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HOUSE BILL NO. 2621**AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the Joint Conference Committee

on February 22, 2025)

(Patrons Prior to Substitute—Delegates Ballard and Williams [HB 1588])

A *BILL* to amend and reenact § 56-585.8 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 56-249.8 and by adding in Chapter 23 of Title 56 a section numbered 56-596.5, relating to Phase I Utilities; securitized asset costs; biennial rate reviews; rate increases in certain months prohibited.

Be it enacted by the General Assembly of Virginia:

1. That § 56-585.8 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 56-249.8 and by adding in Chapter 23 of Title 56 a section numbered 56-596.5 as follows:

§ 56-249.8. Financing for certain securitized asset costs; Phase I Utility.

A. As used in this section:

"Ancillary agreement" means a bond, insurance policy, letter of credit, reserve account, surety bond, interest rate lock or swap arrangement, hedging arrangement, liquidity or credit support arrangement, or other financial arrangement entered into in connection with securitized asset cost bonds.

"Assignee" means a legally recognized entity to which an electric utility assigns, sells, or transfers, other than as a security, all or a portion of its interest in or right to securitized asset cost property. "Assignee" includes a corporation, limited liability company, general partnership or limited partnership, public authority trust, financing entity, or other entity to which an assignee assigns, sells, or transfers, other than as a security, all or a portion of its interest in or right to securitized asset cost property.

"Bondholder" means a person who holds a securitized asset cost bond.

"Electric utility" means a Phase I Utility, as that term is defined in subdivision A 1 of § 56-585.1.

"Financing costs" means:

1. Interest and any premium, including any acquisition, defeasance, or redemption premium, payable on securitized asset cost bonds;

2. Any payment required under any indenture, ancillary agreement, or other financing documents pertaining to securitized asset cost bonds and any amount required to fund or replenish a reserve account or other accounts established under the terms of any indenture, ancillary agreement, or other financing documents pertaining to securitized asset bonds;

3. Any other costs related to structuring, offering, issuing, supporting, repaying, refunding, servicing, and complying with securitized asset cost bonds, including service fees, accounting and auditing fees, trustee fees, legal fees, consulting fees, structuring adviser fees, administrative fees, placement and underwriting fees, independent director and manager fees, capitalized interest, rating agency fees, stock exchange listing and compliance fees, security registration fees, filing fees, information technology programming costs, and any other costs necessary to otherwise ensure the timely payment of securitized asset cost bonds or other amounts or charges payable in connection with the bonds, including costs related to obtaining the financing order;

4. Any taxes and license fees or other fees imposed on the revenues generated from the collection of securitized asset cost charges or otherwise resulting from the collection of securitized asset cost charges, in any such case whether paid, payable, or accrued;

5. Any state and local taxes, franchise, gross receipts, and other taxes or similar charges, including regulatory assessment fees, whether paid, payable, or accrued;

6. Any costs incurred by the Commission for any outside consultants or counsel retained in connection with the securitization of securitized asset costs; and

7. Any financing costs on the utility's securitized asset cost balance prior to issuance of any securitized asset cost bonds, calculated at the utility's approved weighted average cost of capital.

"Financing order" means an order that authorizes the issuance of securitized asset cost bonds; the imposition, collection, and periodic adjustments of a securitized asset cost charge; the creation of securitized asset cost property; the sale, assignment, or transfer of securitized asset cost property to an assignee; and any other actions necessary or advisable to take actions described in the financing order.

"Financing party" means bondholders and trustees, collateral agents, any party under an ancillary agreement, or any other person acting for the benefit of bondholders.

"Financing statement" has the same meaning as provided in § 8.9A-102 of the Uniform Commercial Code.

"Pledgee" means a financing party to which an electric utility or its successors or assignees mortgages, negotiates, pledges, or creates a security interest or lien on all or any portion of its interest in or right to securitized asset cost property.

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60 "Securitized asset cost bonds" means bonds, debentures, notes, certificates of participation, certificates of
61 beneficial interest, certificates of ownership, or other evidences of indebtedness or ownership that are issued
62 in one or more series or tranches by an electric utility or its assignee pursuant to a financing order, the
63 proceeds of which are used directly or indirectly to recover, finance, or refinance Commission-approved
64 securitized asset costs and financing costs, and that are secured by or payable from securitized asset cost
65 property. If certificates of participation or ownership are issued, references in this section to principal,
66 interest, or premium shall be construed to refer to comparable amounts under those certificates.

67 "Securitized asset cost charge" means the non-bypassable charges authorized by the Commission to
68 repay, finance, or securitized asset costs and financing costs (i) imposed on and part of all retail customer
69 bills, except those of exempt retail access customers; (ii) collected by an electric utility or its successor or
70 assignees, or a collection agent, in full, separate and apart from the electric utility's base rates; and (iii) paid
71 by all retail customers of the electric utility, irrespective of the generation supplier of such customer, except
72 for an exempt retail access customer.

73 "Securitized asset costs" means (i) storm recovery costs incurred by an electric utility due to severe
74 weather events, as recognized by nationally recognized standards including standards published by the
75 Institute of Electrical and Electronics Engineers, and natural disasters and (ii) undepreciated generation
76 utility plant balances.

77 "Storm recovery costs" means investments and expenses incurred by an electric utility on or after January
78 1, 2024, arising from or related to any major storm, extraordinary weather event, or natural disaster
79 affecting Phase I Utility ratepayers in Virginia, including costs of the mobilization, staging, construction,
80 reconstruction, repair, or replacement of production, generation, transport, transmission, general, or
81 distribution facilities and the costs of any other activity by or on behalf of an electric utility in connection
82 with the restoration of service associated with outages impacting its customers as a result of such major
83 storm, extraordinary weather event, or natural disaster.

