DISCLAIMER
This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the Clerk of the Commission, Document Control Center.

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 13, 2001

COMMONWEALTH OF VIRGINIA

At the relation of the

State Corporation Commission CASE NO. PUE010306

Ex Parte: In the matter of considering requirements relating to wires charges pursuant to the Virginia Electric Utility Restructuring Act

ORDER ESTABLISHING PROCEEDING

Section 56-583 of the Virginia Electric Utility Restructuring Act, (§ 56-577 et seq. of the Code of Virginia) ("the Act"), directs the State Corporation Commission ("Commission") to establish wires charges for each incumbent electric utility, effective upon the commencement of retail access in the selection of electric suppliers. Such wires charges are to provide utilities a method to recover any just and reasonable net stranded costs pursuant to § 56-584 of the Act.[1]

Section 56-583 of the Act further directs that wires charges calculated pursuant to that statute be adjusted by the

[1] The Act permits the recovery of any stranded costs through either capped rates as provided in § 56-582 or wires charges as provided in § 56-583.

Commission not more frequently than annually and that the Commission seek to coordinate such adjustments with any adjustments of capped rates pursuant to § 56-582 of the Act.

The Commission is of the opinion that the Staff of the Commission should invite representatives of incumbent electric utilities and other interested parties to participate in a work group that will help the Staff identify and resolve issues in furtherance of our statutory obligations under § 56-583.[2]

While the Staff and work group members may identify a number of issues for consideration, we particularly seek input and recommendations on the following:

(a) Whether capped rate changes should be tied to fuel factor changes for the purposes of determining wires charges, and the timing of any fuel-related change in capped rates as it relates to the Commission's determination of market price, as related to the calculation of wires charges;

(b) The advisability of developing rules of general application for the determination of market prices for generation, the scope of such rules, and the rules themselves; and

[2] Persons desiring to participate in the work group described herein to be held at the Commission on June 22, 2001, should, on or before June 20, 2001, notify by e-mail Howard Spinner, Senior Utilities Specialist, in the Commission's Division of Energy Regulation at hspinner@scc.state.va.us.

(c) Wires charges rate design, including the manner in which aggregate wires charges are transformed into rate element specific wires charges.

We will direct each utility to file a proposal[3] that details the following wires charge issues: timing and coordination of adjustments; market price determination; and rate design. The Staff shall file responses to the utilities' proposals, and interested parties may also file responses.

We will also direct the Staff to assist utilities in expediting the determination of fuel factors applicable to the utilities' unbundled generation rates. These determinations are critical to the introduction of retail competition in a timely fashion.

By way of background, our recent Order concerning the phase-in of retail access[4] established retail choice implementation schedules in the incumbent electric utilities' service territories. Pursuant to that Order, all customers of Appalachian Power Company d/b/a American Electric Power ("AEP

---

[3] Because Kentucky Utilities Company d/b/a Old Dominion Power Company and the Virginia electric distribution cooperatives have been afforded, in Case No. PUE000740, a more extended phase-in period for implementing retail choice in their service territories (until 2004, if they so elect), we invite but will not require those incumbent electric utilities to submit proposals. However, utilities who elect not to participate in this proceeding will, in all likelihood, be subject to any wires charge methodologies that are determined in this proceeding.

[4] Commonwealth of Virginia, ex. rel. State Corporation Commission, Ex Parte: In the matter concerning a draft plan for phase-in of retail electric competition, Case No. PUE000740, Order dated March 30, 2001.

Virginia"), Delmarva Power and Light Company ("Delmarva"), and The Potomac Edison Company d/b/a Allegheny Power ("Allegheny") will have retail access for electric generation on and after January 1, 2002. The Virginia Electric and Power Company ("Virginia Power") will inaugurate and complete the phase-in of retail access within its service territory between January 1, 2002, and January 1, 2003. Virginia's electric cooperatives and Kentucky Utilities, d/b/a/ Old Dominion Power Company ("Kentucky Utilities"), are directed under this Order to complete their phase-in by January 1, 2004.

