State Corporation Commission
2023 Fiscal Impact Statement

1. **Bill Number:** HB1770

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

2. **Patron:** Kilgore

3. **Committee:** Commerce and Energy

4. **Title:** Virginia Electric Utility Regulation Act.

5. **Summary:** Provides that the purchase of electric energy from a licensed supplier of electric energy by a qualifying individual retail customer is limited to the purchase of electric energy provided 100 percent from resources that qualify as a renewable energy standard eligible source applicable to the customer's incumbent electric utility and requires a finding by the State Corporation Commission (the Commission), after considering potential cost shifting impacts, that neither the customer's incumbent electric utility nor retail customers of such utility that do not obtain electric energy from alternate suppliers will be adversely affected in a manner contrary to the public interest. The bill eliminates the option for two or more customers to aggregate demand in order to meet the demand threshold to purchase electric energy from a licensed supplier and the option to purchase electric energy provided 100 percent from renewable energy from a licensed supplier if the customer's incumbent electric utility does not offer an approved tariff for electric energy provided 100 percent from renewable energy. The bill provides that any individual retail customer that, prior to January 1, 2023, entered into an agreement with a licensed supplier to purchase electric energy from such licensed supplier and that is no longer eligible to make such purchase may continue to purchase electric energy from the licensed supplier through the unexpired term of such agreement. The bill requires such customer to purchase electric energy exclusively through its incumbent utility following the expiration of such agreement.

   The bill makes various changes to procedures under which the Commission reviews the earnings and sets the rates of investor-owned incumbent electric utilities. The bill requires that the Commission, in determining a fair rate of return on common equity for an investor-owned electric utility after January 1, 2023, not set such rate (i) lower than the average of the most recently authorized returns on common equity or weighted cost of equity set by the applicable regulatory commissions for all investor-owned electric utilities in the peer group of the utility or (ii) more than 150 basis points higher than such average. The bill eliminates a requirement that the Commission, in selecting the utility's peer group, eliminate from the peer group the utilities with the two lowest and the two highest returns and requires that a utility serve at least 200,000 retail electric customers to be considered part of the peer group.

   The bill provides that, in lieu of the triennial review proceedings required under current law, Dominion Energy Virginia, beginning in 2023, and Appalachian Power, beginning in 2024, will be subject to biennial reviews of their rates, terms, and conditions for generation, distribution, and transmission services. The bill requires that if, during a biennial review, the Commission determines that the utility has earned more than 70 basis points above its fair combined rate of return on its generation and distribution services, the Commission will direct that 70 percent of the amount of such overearnings be credited to customers' bills. The bill requires the Commission to increase or reduce the utility's rates for generation or distribution services in order to ensure that the utility's rates for generation and distribution services (a) are just and reasonable and (b) provide the utility an opportunity to fully recover its costs of providing such services and to earn not less than a fair combined rate of return on its generation and distribution services. The bill provides that customer credit reinvestment offsets under which a utility is allowed, upon request, to reduce or eliminate amounts of overearnings that otherwise would be required to be credited to customers by applying a customer credit reinvestment offset for expenses on new solar and wind generation facilities and electric distribution grid transformation projects are only applicable to review proceedings initiated prior to January 1, 2024.

The bill requires Dominion Energy Virginia, in its 2023 biennial review, to combine certain rate adjustment clauses having a combined annual revenue requirement of at least $300 million with the utility's base rates. The bill provides that the combination of such rate adjustment clauses is subject to audit by the Commission in the utility's 2023 biennial review filing. The bill authorizes the Commission to, in its discretion, direct the consolidation of any previously implemented rate adjustment clauses in the interest of judicial economy, customer transparency, or other factors the Commission determines to be appropriate.

The bill requires Dominion Energy Virginia, throughout the duration of the construction period for certain offshore wind projects, to maintain, subject to audit by the Commission, its common equity capitalization to total capitalization ratio at a level at least equal to the average of such ratio for all utilities in Dominion's peer group investor-owned utilities.

The bill prohibits an investor-owned incumbent electric utility from permanently retiring an electric power generation facility from service after July 1, 2023, without first obtaining the approval of the Commission and a finding by the Commission that the retirement determination, after consideration of the impact of the proposed retirement on reliability or security of electric service to customers, is reasonable and prudent. Such prohibition does not apply to early retirement determinations identified by the utility in an integrated resource plan filed with the Commission by July 1, 2023.

The bill contains technical amendments.

6. **Budget Amendment Necessary**: No

7. **Fiscal Impact Estimates:** Indeterminant. See Item 8.

8. **Fiscal Implications:** If passed, the State Corporation Commission anticipates this bill will result in additional work, which may include the use of consultants. However, the State Corporation Commission anticipates that this work can be managed using existing appropriated funds.

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

10. Technical Amendment Necessary: No

11. Other Comments: None