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SENATE BILL NO. 585

Senate Amendments in [] — February 15, 2000

A *BILL to amend and reenact §§ 56-576, 56-580 through 56-583, 56-585, 56-587 through 56-590, and 56-593 of the Code of Virginia and to amend the Code of Virginia by adding sections numbered 56-581.1 and 56-592.1, relating to the Virginia Electric Utility Restructuring Act.*

Patron—Norment

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That §§ 56-576, 56-580 through 56-583, 56-585, 56-587 through 56-590, and 56-593 of the Code of Virginia are amended and reenacted, and that the Code of Virginia is amended by adding sections numbered 56-581.1 and 56-592.1 as follows:

§ 56-576. Definitions.

As used in this chapter:

"Affiliate" means any person that controls, is controlled by, or is under common control with an electric utility.

"Aggregator" means a person licensed by the Commission that purchases or arranges for the purchase of electric energy as an agent or intermediary for sale to, or on behalf of, two or more retail customers that, as an agent or intermediary, (i) offers to purchase, or purchases, electric energy or (ii) offers to arrange for, or arranges for, the purchase of electric energy, for sale to, or on behalf of, two or more retail customers not controlled by or under common control with such person. The following activities shall not, in and of themselves, make a person an aggregator under this chapter: (i) furnishing legal services to two or more retail customers, suppliers or aggregators; (ii) furnishing educational, informational, or analytical services to two or more retail customers, unless direct or indirect compensation for such services is paid by an aggregator or supplier of electric energy; (iii) furnishing educational, informational, or analytical services to two or more suppliers or aggregators; (iv) providing default service under § 56-585; (v) engaging in activities of a retail electric energy supplier, licensed pursuant to § 56-587, which are authorized by such supplier's license; and (vi) engaging in actions of a retail customer, acting in common with one or more other such retail customers, to issue a request for proposal or to negotiate a purchase of electric energy for consumption by such retail customers.

"Billing services" means services related to billing customers for competitive electric services or billing customers on a consolidated basis for both competitive and regulated electric services.

"Commission" means the State Corporation Commission.

"Cooperative" means a utility formed under or subject to Chapter 9 (§ 56-209 et seq.) 9.1 (§ 56-231.15 et seq.) of this title.

"Covered entity" means a provider in the Commonwealth of an electric service not subject to competition but shall not include default service providers.

"Covered transaction" means an acquisition, merger, or consolidation of, or other transaction involving stock, securities, voting interests or assets by which one or more persons obtains control of a covered entity.

"Customer choice" means the opportunity for a retail customer in the Commonwealth to purchase electric energy from any supplier licensed and seeking to sell electric energy to that customer.

"Distribute," "distributing" or "distribution of" electric energy means the transfer of electric energy through a retail distribution system to a retail customer.

"Distributor" means a person owning, controlling, or operating a retail distribution system to provide electric energy directly to retail customers.

"Electric utility" means any person that generates, transmits, or distributes electric energy for use by retail customers in the Commonwealth, including any investor-owned electric utility, cooperative electric utility, or electric utility owned or operated by a municipality.

"Generate," "generating," or "generation of" electric energy means the production of electric energy.

"Generator" means a person owning, controlling, or operating a facility that produces electric energy for sale.

"Incumbent electric utility" means each electric utility in the Commonwealth that, prior to July 1, 1999, supplied electric energy to retail customers located in an exclusive service territory established by the Commission.

"Independent system operator" means a person that may receive or has received, by transfer pursuant

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60 to this chapter, any ownership or control of, or any responsibility to operate, all or part of the
61 transmission systems in the Commonwealth.

62 "Market power" means the ability to impose on customers a significant and nontransitory price
63 increase on a product or service in a market above the price level which would prevail in a competitive
64 market.

65 "*Metering services*" means the ownership, installation, maintenance, or reading of electric meters
66 and includes meter data management services.

67 "Municipality" means a city, county, town, authority or other political subdivision of the
68 Commonwealth.

69 "Period of transition to customer choice" means the period beginning on January 1, 2002, and ending
70 on January 1, 2004, unless otherwise extended by the Commission pursuant to this chapter, during
71 which the Commission and all electric utilities authorized to do business in the Commonwealth shall
72 implement customer choice for retail customers in the Commonwealth.

73 "Person" means any individual, corporation, partnership, association, company, business, trust, joint
74 venture, or other private legal entity, and the Commonwealth or any municipality.

75 "Retail customer" means any person that purchases retail electric energy for its own consumption at
76 one or more metering points or nonmetered points of delivery located in the Commonwealth.