We recognize that fuel factors are, or have been, key features of incumbents' functional separation filings made pursuant to § 56-590 of the Act.[5] Virginia Power seeks as part of its functional separation filing to establish an indexed fuel factor. AEP Virginia has not proposed a new fuel factor as part of its current functional separation filing but has indicated that it may address fuel costs in some future amended filing in that proceeding.

We recognize that Commission orders in the functional separation cases may not be issued until the end of 2001. Nevertheless, wires charges must be established sufficiently in

[5] In the case of Delmarva, we established their fuel factor for these purposes in PUE000086, and further authorized in that proceeding a mechanism for re-calculating such fuel factor in 2004. In the case of Allegheny, this company has relinquished its claim to any further fuel factors as part of our proceeding in PUE000280.

advance to facilitate retail access within most incumbents' service territories on and after January 1, 2002. Since wires charges cannot be calculated without unbundled generation rates incorporating fuel factors (unless the right to receive such factor has been waived), it is imperative that incumbent utilities assign the highest possible priority to establishing these fuel factors quickly. Equally important, in those cases where a utility's unbundled generation rate (including its fuel factor) is lower than the market price of generation, the unbundled generation rate will serve as the price to compare for shopping customers.

In sum, timely fuel factor filings constitute one critical way that utilities can help keep on target the phase-in of retail access on the dates established in our Order in Case No. PUC000740. We urge incumbent utilities to work with the Commission Staff to ensure that these filings synchronize with that Order's phase-in schedules.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUE010306.

(2) The Commission Staff shall forthwith invite representatives of incumbent electric utilities and other interested parties to participate in a work group to assist the Staff in identifying and resolving the wires charge issues

described herein in furtherance of the Commission's obligations under § 56-583 of the Virginia Electric Utility Restructuring Act. The work group shall be held in the Commission's third floor training room on June 22, 2001, beginning at 9:30 a.m.

(3) On or before June 22, 2001, persons with an interest in this proceeding (other than incumbent electric utilities), including those already on the service list for this Order, who desire to remain on or be added to the service list for future filings and orders in this docket shall file with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, a statement of such interest.

(4) On or before July 17, 2001, each incumbent electric utility shall file with the Clerk of the Commission in this docket an original and fifteen (15) copies of its wires charge proposal that, at a minimum, details the issues of timing and coordination of adjustments, market price determination, and rate design, and shall serve a copy of its proposal on the Office of Attorney General's Division of Consumer Counsel, all work group members, and interested parties who have filed pursuant ordering paragraph (3).

(5) On or before August 6, 2001, the Commission Staff shall file responses to the utilities' proposals, and any interested party may also file a response by that date.

(6) The Commission’s Staff and incumbent electric utilities shall work together to establish, on a timely and expeditious basis, fuel factors to be utilized as a critical part of determining unbundled generation rates for purposes of calculating wires charges.

(7) This matter is continued for further orders of the Commission.

APPENDIX A

ELECTRIC COMPANIES IN VIRGINIA

Allegheny Power
Mr. James D. Latimer
Vice-President, State Affairs
10435 Downsville Pike
Hagerstown, Maryland 21740-1766

American Electric Power
Mr. R. Daniel Carson, President
Virginia/Tennessee
Three James Center, Suite 702
1051 East Cary Street
Richmond, Virginia 23219

Conectiv Power Delivery
Mr. Mack Wathen
Director, Planning, Finance and Regulation
New Castle Regional Office
401 Eagle One Road
P.O. Box 9239
Newark, Delaware 19714-9239

Dominion Virginia Power
Mr. Robert E. Rigsby
President & COO
Box 26666
Richmond, Virginia 23261

Kentucky Utilities
Mr. Ronald L. Willhite
Director of Rates and Regulations
P.O. Box 32030
Louisville, Kentucky 40232