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HOUSE BILL NO. 2000

Offered January 14, 2009

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A BILL to require the State Corporation Commission to implement actions to encourage the conservation and efficient use of electricity.

Patrons—Vanderhye and Hugo; Senator: Petersen

Referred to Committee on Commerce and Labor

Whereas, current rate structures constitute an impediment to efforts to conserve electricity usage, and to improve efficiency in the use of electricity, by charging customers a rate that does not incentivize consumers to alter their usage patterns in response to price signals; and

Whereas, residential rate structures should be designed in a manner that encourages the efficient use of electricity; and

Whereas, consumers of electric power within the Commonwealth would benefit from increased awareness of electricity rate structures and the overall cost of electricity; now, therefore

Be it enacted by the General Assembly of Virginia:

1. § 1. That the State Corporation Commission shall encourage investor-owned electric utilities to file proposals to offer to all classes of retail customers a tariff under which rates reflect both time of day cost differentials and seasonal cost differentials, in order that customers taking service under such a dynamic rate structure will have the ability to shift or curtail electricity usage in response to hour-by-hour changes in the costs to the utility of generating or purchasing electric power. Such tariff shall be in addition to the standard tariff currently offered that reflects seasonal cost differentials.

§ 2. That in any proceeding in which it is required to approve a proposal by an electric utility to modify an existing retail rate structure or to offer a new retail rate structure, the State Corporation Commission shall consider:

a. The extent to which such proposed rates are designed to align, to the greatest extent possible, with the utility's marginal cost of providing service by reflecting variations in the utility's costs of providing electricity by season, by time of day, and otherwise;

b. Whether residential rate structures encourage conservation and the efficient use of electricity by incorporating inclining block rate schedules or similar design elements that charge higher rates for consumption over a certain amount per billing period;

c. The extent to which the proposed rate structure is designed to provide the utility with the opportunity to earn a rate of return from service provided to residential customers that is comparable to the rate from commercial and industrial customers;

d. The extent to which a change to a rate structure will be implemented gradually in order to (i) mitigate the effects of such changes on classes of customers or customers within a class and (ii) provide customers with rate stability and predictability;

e. If a change to a rate structure will influence customer behavior so as to reduce the aggregate consumption of electricity or reduce peak demand for electricity by shifting consumption to off-peak times, the extent to which the proposal includes a revenue recovery mechanism that ensures that the utility will continue to have a reasonable opportunity to recover its revenue requirement, as approved by the Commission, including recovery of fixed costs and return on investment, on a current and timely basis;

f. The effect, if any, that implementation of the proposed rate structure could have on existing commercial and industrial customers and on economic development efforts, including the ability to attract new commercial and industrial customers to the utility's service territory; and

g. The extent to which the proposed rate structure provides consideration for the appropriate use of smart meters and other advanced metering technologies.

In such proceedings, electric utilities shall have the opportunity to seek, and the State Corporation Commission shall have the authority to approve, financial incentives for the implementation of creative rate options, including but not limited to the sharing between the utility and its customers of economic benefits of rate structures that lower the utility's fuel costs.

§ 3. That the State Corporation Commission, in its development of the electric energy consumer education program pursuant to subsection A of § 56-592 and § 56-592.1 of the Code of Virginia, shall give the highest level of priority to efforts to increase consumer awareness and knowledge of electricity rate structures and the overall cost of electricity, in order to help consumers (i) make informed choices and decisions with respect to investments in energy-saving appliances, home improvements, and other

59 *purchases; and (ii) change their behavior in ways that will reduce their electricity consumption and*
60 *their electric utility bills.*