Virginia Utility Regulation

Since 2015, legislation has been in effect in VA that prevented the VA State Corporation Commission from conducting the biennial electric rate reviews as they had previously, even if VA Power was earning excessive profits. New legislation proposes several significant changes:

- Triennial reviews will be conducted by the VA SCC.
- $200 million in credits for customers for past overcharges
- Reduction in rates to account for the new, lower federal corporate income tax rates
- $3 billion in investments by VA Power over the next 10 years to improve the reliability of the electric grid and increase generation from renewable sources. Customers will pay for these investments through rates.
- Dominion would be allowed to keep earnings up to 30% above what the VA SCC deems to be a fair rate of return.

Dominion Resources supports the bill; it is good for them and their shareholders. Dominion contributes heavily to state legislators. The legislation offers some benefit to customers, but does so at a significant cost.

Dominion Resources Buying SCANA

Dominion Resources, parent company of Virginia Power, is in negotiations to buy SCANA, parent company of South Carolina Electric & Gas (SCE&G).

VC Summer Nuclear Plant

SCE&G was building two additional nuclear generating units at their existing VC Summer Nuclear plant as a joint venture with Santee Cooper, a state-run utility in SC. The units were originally projected to cost $9.8 billion and begin operations in 2017 and 2018. By 2017, more than $9 billion had been spent on the project. Updated cost projections were $25 billion and the project was five years behind schedule.

In March 2017, the main contractor building the plant, Westinghouse, filed for bankruptcy. Between the VC Summer Plant and Plant Vogtle (2 other nuclear units being built for Georgia Power), Westinghouse had lost $9 billion; driving them into bankruptcy. Shortly after Westinghouse declared bankruptcy, SCANA and Santee Cooper declared they would not complete the two new units.

SCANA asked the SC Public Service Commission to include the costs of the failed project in the bills of their customers. Many customer advocacy groups are fighting to prevent the customers from having to pay for the units. Multiple class-action lawsuit investigations, including criminal, have been opened into the mismanagement of the project. The price of SCANA stock dropped more than 50%. If SCANA was not successful in getting customers to pay for the failed plant, bankruptcy was a distinct possibility.

Dominion Resources Purchase

On January 3, 2018, Dominion announced plans to purchase SCANA. The purchase price is $7.9 billion, or $55.35/share. Dominion has included a refund of about $1,000/residential customer to help sweeten the deal. This is a portion of the money that customers already paid toward the plant.

In spite of the proposed refunds, Dominion still wants SCE&G customers to pay for the failed plants in the form of higher rates for 20 years. Many legal, regulatory, financial and political hurdles remain before the acquisition is approved and finalized. https://www.scana.com/docs/librariesprovider15/pdfs/press-releases/01032018-dominion-energy-scana-announce-all-stock-merger

Impact on Virginia Power Customers

There should be no impact on electric rates, customer service or reliability for VA Power customers. SCANA would operate as a wholly owned subsidiary of Dominion. Likely, SCANA customers or Dominion shareholders will eventually be responsible for the cost of the failed project.

Dominion shares have dropped from $80.28 on 1-2-18 before the announcement to $74.37 as of 2-12-2018.

(Disclosure: the author of this newsletter owns shares of SCANA stock.)

Your Electric Bills Could Be Higher!

Our largest customer spends $1.4 BILLION per year for electricity and receives approximately 200,000 electric bills per month. Regardless of the size of your electric bills, we work continuously to lower them. Whatever your bill amount, remember it could always be worse!
The Tax Cuts & Jobs Act of 2017 reduced the corporate income tax rate from 35% to 21%. This creates a very significant windfall for investor owned utilities. This windfall should be passed on to the customers, rather than to the shareholders of these firms. Some rough math and assumptions indicate the potential magnitude of these savings for customers to around 2.727% of a current bill.

Advocating for Customers

I will be testifying as an expert witness in the pending Duke Energy Carolinas rate case in North Carolina. I will be advocating for more rate and pricing options for business customers as well as making changes to all electric rates to reflect the new corporate income tax rates.

In this case, the potential savings associated with accounting for the new corporate income tax rate is about $170,944,000/year.

-Brian Coughlan, PE
BSEE, MSEE, MBA, CEM, CEP, CDPM
President of UMS

Will my power provider adjust their rates to reflect the new taxes?

Not necessarily. Rates are set by state regulatory commissions. Rates are generally only adjusted as part of a formal rate case. These proceedings typically happen every few years. Power companies receiving a windfall have no incentive to ask state regulators to reduce their rates to reflect the new taxes. In some cases, they may simply enjoy the windfall for several years until the next rate case. Also, even when a power company does have a rate case, they may forget to point out this significant windfall to their state regulators.

What can an average customer do?

Contact your state regulatory commission and ask them to schedule a rate case proceeding specifically to address the new tax laws in the electric rates. If your power provider is having a rate case, send a letter to state regulators requesting the new tax law be accounted for when setting the new electric rates.

Feel free to call me if you have questions:
Brian Coughlan, President - 910.793.6232 x102

You may have noticed there’s something different about this quarter’s newsletter. Increasing the layout to legal size allows us to share more information.

We’re also Going Electronic!

We have started delivering our newsletter via email. Many email addresses are already in our database, but we’re working to obtain more. See RIGHT for more info.

Quarterly Prizes - Win! Win! Win!

Each quarter’s newsletter will include an opportunity for you to provide feedback of some sort. All who respond will be entered into a drawing for the quarterly prize!

Congratulations to three of our employees on passing the following AEE certification exams!

Jessica Hannah passed the Certified Demand Side Manager Exam
Janessa Goldstein passed the Certified Lighting Efficiency Professional Exam
James Horne passed the Certified Energy Procurement Professional Exam

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