# State Corporation Commission
## 2011 Fiscal Impact Statement

1. **Bill Number:** HB2118

   **House of Origin** ☒ Introduced ☐ Substitute ☐ Engrossed

   **Second House** ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Armstrong

3. **Committee:** Commerce and Labor

4. **Title:** Electric utility regulation.

5. **Summary:** Electric utility regulation. Rebundles charges for the transmission, distribution, and generation services into the base rates of investor-owned electric utilities and revises the system enacted in 2007 by which rates of investor-owned electric utilities are to be set. The measure restores the State Corporation Commission's authority to set the utility's authorized rate of return on equity at a level that reflects the utility's risk, allows the utility to attract capital, and will be fair to ratepayers. Existing provisions of the Virginia Electric Utility Regulation Act that establish floors on a utility's rate of return based on returns reported by peer group utilities in other Southeastern states are repealed. Other provisions (i) eliminate the ability of a utility to earn a margin on operating expenses for energy efficiency programs; (ii) limit the incentive for participation in the renewable energy portfolio program to an additional 50 basis points above the otherwise-available rate of return on new renewable energy generation facilities, in lieu of the existing provision that grants participating utilities a 50 basis point increase in its rate of return on all of its equity; (iii) authorize the Commission to increase the allowed return on equity for certain investments by up to 200 basis points for a period between 5 and 25 years based on the risk of the project, in lieu of the existing provision that establishes incentives with specific ranges and durations based on the type of project; (iv) require the Commission to consider all rate adjustment clause petitions in single annual proceedings in order to limit the number of rate increases; (v) provide that costs recoverable through rate adjustment clauses may be deferred and paid from earnings from other sources, in order to ensure that rates are not increased to recover such costs when the utility is overearning through its base rates; (vi) permit the Commission to extend the period for its review in cases by up to nine months, provided that the utility may place its proposed rate increase in effect subject to refund at the end of the original period; (vii) direct that a utility that has earned more than a fair rate of return in a biennium, after crediting the overage to deferred amounts under rate adjustment clauses, shall credit the overage to customers; (viii) eliminate a provision that limits the Commission's authority to lower a utility's rates to cases where the utility has earned more than 50 basis points above a fair rate of return for two consecutive biennia; and (ix) delete provisions requiring stand-alone determinations of income tax costs in ratemaking proceedings.

6. **Budget Amendment Necessary**: No.

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

8. **Fiscal Implications:** None on the State Corporation Commission.

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

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** Same as Senate Bill 882.

**Date:** 1/18/2011 SDL