

State Corporation Commission 2015 Fiscal Impact Statement

1. Bill Number: SB1349

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

2. Patron: Wagner

3. Committee: Passed Both Houses

4. Title: Electric utility regulation; suspension of reviews of earnings.

5. Summary: Electric utility regulation; suspension of reviews of earnings. Bars the State Corporation Commission (SCC) from conducting a biennial review of the rates, terms, and conditions for any service of (i) Dominion Virginia Power for the five test periods beginning January 1, 2015, and ending December 31, 2019, and (ii) Appalachian Power for the four test periods beginning January 1, 2014, and ending December 31, 2017 (the Transitional Rate Period). An investor-owned incumbent electric utility's existing tariff rates shall not be adjusted between the beginning of the Transitional Rate Period and the conclusion of the first biennial review after the conclusion of the Transitional Rate Period, except as permitted for fuel factor and purchased power cost adjustments, rate adjustment clauses, and emergency temporary rate increases. During the Transitional Rate Period, the SCC shall have the right to inspect the books, papers and documents of any such utility and to require it to provide special reports and statements concerning its business. The SCC is directed to conduct two biennial proceedings for each such utility during the Transitional Rate Period to determine what constitutes the utility's fair rate of return on common equity for use in connection with rate adjustment clauses. Dominion Virginia Power is prohibited from recovering from customers 50 percent of certain deferred fuel expenses and the SCC is required to reduce the utility's fuel factor rate. Except for early retirement plans identified in an integrated resource plan filed by September 1, 2014, an electric utility shall not permanently retire an electric power generation facility from service during the Transitional Rate Period without first obtaining the SCC's approval, which may be granted if the SCC determines that the retirement is reasonable and prudent. During the Transitional Rate Period, an electric utility shall recover the costs associated with asset impairments related to early retirement determinations for utility generation facilities resulting from the implementation of carbon emission guidelines for existing electric power generation facilities issued pursuant to § 111 (d) of the Clean Air Act, costs associated with severe weather events, and costs associated with natural disasters, only through its existing tariff rates for generation or distribution services. During the Transitional Rate Period, the SCC and Department of Environmental Quality shall provide reports that address issues related to the implementation of such carbon emission guidelines issued pursuant to the federal Clean Air Act. The measure also (i) authorizes a utility to recover, through a rate adjustment clause, the costs of constructing or purchasing solar energy facilities; and (ii) requires Dominion Virginia Power and

Appalachian Power to conduct and fund pilot programs for energy assistance and weatherization for low income, elderly, and disabled individuals in their respective service territories in the Commonwealth. The measure also requires each electric utility to file updated integrated resource plans by July 1, 2015, and thereafter each May 1; currently, such updates are required to be filed biennially. Such plans are required to consider options for maintaining and enhancing rate stability, energy independence, economic development including retention and expansion of energy-intensive industries, and service reliability. In preparing a plan, a utility is required to evaluate the effect of current and pending environmental regulations upon the continued operation of existing electric generation facilities or options for construction of new electric generation facilities and the most cost effective means of complying with current and pending environmental regulations.

- 6. Budget Amendment Necessary:** No.
- 7. Fiscal Impact Estimates:** None on the State Corporation Commission.
- 8. Fiscal Implications:** None on the State Corporation Commission.
- 9. Specific Agency or Political Subdivisions Affected:** State Corporation Commission and Department of Environment Quality.
- 10. Technical Amendment Necessary:** None at this time.
- 11. Other Comments:** None at this time.