

SEEA Policy Highlights

Q3: July – September 2018

SEEA's Policy Highlights provide stakeholders with brief, timely, and relevant information on energy efficiency and related topics throughout the Southeast. For more information or to provide input, contact Emmeline Luck, Policy Associate at eluck@seealliance.org.

State Updates

Alabama

- **Building Code Adoption:** The Alabama Energy and Residential Code Board recently voted to approve a residential code amendment that improves the whole house air tightness target, but does not require mechanical ventilation, which should be installed for health and safety purposes. This proposed amendment follows a similar amendment that was recently proposed in Georgia and passed in [Florida](#).

Arkansas

- **Energy Savings Targets:** On July 13, the Arkansas Public Service Commission (APSC) [adopted](#) statewide energy savings targets for program years 2020-2022, raising the goal for electric utilities to 1.20% of 2018 baseline sales and maintaining a 0.50% target for natural gas utilities. The increased energy efficiency targets were initially proposed by Sierra Club, Audubon Arkansas, and the Arkansas Advanced Energy Association and are expected to result in approximately 445 million kilowatt hours of additional energy savings per year in Arkansas.
- **Integrated Resource Planning:** Oklahoma Gas & Electric (OG&E) hosted a stakeholder meeting on September 6 in Fort Smith, Alabama to hear feedback on its integrated resource plan (IRP). OG&E [submitted its IRP](#) to the APSC and Oklahoma Public Service Commission on September 19.
- **Arkansas Government Reorganization:** On October 3, Governor Asa Hutchinson [proposed a reorganization](#) of the state government, reducing the number of cabinet-level agencies from forty-two to fifteen. All energy and environment agencies and commissions will be housed in a new Department of Energy and Environment, which may enable more coordination among agencies with shared missions and interests.

Florida

- **Utility Mergers:** On July 30, NextEra Energy [acquired](#) Florida City Gas for \$530 million from Southern Company. NextEra currently owns Florida Power and Light (FP&L), the largest utility in the state. The company has also agreed to buy Gulf Power. The company has also agreed to buy Gulf Power for about \$5.75 billion, a deal that, if approved, would be finalized in early 2019.

SEEA Policy Highlights

- **Advanced Metering:** Duke Energy customers in Florida will soon have to [switch to smart meters](#) or will be charged a \$15.60 monthly fee.
- **Resilience:** In July, the Florida Public Service Commission released a report titled [Florida's Electric Utility Hurricane Preparedness and Restoration Actions 2018](#). The report found that Florida's storm hardening programs had significantly decreased the impact of recent storms compared to the 2004-2005 hurricane season.
- **Building Codes:** In June, the Florida Building Commission began development of the [seventh edition of the Florida Building Code](#) (FBC), which it expects to take effect in 2020. In the past, the Florida Building Commission has used the most recent version of the International Building Code (IBC) as base code during its code adoption process, with the Building Commission deciding what Florida-specific amendments should be made. The Commission has interpreted a law passed in 2017 to require all subsequent editions of the FBC to use the FBC sixth edition as its base. The Commission's interpretation of that legislation is being [challenged](#) by the Florida chapter of the American Institute of Architects; the challenge is currently before the Florida First District Court of Appeals.
- **Electric Vehicle Charging:** Duke Energy Florida launched its [Park and Plug](#) electric vehicle (EV) charging station pilot program on October 3. Duke will install 530 charging stations in the state through 2019 and will conduct a study to better understand EV charging habits. The pilot program will continue through 2022.

Georgia

- **Nuclear Construction:** On September 26, Georgia Power reached an [agreement](#) with Dalton Utilities, Oglethorpe Power, and Municipal Electric Authority of Georgia (MEAG) to continue with construction of the two new reactors at Plant Vogtle. The September [agreement](#) between the owners allows Georgia Power to call off the project if their risk gets too high and offers the other owners a way out if construction costs significantly increase again. At the same time, Jacksonville Electric Authority (JEA) is [suing](#) one of Vogtle's owners, MEAG, requesting a declaratory judgment from a Florida circuit court that the power purchase agreement (PPA) between the two utilities [cannot be enforced](#). Projected completion dates for the new reactors are now set at November of 2021 and 2022. Georgia Power also filed its [19th Semi-Annual Vogtle Construction Monitoring Report](#) for January – June 2018.
- **Atlanta Resilience Office:** Atlanta Mayor Keisha Lance Bottoms announced in July that [Amol Naik](#) has joined her cabinet as the Chief Resilience Officer.
- **Atlanta Wins Climate Funding:** In September, the City of Atlanta was [announced](#) as one of the first winners of the American Cities Climate Challenge. Atlanta will receive funding from Bloomberg Philanthropies and participate in a program to help the city meet or exceed its 100% renewable energy goal.