77 "Retail electric energy" means electric energy sold for ultimate consumption to a retail customer.

78 "Supplier" means any generator, distributor, aggregator, broker, marketer, or other person who offers
79 to sell or sells electric energy to retail customers and is licensed by the Commission to do so, but it
80 does not mean a generator that produces electric energy exclusively for its own consumption or the
81 consumption of an affiliate.

82 "Supply" or "supplying" electric energy means the sale of or the offer to sell electric energy to a
83 retail customer.

84 "Transmission of," "transmit," or "transmitting" electric energy means the transfer of electric energy
85 through the Commonwealth's interconnected transmission grid from a generator to either a distributor or
86 a retail customer.

87 "Transmission system" means those facilities and equipment that are required to provide for the
88 transmission of electric energy.

89 § 56-580. Transmission and distribution of electric energy.

90 A. The Commission shall continue to regulate pursuant to this title the distribution of retail electric
91 energy to retail customers in the Commonwealth and, to the extent not prohibited by federal law, the
92 transmission of electric energy in the Commonwealth.

93 B. The Commission shall continue to regulate, to the extent not prohibited by federal law, the
94 reliability, quality and maintenance by transmitters and distributors of their transmission and retail
95 distribution systems.

96 C. The Commission shall develop codes of conduct governing the conduct of incumbent electric
97 utilities and affiliates thereof when any such affiliates provide, or control any entity that provides,
98 generation, distribution or transmission or any services made competitive pursuant to § 56-581.1, to the
99 extent necessary to prevent impairment of competition.

100 D. The Commission may permit the construction and operation of electrical generating facilities upon
101 a finding that such generating facility and associated facilities including transmission lines and
102 equipment (i) will have no material adverse effect upon reliability of electric service provided by any
103 regulated public utility and (ii) are not otherwise contrary to the public interest. In review of its petition
104 for a certificate to construct and operate a generating facility described in this subsection, the
105 Commission shall give consideration to the effect of the facility and associated facilities, including
106 transmission lines and equipment, on the environment and establish such conditions as may be desirable
107 or necessary to minimize adverse environmental impact as provided in § 56-46.1.

108 E. Nothing in this section shall impair the distribution service territorial rights of incumbent electric
109 utilities, and incumbent electric utilities shall continue to provide distribution services within their
110 exclusive service territories as established by the Commission. Nothing in this chapter shall impair the
111 Commission's existing authority over the provision of electric distribution services to retail customers in
112 the Commonwealth including, but not limited to, the authority contained in Chapters 10 (§ 56-232 et
113 seq.) and 10.1 (§ 56-265.1 et seq.) of this title.

114 F. Nothing in this chapter shall impair the exclusive territorial rights of an electric utility owned or
115 operated by a municipality as of July 1, 1999, nor shall any provision of this chapter apply to any such
116 electric utility unless (i) that municipality elects to have this chapter apply to that utility or (ii) that
117 utility, directly or indirectly, sells, offers to sell or seeks to sell electric energy to any retail customer
118 outside the geographic area that was served by such municipality as of July 1, 1999.

119 § 56-581. Regulation of rates subject to Commission's jurisdiction.

120 A. Subject to the provisions of § 56-582, the Commission shall regulate the rates for the transmission
121 of electric energy, to the extent not prohibited by federal law, and for the distribution of electric energy

to such retail customers on an unbundled basis, but, subject to the provisions of this chapter after the date of customer choice, the Commission no longer shall regulate rates and services for the generation component of retail electric energy sold to retail customers.

~~B. No later than September 1, 1999, and annually thereafter, the Commission shall submit a report to the General Assembly evaluating the advantages and disadvantages of competition for metering, billing and other services which have not been made subject to competition, and making recommendations as to when, and for whom, such other services should be made subject to competition.~~

~~C.B. Beginning July 1, 1999, and thereafter, no cooperative that was a member of a power supply cooperative on January 1, 1999, shall be obligated to file any rate rider as a consequence of an increase or decrease in the rates, other than fuel costs, of its wholesale supplier, nor must any adjustment be made to such cooperative's rates as a consequence thereof.~~

~~D.C. Except for the provision of default services under § 56-585 or emergency services in § 56-586, nothing in this chapter shall authorize the Commission to regulate the rates or charges for electric service to the Commonwealth and its municipalities.~~