84 "Undepreciated generation utility plant balances" means any unrecovered capitalized costs of or
85 undepreciated investments in one or more fossil-fired electric generating plants having nameplate capacity in
86 excess of 1,000 megawatts each, and related supply, transmission, equipment, and fixtures. Undepreciated
87 generation utility plant balances shall include (i) the net book value of assets on the electric utility's balance
88 sheet related to such generating plants and related infrastructure and (ii) carrying costs authorized by the
89 Commission. "Undepreciated generation utility plant balances" does not include (a) any costs of removing
90 retired generating plant assets; (b) any capitalized costs and investments in fossil-fired electric generating
91 plants and related supply, transmission, equipment, and fixtures incurred or made by an electric utility on or
92 after December 31, 2023; and (c) any non-cash asset retirement obligation assets and related accumulated
93 depreciation.

94 "Uniform Commercial Code" means Titles 8.1A through 8.13 (§ 8.1A-101 et seq.).

95 B. Notwithstanding the provisions of Chapter 3 (§ 56-55 et seq.), an electric utility may petition the
96 Commission for a financing order pursuant to this section. No more than four months after the date such
97 petition is filed, the Commission shall issue either (i) such financing order in accordance with the
98 requirements of subdivision 2 or (ii) an order rejecting the petition.

99 1. The petition shall include (i) an estimate of the total amount of any securitized asset costs that the
100 electric utility has incurred over the time period noted in the petition; (ii) an indication of whether the
101 electric utility proposes to finance all or a portion of the securitized asset costs using one or more series or
102 tranches of securitized asset cost bonds; (iii) an estimate and details of the financing costs related to the
103 securitized asset costs to be financed through the securitized asset cost bonds; (iv) an estimate of the
104 securitized asset cost charges necessary to recover the securitized asset costs and all financing costs and the
105 proposed period for recovery of such costs; (v) a description of any benefits expected to result from the
106 issuance of securitized asset cost bonds, including the avoidance of or significant mitigation of abrupt and
107 significant increases in rates to the electric utility's customers for the applicable time period; and (vi) direct
108 testimony and exhibits supporting the petition. If the electric utility proposes to finance a portion of the
109 securitized asset costs, the electric utility shall identify in the petition the specific amount of securitized asset
110 costs for the applicable time period to be financed using securitized asset cost bonds. By electing not to
111 finance a portion of the securitized asset costs for an applicable time period using securitized asset cost
112 bonds, an electric utility shall not be deemed to waive its right to recover such costs pursuant to a separate
113 proceeding with the Commission.

114 2. a. A financing order issued by the Commission pursuant to this section shall include:

115 (1) The amount of securitized asset costs to be financed using securitized asset cost bonds. The
116 Commission shall describe and estimate the amount of financing costs that may be recovered through
117 securitized asset cost charges. The financing order shall also specify the period over which securitized asset
118 costs and financing costs may be recovered and whether the securitized asset cost bonds may be offered and
119 issued in one or more series or tranches during a fixed period not to exceed one year after the date of the
120 financing order;

121 (2) A finding that the proposed issuance of securitized asset cost bonds is in the public interest and the

- 122 associated securitized asset cost charges are just and reasonable;
- 123 (3) A finding that the structuring and pricing of the securitized asset cost bonds are reasonably expected
- 124 to result in reasonable securitized asset charges consistent with market conditions at the time the securitized
- 125 asset cost bonds are priced and the terms set forth in such financing order;
- 126 (4) A requirement that, for so long as the securitized asset cost bonds are outstanding and until all
- 127 financing costs have been paid in full, the imposition and collection of securitized asset cost charges
- 128 authorized under a financing order shall be non-bypassable and paid by all retail customers of the electric
- 129 utility, irrespective of the generation supplier of such customer, except for an exempt retail access customer;
- 130 (5) A formula-based true-up mechanism for making annual adjustments to the securitized asset cost
- 131 charges that customers are required to pay pursuant to the financing order and for making any adjustments
- 132 that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure
- 133 the timely payment of securitized asset cost bonds and financing costs and other required amounts and
- 134 charges payable in connection with the securitized asset cost bonds;
- 135 (6) The securitized asset cost property that is, or shall be, created in favor of an electric utility or its
- 136 successors or assignees and that shall be used to pay or secure securitized asset cost bonds and all financing
- 137 costs;
- 138 (7) The authority of the electric utility to establish (i) the terms and conditions of the securitized asset cost
- 139 bonds, including repayment schedules, expected interest rates, the issuance in one or more series or tranches
- 140 with different maturity dates, and other financing costs, and (ii) the terms and conditions of the ancillary
- 141 documents related to the securitized asset cost bonds, including servicing arrangements for securitized asset
- 142 cost charges;
- 143 (8) A finding that the securitized asset cost charges shall be allocated among customer classes in
- 144 accordance with the methodology approved in the electric utility's most recent base rate case;
- 145 (9) A requirement that after the final terms of an issuance of securitized asset cost bonds have been
- 146 established and before the issuance of securitized asset cost bonds, the electric utility determines the
- 147 resulting initial securitized asset cost charge in accordance with the financing order and that such initial
- 148 securitized asset cost charge be final and effective upon the issuance of such securitized asset cost bonds
- 149 without further Commission action so long as such initial securitized asset cost charge is consistent with the
- 150 financing order;
- 151 (10) A method of tracing funds collected as securitized asset cost charges, or other proceeds of securitized
- 152 asset cost property, and a requirement that such method be the method of tracing such funds and determining
- 153 the identifiable cash proceeds of any securitized asset cost property subject to the financing order under
- 154 applicable law;
- 155 (11) A requirement that the electric utility's base rates, exclusive of the cost of securitized asset cost
- 156 bonds, reflect the reduction of rates associated with securitization effective on the date on which proceeds
- 157 from the issuance of the securitized asset cost bonds are received by the electric utility. Such requirement
- 158 may be met through the use of a temporary tracker to credit customers until such reduction is reflected in the
- 159 base rates established through the electric utility's next base rate case;
- 160 (12) Any other conditions not otherwise inconsistent with this section that the Commission determines are
- 161 appropriate;
- 162 (13) A requirement that the electric utility's base rates, exclusive of the cost of securitized asset cost
- 163 bonds, reflect the reduction of rate base associated with the securitization of utility plant balances effective
- 164 on the date proceeds from the issuance of the securitized asset cost bonds are received by the utility. This can
- 165 be accomplished through the use of a temporary tracker to credit customers until the electric utility's next
- 166 base rate case, at which point the reduction in rate base shall be reflected in base rates;
- 167 (14) A method of tracing funds collected as securitized asset cost charges, or other proceeds of securitized
- 168 asset cost property, and a requirement that such method be the method of tracing such funds and determining
- 169 the identifiable cash proceeds of any securitized asset cost property subject to the financing order under
- 170 applicable law; and
- 171 (15) Any other conditions not otherwise inconsistent with this section that the Commission determines are
- 172 appropriate.
- 173 b. Neither a financing order issued pursuant to this section nor the Commission's approval of a petition
- 174 for a financing order shall require that securitized asset cost bonds be marketed as a specified type of
- 175 security or that the assignee be formed as a specified type of entity. The electric utility shall maintain
- 176 discretion to determine the type of security that securitized asset cost bonds shall be.
- 177 c. A financing order issued to an electric utility may provide that creation of the electric utility's
- 178 securitized asset cost property is conditioned upon, and simultaneous with, the sale or other transfer for the
- 179 securitized asset cost property to an assignee and the pledge of the securitized asset cost property to secure
- 180 securitized asset cost bonds.
- 181 d. If the Commission issues a financing order, the Commission shall establish a protocol for the electric
- 182 utility to annually file a petition or, in the Commission's discretion, a letter setting out application of the
- 183 formula-based mechanism and, based on estimates of consumption for each rate class and other

