

State Corporation Commission 2004 Fiscal Impact Statement

1. Bill Number SB651

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Enrolled

2. Patron Norment

3. Committee Passed Both Houses

4. Title Electric Utility Restructuring Act; extension of rate caps and fuel factors; electrical generating facility certificates; municipal and state aggregation; minimum stay requirements; wires charges; net metering.

5. Summary/Purpose: Extends until December 31, 2010, the rate caps currently in place for incumbent electric utilities, unless the rate caps are terminated sooner by the State Corporation Commission upon a finding of an effectively competitive market for generation services in the service territory of an incumbent utility. After January 1, 2004, an incumbent electric utility not, as of July 1, 1999, bound by a rate case settlement adopted by the SCC that extended in its application beyond January 1, 2002, may petition the SCC for approval of a one-time change in its rates. If capped rates are continued after July 1, 2007, such an incumbent electric utility may at any time after July 1, 2007, again petition the SCC for approval of a one-time change in its rates, except such a utility that has not retained ownership of its generation may petition only for a change in the nongeneration components of its capped rates. Such a utility is also entitled to an adjustment in its capped rates not more than once in any 12-month period for the timely recovery of its incremental costs for transmission or distribution system reliability and compliance with environmental laws to the extent such costs are prudently incurred on and after July 1, 2004. The bill provides for an extension of the fuel costs recovery tariff provisions (fuel factors) in effect on January 1, 2004, for any electric utility that purchases fuel for the generation of electricity and that was, as of July 1, 1999, bound by a rate case settlement adopted by the SCC that extended in its application beyond January 1, 2002. The fuel factors shall remain in effect until the earlier of (i) July 1, 2007; (ii) the termination of capped rates; or (iii) the establishment of tariff provisions as directed by the SCC. The incumbent electric utilities that have transferred all of their generation assets to an affiliate prior to January 1, 2002, are allowed to recover increases in purchased power costs through fuel factor adjustments on and after July 1, 2007, and otherwise such utilities' capped rates may be changed in accordance with the terms of the SCC's order approving their divestiture of generation assets. The bill extends by two years the expiration date of certain certificates granted by the SCC to construct and operate electrical generating facilities. Only those certificates for which applications were filed with the SCC prior to July 1, 2002, will receive an extension. The bill provides that a municipality or other political subdivision may aggregate the electric energy load of residential, commercial, and industrial retail customers within its boundaries on either an opt-in or opt-out basis, eliminates the requirement that customers must opt in to select such aggregation, and eliminates the requirement that such municipality or other political subdivision may not earn a profit from such aggregation. The bill also authorizes any large industrial or commercial customer that is returning to its incumbent electric utility or default provider after purchasing power from a competitive supplier to elect to

accept market-based pricing as an alternative to being bound by the minimum stay period (currently 12 months unless otherwise authorized) prescribed by the SCC. Customers exempted from minimum stay periods will not thereafter be entitled to purchase retail electric energy from their incumbent electric utilities at the capped rates unless such customers agree to satisfy any minimum stay period then applicable. This bill also authorizes industrial and commercial customers, as well as aggregated customers in all rate classes, to switch to a competitive service provider without paying a wires charge if they agree to pay market-based prices if they ever return to the incumbent electric utility. However, the program is limited for each utility to customers totalling not more than 1,000 or 8 percent of the utility's prior year Virginia adjusted peak load within 18 months after the commencement date of the wires charge exemption program. Customers who make this commitment and obtain power from suppliers without paying wires charges are not entitled to obtain power from their incumbent utility at its capped rates. The bill increases from 25 kilowatts to 500 kilowatts the amount of electric generating capacity a nonresidential customer-generator's facility can produce and still qualify to participate in the net metering program. Finally, the bill authorizes any investor-owned distributor that has been designated a default service provider to petition the SCC for approval to construct a coal-fired generation facility that utilizes Virginia coal and is located in the coalfield region of the Commonwealth, in order to meet its native load and default service obligations. A distributor that builds such a facility shall have the right to recover the costs of the facility, plus a fair rate of return, through its default service rates. The construction of such a facility is declared to be in the public interest.

6. No fiscal impact on state agencies

7. Budget amendment necessary: No

8. Fiscal implications: None on state agencies

9. Specific agency or political subdivisions affected: State Corporation Commission

10. Technical amendment necessary: None noted

11. Other comments: None

Date: 03/25/04 Tel

cc: Secretary of Commerce and Trade