~~§ 56-581.1. Authority to make services competitive.~~

~~A. On or before January 1, 2001, the Commission shall recommend to the Legislative Transition Task Force whether metering services, billing services, or both, for which competition has not been otherwise authorized by law, may be provided by persons licensed to provide such services. The Commission's recommendation under this subsection as to the appropriateness of and date of commencement of competition (i) shall include a draft plan for implementation of competition for metering services and billing services and (ii) may vary by service, type of seller, region, incumbent electric utility, and customer group. Such recommendation and draft plan, which shall be developed after notice and an opportunity for hearing, shall:~~

~~1. Be consistent with the goal of facilitating the development of effective competition in electric service for all customer classes;~~

~~2. Take into account the readiness of customers and suppliers to buy and sell such services;~~

~~3. Take into account the technological feasibility of furnishing any such services on a competitive basis;~~

~~4. Take into account whether reasonable steps have been or will be taken to educate and prepare customers for the implementation of competition for any such services;~~

~~5. Not jeopardize the safety, reliability or quality of electric service;~~

~~6. Consider the degree of control exerted over utility operations by utility customers;~~

~~7. Not adversely affect the ability of an incumbent electric utility authorized or obligated to provide electric service to customers who do not buy such services from competitors to provide electric service to such customers at reasonable rates; and~~

~~8. Give due consideration to the potential effects of such determinations on utility tax collection by state and local governments in the Commonwealth.~~

~~B. Competition for metering services, billing services, or both, may be implemented concurrently or pursuant to separate schedules as determined by the General Assembly.~~

~~C. If, on or before January 1, 2001, the Commission has not recommended that competition is appropriate for (i) metering services, (ii) billing services, or (iii) any portion of either service, the Commission shall continue to consider such matters and report thereon to the Legislative Transition Task Force no less frequently than annually until such services are made competitive.~~

~~D. Upon enactment of legislation making competitive metering services, billing services, or both, an incumbent electric utility shall undertake such coordination, with persons licensed to provide such service, as the Commission deems reasonably necessary to the development of such competition, provided that the reasonable costs of such coordination are recovered by such utility. The foregoing shall apply to an affiliate of an incumbent electric utility if such affiliate controls a resource that is necessary to the coordination required of the incumbent electric utility by this subsection.~~

~~E. Any person seeking to sell, offering to sell, or selling competitive metering services, competitive billing services, or both, shall be subject to the licensure requirements of § 56-587.~~

~~F. Upon enactment of legislation making competitive a service presently provided by an incumbent electric utility, the Commission shall adjust the rates for any noncompetitive services provided by such utility so that such rates do not reflect costs associated with or properly allocable to the service made subject to competition.~~

~~§ 56-582. Rate caps.~~

~~A. The Commission shall establish capped rates, effective January 1, 2001, and expiring on July 1, 2007, for each service territory of every incumbent utility as follows:~~

~~1. Capped rates shall be established for customers purchasing bundled electric transmission, distribution and generation services from an incumbent electric utility.~~

~~2. Capped rates for electric generation services, only, shall also be established for the purpose of~~

183 effecting customer choice for those retail customers authorized under this chapter to purchase generation
184 services from a supplier other than the incumbent utility during this period.

185 3. The capped rates established under this section shall be the rates in effect for each incumbent
186 utility as of the effective date of this chapter, or rates subsequently placed into effect pursuant to a rate
187 application filed by an incumbent electric utility with the Commission prior to January 1, 2001, and
188 subsequently approved by the Commission, and made by an incumbent electric utility that is not
189 currently bound by a rate case settlement adopted by the Commission that extends in its application
190 beyond January 1, 2002. *If such rate application is filed, the rates proposed therein shall go into effect*
191 *on January 1, 2001, but such rates shall be interim in nature and subject to refund until such time as*
192 *the Commission has completed its investigation of such application. Any amount of the rates found*
193 *excessive by the Commission shall be subject to refund with interest, as may be ordered by the*
194 *Commission.* The Commission shall act upon such applications prior to commencement of the period of
195 transition to customer choice, and capped rates determined pursuant to such applications shall become
196 effective on January 1, 2001. Such rate application and the Commission's approval shall give due
197 consideration, on a forward-looking basis, to the justness and reasonableness of rates to be effective for
198 a period of time ending as late as July 1, 2007. The capped rates established under this section, which
199 include rates, tariffs, electric service contracts, and rate programs (including experimental rates,
200 regardless of whether they otherwise would expire), shall be such rates, tariffs, contracts, and programs
201 of each incumbent electric utility, provided that experimental rates and rate programs may be closed to
202 new customers upon application to the Commission.