184 *mathematical factors, requesting administrative approval to make applicable adjustments. The review of the*
185 *filing shall be limited to determining whether there are any mathematical or clerical errors in the application*
186 *of the formula-based mechanism relating to the appropriate amount of any overcollection or undercollection*
187 *of securitized asset cost charges and the amount of an adjustment. The adjustments shall ensure the recovery*
188 *of revenues sufficient to provide for the payment of principal, interest, acquisition, defeasance, financing*
189 *costs, or redemption premium and other fees, costs, and charges in respect of securitized asset cost bonds*
190 *approved under the financing order. Within 30 days after receiving an electric utility's request pursuant to*
191 *this subdivision d, the Commission shall either approve the request or inform the electric utility of any*
192 *mathematical or clerical errors in its calculation. If the Commission informs the electric utility of any*
193 *mathematical or clerical errors in its calculation, the electric utility may correct such errors and refile its*
194 *request. The 30-day time frame previously described in this subdivision d shall apply to a refiled request.*

195 *e. Subsequent to the transfer of securitized asset cost property to an assignee or the issuance of*
196 *securitized asset cost bonds authorized thereby, whichever is earlier, a financing order shall be irrevocable*
197 *and, except for changes made pursuant to the formula-based mechanism authorized in this section, the*
198 *Commission shall not amend, modify, or terminate the financing order by any subsequent action or reduce,*
199 *impair, postpone, terminate, or otherwise adjust securitized asset cost charges approved in the financing*
200 *order. After the issuance of a financing order, the electric utility shall retain sole discretion regarding*
201 *whether to assign, sell, or otherwise transfer securitized asset cost property or to cause securitized asset cost*
202 *bonds to be issued, including the right to defer or postpone such assignment, sale, transfer, or issuance.*

203 *3. At the request of an electric utility, the Commission may commence a proceeding and issue a*
204 *subsequent financing order that provides for refinancing, retiring, or refunding securitized asset cost bonds*
205 *issued pursuant to the original financing order if the Commission finds that the subsequent financing order*
206 *satisfies all of the criteria specified in this section for a financing order. Effective upon retirement of the*
207 *refunded securitized asset bonds and the issuance of new securitized asset cost bonds, the Commission shall*
208 *adjust the related securitized asset cost charges accordingly.*

209 *4. a. A financing order shall remain in effect and securitized asset cost property under the financing order*
210 *shall continue to exist until securitized asset cost bonds issued pursuant to the financing order have been paid*
211 *in full or defeased and, in each case, all Commission-approved financing costs of such securitized asset cost*
212 *bonds have been recovered in full.*

213 *b. A financing order issued to an electric utility shall remain in effect and unabated notwithstanding the*
214 *reorganization, bankruptcy or other insolvency proceedings, merger, or sale of the electric utility or its*
215 *successors or assignees.*

216 *C. 1. The Commission shall not, in exercising its powers and carrying out its duties regarding any matter*
217 *within its authority pursuant to this chapter, and notwithstanding any other provision of law, (i) consider the*
218 *securitized asset cost bonds issued pursuant to a financing order to be the debt of the electric utility other*
219 *than for federal income tax purposes, including for any purpose under § 56-585.8; (ii) consider the*
220 *securitized asset cost charges paid under the financing order to be the revenue of the electric utility for any*
221 *purpose, including for any purpose under § 56-585.8; (iii) consider the securitized asset costs or financing*
222 *costs specified in the financing order to be the costs of the electric utility, including for any purpose under §*
223 *56-585.8; or (iv) determine any action taken by an electric utility that is consistent with the financing order to*
224 *be unjust or unreasonable.*

225 *2. The Commission shall not order or otherwise directly or indirectly require an electric utility to use*
226 *securitized asset cost bonds to finance any project, addition, plant, facility, extension, capital improvement,*
227 *equipment, or any other expenditure. After the issuance of a financing order, the electric utility shall retain*
228 *sole discretion regarding whether to cause the securitized asset cost bonds to be issued, including the right to*
229 *defer or postpone such sale, assignment, transfer, or issuance. Nothing shall prevent the electric utility from*
230 *abandoning the issuance of securitized asset cost bonds under the financing order by filing with the*
231 *Commission a statement of abandonment and the reasons therefor. The Commission shall not deny an*
232 *electric utility its right to recover securitized asset costs as otherwise provided in this section, or refuse or*
233 *condition authorization or approval of the issuance and sale by an electric utility of securities or the*
234 *assumption by the electric utility of liabilities or obligations, solely because of the potential availability of*
235 *securitized asset cost bond financing.*