SEEA Policy Highlights

- **Time-of-Use Rates for Electric Vehicles:** Cobb EMC now offers a [NiteFlex](#) rate that allows electric vehicles owners and smart appliance users to charge their technology overnight at a cheaper rate.

Kentucky

- **Advanced Metering:** Earlier this year, Louisville Gas and Electric (LG&E) and Kentucky Utilities (KU) jointly filed a petition for full advanced metering systems rollout across their service territories. On August 30, the Kentucky Public Service Commission [denied](#) the application, stating that they did not demonstrate that the current meters are obsolete or that the benefits of the proposal outweigh the costs.

Mississippi

- **Integrated Resource Planning:** In May 2018, the Mississippi Public Service Commission (MPSC) [opened a docket](#) to investigate and consider the development and adoption of integrated resource plan (IRP) rules for regulated electric utilities in Mississippi. Initial comments on the docket closed on August 1.
- **Quick Start Programs:** On September 4, the MPSC [issued an order](#) that extends Quick Start programs through 2019 and requires utilities to conduct cost-effectiveness tests for these programs to provide the MSPC with all of the relevant information needed to set savings targets.
- **Electric Vehicle Legislation:** As part of the [Mississippi Infrastructure Modernization Act](#), passed at the end of August, the state passed a new annual motor vehicle privilege tax of \$150 for electric vehicles and \$75 for hybrid vehicles. These fees were designed to compensate for lower gas tax revenue generated by those vehicles.

North Carolina

- **Duke Energy Rate Case:** In late June, the North Carolina Utilities Commission (NCUC) [ordered](#) Duke Energy to reduce customer rates instead of authorizing the \$700 million in additional annual revenue Duke proposed in its rate case. The order also reduced Duke's proposed budget for its Power/Forward grid modernization initiative to \$2.5 billion (from \$8 billion) and requires the utility to refund \$60 million annually for four years due to state excess deferred income taxes. Duke is evaluating next steps for the program and rate reduction.
- **Stricter Energy Codes:** This summer, North Carolina's Building Code Council [decided not to appeal](#) a ruling by the NC Rules Review Commission that it broke the law when it weakened planned changes to the state's residential energy code. The new building codebook for 2019 will include the contested regulations for thicker insulation and more efficient skylights, among others.

SEEA Policy Highlights

South Carolina

- **Nuclear Construction:**
 - **SCE&G Rate Case:** In July, the South Carolina legislature passed a [bill](#) requiring South Carolina Electric and Gas (SCE&G) to cut its rates by 15% to refund customers for costs associated with the now-abandoned V.C. Summer nuclear plant. In response, SCE&G filed a [lawsuit](#) against the SC Public Service Commission (SCPSC) and requested an injunction, arguing that the new law is unconstitutional. In September, the SC Office of Regulatory Staff [requested](#) that the SCPSC disallow all costs paid by ratepayers for the failed nuclear project since March 2015. If approved, this request would require additional rate cuts or refunds.
 - **Santee Cooper:** In late June, Santee Cooper [petitioned](#) the state Supreme Court to decide whether the cooperative utilities that entered into PPAs with Santee Cooper will be responsible for continuing to pay for the \$4 billion debt that Santee Cooper borrowed to build the VC Summer nuclear facility. According to Santee Cooper, approximately \$2.8 billion of its debt is owed by the co-ops. This petition comes after several co-ops filed lawsuits against Santee-Cooper for continuing to charge customers for the failure of the nuclear project.
- **Dominion-SCANA Merger:** On July 13, the Federal Energy Regulatory Commission (FERC) [approved](#) Dominion Energy and SCANA's \$14 billion merger proposal, which the two electric companies filed in early January. Dominion and SCANA have touted the merger as a smart financial option that may relieve ratepayers of some of the debt accrued by the VC Summer project. On September 4, the merger received [approval](#) from the Nuclear Regulatory Commission. The merger remains contingent upon approvals from the public service commissions of South Carolina and North Carolina, among other conditions. The South Carolina Public Service Commission will hold hearings on October 31 to evaluate the need for and amount of nuclear cost disallowances, which could impact the progress of the merger.

