

City of Richmond, Virginia
Department of Public Utilities Rules and Regulations

Gas Air Conditioning Incentive Program

Adopted Effective September 29, 2017

1. Scope and Purpose.

The purpose of these rules and regulations is to implement the City of Richmond gas utility's Gas Air Conditioning Incentive Program for the installation and operation of gas air conditioning equipment.

2. Authority.

City Code Section 28-110(d) directs the Director to promulgate rules and regulations pursuant to City Code Section 28-26 to implement the Gas Air Conditioning Incentive Program.

3. Applicability of these Rules and Regulations.

These rules and regulations apply to all qualified facilities served by, or applying for service from, the City gas utility.

4. Definitions.

For purposes of these rules and regulations, the following definitions shall apply:

Alternative fuel: Any fuel other than natural gas, including, but not limited to, electricity and oil.

City: City of Richmond, Virginia.

City Code: The Code of the City of Richmond, Virginia.

City gas utility: The gas utility owned by the City of Richmond, Virginia and operated by the City's Department of Public Utilities.

Department: City of Richmond Department of Public Utilities.

Director: The Director of the City of Richmond's Department of Public Utilities.

Gas air conditioning equipment: Natural gas air conditioning equipment with efficiency ratings that meet or exceed current federal and state standards for equipment installed and operated in the Commonwealth of Virginia, and as defined by the U. S. Department of Energy, Office of Energy Efficiency and Renewable Energy.

Incentive program: The City gas utility's Gas Air Conditioning Incentive Program.

Qualified facility (facilities): A qualified facility is any residential, commercial or industrial structure, having one street address and sharing one foundation footprint, and that has been approved by the land development authority of the jurisdiction in which the facility is located, or will be located.

Richmond City Code: The Code of the City of Richmond, Virginia.

5. Eligibility to Make Application.

- a. **Existing qualified facility.** The owner of any otherwise eligible existing qualified facility that is located within the City gas utility's service area, and for which the owner is considering the conversion of existing alternative fuel air conditioning equipment to gas air conditioning equipment, shall be eligible to apply for an incentive program capital contribution, provided that the owner satisfies all of the incentive program requirements.
- b. **New qualified facility.** The owner of any planned qualified facility to be located within the City gas utility's service area for which the owner is considering the installation and use of gas air conditioning equipment shall be eligible to apply for an incentive program capital contribution, provided that the owner satisfies all of the incentive program requirements.

6. Minimum Incentive Program Eligibility Requirements.

In order to be considered for an incentive program capital contribution, in addition to being eligible pursuant to Section 5 of these rules and regulations, the owner of an existing or planned qualified facility must meet the following minimum incentive program eligibility requirements:

- a. The owner shall commit to install, maintain, and operate only gas air conditioning equipment, as agreed upon with the Director, in the facility. The owner shall commit to operate the gas air conditioning equipment for at least 10 years from the date of installation, and to purchase from the City gas utility, or cause to be purchased from the City gas utility, natural gas for such gas air conditioning equipment at the rates set forth in applicable rate schedules, for at least 10 years from the date of installation.
- b. The owner shall provide proof that the owner is a lawful corporate entity, registered to do business within the Commonwealth of Virginia, and that the individual executing the agreement is duly authorized to do so on behalf of the owner.
- c. The owner shall confirm that the representations made in its application for consideration of an incentive program capital contribution, and in any other related documentation submitted by the owner to the City, are true and complete to the best of the owner's knowledge and belief.
- d. The owner shall agree to secure with the City the incentive program capital contribution provided by the City, to the satisfaction of the Director. At a minimum, the owner shall provide the Director with written proof of maintenance of insurance to cover the repair and replacement of the gas air conditioning equipment in the event of damage or loss, in an amount at least equal to the City's incentive program capital contribution, for at least the 10-year minimum required period of operation.
- e. The owner shall agree, in case of loss or failure of the gas air conditioning equipment, to fully replace or fully repair the gas air conditioning equipment, or to reimburse the City for the unamortized portion of the City's incentive program capital contribution based on the 10-year minimum required period of operation.

7. Procedures for Applying for a Gas Air Conditioning Incentive Program Capital Contribution.

The Director shall make incentive program capital contribution application forms and other necessary forms available to interested individuals as a result of telephone requests, letters and visits by City gas utility personnel to qualified facilities and the offices of the owners, managers, and developers of such facilities.

Owners of qualifying facilities desiring to apply for an incentive program capital contribution must submit a fully and properly completed application, on a form prescribed by the Director, along with any other forms that might be required by the City, to the City gas utility's Energy Services Division ("Energy Services"). The application may include any other information that the applicant owner believes would assist the City in considering the application with respect to analysis of the projected heating, cooking, hot water, and cooling loads. In order for the application to be considered by the Director, the applicant owner must submit the application prior to the start of the construction associated with the application and prior to the installation of any gas-fired equipment associated with the application, subject to the Director's waiver.

8. Energy Services Division and Department's Deputy Director of Finance Review.

Once an application is received, Energy Services shall review the application, other required forms, and any other information submitted by the applicant owner, and shall conduct such research and analysis as appropriate to evaluate whether an incentive program capital contribution would be required in order to retain or obtain the load and, if so, to recommend an appropriate incentive program capital contribution amount.