236 *D. The electric bills of an electric utility that has obtained a financing order and caused securitized asset*
237 *cost bonds to be issued shall comply with the provisions of this subsection; however, the failure of an electric*
238 *utility to comply with this subsection shall not invalidate, impair, or affect any financing order, securitized*
239 *asset cost property, securitized asset cost charge, or securitized asset cost bonds. The electric utility shall:*

240 *1. Explicitly reflect that a portion of the charges on any electric bill represents securitized asset cost*
241 *charges approved in a financing order issued to the electric utility and, if the securitized asset cost property*
242 *has been transferred to an assignee, such bill shall include a statement to the effect that the assignee is the*
243 *owner of the rights to securitized asset cost charges and that the electric utility or another entity, if*
244 *applicable, is acting as a collection agent or servicer for the assignee. The tariff applicable to customers*
245 *must indicate the securitized asset cost charge and the ownership of the charge; and*

246 2. Include the securitized asset cost charge on each customer's bill as a separate line item and include
247 both the rate and the amount of the charge on each bill.

248 E. 1. The following provisions shall be applicable to securitized asset cost property:

249 a. All securitized asset cost property that is specified in a financing order shall constitute an existing,
250 present intangible property right or interest therein, notwithstanding that the imposition and collection of
251 securitized asset cost charges depends on the electric utility, to which the financing order is issued,
252 performing its servicing functions relating to the collection of securitized asset cost charges and on future
253 electricity consumption. The securitized asset cost property shall exist (i) regardless of whether or not the
254 revenues or proceeds arising from the securitized asset cost property have been billed, have accrued, or have
255 been collected and (ii) notwithstanding the fact that the value or amount of the securitized asset cost property
256 is dependent on the future provision of service to customers by the electric utility or its successors or
257 assignees and the future consumption of electricity by customers;

258 b. Securitized asset cost property specified in a financing order shall exist until securitized asset cost
259 bonds issued pursuant to the financing order are paid in full and all financing costs and other costs of such
260 securitized asset cost bonds have been recovered in full;

261 c. All or any portion of securitized asset cost property specified in a financing order issued to an electric
262 utility may be transferred, sold, conveyed, or assigned to a successor or assignee that is wholly owned,
263 directly or indirectly, by the electric utility and created for the limited purpose of acquiring, owning, or
264 administering securitized asset cost property or issuing securitized asset cost bonds under the financing
265 order. All or any portion of securitized asset cost property may be pledged to secure securitized asset cost
266 bonds issued pursuant to the financing order, amounts payable to financing parties and to counterparties
267 under any ancillary agreements, and other financing costs. Any transfer, sale, conveyance, assignment, grant
268 of a security interest in or pledge of securitized asset cost property by an electric utility, or an affiliate of the
269 electric utility, to an assignee, to the extent previously authorized in a financing order, shall not require the
270 prior consent and approval of the Commission;

271 d. If an electric utility defaults on any required payment of charges arising from securitized asset cost
272 property specified in a financing order, a court, upon application by an interested party, and without limiting
273 any other remedies available to the applying party, shall order the sequestration and payment of the revenues
274 arising from the securitized asset cost property to the financing parties or their assignees. Any such financing
275 order shall remain in full force and effect notwithstanding any reorganization, bankruptcy, or other
276 insolvency proceedings with respect to the electric utility or its successors or assignees;

277 e. The interest of a transferee, purchaser, acquirer, assignee, or pledgee in securitized asset cost property
278 specified in a financing order issued to an electric utility, and in the revenue and collections arising from that
279 property, shall not be subject to setoff, counterclaim, surcharge, or defense by the electric utility or any other
280 person or in connection with the reorganization, bankruptcy, or other insolvency of the electric utility or any
281 other entity;

282 f. Any successor to an electric utility, whether pursuant to any reorganization, bankruptcy, or other
283 insolvency proceeding or whether pursuant to any merger or acquisition, sale, or other business
284 combination, or transfer by operation of law, as a result of electric utility restructuring or otherwise, shall
285 perform and satisfy all obligations of, and have the same rights under a financing order as, the electric utility
286 under the financing order in the same manner and to the same extent as the electric utility, including
287 collecting and paying to the person entitled to receive the revenues, collections, payments, or proceeds of the
288 securitized asset cost property. Nothing in this subdivision f is intended to limit or impair any authority of the
289 Commission concerning the transfer or succession of interests of public utilities; and

290 g. Securitized asset cost bonds shall be nonrecourse to the credit or any assets of the electric utility other
291 than the securitized asset cost property as specified in the financing order and any rights under any ancillary
292 agreement.

293 2. The following provisions shall be applicable to security interests:

294 a. The creation, perfection, and enforcement of any security interest in securitized asset cost property to
295 secure the repayment of the principal and interest and other amounts payable in respect of securitized asset
296 cost bonds; amounts payable under any indenture, ancillary agreement, or other financing documents in
297 respect of the securitized asset costs; and other financing costs shall be governed by this subsection and not
298 by the provisions of the Uniform Commercial Code;

299 b. A security interest in securitized asset cost property shall be created and enforceable when all of the
300 following have occurred: (i) a financing order is issued, (ii) value is received by the debtor or seller for such
301 securitized asset cost property, (iii) the debtor or seller has rights in such securitized asset cost property or
302 the power to transfer rights in such securitized asset cost property, and (iv) a security agreement granting
303 such security interest is executed and delivered by the debtor or seller. The description of securitized asset
304 cost property in a security agreement shall be sufficient if the description refers to this section and the
305 financing order creating the securitized asset cost property;

306 c. A security interest shall attach without any physical delivery of collateral or other act and, upon the
307 filing of a financing statement with the Commission, the lien of the security interest shall be valid, binding,

308 and perfected against all parties having claims of any kind in tort, contract, or otherwise against the person
309 granting the security interest, regardless of whether the parties have notice of the lien. Also upon this filing, a
310 transfer of an interest in the securitized asset cost property shall be perfected against all parties having
311 claims of any kind, including any judicial lien or other lien creditors or any claims of the transferor or
312 creditors of the transferor, and shall have priority over all competing claims other than any prior security
313 interest, ownership interest, or assignment in the property previously perfected in accordance with this
314 section;

