learn-the-issues/value-of-solar/why-rooftop-solar-is-not-a-cost-shift/>

^{viii} “If approved, the request would raise rates for its Virginia customers an average of 5 percent...residential customers using 1,000 kilowatt hours (kWh) a month... will see an approximate \$10 increase in their monthly bill.”

<https://www.appalachianpower.com/info/news/viewRelease.aspx?releaseID=5503>