

DIVISION OF ECONOMICS AND FINANCE

The Division of Economics and Finance performs analysis and research on economic and financial issues pertaining to utility regulation. The Division also provides analytical and research support as needed by non-utility divisions within the Commission.

The Division has ongoing responsibility for:

- issuing monthly Fuel Price Index reports;
- maintaining and issuing monthly reports for the electric utility Fuel Monitoring System;
- issuing quarterly Natural Gas Price Index reports;
- analyzing and presenting testimony on capital structure, cost of capital, and other finance-related issues in utility rate cases;
- analyzing and presenting testimony on interest expense, appropriate earnings level, and other finance-related issues in electric cooperative rate cases;
- monitoring the financial condition of Virginia utilities;
- monitoring the diversification activities of holding companies with utility subsidiaries operating in Virginia;
- reviewing annual financing plans of Virginia utilities;
- analyzing utility applications for the issuance of securities and providing the Commission with recommendations;
- conducting studies of intermediate/long range issues in electric, gas, and telecommunications utility regulations;
- acquiring and running analytic computer models used to simulate, project, and/or evaluate utility operations and regulatory issues;
- monitoring inter-LATA and intra-LATA telecommunications competition;
- monitoring the incumbent local exchange companies participating in the Alternative Regulatory Plans;
- monitoring new entrants to the telecommunications market;
- analyzing financial fitness of applicants seeking status as competitive local exchange and interexchange carriers and municipal local exchange carriers;
- monitoring and maintaining files of electric utilities' operating forecasts;
- monitoring and maintaining files of gas utilities' Five Year Forecasts;
- providing statistical and graphic support for other SCC divisions;
- maintaining database management systems for preparation of economic and financial analysis in utility cases;
- maintaining a utility stock price database;
- maintaining an electric energy market price database;
- monitoring electric and natural gas retail access programs statewide and nationally;
- monitoring evolving competitive energy markets, including market power issues;
- monitoring and participating in Virginia's evolving membership into the regional transmission organization known as PJM Interconnection, LLC
- analyzing applications for licenses to become a competitive service provider or aggregator;
- analyzing customer demand-response programs and associated trends; and
- analyzing financial fitness of non-regulated firms seeking approval to build generating facilities or gas pipelines.

SUMMARY OF MAJOR ACTIVITIES DURING 2005

- Presented testimony on capital structure, cost of capital, and other financial issues in two investor-owned utility rate cases.
- Presented testimony on the appropriate interest expense and earnings level in one electric cooperative rate case.
- Presented cost of capital testimony in two gas utility weather normalization cases.
- Worked on two gas utility applications seeking authority to hedge their gas purchases through the use of financial hedges.
- Presented testimony on financial and competitive issues for two utility merger cases.
- Completed 21 Annual Informational Filing reports for electric, gas, telephone, and water utilities.
- Analyzed and processed 25 applications of utilities seeking authority to issue securities.
- Processed the applications of and/or prepared reports regarding the financial condition of 19 competitive local exchange carriers and/or interexchange carriers and one municipal local exchange carrier applying for certification.
- Participated in two major Federal Energy Regulatory Commission proceedings related to Regional Transmission Organizations and the Energy Policy Act of 2005.
- Began preparing reports on an application for a certificate to construct one electric generating facility.
- Prepared testimony for three electric fuel factor proceedings.
- Prepared reports regarding the financial condition of 5 companies seeking licensure as competitive energy service providers or aggregators or modifying such licensure.
- Developed and maintained various econometric models that explain price movements in the PJM Interconnection.
- Continued analysis of metrics from Verizon's Performance Appraisal Plan, measuring the levels of service provided to competitors.
- Assisted the development of rules governing electric and natural gas retail access programs regarding programs providing for exemption to minimum stay requirements and wires charges.
- Reviewed and prepared market price and price-to-compare computations for 2006 for each of the electric local distribution companies.
- Supported and monitored activities regarding the continued development of Regional Transmission Organizations (PJM Interconnection, LLC) and associated participation of Virginia electric utilities.
- Facilitated the continued development of Electronic Data Interchange guidelines for communication among utilities and competitive service providers in Virginia and the surrounding region.
- Represented the Commission at meetings of the North American Energy Standards Board, encompassing wholesale and retail electricity and natural gas sectors, to establish Uniform Business Practices.
- Developed the Status Report to the Legislative Transition Task Force and Governor of Virginia regarding the Development of a Competitive Retail Market for Electric Generation within the Commonwealth of Virginia.
- Developed a forecast of the consumption tax collected on electricity usage for Public Service Taxation.
- Developed a forecast of budget items for Bureau of Insurance.
- Developed with the Division of Communications a forecast of the Virginia Telecommunications relay service bank balance.
- Developed a forecast of the Clerk's office special fund collection for the Office of Commission Comptroller.
- Developed a forecast of the non-general fund revenue collections and bank balances for the Division of Securities and Retail Franchising.

- Maintained the Virginia Electronic Data Transfer website.
- Maintained a comprehensive database on competitive energy service providers.
- Participated in preparing a staff report and presented testimony regarding the proposed agreement and plan of merger between Verizon and MCI.