

## 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;
- issuing annual and energy forecast reports;
- monitoring inter-LATA and intra-LATA telecommunications competition;
- monitoring the incumbent local exchange companies participating in the Alternative Regulatory Plans;
- monitoring competitive 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; and
- maintaining an electric energy market price database.

### SUMMARY OF MAJOR ACTIVITIES DURING 1999

- Presented testimony on capital structure, cost of capital and other financial issues in four investor-owned utility rate cases.
  - Presented testimony on financial issues in four utility merger cases.
  - Completed 17 Annual Informational Filing reports for electric, gas, telephone, and water utilities.
  - Analyzed and processed 35 applications of utilities seeking authority to issue securities.
  - Prepared a report regarding the financial condition for 48 competitive local exchange carriers applying for certification.
  - Prepared a report on an application for a certificate to construct a natural gas pipeline.
  - Led an energy industry task force to develop interim rules governing electric and natural gas pilot programs to offer customers choice in Virginia.
  - Prepared and presented testimony in two electric utility proposals for retail choice pilot programs.
  - Prepared and presented testimony in three electric fuel factor proceedings.
  - Prepared and presented testimony in one cogeneration rate proceeding.
  - Reviewed and summarized the 1999 Five - Year Forecasts for each of the five investor-owned electric utilities in Virginia.
  - Continued monitoring the status of electric and gas experimented demand – side programs.
  - Monitored the status of two natural gas retail choice pilot programs.
  - Prepared and completed a Commission survey regarding participants' perceptions of an existing natural gas retail choice pilot program.
  - Actively participated in an energy industry initiative to establish Electronic Data Interchange guidelines to govern electronic communication among competitive service providers in Virginia.
  - Participated in the efforts to establish a statewide consumer education plan to prepare customers for retail energy choice.
  - Monitored bid evaluations resulting from requests for proposals to construct combustion turbine facilities in Virginia for both Virginia Power and Old Dominion Electric Cooperative.
  - Prepared a report and proposed rules for the introduction of net metering.
  - Assisted in the preparation of proposed revisions to the Commission's rules for filing rate cases.
  - Monitored the successful refinancing of the Dulles Greenway toll road.
  - Developed a forecast of budget items for the Bureau of Insurance.
  - Developed a forecast of the Virginia Telecommunications Relay Service bank balance.
  - Developed a forecast of the Clerk's office special fund collection.
  - Developed a forecast of inflation adjustment factors to apply to the biennial budget.
- Obtained Y2K readiness statements from the five Virginia electric utilities and performed Y2K testing to ensure each utilities' fuel monitoring data is Y2K compliant with the Commission's Fuel Monitoring System.