

## State Corporation Commission 2023 Fiscal Impact Statement

**1. Bill Number:** SB1265

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

**2. Patron:** Saslaw

**3. Committee:** Commerce and Labor

**4. Title:** Virginia Electric Utility Regulation Act.

**5. Summary:** Provides that an electric utility may petition the State Corporation Commission for a financing order for certain deferred fuel costs. If an electric utility files such a petition, the Commission shall issue an order approving or rejecting the petition no more than four months from the date of electric utility's filing.

The bill makes various changes to procedures under which the Commission reviews the earnings and sets the rates of investor-owned incumbent electric utilities. The bill provides that, in any proceeding to review base rates for a Phase I or Phase II utility that commences after July 1, 2023, if the Commission determines that existing base rates will, on a going-forward basis, produce revenues in excess or below the utility's authorized rate of return, the Commission shall order any reductions or increases it deems appropriate to ensure that rates are just reasonable and provide the utility an opportunity to recover its costs of providing service.

The bill requires that the Commission, in determining a fair rate of return on common equity for a Phase II utility after July 1, 2023, not set such rate (i) lower than the average of the most recently authorized returns on common equity or weighted cost of equity set by the applicable regulatory commissions for all investor-owned electric utilities in the peer group of the utility or (ii) more than 150 basis points higher than such average. The bill requires that a utility serve at least 200,000 retail electric customers to be considered part of the peer group.

The bill provides that, in lieu of the triennial review proceedings required under current law, Dominion Energy Virginia, beginning in 2023 will be subject to biennial reviews of their rates, terms, and conditions for generation, distribution, and transmission services. The bill requires that if, during a biennial review, the Commission determines that the utility has earned more than 70 basis points above its fair combined rate of return on its generation and distribution services, the Commission will direct that 85 percent of the amount of such overearnings be credited to customers' bills. The bill provides that customer credit reinvestment offsets under which a utility is allowed, upon request, to reduce or eliminate amounts of overearnings that otherwise would be required to be credited to customers by applying a customer credit reinvestment offset for expenses on new solar and wind

generation facilities and electric distribution grid transformation projects are only applicable to review proceedings initiated prior to January 1, 2024.

The bill requires Dominion Energy Virginia, in its 2023 biennial review, to combine certain rate adjustment clauses having a combined annual revenue requirement of at least \$300 million with the utility's base rates. The bill provides that the combination of such rate adjustment clauses is subject to audit by the Commission in the utility's 2023 biennial review filing. The bill authorizes the Commission to, in its discretion, direct the consolidation of any previously implemented rate adjustment clauses in the interest of judicial economy, customer transparency, or other factors the Commission determines to be appropriate.

The bill requires Dominion Energy Virginia, throughout the duration of the construction period for certain offshore wind projects, to undertake reasonable efforts to maintain, subject to audit by the Commission, its common equity capitalization to total capitalization ratio at a level at least equal to the average of such ratio for all utilities in Dominion's peer group investor-owned utilities. The bill contains technical amendments.

- 6. Budget Amendment Necessary:** No
- 7. Fiscal Impact Estimates:** Indeterminate. See Item 8.
- 8. Fiscal Implications:** If passed, the State Corporation Commission anticipates that this bill will result in additional work, which may include the use of consultants. However, the State Corporation Commission anticipates that this work can be managed using existing appropriated funds.
- 9. Specific Agency or Political Subdivisions Affected:** State Corporation Commission
- 10. Technical Amendment Necessary:** No
- 11. Other Comments:** None