State Corporation Commission
2019 Fiscal Impact Statement

1. **Bill Number:** SB1780

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

2. **Patron:** Petersen

3. **Committee:** Commerce and Labor

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

5. **Summary:** Prohibits public electric utilities from making nonessential expenditures, which includes expenditures related to lobbying, political contributions, certain advertising, and compensating any employee more than $5 million a year. The measure requires public electric utilities to file annual reports on nonessential spending and requires the State Corporation Commission (SCC) to conduct annual proceedings to determine if an electric public utility has made any nonessential expenditures. If the SCC finds that such a utility has made if it has nonessential expenditures, the measure requires the SCC to order the amount thereof, or in the case of exceeding the compensation limit, 10 times the amount of the compensation in excess of the limit, to be refunded to the utility's customers. The measure directs the SCC to disallow an electric utility's request to recover fuel costs resulting from the purchase by the public utility or its affiliate or subsidiary of a greater amount of firm pipeline capacity for natural gas than the SCC finds is appropriate to ensure a reliable supply of natural gas. The measure requires the SCC to conduct a review of the rates, terms, and conditions for generation, distribution, and transmission services of Dominion Energy in 2019. The measure requires future reviews for Dominion Energy and AEP to be conducted biennially; currently, such reviews are scheduled to be conducted on a triennial basis. The measure requires the SCC to review audited financial reports of investor-owned electric utilities for every year since 2015. The measure requires the utilities to refund 90 percent of over-earnings once they exceed their authorized rate of return by 0.5 percent; currently, they are required to return 70 percent of over-earnings once they exceed their authorized rate of return by 0.7 percent. The measure abolishes the use of the peer group analysis when the SCC determines a utility's fair rates of return. In lieu of the peer group analysis, the measure requires the SCC to determine a fair rates of return based on a cost-of-service methodology. The measure directs the SCC to identify alternative forms of rate analysis such as performance-based testing and to report on such alternatives.

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

7. **Fiscal Impact Estimates:** No impact.

8. **Fiscal Implications:** No impact.

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

10. Technical Amendment Necessary: No.

11. Other Comments: This bill/substitute was passed by indefinitely in Commerce and Labor on January 28, 2019.

KBP
1/29/2019