

**INTERIM REPORT OF THE
JOINT SUBCOMMITTEE STUDYING THE
FEASIBILITY OF GRANTING
THE STATE CORPORATION COMMISSION
MANAGEMENT OVERVIEW RESPONSIBILITIES AND POWERS
TO FACILITATE THE REGULATION OF PUBLIC UTILITIES
TO
THE GOVERNOR
AND
THE GENERAL ASSEMBLY OF VIRGINIA**

HOUSE DOCUMENT NO. 33

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WILLIAM T. WILSON
COLEMAN B. YEATTS

STAFF

Legal and Research Division of Legislative Services

C. William Cramme', III, Staff Attorney
Hugh P. Fisher, III, Research Associate
Marianne K. Hayes, Secretary

Administrative and Clerical

Office of Clerk, House of Delegates

**Interim Report of the
Joint Subcommittee Studying
The Feasibility of Granting
The State Corporation Commission
Management Overview Responsibilities and Powers
to Facilitate The Regulation of Public Utilities
To
The Governor and the General Assembly of Virginia
Richmond, Virginia
January, 1979**

To: Honorable John N. Dalton, Governor of Virginia
and
The General Assembly of Virginia

Introduction

The Joint Subcommittee Studying the Feasibility of Granting the State Corporation Commission Management Overview Responsibilities and Powers to Facilitate the Regulation of Public Utilities was established pursuant to House Joint Resolution No. 56 of 1978.

HOUSE JOINT RESOLUTION NO. 56

Requesting a joint subcommittee of the Corporations, Insurance and Banking Committee of the House of Delegates and the Commerce and Labor Committee of the Senate to study the feasibility of granting the State Corporation Commission certain management overview responsibilities and powers to facilitate the regulation of public utilities.

WHEREAS, the citizens of the Commonwealth are experiencing steady increases in their public utility bills; and

WHEREAS, many citizens of the Commonwealth question the managerial efficiency of such utilities; and

WHEREAS, the State Corporation Commission presently has limited management overview responsibilities and powers as relates to public utilities; and

WHEREAS, it is important that the concept of management overview be studied, particularly as

it would apply to large capital construction projects of public utilities; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Corporations, Insurance and Banking Committee of the House of Delegates and the Commerce and Labor Committee of the Senate are requested to create a joint subcommittee to study the feasibility of granting the State Corporation Commission management overview responsibilities and powers as relates to public utilities; and, further if sufficient need is indicated in the judgment of the joint subcommittee, it shall recommend specific management overview responsibilities and powers to be bestowed on the Commission and the method of implementing such responsibilities and powers.

The joint subcommittee shall consist of five members from the House of Delegates and three members from the Senate. The members shall be appointed by the Chairmen of the respective Committees.

The joint subcommittee is requested to complete its study and present its findings, conclusions, and recommendations to the Governor and the General Assembly not later than November one, nineteen hundred seventy-eight.

Lewis W. Parker, Jr. of South Hill, a member of the House of Delegates of Virginia and a co-patron of House Joint Resolution No. 56, was appointed Chairman of the Subcommittee. Also appointed to serve from the House of Delegates were Richard M. Bagley of Hampton, Gerald L. Baliles of Richmond, Glenn B. McClanan of Virginia Beach and William T. Wilson of Covington. Also appointed to serve from the Senate of Virginia were Joseph T. Fitzpatrick of Norfolk, Edward E. Willey of Richmond and Coleman B. Yeatts of Chatham.

C. William Cramme', III and Hugh P. Fisher, III of the Division of Legislative Services served as legal and research staff to the Subcommittee.

The Subcommittee met several times during the year and heard testimony from certain interested parties. In particular, representatives of the State Corporation Commission worked closely with the Subcommittee.

Recommendations

The Joint Subcommittee offers the following recommendations:

(1) The State Corporation Commission should examine the administrative framework of the five divisions of the Commission concerned with the regulation of public utilities. The Subcommittee requests that the Commission examine whether an administrative link of some type should be established to coordinate the work of the divisions.

In particular, the Subcommittee recommends that the State Corporation Commission appoint a qualified individual to act as head of those divisions which are involved in public utility regulation. The Subcommittee believes the person chosen by the Commission should be knowledgeable in engineering matters, should have expertise concerning utility rates, and should possess proven management skills.

