



Economic Impact Analysis Virginia Department of Planning and Budget

**9 VAC 15 - 40 – Small Renewable Energy Projects (Wind) Permit by Rule
Department of Environmental Quality
April 5, 2010**

Summary of the Proposed Amendments to Regulation

Pursuant to 2009 Acts of Assembly Chapters 808 and 854, the Department of Environmental Quality (DEQ) proposes to establish requirements for permits by rule for wind-energy projects with rated capacity not exceeding 100 megawatts. By means of this legislation, the General Assembly moved permitting authority for these projects from the State Corporation Commission to DEQ. By requiring a “permit by rule,” the legislature is mandating that permit requirements be set forth “up front” within this regulation, rather than being developed on a case-by-case basis. The proposed regulation establishes requirements for potential environmental impacts analyses, mitigation plans, facility site planning, public participation, permit fees, inter-agency consultations, compliance and enforcement.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Prior to the 2009 legislation small renewable energy projects were permitted on a case-by-case basis. For those considering small wind-energy projects there was large uncertainty concerning the requirements and potential costs of completing a project. The permit by rule framework eliminates much of that uncertainty. Applicants would need to meet the 14 criteria set forth by §§ 10.1-1197.6(B) – 1197.11 of the Code of Virginia to obtain permit by rule. This significant reduction in uncertainty is in itself beneficial and will increase the likelihood that net beneficial projects will go forward. Wind power is generally considered less damaging to the environment than most other sources of energy. Thus, to the degree that the likely increase in

generation of wind energy replaces more polluting forms of energy, there will likely be some benefit to the environment.

There was only one known small wind-energy project that went forward when permitting authority was vested with the State Corporation Commission. The approval process took nearly seven years. Since projects were to be permitted on a case-by-case basis and there was only one case prior to the change in authority and process, a precise comparison of the costs for establishing small wind-energy projects under the prior system with the costs under the proposed permit by rule system cannot be made. Given both the significant benefit for reduced risk, reduced time cost, and reduced administrative costs for both applicants and the state inherent in the permit by rule system, total application costs will likely be reduced under the proposed regulation.

DEQ projects the costs for applying for a wind permit by rule are estimated as follows:

1) Cost estimate to apply for the wind permit by rule: 100MW = \$545,000; 50MW = \$405,000; and 10MW = \$310,000. These cost estimates include completion of permit by rule application requirements both desktop and pre-construction field efforts (e.g. wildlife studies, cultural studies, natural resource studies, scenic impact studies, reporting, P.E. certification, National Ambient Air Quality Standards analysis, public meetings/report, application fee, and administrative costs).

2) Cost estimate for first year of post construction wildlife monitoring: 100MW = \$170,000; 50MW = \$90,000; and 10MW = \$40,000. These estimates include the labor, reporting, and administrative costs necessary to conduct the first year of post construction wildlife monitoring.

3) Cost estimate for subsequent years of wildlife mitigation and monitoring: Financial cost cap of \$5,000 per turbine per year (that is, the equivalent of approximately 120 hours of curtailment, as specified in the proposed regulation).

All costs are presented as 2010 dollars. Estimates could increase depending on several factors not included above (e.g., specialized species surveys, wetland/stream delineations, cultural surveys, etc.).

Businesses and Entities Affected

The proposed amendments affect individuals, businesses or other entities wishing to develop a small wind energy project of 100 MW or less. DEQ staff is currently aware of two proposed ridge-top projects that could be subject to the proposed regulation, if the owner/operator chooses to apply for DEQ's permit by rule once these new regulations become final.

Localities Particularly Affected

The proposed regulation applies statewide and is not designed to have a disproportionate material impact on any particular locality. As a practical matter, however, wind-energy projects will be located where adequate wind conditions exist (generally Class 3 winds or higher for commercial-scale projects).¹

Projected Impact on Employment

The statutes and proposed regulation will increase the likelihood that small wind-energy projects will go forward. Consequently, the proposed regulation may have a small positive impact on employment.

Effects on the Use and Value of Private Property

The statutes and proposed regulation will increase the likelihood that small wind-energy projects will go forward. Consequently, the proposed regulation may have a small positive impact on the value of land appropriate for such projects and entities that may be considering generating wind energy.

Small Businesses: Costs and Other Effects

The statutes and proposed regulation will reduce risk, time costs, and administrative costs for small wind-energy firms.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed amendments will not produce an adverse impact on small businesses.

¹ Source: Department of Environmental Quality

Real Estate Development Costs

The statutes and proposed regulation will reduce the cost of developing land for wind energy projects.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act and Executive Order Number 107 (09). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.04 requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.