315 d. The Commission shall maintain any financing statement filed to perfect any security interest under this
316 section in the same manner that the Commission maintains financing statements filed by transmitting utilities
317 under the Uniform Commercial Code. The filing of a financing statement under this section shall be governed
318 by the provisions regarding the filing of financing statements in the Uniform Commercial Code;

319 e. The priority of a security interest in securitized asset cost property shall not be affected by the
320 commingling of securitized asset cost charges with other amounts. Any pledgee or secured party shall have a
321 perfected security interest in the amount of all securitized asset cost charges that are deposited in any cash or
322 deposit account of the qualifying utility in which securitized asset cost charges have been commingled with
323 other funds and any other security interest that may apply to those funds shall be terminated when they are
324 transferred to a segregated account for the assignee or a financing party;

325 f. No application of the formula-based adjustment mechanism as provided in this section shall affect the
326 validity, perfection, or priority of a security interest in or transfer of securitized asset cost property; and

327 g. If a default or termination occurs under the securitized asset cost bonds, the financing parties or their
328 representatives may foreclose on or otherwise enforce their lien and security interest in any securitized asset
329 cost property as if they were secured parties with a perfected and prior lien under the Uniform Commercial
330 Code, and the Commission may order that amounts arising from securitized asset cost charges be transferred
331 to a separate account for the financing parties' benefit, to which their lien and security interest shall apply.
332 On application by or on behalf of the financing parties, the Commission shall order the sequestration and
333 payment to them of revenues arising from the securitized asset cost charges.

334 3. a. Any sale, assignment, or other transfer of securitized asset cost property shall be an absolute
335 transfer and true sale of and not a pledge of, or secured transaction relating to, the transferor's right, title,
336 and interest in, to, and under the securitized asset cost property if the documents governing the transaction
337 expressly state that the transaction is a sale or other absolute transfer other than for federal and state income
338 tax purposes. For all purposes other than federal and state income tax purposes, the parties' characterization
339 of a transaction as a sale of an interest in securitized asset cost property shall be conclusive that the
340 transaction is a true sale and that ownership has passed to the party characterized as the purchaser,
341 regardless of any fact or circumstance that might support characterization of the transfer as a secured
342 transaction. A transfer of an interest in securitized asset cost property shall occur only when all of the
343 following have occurred: (i) the financing order creating the securitized asset cost property has become
344 effective, (ii) the documents evidencing the transfer of securitized asset cost property have been executed by
345 the transferor and delivered to the assignee, and (iii) value is received by the transferor for the securitized
346 asset cost property. After such a transaction, the securitized asset cost property shall not be subject to any
347 claims of the transferor or the transferor's creditors, other than creditors holding a prior security interest in
348 the securitized asset cost property perfected in accordance with subdivision 2.

349 b. The characterization of the sale, assignment, or other transfer as an absolute transfer and true sale,
350 and the corresponding characterization of the interest of the assignee as an ownership interest, shall not be
351 affected or impaired by the occurrence of any of the following factors:

352 (1) Commingling of securitized asset cost charges with other amounts;

353 (2) The retention by the seller of (i) a partial or residual interest, including an equity interest, in the
354 securitized asset cost property, whether direct or indirect, or whether subordinate or otherwise, or (ii) the
355 right to recover costs associated with taxes, franchise fees, or license fees imposed on the collection of
356 securitized asset cost charges;

357 (3) Any recourse that the assignee may have against the seller;

358 (4) Any right or obligation that the seller may have to repurchase the securitized asset cost charges;

359 (5) Any indemnification obligations of the seller;

360 (6) The obligation of the seller to collect securitized asset cost charges on behalf of the assignee;

361 (7) The transferor acting as the servicer of the securitized asset cost charges or the existence of any
362 contract that authorizes or requires the electric utility, to the extent that any interest in securitized asset cost
363 property is sold or assigned, to agree with the assignee or any financing party that it will continue to operate
364 its system to provide service to its customers, will collect amounts in respect of the securitized asset cost
365 charges for the benefit and account of such assignee or financing party, and will account for and remit such
366 amounts to or for the account of such assignee or financing party;

367 (8) The treatment of the sale, conveyance, assignment, or other transfer for tax, financial reporting, or
368 other purposes;

369 (9) The granting or providing to bondholders of a preferred right to the securitized asset cost property or

370 credit enhancement by the electric utility or its affiliates with respect to the securitized asset cost bonds; or
 371 (10) Any application of the formula-based adjustment mechanism as provided in this section.

372 c. Any right that an electric utility has in the securitized asset cost property before its pledge, sale, or
 373 transfer or any other right created under this section or created in the financing order and assignable under
 374 this section or assignable pursuant to a financing order shall be property in the form of a contract right or a
 375 chose in action. Transfer of an interest in securitized asset cost property to an assignee shall be enforceable
 376 only when all of the following have occurred: (i) a financing order is issued, (ii) value is received by the
 377 transferor for such securitized asset cost property, (iii) the transferor has rights in such securitized asset cost
 378 property or the power to transfer rights in such securitized asset cost property, and (iv) transfer documents in
 379 connection with the issuance of securitized asset cost bonds are executed and delivered by the transferor. An
 380 enforceable transfer of an interest in securitized asset cost property to an assignee shall be perfected against
 381 all third parties, including subsequent judicial or other lien creditors, when a notice of that transfer has been
 382 given by the filing of a financing statement in accordance with subdivision 2 c. The transfer shall be perfected
 383 against third parties as of the date of filing.

384 d. The Commission shall maintain any financing statement filed to perfect any sale, assignment, or
 385 transfer of securitized asset cost property under this section in the same manner that the Commission
 386 maintains financing statements filed by transmitting utilities under the Uniform Commercial Code. The filing
 387 of any financing statement under this section shall be governed by the provisions regarding the filing of
 388 financing statements in the Uniform Commercial Code. The filing of such a financing statement shall be the
 389 only method of perfecting a transfer of securitized asset cost property.