Tennessee

- **Tennessee Valley Authority:**
 - **Grid Assets:** In late June, the Trump administration released its [2019 budget and reorganization plan](#), which called for divesting the transmission assets of the Tennessee Valley Authority (TVA). TVA CEO Bill Johnson has spoken out against the plan, arguing that the federal government should not get rid of the utility's transmission assets, which boast high reliability and low operating costs. Instead, at TVA's [August Board Meeting](#), Johnson called for a study of TVA's generation fleet, saying that decreasing demand may lessen the need for the older, less-efficient power plants.
 - **Rates and Rate Design:** In August, TVA's Board of Directors unanimously [approved](#) a 1.5% rate increase and a \$10.7 billion [budget](#) for fiscal year 2019. On September 6, conservation groups filed a [lawsuit](#) against TVA over the utility's new rate structure, which cuts its wholesale power rate by \$0.005 per kilowatt per hour (kWh) and instead imposes a fixed charge of \$0.005 per kWh as a "grid access fee." The groups argued that the new

SEEA Policy Highlights

rate structure discourages homeowners and businesses from investing in renewable energy and energy efficiency.

- **Grid Modernization:** TVA announced in late August [plans to build](#) a new \$300 million system operations center in Meigs County as part of one of the biggest-ever upgrades of TVA's grid. The new facility, which TVA expects to complete in 2023, will accommodate a new energy management system for the utility; TVA also announced plans for a \$300 million expansion of its fiber optic lines alongside TVA's 16,000 miles of transmission lines.
- **Volkswagen Settlement:** In July, the Tennessee Department of Environment and Conservation (TDEC) released its final [Beneficiary Mitigation Plan](#) (BMP) that lays out how the state plans to spend its initial allocation of \$45.7 million from the Volkswagen Diesel Settlement Environmental Mitigation Trust (EMT). The purpose of the EMT is to fund environmental mitigation projects that reduce emissions of nitrogen oxides. TDEC released the final BMP after a 30-day public comment period that ended on August 17.
- **Electric Vehicles:** [Drive Electric Tennessee](#), an initiative by TDEC and Tennessee Clean Fuels to support EV adoption in Tennessee, is holding various stakeholder meetings to gain input on new strategic plan for the next five to ten years. The organization plans to hold its next meeting via webinar in November; the final date is forthcoming.
- **Electric Vehicles Research:** On September 12, Nashville launched a new EV research initiative called [SmartCharge Nashville](#), to help local utility companies prepare for greater EV adoption. Data gathered by the SmartCharge program will inform the development of infrastructure and programs to support the use of EVs while maintaining low-cost, reliable electric service.

Virginia

- **Grid Modernization Legislation:** In July, Dominion Energy filed its first plan under the [Grid Transformation and Security Act \(GTSA\)](#) with the Virginia State Corporation Commission (SCC). The GTSA, which went into effect in early June, requires Virginia utilities, including Dominion, to increase their investment in renewable energy, energy efficiency, and smart grid technologies. In its initial plan, Dominion proposed to develop three gigawatts (GW) of wind and solar, install more than two million smart meters, and make nearly \$900 million in efficiency investments in the first phase. In addition, the SCC [recently found](#) that Dominion over-earned in 2017, exceeding its approved return on equity; the GTSA enables utilities to reinvest available revenue, even beyond their SCC-approved profit margins, into other energy services such as solar and grid modernization initiatives.
- **New Energy Plan:** On October 1, the Virginia Department of Mines, Minerals, and Energy (DMME) released its [2018 Energy Plan](#) after a 60-day public comment period and various public listening sessions. The energy master plan is rewritten every four years, coinciding with the end of the governor's term. The 2018 plan includes a goal for three GW of solar and onshore wind energy by 2022 and two GW of offshore wind by 2028, among other plans for grid modernization, EV adoption, and energy efficiency.

