

SENATE BILL NO. 691

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Commerce and Labor

on _____)

(Patron Prior to Substitute—Senator Suetterlein)

A BILL to direct the State Corporation Commission to consider certain requirements in the biennial rate review for a Phase I Utility.

Be it enacted by the General Assembly of Virginia:

1. § 1. A. That in conducting its 2026 review of the rates, terms, and conditions for the provision of generation and distribution services by a Phase I Utility (the utility), as that term is defined in subdivision A 1 of § 56-585.1 of the Code of Virginia, pursuant to § 56-585.8 of the Code of Virginia the State Corporation Commission (the Commission) shall consider the requirements described in this act.

B. To avoid unnecessary costs for customers, in determining a fair rate of return on common equity pursuant to subsection E of § 56-585.8 of the Code of Virginia, the Commission may adopt the lowest rate of return on common equity within a cost of equity range that the Commission finds to be fair and reasonable. The Commission may disallow recovery from ratepayers of costs associated with the cost of capital expert testimony or consulting services that rely on methodologies or assumptions that the Commission has previously found to be unreasonable. The Commission shall conduct quantitative analyses evaluating alternative combinations of return on equity and capital structure and the resulting effects on customer rates and shall identify the combination that produces the lowest costs for customers.

C. In determining a fair rate of return on common equity, the Commission shall also consider the affordability of the utility's existing rates for service, the relative levels of regulatory risk faced by the utility, and the most recent rates of return approved for the utility's operations by other regulatory agencies with jurisdiction over the utility's operations outside of the Commonwealth. In assessing the affordability of the utility's existing rates, the Commission shall consider, among other factors, (i) the number of residential customer service disconnections for nonpayment during the last five years and (ii) the percentage of change in the utility's total residential customer per-kilowatt-hour rates during the utility's prior two rate review periods as compared to the percentage of change in the Consumer Price Index, as published by the Bureau of Labor Statistics of the U.S. Department of Labor, during such periods. In assessing the relative level of regulatory risk faced by the utility, the Commission shall consider, among other factors, the securitization of costs and the proportion of the utility's total annual revenues that are projected to be recovered through riders or rate adjustment clauses during the upcoming biennial review period.

33 *D. The Commission staff shall review the decision of the utility or its parent company to satisfy its*
34 *capacity obligations with the regional transmission entity through a fixed resource requirement alternative.*
35 *The utility shall file a report explaining the basis for such decision and comparing the historical costs of the*
36 *fixed resource requirement alternative with comparable capacity market prices of the regional transmission*
37 *entity.*

38 *E. There shall be a rebuttable presumption that the following costs are unreasonable and imprudent: (i)*
39 *costs associated with the self-scheduling of an electric generation facility if the marginal operating costs of*
40 *such facility are higher than the energy market clearing price set by the regional transmission entity for the*
41 *same hour and (ii) the cost of electricity, including capacity and energy, that the utility has purchased*
42 *pursuant to an intercompany power agreement at a price that the Commission staff determines to be above*
43 *the market price for comparable electricity available within the regional transmission entity.*

44 *F. The Commission may direct the utility to file any supplemental information that the Commission*
45 *determines is necessary to comply with this act as part of its rate review proceeding.*

46 *§ 2. A. To ensure the lowest reasonable costs for customers and identify opportunities for cost savings, the*
47 *Commission shall conduct a review of the terms of service and rates for electric transmission by the utility.*
48 *Such review shall (i) identify the primary drivers of transmission costs in the utility's service territory; (ii)*
49 *determine whether the utility and its parent company maintain systemic and robust evaluation processes of*
50 *grid-enhancing technologies and other reasonable alternatives to reduce or defer the costs of local and*
51 *regional transmission projects, including competitive procurement processes; (iii) examine the current cost*
52 *allocation methodologies for transmission costs used by the utility and the regional transmission entity of*
53 *which the utility is a member, including an examination of concerns raised by regulatory bodies and*
54 *consumer protection agencies regarding such methodologies and an evaluation of the impacts of such*
55 *methodologies on costs to customers; and (iv) a description of the Commission's ability to oversee, approve,*
56 *or deny transmission projects based on criteria including cost and need, and its coordination with the*
57 *planning and authority of the regional transmission entity of which the utility is a member. The Commission*
58 *shall provide opportunity for public comment as part of such review. By December 1, 2026, the Commission*
59 *shall provide a report to the Governor and the Commission on Electric Utility Regulation summarizing its*
60 *review and providing any recommendations for actions that may lower the costs of transmission paid by the*
61 *utility's customers.*

62 *B. To ensure the lowest reasonable costs for customers and identify opportunities for cost savings, the*
63 *Commission shall conduct a review of the utility's efforts to improve system efficiency, resilience, and*

64 *reliability to address rising costs of severe weather events. Such review shall (i) evaluate the increased risk of*
65 *severe weather events; (ii) identify best practices employed by electric utilities operating in geographically*
66 *similar regions; (iii) identify options for the expansion of energy efficiency programs administered by the*
67 *utility to enhance system resilience; and (iv) determine whether additional resources from the*
68 *Commonwealth are necessary to offset reductions in federal funding, financing, or tax incentives for electric*
69 *grid resilience investments. The Commission shall provide opportunity for public comment as part of such*
70 *review. By September 1, 2027, the Commission shall provide a report to the Governor and the Commission*
71 *on Electric Utility Regulation summarizing its review and providing any recommendations for actions by the*
72 *utility, the Commission, and the General Assembly to reduce the costs of severe weather events.*

73 *C. The Commission may provide the reports required by this act as part of an annual report prepared by*
74 *the Commission pursuant to § 56-596 of the Code of Virginia.*

75 **2. That the State Corporation Commission (the Commission) staff shall recommend three independent**
76 **experts with demonstrated experience in utility finance and regulatory economics as candidates to**
77 **conduct a study on behalf of the Office of the Attorney General (the Office) reviewing the methods**
78 **used to determine the cost of equity capital for investor-owned utilities. The Office may select one**
79 **independent expert recommended by the Commission to conduct such study. Such study shall evaluate**
80 **recent methods, assumptions, and analytical practices employed by expert witnesses retained by such**
81 **utilities and witnesses in proceedings before the Commission and shall include a review of relevant**
82 **academic, practitioner, and regulatory literature. The Office shall develop specific recommendations**
83 **for the Commission and the General Assembly to improve regulatory practices governing the**
84 **determination of such utilities' cost of equity capital with the objectives of protecting customer**
85 **affordability and ensuring compliance with all applicable legal requirements. The Office shall provide**
86 **opportunity for public comment and conduct at least one public workshop as part of such study. The**
87 **Office shall submit a written report presenting its findings and recommendations to the Commission**
88 **and the Commission on Electric Utility Regulation by November 1, 2026.**