390 e. The priority of a transfer perfected under this section shall not be impaired by any later modification of
 391 the financing order or securitized asset cost property or by the commingling of funds arising from securitized
 392 asset cost property with other funds. Any other security interest that may apply to those funds, other than a
 393 security interest perfected under subdivision 2, shall be terminated when they are transferred to a segregated
 394 account for the assignee or a financing party. If securitized asset cost property has been transferred to an
 395 assignee or financing party, any proceeds of that property shall be held in trust for the assignee or financing
 396 party.

397 f. The priority of the conflicting interests of assignees in the same interest or rights in any securitized
 398 asset cost property shall be determined as follows:

399 (1) Conflicting perfected interests or rights of assignees shall rank according to priority in time of
 400 perfection. Priority shall date from the time a filing covering the transfer is made in accordance with
 401 subdivision 2 c;

402 (2) A perfected interest or right of an assignee shall have priority over a conflicting unperfected interest
 403 or right of an assignee; and

404 (3) A perfected interest or right of an assignee shall have priority over a person who becomes a lien
 405 creditor after the perfection of such assignee's interest or right.

406 F. The description of securitized asset cost property being transferred to an assignee in any sale
 407 agreement, purchase agreement, or other transfer agreement, granted or pledged to a pledgee in any security
 408 agreement, pledge agreement, or other security document, or indicated in any financing statement, shall only
 409 be sufficient if such description or indication refers to the financing order that created the securitized asset
 410 cost property and states that the agreement or financing statement covers all or part of the property
 411 described in the financing order. This section shall apply to all purported transfers of, and all purported
 412 grants or liens or security interests in, securitized asset cost property, regardless of whether the related sale
 413 agreement, purchase agreement, other transfer agreement, security agreement, pledge agreement, or other
 414 security document was entered into, or any financing statement was filed.

415 G. All financing statements referenced in this section shall be subject to Part 5 of Title 8.9A (§ 8.9A-501
 416 et seq.) of the Uniform Commercial Code, except that the requirement as to continuation statements shall not
 417 apply.

418 H. The laws of the Commonwealth shall govern the validity, enforceability, attachment, perfection,
 419 priority, and exercise of remedies with respect to the transfer of an interest or right or the pledge or creation
 420 of a security interest in any securitized asset cost property.

421 I. Neither the Commonwealth nor its political subdivisions shall be liable on any securitized asset cost
 422 bonds, and the bonds shall not be a debt or a general obligation of the Commonwealth or any of its political
 423 subdivisions, agencies, or instrumentalities, nor shall they be special obligations or indebtedness of the
 424 Commonwealth or any of its agencies or political subdivisions. An issue of securitized asset cost bonds shall
 425 not, directly, indirectly, or contingently, obligate the Commonwealth or any agency, political subdivision, or
 426 instrumentality of the Commonwealth to levy any tax or make any appropriation for payment of the
 427 securitized asset cost bonds, other than in their capacity as consumers of electricity. All securitized asset cost
 428 bonds shall contain on the face thereof a statement to the following effect: "NEITHER THE FULL FAITH
 429 AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH IS PLEDGED TO THE
 430 PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THIS BOND."

431 J. All of the following entities may legally invest any sinking funds, moneys, or other funds in securitized

432 *asset cost bonds:*

433 1. *Subject to applicable statutory restrictions on state or local investment authority, the Commonwealth,*
 434 *units of local government, political subdivisions, public bodies, and public officers, except for members of the*
 435 *Commission;*

436 2. *Banks and bankers, savings and loan associations, credit unions, trust companies, savings banks and*
 437 *institutions, investment companies, insurance companies, insurance associations, and other persons carrying*
 438 *on a banking or insurance business;*

439 3. *Personal representatives, guardians, trustees, and other fiduciaries; and*

440 4. *All other persons authorized to invest in bonds or other obligations of a similar nature.*

441 K. 1. *The Commonwealth and its agencies, including the Commission, pledge and agree with*
 442 *bondholders, the owners of the securitized asset cost property, and other financing parties that the*
 443 *Commonwealth and its agencies shall not take any action listed in this subdivision. This subsection does not*
 444 *preclude limitation or alteration if full compensation is made by law for the full protection of the securitized*
 445 *asset cost charges collected pursuant to a financing order and of the bondholders and any assignee or*
 446 *financing party entering into a contract with the electric utility. The Commonwealth and its agencies,*
 447 *including the Commission, shall not:*

448 a. *Alter the provisions of this section that authorize the Commission to create an irrevocable contract*
 449 *right or chose in action by the issuance of a financing order, to create securitized asset cost property, and to*
 450 *make the securitized asset cost charges imposed by a financing order irrevocable, binding, or non-*
 451 *bypassable charges;*

452 b. *Take or permit any action that impairs or would impair the value of securitized asset cost property or*
 453 *the security for the securitized asset cost bonds or revises the securitized asset costs for which recovery is*
 454 *authorized;*

455 c. *In any way impair the rights and remedies of the bondholders, assignees, and other financing parties;*
 456 *or*

457 d. *Except for changes made pursuant to the formula-based adjustment mechanism authorized under this*
 458 *section, reduce, alter, or impair securitized asset cost charges that are to be imposed, billed, charged,*
 459 *collected, and remitted for the benefit of the bondholders, any assignee, and any other financing parties until*
 460 *any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and*
 461 *any contracts to be performed, in connection with the related securitized asset cost bonds have been paid and*
 462 *performed in full.*

463 2. *Any person that issues securitized asset cost bonds may include the language specified in subdivision 1*
 464 *in the securitized asset cost bonds and related documentation.*

465 L. *An assignee or financing party shall not be considered an electric utility or person providing electric*
 466 *service by virtue of engaging in the transactions described in this section.*

467 M. *If there is a conflict between this section and any other law regarding the attachment, assignment, or*
 468 *perfection, or the effect of perfection, or priority of, assignment or transfer of, or security interest in*
 469 *securitized asset cost property, this section shall govern.*

