

COMMISSION ON ELECTRIC UTILITY RESTRUCTURING

RESOLUTION

WHEREAS, section 56-584 of the Virginia Electric Utility Restructuring Act (the "Act") provides:

Just and reasonable net stranded costs, to the extent that they exceed zero value in total for the incumbent electric utility, shall be recoverable by each incumbent electric utility provided each incumbent electric utility shall only recover its just and reasonable net stranded costs through either capped rates as provided in § 56-582 or wires charges as provided in § 56-583; and

WHEREAS, subdivision (3) of § 30-205 of the Code of Virginia provides that the members of the Commission on Electric Utility Restructuring shall:

Monitor, after the commencement of customer choice and with the assistance of the State Corporation Commission and the Office of the Attorney General, the incumbent electric utilities, suppliers, and retail customers, whether the recovery of stranded costs, as provided in § 56-584, has resulted or is likely to result in the overrecovery or underrecovery of just and reasonable net stranded costs; and

WHEREAS, this Commission adopted a resolution on January 27, 2003, ("the Stranded Costs Resolution") requesting the State Corporation Commission ("SCC") to convene a work group of stakeholders to develop consensus recommendations for a definition of "stranded costs" and "just and reasonable net stranded costs," and for a methodology to monitor the recovery of a utility's just and reasonable net stranded costs; and

WHEREAS, the Stranded Costs Resolution also requested that, in the absence of consensus among work group members, the State Corporation Commission include in its reports any recommendations of the SCC and other work group members and an analysis by SCC staff of those recommendations; and

WHEREAS, the SCC convened four meetings of the work group for discussion of the issues presented in the Stranded Costs Resolution; and

WHEREAS, during the course of the work group discussions, the SCC, the Virginia Committee for Fair Utility Rates, and the utilities each proposed a methodology for monitoring stranded cost recovery; and

WHEREAS, as the work group progressed, SCC staff also proposed an accounting approach as an alternative to the methodology proposed by the stakeholders; and

WHEREAS, the work group was unable to reach consensus on the proposed definitions or methodologies for monitoring stranded cost recovery; and

WHEREAS, the SCC submitted on July 1, 2003, its first report to this Commission on the progress of the work group; and

WHEREAS, in its report, the SCC requested additional direction from this Commission on the appropriate methodology for monitoring stranded cost recovery; and

WHEREAS, this Commission received the report from the SCC at its meeting held November 19, 2003; and

WHEREAS, this Commission received comments from members of the work group on the SCC report and proposed methodologies at its meeting held November 24, 2003; and

WHEREAS, at that November 24 meeting, this Commission requested the Division of Consumer Counsel of the Office of Attorney General to amplify on its recommendations for the monitoring of stranded costs; and

WHEREAS, the Division of Consumer Counsel has recommended that the Division make an annual report to this Commission in the manner specified below as a means of assisting with such monitoring of stranded costs; and

WHEREAS, this recommendation reflects a fair balancing of the concerns of all stakeholders while preserving the spirit of the Restructuring Act; now therefore be it

RESOLVED, that the Commission on Electric Utility Restructuring hereby requests the Division of Consumer Counsel of the Office of Attorney General:

1. On or before September 1, 2004, and annually thereafter, to report to the Commission on Electric Utility Restructuring (i) the cost of service of each incumbent electric utility's generation; and (ii) the market prices for generation as calculated for wires charge purposes immediately prior to said reporting date; provided, however, that the first such report is requested to cover the period beginning July 1, 1999 and ending December 31, 2003.
2. In determining generation cost of service, to take into account factors such as the incumbent electric utility's applicable Annual Informational Filing to the SCC, any adjustments to such Filing made by the SCC, example ranges of returns on common equity, and such other factors as the Division deems relevant.

3. In determining market prices for generation, to take into account market prices as determined by the SCC and such other factors as the Division may deem relevant.
4. To continue to make such reports for each incumbent electric utility until the capped rates for such utility expire or are terminated pursuant to the provisions of § 56-582.

Adopted by the Commission on Electric Utility Restructuring on January 15, 2004.