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SENATE BILL NO. 761

Offered January 21, 2026

A BILL to amend and reenact § 56-235.2 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 56-235.2:1, relating to electric and gas utilities; rates and charges for service; political influence activity; promotional advertising; annual report.

Patron—Jones

Unanimous consent to introduce

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That § 56-235.2 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 56-235.2:1 as follows:

§ 56-235.2. All rates, tolls, etc., to be just and reasonable to jurisdictional customers; findings and conclusions to be set forth; alternative forms of regulation for electric companies.

A. Any rate, toll, charge or schedule of any public utility operating in this Commonwealth shall be considered to be just and reasonable only if: (1) the public utility has demonstrated that such rates, tolls, charges or schedules in the aggregate provide revenues not in excess of the aggregate actual costs incurred by the public utility in serving customers within the jurisdiction of the Commission, including such normalization for nonrecurring costs and annualized adjustments for future costs as the Commission finds reasonably can be predicted to occur during the rate year, and a fair return on the public utility's rate base used to serve those jurisdictional customers, which return shall be calculated in accordance with § 56-585.1 for utilities subject to such section; ~~(1a)~~ (2) the investor-owned public electric utility has demonstrated that no part of such rates, tolls, charges or schedules includes costs for advertisement, except for advertisements either required by law or rule or regulation, or for advertisements which solely promote the public interest, conservation or more efficient use of energy promotional advertising or political influence activities, as those terms are defined in § 56-235.2:1; and ~~(2)~~ (3) the public utility has demonstrated that such rates, tolls, charges or schedules contain reasonable classifications of customers. Notwithstanding § 56-234, the Commission may approve, either in the context of or apart from a rate proceeding after notice to all affected parties and hearing, special rates, contracts or incentives to individual customers or classes of customers where it finds such measures are in the public interest. Such special charges shall not be limited by the provisions of § 56-235.4. In determining costs of service, the Commission may use the test year method of estimating revenue needs. In any Commission order establishing a fair and reasonable rate of return for an investor-owned gas, telephone or electric public utility, the Commission shall set forth the findings of fact and conclusions of law upon which such order is based.

For ratemaking purposes, the Commission shall determine the federal and state income tax costs for investor-owned water, gas, or electric utility that is part of a publicly-traded, consolidated group as follows: (i) such utility's apportioned state income tax costs shall be calculated according to the applicable statutory rate, as if the utility had not filed a consolidated return with its affiliates, and (ii) such utility's federal income tax costs shall be calculated according to the applicable federal income tax rate and shall exclude any consolidated tax liability or benefit adjustments originating from any taxable income or loss of its affiliates.

In any ratemaking proceeding for an investor-owned utility authorized to furnish water or water and sewer service initiated after January 1, 2022, the Commission shall evaluate such utility on a stand-alone basis and, for purposes of establishing any revenue requirement and rates, utilize such utility's actual end-of-test period capital structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which such utility may be affiliated, unless the Commission finds based on evidence in the record that the debt to equity ratio of the actual end-of-test period capital structure of such utility is unreasonable, in which case the Commission may utilize a debt to equity ratio that it finds to be reasonable. In all proceedings initiated after January 1, 2022, in which the Commission reviews the rates and associated earnings of an investor-owned utility authorized to furnish water or water and sewer service, the Commission shall conduct such review utilizing the same cost of capital and capital structure adopted in the utility's most recent rate case in which such rates were set, without regard to any later changes in the cost of capital or capital structure.

B. The Commission shall, before approving special rates, contracts, incentives or other alternative regulatory plans under subsection A, ensure that such action (i) protects the public interest, (ii) will not unreasonably prejudice or disadvantage any customer or class of customers, and (iii) will not jeopardize the continuation of reliable electric service.

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59 C. After notice and public hearing, the Commission shall issue guidelines for special rates adopted
 60 pursuant to subsection A that will ensure that other customers are not caused to bear increased rates as a
 61 result of such special rates.

