

## 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 intrastate telecommunications competition;
- monitoring the incumbent local exchange companies participating in the Alternative Regulatory Plans;
- collecting and maintaining reporting statistics required by Commission Rules for new entrants and specific ILECs in 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' integrated resource 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 competitive energy markets, including market power issues;
- monitoring and participating in Virginia's membership within the regional transmission organization known as PJM Interconnection, LLC
- analyzing applications for licenses to become a competitive service provider or aggregator;
- analyzing energy efficiency and customer demand-response programs and associated trends;
- analyzing effects of electricity generation from renewable resources; and
- analyzing financial fitness and need for construction of generating facilities, transmission lines or natural gas pipelines.

### SUMMARY OF MAJOR ACTIVITIES DURING 2009

- Presented testimony on capital structure, cost of capital and other financial issues in eight investor-owned utility rate cases.
- Presented testimony on the appropriate level of interest expense and earnings in two electric cooperative rate cases.
- Presented testimony on the merits of six permissible rate rider adjustments for three investor-owned electric utilities.
- Completed eight Annual Informational Filing reports for electric, gas, telephone and water utilities.
- Analyzed and processed 19 applications of utilities seeking authority to issue securities and prepared testimony in one such application.
- Prepared reports in two cases in which utilities were seeking authority to continue existing hedging agreements.
- Processed the applications of and/or prepared reports regarding the financial condition of 15 competitive local exchange carriers and/or interexchange carriers.
- Prepared reports on six applications for a certificate to construct new electric generation or transmission facilities.
- Prepared testimony for four electric fuel factor proceedings.
- Prepared testimony for two natural gas proceedings regarding conservation and ratemaking efficiency plan, including a decoupling mechanism.
- Prepared reports regarding two applications for electric utilities regarding a voluntary renewable portfolio standards program.
- Prepared two reports for the Commission to report to the Governor regarding cost-effective electricity DSM for Virginia's investor-owned utilities and for Virginia's electric cooperatives.
- Reviewed and began to prepare a report for two electric utilities to implement energy efficiency and demand response programs.
- Prepared reports for the Commission in response to the Energy Independence and Security Act of 2007 directives to consider amendments to the Section 111 PURPA standards for electricity and energy efficiency standards for natural gas.
- Prepared reports regarding the financial condition of 2 companies seeking licensure as aggregators and/or competitive service providers.
- Developed and maintained various econometric models that help explain price movements in the PJM Interconnection.
- Developed rules regarding interconnection standards for distributed generation facilities.
- Supported and monitored activities regarding the continued development of Regional Transmission Organizations (PJM Interconnection, LLC) and associated participation of Virginia electric utilities.
- Monitored activities of the North American Energy Standards Board, encompassing wholesale and retail electricity and natural gas sectors, including smart grid initiatives.
- Developed the Status Report to the Commission on Electric Utility Regulation and Governor of Virginia regarding the Implementation of the Virginia Electric Utility Regulation Act pursuant to § 56-596 B of the Code of Virginia.
- Assisted development of a Consumer Education Plan, Virginia Energy Sense, regarding energy efficiency, energy conservation, demand-side management, demand response and renewable energy pursuant to §§ 56-592 and 56-592.1 of the Code of Virginia.
- Amended regulations governing net energy metering.
- Reviewed data from four investor-owned utilities regarding electric utility integrated resource plans.
- Monitored the RFP process for the electric cooperatives to obtain future generation capacity.
- Prepared reports to the Commission regarding requests for waiver of certain retail access rules on behalf of one electric and one natural gas utility.
- Developed a forecast of the consumption tax collected on electricity usage for Public Service Taxation.
- Developed a forecast of the consumption tax collected on natural gas usage for Public Service Taxation.

- Developed a forecast of budget items for Bureau of Insurance.
- Developed a forecast of the valuation fund for the Offices of Commission Comptroller and Public Service Taxation.
- Maintained the Virginia Electronic Data Transfer website.
- Maintained a comprehensive database on competitive energy service providers.
- Participated in the Staff's analysis and report regarding Verizon VA's application for expansion of the competitive determination and deregulation of retail services throughout its incumbent territory.