203 B. The Commission may adjust such capped rates in connection with (i) utilities' recovery of fuel
204 costs pursuant to § 56-249.6, (ii) any changes in the taxation by the Commonwealth of incumbent
205 electric utility revenues, (iii) any financial distress of the utility beyond its control, (iv) respect to
206 cooperatives that were not members of a power supply cooperative on January 1, 1999, and as long as
207 they do not become members, their cost of purchased wholesale power, and (v) respect to cooperatives
208 that were members of a power supply cooperative on January 1, 1999, their recovery of fuel costs,
209 through the wholesale power cost adjustment clauses of their tariffs pursuant to § 56-226.
210 Notwithstanding the provisions of § 56-249.6, the Commission may authorize tariffs that include
211 incentives designed to encourage an incumbent electric utility to reduce its fuel costs by permitting
212 retention of a portion of cost savings resulting from fuel cost reductions or by other methods determined
213 by the Commission to be fair and reasonable to the utility and its customers.

214 C. A utility may petition the Commission to terminate the capped rates to all customers anytime after
215 January 1, 2004, and such capped rates may be terminated upon the Commission finding of an
216 effectively competitive market for generation services within the service territory of that utility. If the
217 capped rates are continued after January 1, 2004, an incumbent electric utility which is not, as of the
218 effective date of this chapter, bound by a rate case settlement adopted by the Commission that extends
219 in its application beyond January 1, 2002, may petition the Commission for approval of a one-time
220 change in the nongeneration components of such rates.

221 D. Until the expiration or termination of capped rates as provided in this section, the incumbent
222 electric utility, consistent with the functional separation plan implemented under § 56-590, shall make
223 electric service available at capped rates established under this section to any customer in the incumbent
224 electric utility's service territory, including any customer that, until the expiration or termination of
225 capped rates, requests such service after a period of utilizing service from another supplier.

226 E. During the period when capped rates are in effect for an incumbent electric utility, such utility
227 may file with the Commission a plan describing the method used by such utility to assure full funding
228 of its nuclear decommissioning obligation and specifying the amount of the revenues collected under
229 either the capped rates, as provided in this section, or the wires charges, as provided in § 56-583, that
230 are dedicated to funding such nuclear decommissioning obligation under the plan. The Commission shall
231 approve the plan upon a finding that the plan is not contrary to the public interest.

232 § 56-583. Wires charges.

233 A. To provide the opportunity for competition and consistent with § 56-584, the Commission shall
234 establish calculate wires charges for each incumbent electric utility, effective upon the commencement of
235 customer choice, which shall be the sum (i) of the difference between excess, if any, of the incumbent
236 utilities' electric utility's capped unbundled rates for generation and over the projected market prices for
237 generation, as determined by the Commission; and (ii) any transition costs incurred by the incumbent
238 electric utility determined by the Commission to be just and reasonable; however, where there is such
239 excess, the sum of such wires charges, the unbundled charge for transmission and ancillary services, the
240 applicable distribution rates established by the Commission and the above projected market prices for
241 generation shall not exceed the capped rates established under § 56-582 A 1 applicable to such
242 incumbent electric utility. The Commission shall adjust such wires charges not more frequently than
243 annually and shall seek to coordinate adjustments of wires charges with any adjustments of capped rates
244 pursuant to § 56-582. *No wires charge shall be less than zero. [The projected market prices for*

generation, when determined under this subsection, shall be adjusted for any projected cost of transmission, transmission line losses, and ancillary services subject to the jurisdiction of the Federal Energy Regulatory Commission which the incumbent electric utility (i) must incur to sell its generation and (ii) cannot otherwise recover in rates subject to state or federal jurisdiction.]

B. Customers that choose suppliers of electric energy, other than the incumbent *electric* utility, or are subject to *and receiving* default service, prior to the expiration of the period for capped rates, as provided for in § 56-582, shall pay a wires charge determined pursuant to subsection A based upon actual usage of electricity distributed by the incumbent *electric* utility to the customer (i) during the period from the time ~~it~~ *the customer* chooses a supplier of electric energy other than the incumbent electric utility, or (ii) during the period from the time the customer is subject to and receives default service until capped rates expire or are terminated, as provided in § 56-582.

C. The Commission shall permit any customer, at its option, to pay the wires charges owed to an incumbent electric utility on an accelerated or deferred basis upon a finding that such method is not (i) prejudicial to the incumbent electric utility or its ratepayers or (ii) inconsistent with the development of effective competition, provided, however, that all deferred wires charges shall be paid in full by July 1, 2007.

