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SENATE BILL NO. 1349

Offered January 19, 2015

A BILL to amend and reenact § 56-599 of the Code of Virginia, relating to electric utility regulation; suspension of regulatory reviews of utility earnings; integrated resource plan schedule.

Patron—Wagner

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That § 56-599 of the Code of Virginia is amended and reenacted as follows:

§ 56-599. Integrated resource plan required.

A. Not later than December 31, 2008, the Commission shall order each electric utility to develop an integrated resource plan. The order may establish guidelines for developing an IRP.

B. By September 1, 2009, each electric utility shall file an initial integrated resource plan with the Commission, which plan shall comply with the provisions of the order of the Commission issued pursuant to subsection A.

C. Each electric utility shall file an updated integrated resource plan at least every two years thereafter, which until September 1, 2015, after which date each utility shall file an updated integrated resource plan annually. The plan shall comply with the provisions of any relevant order of the Commission establishing guidelines for the format and contents of updated and revised integrated resource plans.

D. In preparing an integrated resource plan, each electric utility shall systematically evaluate, and may propose:

- 1. Entering into short-term and long-term electric power purchase contracts;
- 2. Owning and operating electric power generation facilities;
- 3. Building new generation facilities;
- 4. Relying on purchases from the short term or spot markets;
- 5. Making investments in demand-side resources, including energy efficiency and demand-side management services;

6. Taking such other actions, as the Commission may approve, to diversify its generation supply portfolio and ensure that the electric utility is able to implement an approved plan; and

7. The methods by which the electric utility proposes to acquire the supply and demand resources identified in its proposed integrated resource plan.

E. The Commission shall analyze and review an integrated resource plan and, after giving notice and opportunity to be heard, the Commission shall make a determination as to whether an IRP is reasonable and is in the public interest.

2. That, notwithstanding the provisions of § 56-585.1 of the Code of Virginia, no biennial reviews of the rates, terms, and conditions for any service of a Phase II Utility, as defined therein, shall be conducted at any time by the State Corporation Commission for the eight successive 12-month test periods beginning January 1, 2013, and ending December 31, 2020, such test periods being referred to herein as the "Transitional Rate Period." After the conclusion of the Transitional Rate Period, biennial reviews shall resume for a Phase II Utility beginning in 2023, with such proceedings utilizing the two successive 12-month test periods ending December 31 immediately preceding the year in which such proceeding is conducted. Consistent with this provision, (i) no biennial review filings shall be made by a Phase II Utility in the years 2016 through 2022, inclusive; (ii) any biennial review proceeding initiated for a Phase II Utility in 2015 shall be dismissed by the State Corporation Commission with no findings or determinations therein; and (iii) no adjustment to a Phase II Utility's rates shall be made between the beginning of the Transitional Rate Period and the conclusion of the 2023 biennial review, except as may be provided pursuant to § 56-245 or 56-249.6 or subdivisions A 4, A 5, or A 6 of § 56-585.1.

Commencing in 2017 and concluding in 2021, the State Corporation Commission, after notice and opportunity for a hearing, shall conduct a proceeding every two years to determine the fair rate of return on common equity to be used by a Phase II Utility both as the appropriate margin on expenses for rate adjustment clauses under subdivision A 5 (c) of § 56-585.1 of the Code of Virginia and as the appropriate general rate of return applicable to rate adjustment clauses under subdivision A 6 of § 56-585.1. Such fair rate of return shall be calculated pursuant to the methodology set forth in subdivision A 2 (a) and (b) of § 56-585.1 and shall utilize the utility's actual end-of-test period capital structure and cost of capital, as well as a 12-month test period

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59 ending December 31 immediately preceding the year in which the proceeding is conducted. The  
60 utility's filing in such proceedings shall be made on or before March 31 of 2017, 2019, and 2021,  
61 and the Commission's final order in such proceeding shall be entered no later than eight months  
62 after the date of filing, with any adjustment to the fair rate of return for applicable rate  
63 adjustment clauses under subdivisions A 5 (c) and A 6 of § 56-585.1 taking effect on the date of  
64 the Commission's final order in the proceeding, utilizing rate adjustment clause true-up protocols  
65 as the Commission may in its discretion determine. Such proceeding shall concern only the issue of  
66 the determination of such fair rate of return to be used for rate adjustment clauses under  
67 subdivisions A 5 (c) and A 6, and such determination shall have no effect on rates other than  
68 those applicable to such rate adjustment clauses; however, after the final such proceeding has been  
69 concluded in 2021, the fair combined rate of return on common equity so determined therein shall  
70 also be deemed equal to the fair combined rate of return on common equity to be used in such  
71 utility's first biennial review proceeding conducted after the end of the utility's Transitional Rate  
72 Period to review such utility's earnings on its rates for generation and distribution services for the  
73 2021 and 2022 historic test periods.