470 N. *In making determinations under this section, the Commission may engage an outside consultant and*
 471 *counsel.*

472 O. *Nothing in this section shall be construed to limit the ability of an electric utility to seek any available*
 473 *relief pursuant to any other provision of law, including § 56-585.8.*

474 P. *The provisions of this section shall not apply to any customer that has chosen to purchase electric*
 475 *energy from a licensed supplier other than the incumbent electric utility serving the exclusive territory in*
 476 *which such customer is located pursuant to § 56-577 prior to February 1, 2019.*

477 **§ 56-585.8. Biennial rate reviews.**

478 A. *For the purposes of this section:*

479 "Phase I Utility" *has the same meaning as provided in subdivision A 1 of § 56-585.1.*

480 "Utility" *means a Phase I Utility.*

481 B. *With the first review commencing on March 31, 2024, and on May 31 biennially thereafter, the*
 482 *Commission shall conduct rate reviews of the rates, terms, and conditions for the provision of generation and*
 483 *distribution services by a Phase I Utility that participated in triennial review proceedings in 2020 and 2023,*
 484 *and such Phase I Utility shall no longer be subject to triennial review proceedings pursuant to § 56-585.1.*

485 C. *In each biennial review, the Commission shall conduct a proceeding to review all rates, terms, and*
 486 *conditions for generation and distribution services with such proceeding utilizing the two successive*
 487 *12-month test periods ending December 31 immediately preceding the year in which such proceeding is*
 488 *conducted. Such biennial review shall be conducted in a single, combined proceeding, except for review of*
 489 *the following costs, which the utility shall continue to recover and the Commission shall continue to review*
 490 *separately, pursuant to the applicable statutory provisions: costs that are recovered pursuant to (i) § 56-249.6,*
 491 *(ii) subdivisions A 4, 5, and 6 of § 56-585.1, and (iii) § 56-585.6.*

492 D. ~~Each~~ *Beginning in 2026, each biennial rate review proceeding shall commence on or before March*
 493 *May 31 of the biennial review year with the filing of a petition by each Phase I Utility subject to the*

494 provisions of this section. The Commission, after providing notice and an opportunity for hearing, shall grant
 495 a final order on such petition no later than ~~November 20~~. ~~Any~~ *January 15 of the subsequent year, with any*
 496 revisions in rates ordered by the Commission pursuant to the rate review ~~shall take~~ *taking* effect no ~~later~~
 497 *earlier* than ~~January~~ *March 1 of the subsequent year*.

498 E. In each biennial review proceeding, the Commission shall set the fair rate of return on common equity
 499 applicable to the generation and distribution services of the utility for the two such services combined and for
 500 any rate adjustment clauses approved under subdivision A 5 or 6 of § 56-585.1. The Commission may use
 501 any methodology it finds consistent with the public interest to determine the Phase I Utility's fair rate of
 502 return on common equity. The Commission may increase or decrease the combined rate of return for
 503 generation and distribution services by up to 50 basis points based on factors that may include reliability,
 504 generating plant performance, customer service, and operating efficiency of a utility. Any such adjustment to
 505 the combined rate of return for generation and distribution services shall include consideration of nationally
 506 recognized standards determined by the Commission to be appropriate for such purposes.

507 F. In any biennial review for a Phase I Utility, if the Commission determines in its sole discretion that the
 508 utility's existing rates for generation and distribution services will, on a going-forward basis, either produce
 509 (i) revenues in excess of the utility's authorized rate of return or (ii) revenues below the utility's authorized
 510 rate of return, then the Commission shall order any reductions or increases, as applicable and necessary, to
 511 such rates for generation and distribution services that it deems appropriate to ensure the resulting rates for
 512 generation and distribution services (a) are just and reasonable and (b) provide the utility an opportunity to
 513 recover its costs of providing services over the rate period ending on December 31 of the year of the utility's
 514 succeeding review and earn a fair rate of return authorized pursuant to this section. Such determination shall
 515 be limited to the Phase I Utility's rates for generation and distribution services and shall not consider the costs
 516 or revenues recovered in any rate adjustment clause authorized pursuant to this chapter.

517 G. In any biennial review of rates for generation and distribution services, if the combined rate of return
 518 on common equity earned is no more than 100 basis points above or below the fair combined rate of return,
 519 as determined by the Commission, for the test period under review, then such combined return shall not be
 520 considered either excessive or insufficient, respectively.

521 1. If in any biennial review, the Commission finds that, during the test period under review, considered as
 522 a whole, the utility has earned more than 100 basis points above the authorized fair combined rate of return
 523 on its generation or distribution services, the Commission shall direct that 100 percent of the amount of such
 524 earnings that were more than 100 basis points above such fair combined rate of return for the test period
 525 under review, considered as a whole, be credited to customers' bills. Any such credits shall be applied to
 526 customers' bills, as determined at the discretion of the Commission, following the effective date of the
 527 Commission's order, and shall be allocated among customer classes such that the relationship between the
 528 specific customer class rates of return to the overall target rate of return will have the same relationship as the
 529 last approved allocation of revenues used to design base rates; or

530 2. The Commission shall authorize deferred recovery for reasonable (i) actual costs associated with severe
 531 weather events and (ii) actual costs associated with natural disasters, not currently in rates, and the
 532 Commission shall allow the utility to amortize and recover such deferred costs over future periods as
 533 determined by the Commission. The amount of any such deferral shall not exceed an amount that would,
 534 together with the utility's other costs, revenues, and investments recovered through rates for generation and
 535 distribution services for the test period under review, cause the utility's earned return on its generation and
 536 distribution services to exceed 100 basis points above the fair combined rate of return applicable to the test
 537 period under review. For the purposes of determining any amount of costs that are associated with severe
 538 weather events, the Commission shall consider nationally recognized standards such as those published by
 539 the Institute of Electrical and Electronics Engineers (IEEE).

