

Commission on Electric Utility Restructuring
April 19, 2006
Richmond, Virginia

The Commission on Electric Utility Restructuring met on the morning of the reconvened session to consider an amendment proposed by the Governor to Senate Bill 262. The proposed amendment addresses the ability of Dominion Virginia Power to recover its costs for fuel and purchased power during the balance of the capped rate period.

As part of a package of amendments to the Electric Utility Restructuring Act adopted in 2004 in Senate Bill 651, Dominion Virginia Power's tariff for the cost of fuel and purchased power was frozen at the level set in 2003, subject to a one-time adjustment in July 2007. The fuel factor to be set in July 2007 was not to account for any under-recovery or over-recovery of fuel costs in the period prior to the adjustment, and was to be set at a level to allow the utility to recover the projected fuel costs for the 42-month period ending December 31, 2010.

Dominion spokesman William G. Thomas testified that the utility did not anticipate the very substantial fluctuations and escalations in fuel costs that have occurred since the enactment of Senate Bill 651. Dominion recognizes that it is not possible to accurately project fuel costs for the period from July 2007 through December 2010.

The Governor's amendment proposes revising § 56-249.6 of the Code of Virginia to require Dominion to apply for annual fuel factor adjustments commencing July 1, 2007. The fuel factor cases in 2008 through 2010 will include a "truing up" of the estimated an actual expenditures to account for any under-recovery or over-recovery. However, the 2007 fuel factor case will not be trued up to account for under-recoveries or over-recoveries prior to July 1, 2007. In addition, up to 40% of any increase in the fuel tariff that the State Corporation Commission (SCC) approves for 2007-2008 may be deferred and recovered during the period July 2008 through December 2010.

Bill Murray, Legislative Director in the Office of the Governor, stated that the administration was mindful of the volatility of fuel costs and the impact on consumers' utility bills of large and infrequent increases. The ability to defer increases in the utility's cost of fuel was compared favorably to the situation in Maryland, where the end of capped rates is allowing electric utilities to seek rate increases this year of up to 70%.

Senator Wagner, patron of Senate Bill 262, noted his approval of the Governor's proposed amendment. John Dudley of the SCC noted that while the SCC does not have an official position on the amendment, one Commissioner supports it. Mr. Urchie Ellis shared his concern with the absence of public participation in the preparation of the Governor's proposal.

At the close of the meeting, the Commission unanimously passed a motion endorsing the Governor's proposed amendment to Senate Bill 262.