SEEA Policy Highlights

Regional Updates

- **Hurricane Florence:** On September 14, Hurricane Florence made landfall in North Carolina, causing significant destruction throughout the Carolinas and resulting in at least 49 [deaths](#) so far. In response, N.C. Governor Roy Cooper has [called](#) for a large-scale rebuilding process that accounts for affordable housing and improves the state’s resilience to future storms. Meanwhile, the U.S. Congress [voted](#) on September 26 to provide \$1.68 billion in aid to Florence victims, the first of likely several installments of federal disaster recovery funds. Congress also passed amendments to the Stafford Act, which authorizes federal disaster recovery funding, to dedicate a portion of post-disaster funding to hazard mitigation and resilience.
- **Environmental Law Leadership:** Rick Middleton, founder and Director of the Southern Environmental Law Center (SELC), [announced](#) he will resign in March 2019 after a three-decade career with the group. Longtime Deputy Director Jeff Gleason will take over upon his departure.
- **Smart Cities:** Southern Company subsidiaries Alabama Power and Georgia Power are working with Oak Ridge National Laboratory (ORNL) and the Electric Power Research Institute (EPRI) to develop two [“smart” neighborhoods](#) that will ameliorate grid performance and customers’ ability to control their energy use. The two-year pilot projects will focus on energy optimization.
- **ACEEE State Energy Efficiency Scorecard:** On October 4, the American Council for an Energy-Efficient Economy (ACEEE) released its annual [State Energy Efficiency Scorecards](#) for 2018.
- **State Energy Program 2017 Competitive Award Selections:** On September 21, the U.S. Department of Energy (DOE) State Energy Program [announced](#) about \$5 million in funding for sixteen state awardees to advance innovative approaches to support state-led energy initiatives, maximize the benefits of energy efficiency, and improve energy security. Alabama received an award to develop a Commercial Property Assessed Clean Energy (C-PACE) program, and North Carolina was selected for an award to develop analyses and collect stakeholder feedback on its IRP process to support high-value investments that build grid resiliency, enhance reliability, and provide energy affordability.
- **Electric Loans for Rural Development:** The U.S. Department of Agriculture (USDA) [announced](#) that it will invest \$398.5 million in projects to improve electricity service in rural areas through its Electric Infrastructure Loan Program. That includes \$43 million to smart grid technology in several states to make electricity networks more efficient and responsive. Thirteen states were selected in total, with Arkansas, North Carolina, South Carolina, and Virginia representing the Southeast. These projects focus on adding rural customers to the grid, adding and improving transmission lines, and making other grid upgrades. Follow [this link](#) to find more project-specific information.
- **Electric Vehicles Collaborative:** In September, nineteen cities and two counties throughout the U.S. formally launched the [Climate Mayors Electric Vehicle Purchasing Collaborative](#). These twenty-one municipalities launched the Collaborative with a commitment to purchase 376 EVs within the first year, representing approximately \$11 million in electric transportation-related

SEEA Policy Highlights

investment. Fayetteville, North Carolina and Orlando, Florida are the two Southeast cities involved in this initiative.

- **Electric Vehicles Policy:** The Alliance to Save Energy has convened a national commission of business, government, and civil society leaders to develop a policy pathway to reduce energy use in the U.S. transportation sector by 50% by 2050 while meeting future mobility needs. This “50x50 Commission” launched in 2017 and delivered its consensus [policy recommendations](#) on September 26, 2018.

Federal Updates

- **Fuel Efficiency Standards:** On August 24, the U.S. Environmental Protection Agency (EPA) issued the [Safer Affordable Fuel Efficient \(SAFE\) Vehicles](#) proposed rule. If adopted, the rule will limit the ability of states to set their own standards and will roll back a 2012 regulation requiring automakers to achieve an average passenger vehicle fuel economy of 54 miles per gallon by 2025. EPA and the National Highway Traffic Safety Administration (NHTSA) held three public hearings across the country in September to hear feedback. Several utility trade representatives [requested](#) an additional 60 days to comment on the proposal but the Agencies rejected the petitions, offering instead a three-day extension until October 26.
- **Clean Power Plan Replacement:** On August 21, EPA released the [Affordable Clean Energy proposed rule](#), which would replace the Obama-era Clean Power Plan. The proposed rule narrows the scope of carbon emission reductions to heat rate improvements at coal-fired power plants, eliminating opportunities to achieve emissions reductions from energy efficiency. The rule also proposes to let states set emissions standards for coal-fired power plants, rather than establishing federal standards.
- **On-Bill Financing:** 2019 [Rural Energy Savings Program \(RESP\)](#) funding was authorized on August 6 under the Farm Security and Rural Investment Act, making funds available to utilities and other authorized borrowers to fund on-bill financing programs for energy efficiency. The Environmental & Energy Study Institute has released [guidelines](#) on filing a letter of intent to obtain funds.
- **Electric Vehicle Tax Credits:** The [Electric CARS Act](#) was introduced to the US House of Representatives on June 28. Currently, a federal tax credit of up to \$7,500 is available for the purchase of EVs, but federal statute caps the number of vehicles eligible for the tax credit at 200,000 per manufacturer. If adopted, this rule would eliminate the cap and extend the tax credits for alternative fuel vehicles and charging infrastructure for the next 10 years.
- **Department of Energy Staff:** In July, the Senate Energy and Natural Resources Committee made strides in appointments for several offices within DOE. The Committee advanced [Daniel Simmons](#) to be assistant secretary of the Office of Energy Efficiency and Renewable Energy and approved nominees [Christopher Fall](#) and [Karen Evans](#) for Director of the Office of Science and for Assistant Secretary of the new office of Cybersecurity, Energy Security, and Emergency Response, respectively.