540 Any amount of a utility's earnings directed by the Commission to be credited to customers' bills pursuant
 541 to this subsection shall not be considered for the purpose of determining the utility's earnings in any
 542 subsequent biennial review.

543 H. In any proceeding under this title, including each biennial review, to determine the prior two years'
 544 excess or deficiency for the purposes of subsection F, the Commission shall use an average rate base using
 545 the actual starting and end-of-test period capital structure of the utility, excluding any debt associated with
 546 any securitized bonds and without regard to the cost of capital, capital structure, or investments of any other
 547 entities with which the utility is affiliated. To determine a revenue requirement in any proceeding under this
 548 title, the Commission shall use the utility's actual end-of-test period capital structure and cost of capital
 549 without regard to the cost of capital, capital structure, or investments of any other entities with which the
 550 utility is affiliated, including debt associated with any securitized bonds, unless the Commission makes a
 551 finding, based on evidence in the record, that the debt to equity ratio of the actual end-of-test period capital
 552 structure of such utility is unreasonable, in which case the Commission may utilize a debt to equity ratio that
 553 it finds to be reasonable.

554 In a rate review for a Phase I Utility that is part of a publicly traded, consolidated group, the Commission
 555 shall determine federal and state income tax costs as follows: (i) the utility's apportioned state income tax

556 costs shall be calculated according to the applicable statutory rate, as if the utility had not filed a consolidated
557 return with its affiliates, and (ii) the utility's federal income tax costs shall be calculated according to the
558 applicable federal income tax rate and shall exclude any consolidated tax liability or benefit adjustments
559 originating from any taxable income or loss of its affiliates.

560 I. The Commission is authorized to determine during any biennial review the reasonableness or prudence
561 of any cost subject to the rate review incurred or projected to be incurred by the utility, and a Phase I Utility
562 shall recover such costs that the Commission finds to be reasonable and prudent.

563 J. In any biennial review conducted pursuant to this section, a Phase I Utility or any other party may
564 propose changes to its terms and conditions and the Commission may approve, reject, or amend any changes
565 and may propose any special rates, contracts, or incentives pursuant to § 56-235.2.

566 K. Nothing in this section shall alter a Phase I Utility's obligations pursuant to §§ 56-585.5 and 56-596.2.

567 L. To the extent that the provisions of this section are inconsistent with the provisions of § 56-585.1, the
568 provisions of this section shall control.

569 **§ 56-596.5. Rate increases in certain months prohibited; Phase I Utility.**

570 *A. Notwithstanding any other provision of law, the rates for electric generation and distribution services*
571 *by a Phase I Utility, as defined in subdivision A 1 of § 56-585.1, shall not be increased during the months of*
572 *November through February.*

573 *B. Notwithstanding any other provision of law, during the months of November through February, no new*
574 *rate adjustment clause shall be applied to a Phase I Utility's residential customers' bills and no existing rate*
575 *adjustment clause applicable to such customers' bills shall be increased. The Commission's final order*
576 *regarding any petition for a rate adjustment clause that results in an increase to residential customer rates,*
577 *including any petition filed pursuant to subdivision A 4, 5, or 6 of § 56-585.1 or § 56-585.1:15, 56-585.5, or*
578 *56-585.6, issued between September 1 and December 31 shall direct that the applicable rate adjustment*
579 *clause be applied to customers' bills beginning on March 1 of the following year.*

580 **2. That a Phase I Utility, as defined in subdivision A 1 of § 56-585.1 of the Code of Virginia, in**
581 **connection with any financing order petition filed with the State Corporation Commission (the**
582 **Commission) prior to December 31, 2025, pursuant to § 56-249.8 of the Code of Virginia, as created by**
583 **this act, shall permit any retail customer that is receiving electricity supply service from the utility and**
584 **whose demand exceeded five megawatts during the calendar year prior to such petition to opt out of**
585 **financing its pro rata obligation for securitized asset cost charges through securitized asset cost bonds.**
586 **The Phase I Utility shall notify such eligible customers of their eligibility to opt out of the securitized**
587 **asset cost financing through its petition with the Commission, and any election to opt out of the**
588 **securitized asset cost financing by an eligible customer shall be provided in writing to the utility within**
589 **30 days of the filing of such petition. Upon such election, the eligible customer shall fully satisfy such**
590 **customer's pro rata obligation for the securitized asset cost charges as determined in the financing**
591 **order. In the event of such election, any securitized asset cost charges approved for recovery through**
592 **securitized asset cost bonds shall not include the obligations of eligible customers opting out of the**
593 **securitized asset cost financing.**

594 **3. That notwithstanding any other provision of law, including any tariff approved by the State**
595 **Corporation Commission, no Phase I Utility, as defined in subdivision A 1 of § 56-585.1 of the Code of**
596 **Virginia, shall charge a residential customer any interest or late fees between July 1, 2025, and**
597 **December 31, 2025 or charge a residential customer any reconnection fees between July 1, 2025, and**
598 **March 1, 2026.**

599 **4. That a Phase I Utility, as defined in subdivision A 1 of § 56-585.1 of the Code of Virginia, shall only**
600 **file for an annual review of fuel and purchased power costs pursuant to § 56-249.6 of the Code of**
601 **Virginia in 2025 if the filing reflects a deduction in tariff provisions designed to recover fuel costs.**

602 **5. That, during the biennial rate review commencing on May 31, 2026, and conducted pursuant to §**
603 **56-585.8 of the Code of Virginia, as amended by this act, for a Phase I Utility, as defined in subdivision**
604 **A 1 of § 56-585.1 of the Code of Virginia, the Phase I Utility shall propose and the State Corporation**
605 **Commission shall consider whether it is in the public interest to implement (i) residential seasonal rates**
606 **and (ii) alternatives to budget billing.**

607 **6. That in any rate proceeding for a Phase I Utility, as defined in subdivision A 1 of § 56-585.1 of the**
608 **Code of Virginia, the State Corporation Commission (the Commission) shall include an invitation to**
609 **the public to comment on the Phase I Utility rate case. The Commission shall collect and aggregate all**
610 **public submissions and shall consider public comments as part of each rate proceeding.**