D. A supplier of retail electric energy may pay any or all of the wires charge owed by any customer to an incumbent electric utility. The supplier may not only pay such wires charge on behalf of any customer, but also contract with any customer to finance such payments. Further, on request of a supplier, the incumbent electric utility shall enter into a contract allowing such supplier to pay such wires charge on an accelerated or deferred basis. Such contract shall contain terms and conditions, specified in rules and regulations promulgated by the Commission to implement the provisions of this subsection, that fully compensate the incumbent electric utility for such wires charge, including reasonable compensation for the time value of money.

§ 56-585. Default service.

A. The Commission shall, after notice and opportunity for hearing, (i) determine the components of default service and (ii) establish one or more programs making such services available to retail customers requiring them commencing with the date of customer choice for all retail customers established pursuant to § 56-577. For purposes of this chapter, "default service" means service made available under this section to retail customers who (i) do not affirmatively select a supplier, (ii) are unable to obtain service from an alternative supplier, or (iii) have contracted with an alternative supplier who fails to perform.

B. The Commission shall designate the providers of default service. In doing so, the Commission:

1. Shall take into account the characteristics and qualifications of prospective providers, including cost, experience, safety, reliability, corporate structure, access to electric energy resources necessary to serve customers requiring such services, and other factors deemed necessary to protect the public interest;

2. May, upon a finding that the public interest will be served, designate one or more willing providers to provide one or more components of such services, in one or more regions of the Commonwealth, to one or more classes of customers; and

3. In the absence of a finding under subdivision 2, may require an incumbent electric utility or distribution utility to provide one or more components of such services, or to form an affiliate to do so, in one or more regions of the Commonwealth, at rates which are fairly compensatory to the utility and which reflect any cost of energy prudently procured, including energy procured from the competitive market; however, the Commission may not require an incumbent electric utility or distribution utility, or affiliate thereof, to provide any such services outside the territory in which such utility provides service.

C. The Commission shall, after notice and opportunity for hearing, determine the rates, terms and conditions for such services consistent with the provisions of subdivision B 3 and Chapter 10 (§ 56-232 et seq.) of this title and shall establish such requirements for providers and customers as it finds necessary to promote the reliable and economic provision of such services and to prevent the inefficient use of such services. The Commission may use any rate method that promotes the public interest and may establish different rates, terms and conditions for different classes of customers.

D. On or before July 1, 2004, and annually thereafter, the Commission shall determine, after notice and opportunity for hearing, whether there is a sufficient degree of competition such that the elimination of default service for particular customers, particular classes of customers or particular geographic areas of the Commonwealth will not be contrary to the public interest. The Commission shall report its findings and recommendations concerning modification or termination of default service to the General Assembly and to the Legislative Transition Task Force, not later than December 1, 2004, and annually thereafter.

E. A distribution electric cooperative, or one or more affiliates thereof, shall have the obligation and right to be the supplier of default services in its certificated service territory. *Such default services, for*

306 *the purposes of this subsection, shall include the supply of electric energy and all services made*
307 *competitive pursuant to § 56-581.1.* If a distribution electric cooperative, or one or more affiliates
308 thereof, elects or seeks to be a default supplier of another electric utility, then the Commission shall
309 designate the default supplier for that distribution electric cooperative, or any affiliate thereof, pursuant
310 to subsection B.

311 § 56-587. Licensure of retail electric energy suppliers and persons providing other competitive
312 services.

313 A. As a condition of doing business in the Commonwealth, each person [*except a default service*
314 *provider*] seeking to sell, offering to sell, or selling (i) electric energy to any retail customer in the
315 Commonwealth, on and after January 1, 2002, or (ii) *any service that, pursuant to § 56-581.1, may be*
316 *provided by persons licensed to provide such service*, shall obtain a license from the Commission to do
317 so. A license shall not be required solely for the leasing or financing of property used in the sale of
318 electricity to any retail customer in the Commonwealth.

319 The license shall authorize that person to engage in the activities authorized by such license until the
320 license expires or is otherwise terminated, suspended or revoked.

321 B. 1. As a condition of obtaining, retaining and renewing any license issued pursuant to this section,
322 a person shall satisfy such reasonable and nondiscriminatory requirements as may be specified by the
323 Commission, which may include requirements that such person (i) demonstrate, in a manner satisfactory
324 to the Commission, financial responsibility; (ii) post a bond as deemed adequate by the Commission to
325 ensure that financial responsibility; (iii) pay an annual license fee to be determined by the Commission;
326 and (iv) pay all taxes and fees lawfully imposed by the Commonwealth or by any municipality or other
327 political subdivision of the Commonwealth. In addition, as a condition of obtaining, retaining and
328 renewing any license pursuant to this section, a person shall satisfy such reasonable and
329 nondiscriminatory requirements as may be specified by the Commission, including but not limited to
330 requirements that such person demonstrate (i) technical capabilities as the Commission may deem
331 appropriate; (ii) *in the case of a person seeking to sell, offering to sell, or selling electric energy to any*
332 *retail customer in the Commonwealth*, access to generation and generation reserves; and (iii) adherence
333 to minimum market conduct standards.

