## State Corporation Commission 2025 General Assembly Session State Fiscal Impact Statement

PUBLISHED: 1/16/2025 8:06 PM ORIGINAL

**Bill Number:** HB 2663 **Patron:** Fowler

**Bill Title:** Electricity consumption tax; rate adjustment

**Bill Summary:** Increases the special utility consumption rate on electricity consumed per month (i) in excess of 2,500 kWh but not in excess of 50,000 kWh and (ii) in excess of 50,000 kWh.

Budget Amendment Necessary: No. Items Impacted: None

**Explanation:** Not applicable.

**Fiscal Summary:** There is no anticipated fiscal impact on governmental entities, including the State Corporation Commission. No additional cost impact. See estimated additional revenue collected.

**General Fund Expenditure Impact:** None

Nongeneral Fund Impact: None

Position Impact: None

**Fiscal Analysis:** This bill proposes to amend the Code to change the maximum authorized rate for the Special Regulatory Tax collected from the monthly consumption of electricity in excess of 2,500 kWh. Typically, commercial and industrial operations consume electricity more than that amount. The revenue collected funds the State Corporation Commission's (SCC) statutory responsibilities for electric utility regulation.

There are four divisions within the SCC that are involved in evaluating and making recommendations on various electric utility rate cases before the Commission. Expenses associated with the SCC work are authorized by a non-general fund appropriations in the budget bill. The non-general fund revenue collected is authorized pursuant to §58.1-2900. Revenue is collected from electricity consumers based on a rate cap per kilowatt hours consumed monthly. The current rate cap does not provide the financial flexibility needed by the SCC to fund its current electric utility regulatory responsibilities under the Code. The overall rate cap was last adjusted during the 1999 General Assembly (GA) session. Additional expenditure obligations on the nongeneral funds since the last rate adjustment are due to: inflation, GA authorized salary adjustments, and the addition of staff needed to be responsive to new regulatory responsibilities directed by the GA. These responsibilities are managed under the current rate structure and by drawing down on fund balances. Currently the SCC is drawing down on its balances towards the fund reserve. Without the ability to adjust the rate, the SCC will be at risk of being unable to efficiently support the SCC's current mandated electric utility regulatory responsibilities under the Code and be unable to take on additional GA directed electric utility regulatory responsibilities that may result during the 2025 GA session.

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The proposed rate cap adjustments impact primarily commercial and industrial electricity consumers. This bill does not change the rate that generally impacts households. The household rate cap in the Code is currently higher than the commercial and industrial rate caps. The proposed rate adjustment increases the commercial and industrial rate caps to the same rate cap currently paid by households.

Additionally, use of electricity by municipalities or use by divisions or agencies of federal, state, and local governments are not subject to the rates (§58.1-2900 B.)

The SCC anticipates its workload to increase because of development projects by high consumers of electricity (commercial/industrial consumers). As a result, increased expenditures are expected to properly resource the SCC to ensure it is responsive and can efficiently carry out its Code mandated regulatory requirements and keep pace with development project timelines.

The SCC is forecasting to adjust the current rates charged to consumers beginning January 1, 2026. It is expected that the forecasted rates will be less than the proposed rate caps in the bill. The SCC is seeking rate caps that will result in an annual revenue increase of \$3.5M - \$4M beginning FY27, with half that amount collected in FY26. This funding is necessary to maintain the current SCC electric utility regulatory workload.

Any additional work that comes out of the 2025 GA session in the electric utility regulatory space will require additional revenue support. The rate cap proposed in this bill should provide sufficient room to fund that additional work.

The SCC is required to manage this fund pursuant §58.1-2902.

## **Nongeneral Fund Revenue Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	FY2027	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
SCC - 171		\$1.75M - \$2M	\$3.5M-\$4M	\$3.5M-\$4M	\$3.5M-\$4M	\$3.5M-\$4M
TOTAL						

Other: The State Corporation Commission asked the patron to introduce the bill.