62 **§ 56-235.2:1. Promotional advertising and political influence activity; annual reporting required.**

63 A. As used in this section:

64 "Political influence activity" means:

65 1. An activity for the purpose of directly or indirectly influencing any of the following: (i) the adoption,
 66 repeal, or modification of federal, state, regional, or local legislation, regulations, or ordinances; (ii) the
 67 election, recall, appointment, or removal of a public official or the adoption of initiatives or referenda; (iii)
 68 the approval, modification, or revocation of franchises of an electric or gas utility; (iv) public opinion with
 69 respect to legislation, regulations, ordinances, elections, referenda, or rate setting mechanisms of an electric
 70 or gas utility; or (v) decisions of federal, state, regional, or local public officials; or

71 2. Research, preparation, or any other activity undertaken for the purpose of supporting any activities
 72 specified in subdivision 1.

73 "Political influence activity" does not include:

74 1. An activity that is directly and necessarily related to appearances between regulatory or other
 75 governmental bodies in connection with the utility's existing or proposed operations of the utility's regulated
 76 system;

77 2. An activity that is directly related to a Commission-approved energy efficiency program or other
 78 Commission-approved public purpose program in which the utility participates;

79 3. An activity that responds to a request by a legislative committee, the Commission, or a government
 80 agency for technical information from the utility; or

81 4. An activity required by applicable federal or state statute, or by order of regulatory authority, and
 82 undertaken for the purpose of satisfying that statutory or regulatory requirement.

83 "Promotional advertising" means written, online, video, or audio communications that primarily build the
 84 public image of a utility and that is not required by the Commission, including communications about actions
 85 that a utility may take in the future. "Promotional advertising" does not include (i) public messages that the
 86 utility is directed to publish by law or regulations; (ii) public messages that provide information on safety
 87 measures, emergency conditions, the conservation of energy, rates, utility programs and services approved
 88 by the Commission, or service interruptions, and that do not primarily build the public image of the utility; or
 89 (iii) public messages providing necessary information to customers about specific actions the customers can
 90 take for their safety.

91 B. No electric or gas utility under the jurisdiction of the Commission for the approval of rates and
 92 charges shall recover through its retail rates and charges for service any direct or indirect costs associated
 93 with the following:

94 1. Membership dues, sponsorship fees, or monetary contributions paid to a business or industry trade
 95 group or association if such business, trade group, or association engages in political influence activities or
 96 promotional advertising on behalf of its utility members;

97 2. Charitable contributions;

98 3. Political influence activities;

99 4. Promotional advertising;

100 5. Entertainment or gifts;

101 6. Compensation paid to an employee if any portion of the employee's time in a given year is spent on
 102 lobbying, legislative action, or other political influence activities;

103 7. Any expenses related to products, services, or programs not regulated by the Commission, including
 104 any marketing, administrative, or customer service-related expenses;

105 8. Penalties or fines issued against the utility; or

106 9. Investor relations.

107 C. No later than January 1, 2027, and annually thereafter, each electric and gas utility subject to the
 108 requirements of this section shall file with the Commission, in a form and manner prescribed by the
 109 Commission, an annual report that includes the following information concerning each activity or expense
 110 described in subsection B:

111 1. The total costs to the utility, separately delineated for each expense or activity described in subsection
 112 B;

113 2. An itemized list of the amounts billed or allocated to the utility by third-party vendors for any expenses
 114 or activities described in subsection B, including billing dates, payees, and explanations of each
 115 expenditure's purpose;

116 3. The job title and salary of any employee of the utility who performed work associated with political
 117 influence activities, along with the number of hours attributable to such work by the employee; and

118 4. A list of all divisions, departments, or other organizational groups within the utility that performed
 119 political influence activities.

120 D. The Commission may impose a fine on a utility subject to the requirements of this section in an amount

121 *equivalent to the amount of costs improperly recovered by the utility in violation of subsection B. Any such*
122 *finer collected by the Commission shall be directed toward low-income payment assistance programs for*
123 *such utility.*
124 *E. The Commission shall make the annual reports provided by utilities under subsection C publicly*
125 *available online, provided that the Commission may redact or exclude any information as necessary to*
126 *comply with relevant law or protect security.*

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