334 2. Any license issued by the Commission pursuant to this section *to a person seeking to sell, offering*
335 *to sell, or selling electric energy to any retail customer in the Commonwealth* may be conditioned upon
336 the licensee furnishing to the Commission prior to the provision of electric energy to consumers proof of
337 adequate access to generation and generation reserves.

338 C. 1. The Commission shall establish a reasonable period within which any retail customer may
339 cancel, without penalty or cost, any contract entered into with a ~~supplier~~ *any person* licensed pursuant to
340 this section.

341 2. The Commission may adopt other rules and regulations governing the requirements for obtaining,
342 retaining, and renewing a license ~~to supply electric energy to retail customers issued pursuant to this~~
343 *section*, and may, as appropriate, refuse to issue a license to, or suspend, revoke, or refuse to renew the
344 license of, any person that does not meet those requirements.

345 D. Notwithstanding the provisions of § 13.1-620, a public service company may, through an affiliate
346 or subsidiary, conduct one or more of the following businesses, even if such business is not related to or
347 incidental to its stated business as a public service company: (i) become licensed as a retail electric
348 energy supplier pursuant to this section, or for purposes of participation in an approved pilot program
349 encompassing retail customer choice of electric energy suppliers; (ii) become licensed as an aggregator
350 pursuant to § 56-588, or for purposes of participation in an approved pilot program encompassing retail
351 customer choice of electric energy suppliers; (iii) *become licensed to furnish any service that, pursuant*
352 *to § 56-581.1, may be provided by persons licensed to provide such service*; or ~~(iii)~~ (iv) own, manage or
353 control any plant or equipment or any part of a plant or equipment used for the generation of electric
354 energy.

355 § 56-588. Licensing of aggregators.

356 A. As a condition of doing business in the Commonwealth, each person seeking to ~~aggregate electric~~
357 *energy act as an aggregator* within this Commonwealth on and after January 1, 2002, shall obtain a
358 license from the Commission to do so. The license shall authorize that person to act as an aggregator
359 until the license expires or is otherwise terminated, suspended or revoked. Licensing pursuant to this
360 section, however, shall not relieve any person seeking to act as a supplier of electric energy from their
361 obligation to obtain a license as a supplier pursuant to § 56-587.

362 B. As a condition of obtaining, retaining and renewing any license issued pursuant to this section, a
363 person shall satisfy such reasonable and nondiscriminatory requirements as may be specified by the
364 Commission, which may include requirements that such person (i) provide background information; (ii)
365 demonstrate, in a manner satisfactory to the Commission, financial responsibility; (iii) post a bond as
366 deemed adequate by the Commission to ensure that financial responsibility; (iv) pay an annual license
367 fee to be determined by the Commission; and (v) pay all taxes and fees lawfully imposed by the

Commonwealth or by any municipality or other political subdivision of the Commonwealth. In addition, as a condition of obtaining, retaining and renewing any license pursuant to this section, a person shall satisfy such reasonable and nondiscriminatory requirements as may be specified by the Commission, including, but not limited to, requirements that such person demonstrate technical capabilities as the Commission may deem appropriate. Any license issued by the Commission pursuant to this section may be conditioned upon the licensee, if acting as a supplier, furnishing to the Commission prior to the provision of electricity to consumers proof of adequate access to generation and generation reserves.

C. In establishing aggregator licensing schemes and requirements applicable to the same, the Commission may differentiate between (i) those aggregators representing retail customers only, (ii) those aggregators representing suppliers only, and (iii) those aggregators representing both retail customers and suppliers.

D. 1. The Commission shall establish a reasonable period within which any retail customer may cancel, without penalty or cost, any contract entered into with a ~~supplier~~ *an aggregator* licensed pursuant to this section.

2. The Commission may adopt other rules and regulations governing the requirements for obtaining, retaining, and renewing a license to aggregate electric energy to retail customers, and may, as appropriate, refuse to issue a license to, or suspend, revoke, or refuse to renew the license of, any person that does not meet those requirements.

§ 56-589. Municipal and state aggregation.

