State Corporation Commission
2021 Fiscal Impact Statement

1. **Bill Number:** HB2200

House of Origin	☒	Introduced	☐	Substitute	☐	Engrossed
Second House	☐	In Committee	☐	Substitute	☐	Enrolled

2. **Patron:** Jones

3. **Committee:** Labor and Commerce

4. **Title:** Electric utilities; triennial review.

5. **Summary:** Makes various changes to procedures under which the State Corporation Commission reviews the earnings and sets the rates of investor-owned incumbent electric utilities. The bill requires the Commission, in determining a fair rate of return on common equity for an investor-owned utility, to consider the average of either (i) the returns on common equity reported to the Securities and Exchange Commission for the three most recent annual periods for which such data is available by not less than a majority of a selected peer group of the utility or (ii) the authorized returns on common equity that are set by the applicable regulatory commissions for the same selected peer group. Under current law, the Commission is required to set such return not lower than either such average. The bill provides that in a triennial review proceeding, certain utility generation and distribution costs that are not proposed for recovery under various cost recovery mechanisms, at the Commission's discretion, may be attributed to the test periods under review and deemed fully recovered or, if the utility has earned below a certain threshold, may be deferred for recovery over future periods. Under current law, such attribution is required unless the utility has earned below a certain threshold, in which case deferred recovery of the costs is required. The bill requires the Commission to direct that 100 percent of the amount of a utility's earnings above a certain threshold be credited to customers" bills. Under current law, the Commission is required to direct that 70 percent of such overearnings be credited to customers" bills. The bill provides that if revenue reductions related to energy efficiency measures or other programs cause a utility to earn below a certain threshold, or if for reasons other than revenue reductions the utility earns below a certain threshold, the Commission may order increases to the utility's rates for generation and distribution services necessary to recover such revenue reductions. Under current law, the Commission is required to order such an increase. The bill eliminates provisions that limit any rate reduction ordered by the Commission in the first triennial review of Dominion Energy Virginia after January 1, 2021, to $50 million in annual revenues. The bill provides that the Commission may determine that certain capital investment amounts by a utility may offset any customer bill credit amounts. Under current law, such the Commission is required to determine that such investments offset customer bill credit amounts. The bill provides that in any triennial review the Commission may order any rate increase or decrease to a utility's rates for generation and distribution services it deems necessary and appropriate, so long as the resulting rates provide the utility with the opportunity to fully recover its costs and earn an authorized rate of return on its generation and distribution services. The provisions of the bill apply to all

triennial reviews, including the first triennial review of Dominion Energy Virginia conducted after January 1, 2021.

6. **Budget Amendment Necessary**: No

7. **Fiscal Impact Estimates:** No fiscal impact on the State Corporation Commission

8. **Fiscal Implications:** No fiscal impact on the State Corporation Commission

9. **Specific Agency or Political Subdivisions Affected:** State Corporation Commission

10. **Technical Amendment Necessary:** No

11. **Other Comments:** None

Kbp 1/20/21