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## HOUSE BILL NO. 1132

AMENDMENT IN THE NATURE OF A SUBSTITUTE  
(Proposed by the House Committee on Labor and Commerce  
on February 6, 2020)

(Patrons Prior to Substitute—Delegates Jones and Ware [HB 969])

A BILL to direct the State Corporation Commission to conduct a rate adjustment and review proceeding for a Phase II Utility in 2021.

**Be it enacted by the General Assembly of Virginia:**

1. § 1. That notwithstanding any other provision of law, the triennial review proceeding referenced in §§ 56-585.1 and 56-585.1:1 of the Code of Virginia to be conducted in 2021 (the initial triennial review) for a Phase II Utility, as defined in § 56-585.1:3 of the Code of Virginia, shall consist of a generation and distribution rate case conducted solely pursuant to (i) the provisions of Chapter 10 (§ 56-232 et seq.) of Title 56 of the Code of Virginia; (ii) the rules of the State Corporation Commission (the Commission) governing utility rate applications pursuant to Chapter 10 (§ 56-232 et seq.) of Title 56 of the Code of Virginia and annual informational filings; and (iii) this act, except that as part of the initial triennial review the Commission shall review the earnings during the test periods, as such periods are described in § 56-585.1 of the Code of Virginia, of the Phase II Utility and shall order credits to customers in amounts equal to any earnings during the combined test periods that are above the Phase II Utility's authorized rate of return in effect on July 1, 2020. As part of its final order following such initial triennial review for a Phase II Utility, the Commission may order any rate adjustments it finds appropriate and use any methodology to determine the fair rate of return on common equity that it finds consistent with the public interest, provided that such rate of return shall be set at a level that is (a) sufficient to assure confidence in the utility's financial integrity; (b) adequate to maintain and support the utility's credit and its ability to attract capital; and (c) comparable to returns that, in the Commission's sole judgment, investors in securities would expect to earn on investments of similar risk. The rate of return established by the Commission in such initial triennial review proceeding shall apply to the generation services and the distribution services of the utility, and the two services combined, and, notwithstanding any other provision of law, shall apply thereafter to any rate adjustment clauses approved under subdivisions A 5 and 6 of § 56-585.1 of the Code of Virginia. The Commission's final order regarding such initial triennial review shall be entered not more than 12 months after the date of filing, and any revisions in rates or credits so ordered shall take effect not more than 60 days thereafter. The combined rate of return on common equity set in such initial triennial review shall apply, for purposes of reviewing the utility's earnings on its rates for generation and distribution services, to the combined test periods under review in the utility's subsequent triennial review. Following the initial triennial review for a Phase II Utility, all subsequent triennial reviews for a Phase II Utility shall be conducted pursuant to Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia. Any capital investments made during the combined test periods reviewed during an initial triennial review for a Phase II Utility in utility-owned solar or wind generation facilities or electric distribution grid transformation projects shall not be applied as customer credit reinvestment offsets during such utility's initial triennial review, but any portion of such capital investments that remain undepreciated as of the utility's subsequent triennial reviews may be applied as customer credit reinvestment offsets pursuant to subdivision A 8 d of § 56-585.1 of the Code of Virginia in any subsequent triennial review proceeding. No other provision of law shall be interpreted to forbid the Commission from conducting an initial triennial review as directed by this act, and no other provision of law shall be interpreted to forbid the Commission in such review from setting rates and a rate of return for the Phase II Utility at levels the Commission determines to be just and reasonable pursuant to the provisions of Chapter 10 (§ 56-232 et seq.) of Title 56 of the Code of Virginia. During such initial triennial review, the Commission may utilize any regulatory accounting methodologies it deems appropriate, and no provision of law shall be deemed to require the Commission to attribute any particular expenditures to the test periods under review. A Phase II Utility shall make its initial triennial review filing by March 31, 2021.

HOUSE SUBSTITUTE

HB1132H1