A. Counties, cities and towns (hereafter "municipalities") and other political subdivisions of the Commonwealth may, at their election and upon authorization by majority votes of their governing bodies, aggregate electrical energy and demand requirements for the purpose of negotiating the purchase of electrical energy requirements from any licensed supplier within this Commonwealth, as follows:

1. Any municipality or other political subdivision of the Commonwealth may aggregate the electric energy load of residential, commercial and industrial retail customers within its boundaries on a voluntary, opt-in basis in which each such customer must affirmatively select such municipality or other political subdivision as its aggregator. The municipality or other political subdivision may not earn a profit but must recover the actual costs incurred in such aggregation.

2. Any municipality or other political subdivision of the Commonwealth may aggregate the electric energy load of its governmental buildings, facilities and any other governmental operations requiring the consumption of electric energy. *Aggregation pursuant to this subdivision shall not require licensure pursuant to § 56-588.*

3. Two or more municipalities or other political subdivisions within this Commonwealth may aggregate the electric energy load of their governmental buildings, facilities and any other governmental operations requiring the consumption of electric energy. *Aggregation pursuant to this subdivision shall not require licensure pursuant to § 56-588 when such municipalities or other political subdivisions are acting jointly to negotiate or arrange for themselves agreements for their energy needs directly with licensed suppliers or aggregators.*

B. The Commonwealth, at its election, may aggregate the electric energy load of its governmental buildings, facilities, and any other government operations requiring the consumption of electric energy for the purpose of negotiating the purchase of electricity from any licensed supplier within this Commonwealth. *Aggregation pursuant to this subsection shall not require licensure pursuant to § 56-588.*

§ 56-590. Divestiture, functional separation and other corporate relationships.

A. The Commission shall not require any incumbent electric utility to divest itself of any generation, transmission or distribution assets pursuant to any provision of this chapter.

B. 1. The Commission shall, however, direct the functional separation of generation, retail transmission and distribution of all incumbent electric utilities in connection with the provisions of this chapter to be completed by January 1, 2002.

2. By January 1, 2001, each incumbent electric utility shall submit to the Commission a plan for such functional separation which may be accomplished through the creation of affiliates, or through such other means as may be acceptable to the Commission.

3. Consistent with this chapter, the Commission may impose conditions, as the public interest requires, upon its approval of ~~the~~ *any* incumbent electric utility's plan for functional separation, including requirements that (i) the incumbent electric utility's generation assets or their equivalent remain available for electric service during the capped rate period as provided in § 56-582 and, if applicable, during any period the incumbent electric utility serves as a default provider as provided for in § 56-585, and (ii) the incumbent electric utility receive Commission approval for the sale, transfer or other disposition of generation assets during the capped rate period and, if applicable, during any period the incumbent electric utility serves as a default provider.

C. *Whenever pursuant to § 56-581.1 services are made subject to competition, the Commission shall*

429 *direct the functional separation of such services to the extent necessary to achieve the purposes of this*
430 *section. Each affected incumbent electric utility shall, by dates prescribed by the Commission, submit for*
431 *the Commission's approval a plan for such functional separation.*

432 *CD.* The Commission shall, to the extent necessary to promote effective competition in the
433 Commonwealth, promulgate rules and regulations to carry out the provisions of this section, which rules
434 and regulations shall include provisions:

- 435 1. Prohibiting cost-shifting or cross-subsidies between functionally separate units;
- 436 2. Prohibiting functionally separate units from engaging in anticompetitive behavior or self-dealing;
- 437 3. Prohibiting affiliated entities from engaging in discriminatory behavior towards nonaffiliated units;
- 438 and
- 439 4. Establishing codes of conduct detailing permissible relations between functionally separate units.

440 *DE.* Neither a covered entity nor an affiliate thereof may be a party to a covered transaction without
441 the prior approval of the Commission. Any such person proposing to be a party to such transaction shall
442 file an application with the Commission. The Commission shall approve or disapprove such transaction
443 within sixty days after the filing of a completed application; however, the sixty-day period may be
444 extended by Commission order for a period not to exceed an additional 120 days. The application shall
445 be deemed approved if the Commission fails to act within such initial or extended period. The
446 Commission shall approve such application if it finds, after notice and opportunity for hearing, that the
447 transaction will comply with the requirements of subsection *EF*, and may, as a part of its approval,
448 establish such conditions or limitations on such transaction as it finds necessary to ensure compliance
449 with subsection *EF*.

450 *EF.* A transaction described in subsection *DE* shall not:

- 451 1. Substantially lessen competition among the actual or prospective providers of noncompetitive
452 electric service or of a service which is, or is likely to become, a competitive electric service; or
- 453 2. Jeopardize or impair the safety or reliability of electric service in the Commonwealth, or the
454 provision of any noncompetitive electric service at just and reasonable rates.