If Energy Services concludes that an incentive program capital contribution would be required to retain or obtain the load, Energy Services shall complete a gas project evaluation to compare forecasted revenues and costs in order to assure, with reasonable certainty, whether an incentive program capital contribution would result in a reasonable rate of return to the City gas utility over the life of the gas air conditioning equipment pursuant to the terms to which the applicant is willing to commit. The comparison shall include all reasonable costs to the City gas utility including, but not limited to, the cost of any necessary main extensions and service lines, and the cost of the proposed incentive program capital contribution. Energy Services shall record the evaluation on a form prescribed by the Director (the "gas project evaluation form").

Energy Services shall forward its conclusions and recommendations, and the completed gas project evaluation form, to the Department's Deputy Director of Finance.

The Department's Deputy Director of Finance shall review whether Energy Services' forecasted rate of return to the City gas utility over the life of the gas air conditioning equipment would be reasonable and whether Energy Services' recommended incentive program capital contribution would be cost justified.

If the Department's Deputy Director of Finance determines that the forecasted rate of return to the City gas utility over the life of the equipment would be reasonable, and that the incentive program capital contribution would be cost justified, the Department's Deputy Director of Finance shall forward the findings to the Director.

9. Director's Determination and Amount of Incentive Program Capital Contribution.

The Director shall review the information and recommendations provided by Energy Services and the Department's Deputy Director of Finance and, in the Director's sole discretion, either shall reject the application or shall certify (i) that an incentive program capital contribution, not exceeding the amount recommended by the Energy Services Division, is required to retain or obtain the load; would provide a reasonable rate of return to the City gas utility, and otherwise is cost justified; (ii) that the applicant owner meets all other applicable legal requirements; (iii) that the proposed contribution agreement minimizes the potential for placing private businesses at an undue advantage and will be offered in a nondiscriminatory manner; and (iv) that adequate documentation exists to justify an incentive program capital contribution.

If the Director makes the certification set forth in the preceding paragraph, the Director shall advise the applicant owner by letter and offer to enter into a contribution agreement. The contribution agreement shall include, *inter alia*, the minimum incentive program eligibility requirements set forth in Section 6 of these rules and regulations, including, but not limited to, the required minimum length of time the gas air conditioning equipment must be in service, and the requirement that the applicant adequately secure its performance pursuant to the contribution agreement. The applicant owner must execute and return the contribution agreement to the Director within 30 calendar days following the Director's approval of the owner's application.

The City will consider applications for capital contributions in the order of receipt of such applications by Energy Services. Any applications neither approved nor denied at the end of the City's fiscal year shall be considered denied.

The Director shall set forth in writing whether an application is approved or denied and the reasons therefor.

The amount of capital contribution provided pursuant to any contribution agreement shall not exceed \$250,000 per qualified facility.

The Director shall not offer more than \$500,000 in total capital contributions pursuant to the Gas Air Conditioning Incentive Program in any given fiscal year. All incentive program capital contributions are subject to the availability of funds.

The contribution agreement shall specify the method of payment. The methods can include, but are not limited to lump sum payments and scheduled payments. Under no circumstances shall the City provide the applicant with the incentive program capital contribution until after the contribution agreement has been executed fully, the City's proposed incentive program capital contribution has been adequately secured, the applicant's gas air conditioning equipment has been installed, and the City has determined that the gas air conditioning equipment is operating properly.

The Director reserves the right to require the owner, at any time, to verify the owner's performance, which such verification may include, but is not limited to, required submission by the owner to the Director of invoices, building permits and other documentation to ensure that the agreed-upon gas air conditioning equipment has been installed properly; that the gas air equipment complies with the contribution agreement, the applicable building code requirements, and other legal requirements; and that the natural gas air conditioning equipment is properly operating. The Director may visually inspect

the qualified facility where the natural gas air conditioning equipment is installed before making an incentive program capital contribution, and at any time during the term of the contribution agreement.

10. Advertising.

The Director shall encourage the installation and use of natural gas air conditioning equipment by informing existing, planned, and new facility owners, managers, developers, and the general public of the incentive program. The Director may publicize the incentive program through the use of television, radio, print, internet, mail, signage, product placement, and other appropriate outlets. The Director may schedule press conferences to announce or explain the incentive program and any changes thereto. The Director also may schedule meetings with existing and prospective new customers; with natural gas equipment manufacturers, installers and distributors; and with the general public to explain and promote the incentive program.

11. Liability.

The City shall have no liability whatsoever in connection with the installation, operation or inspection of natural gas air conditioning equipment. The City makes no warranties, either expressed or implied, concerning the savings to be obtained by the customer. Customer savings will depend on natural gas and alternative energy rates and actual customer usage.

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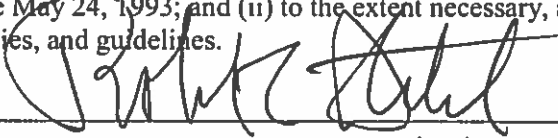
These rules and regulations shall become effective ~~September 29~~ September 29, 2017, and at that time shall supersede (i) in their entirety, the Department rules and regulations entitled "Gas Air Conditioning Incentive Program," as adopted by the Director effective May 24, 1993; and (ii) to the extent necessary, any and all other conflicting Department rules, regulations, policies, and guidelines.

Approved: _____

Name: _____

Title: _____

Date: _____


Robert C. Steidel
Public Utilities Director
September 29, 2017