State Corporation Commission
2025 General Assembly Session
State Fiscal Impact Statement

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Bill Number: HB2663ER **Patron:** Fowler
Bill Title: Electricity consumption tax; rate adjustment

Bill Summary: Increases the electric utility consumption tax's special utility tax rate caps for commercial and industrial consumer 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, as enrolled, amends § 58.1-2900 to change the maximum authorized rate cap 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 non-general fund revenue collected, funds the State Corporation Commission's (SCC) statutory responsibilities for electric utility regulation.

The current rate cap does not provide the flexibility needed by the SCC to fund its current electric utility regulatory responsibilities as required by the Code. The overall rate cap was last adjusted during the 2020 General Assembly (GA) Session, however, since the last rate cap adjustment the SCC non-general funds generated from this section of the code have absorbed: inflation, GA authorized salary adjustments, additional staff needed to be responsive to new regulatory responsibilities directed by the GA, and continued growth of electric demands in Virginia.

There are four divisions within the SCC that play an integral role in evaluating and making recommendations on electric utility rate cases before the Commission. The SCC is currently drawing down on its fund balances, however, this is not sustainable in the foreseeable future as electric consumption has not increased as projected. Without the increased rate cap, which affords the SCC the flexibility to adjust within it depending on workload demand, the SCC is at risk of being unable to support its mandated electric utility regulatory responsibilities, and unable to take on additional work as directed by the GA.

The proposed rate cap adjustments will impact primarily commercial and industrial electricity consumers and does not change the rate cap that generally impacts households. The household rate cap, tier one, in the Code is currently higher than the commercial and industrial rate caps and this bill will increase the commercial and industrial rate caps to align with the same rate cap currently in place for households.

The SCC anticipates its workload to increase as a result 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.

Lastly, the 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.)

Nongeneral Fund Revenue Impact:

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
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.