455 *FG.* Nothing in this chapter shall be deemed to abrogate or modify the Commission's authority under
456 Chapter 3 (§ 56-55 et seq.), 4 (§ 56-76 et seq.) or 5 (§ 56-88 et seq.) of this title. However, any person
457 subject to the requirements of subsection *DE* that is also subject to the requirements of Chapter 5 of this
458 title may be exempted from compliance with the requirements of Chapter 5 of this title.

459 *§ 56-592.1. Consumer education program; scope and funding.*

460 *A.* The Commission shall establish and implement a consumer education program in conjunction with
461 the implementation of this chapter. In establishing such a program, the Commission shall take into
462 account findings and recommendations in the Commission's December 1, 1999, report to the Legislative
463 Transition Task Force made pursuant to § 56-592.

464 *B.* The program shall be designed to (i) enable consumers to make rational and informed choices
465 about energy providers in a competitive retail market, (ii) help consumers reduce transaction costs in
466 selecting energy suppliers, and (iii) foster compliance with the consumer protection provisions of this
467 chapter, and those contained in other laws of this Commonwealth, by all participants in a competitive
468 retail market.

469 *C.* The Commission shall regularly consult with representatives of consumer organizations,
470 community-based groups, state agencies, incumbent utilities, competitive suppliers and other interested
471 parties throughout the program's implementation and operation.

472 *D.* Pursuant to the provisions of § 56-595, the Commission shall provide periodic updates to the
473 Legislative Transition Task Force concerning the program's implementation and operation.

474 *E.* The Commission shall fund the establishment and operation of such consumer education program
475 through the special regulatory revenue tax currently authorized by § 58.1-2660 and the special
476 regulatory tax authorized by Chapter 29 (§ 58.1-2900 et seq.) of Title 58.1.

477 *§ 56-593. Retail customers' private right of action; marketing practices.*

478 *A.* No entity subject to this chapter shall use any deception, fraud, false pretense, misrepresentation,
479 or any deceptive or unfair practices in providing, distributing or marketing electric service.

480 *B.* 1. Any person who suffers loss (i) as the result of marketing practices, including telemarketing
481 practices, engaged in by any public service company, licensed supplier, aggregator or any other provider
482 of any service made competitive under this chapter, and in violation of subsection C of § 56-592,
483 including any rule or regulation adopted by the Commission pursuant thereto, or (ii) as the result of any
484 violation of subsection A, shall be entitled to initiate an action to recover actual damages, or \$500,
485 whichever is greater. If the trier of fact finds that the violation was willful, it may increase damages to
486 an amount not exceeding three times the actual damages sustained, or \$1,000, whichever is greater.

487 2. Upon referral from the Commission, the Attorney General, the attorney for the Commonwealth, or
488 the attorney for any city, county, or town may cause an action to be brought in the appropriate circuit
489 court for relief of violations within the scope of (i) subsection C of § 56-592, including any rule or
490 regulation adopted by the Commission pursuant thereto or (ii) subsection A.

C. Notwithstanding any other provision of law to the contrary, in addition to any damages awarded, such person, or any governmental agency initiating such action, also may be awarded reasonable attorney's fees and court costs.

D. Any action pursuant to this section shall be commenced within two years after its accrual. The cause of action shall accrue as provided in § 8.01-230. However, if the Commission initiates proceedings, or any other governmental agency files suit for the purpose of enforcing subsection A of *this section* or the provisions of subsection C of § 56-592, the time during which such proceeding or governmental suit and all appeals therefrom is pending shall not be counted as any part of the period within which an action under this section shall be brought.

E. The circuit court may make such additional orders or decrees as may be necessary to restore to any identifiable person any money or property, real, personal, or mixed, tangible or intangible, which may have been acquired from such person by means of any act or practice violative of subsection A of *this section* or subsection C of § 56-592, provided, that such person shall be identified by order of the court within 180 days from the date of any order permanently enjoining the unlawful act or practice.

F. In any case arising under this section, no liability shall be imposed upon any licensed supplier, aggregator or any other provider of any service made competitive under this chapter, who shows by a preponderance of the evidence that (i) the act or practice alleged to be in violation of subsection A of *this section* or subsection C of § 56-592 was an act or practice over which the same had no control or (ii) the alleged violation resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adopted to avoid a violation. However, nothing in this section shall prevent the court from ordering restitution and payment of reasonable attorney's fees and court costs pursuant to subsection C to individuals aggrieved as a result of an unintentional violation of subsection A of *this section* or subsection C of § 56-592.

ENGROSSED

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