(2) The Subcommittee urges the Commission to take a more active role in matters before federal agencies.

(3) The study group believes the Commission should carefully consider whether improvement is necessary regarding the internal capability of the Commission to investigate construction projects of the Commonwealth's public utilities.

(4) The Subcommittee recommends that the Commission study the present ratemaking process and determine what changes, if any, might improve the process.

(5) The study should be continued for another year, so the Subcommittee can analyze in more detail the areas of concern mentioned in this report, as well as any other areas it determines are in need of legislative scrutiny.

Reasons for Recommendations

The first recommendation of the Subcommittee is that the State Corporation Commission should carefully examine whether an administrative link of some type should be established to coordinate the work of its five divisions concerned with public utility regulation. The Subcommittee would point out that some of the Commission's activities involving public utility regulation require input from two or more of the divisions. Although the Commission's Office of General Counsel to some degree coordinates the work of these divisions, the Subcommittee believes that possibly better coordination between those divisions can be effected.

The study group believes, therefore, that the Commission should carefully consider implementing those administrative changes which would effect the high degree of coordination between divisions needed if public utility regulation is to occur to the most effective degree possible.

Also, the Subcommittee has concluded that the State Corporation Commission should appoint a qualified individual to act as head of all of the divisions involved in public utility regulation. The Subcommittee feels that an individual of proven management capability who possesses expertise in the areas of engineering and utility rates, among other things, is needed to coordinate the activities of the divisions and facilitate the flow of information from one division to the next. The Subcommittee feels that strong leadership is crucial to the success of any organization, and it believes that such leadership is necessary if the Commission is to regulate public utilities in the most effective fashion possible.

The Subcommittee's second recommendation is that the Commission take a more active role in matters before federal agencies. The Subcommittee believes that the operations and costs of utilities operating within the Commonwealth are increasingly being affected by the decisions of federal regulatory and administrative agencies. The study group would point out that even greater coordination between federal and State agencies will be required under the National Energy Act.

The Subcommittee has determined that, in some cases, the Commission has not fully articulated the State's position on matters before federal regulatory and administrative agencies. The study group urges the State Corporation Commission to give prompt attention to this subject.

The Subcommittee's third recommendation is for the Commission to carefully consider whether improvement is necessary regarding the internal capability of the Commission to investigate construction projects of the Commonwealth's public utilities. The study group would point out that a recent Commission practice has been to hire consulting firms to study the construction practices of the Commonwealth's largest electric utility. While believing the State Corporation Commission should continue to utilize the services of consulting firms to some degree, the study group believes the Commission should consider upgrading its internal capability so that its staff could, in general terms, evaluate the construction practices and programs of the Commonwealth's public utilities. The Subcommittee holds that by doing this, the State Corporation Commission would be able to formulate its own general conclusions regarding such construction practices and programs, without relying as much on the conclusions reached by consulting firms.

The Subcommittee's fourth recommendation is that the Commission study the present ratemaking process and determine what changes, if any, might improve the process.

The study group believes the present procedures utilized in the ratemaking process should be closely scrutinized, given the appreciable increase in the frequency of rate cases in recent years. Given the importance of rate cases, and given that such cases are occurring with increasing frequency, the Subcommittee feels that the ratemaking process should be reviewed thoroughly.

The Subcommittee's final recommendation is to continue the study for another year. The study group would like to analyze in more detail the areas of concern mentioned in this report, as well as any other areas it determines are in need of legislative scrutiny. If, at the end of this year, the Subcommittee believes that legislation is needed, such legislation will be recommended to the respective full Committees.

The Appendix at the end of this report consists of a resolution requesting that the study be continued.

Conclusion

The Subcommittee believes it has made significant progress in its study of whether the State Corporation Commission should be granted additional management overview responsibilities and powers to facilitate the regulation of public utilities. The Subcommittee looks forward this year to analyzing in more detail the areas of concern mentioned in this report, as well as any other areas it determines are in need of legislative analysis.

Respectfully submitted,

Lewis W. Parker, Jr., Chairman

Richard M. Bagley

Gerald L. Baliles

Joseph T. Fitzpatrick

Glenn B. McClanan

Edward E. Willey

William T. Wilson

Coleman B. Yeatts

Appendix

HOUSE JOINT RESOLUTION NO.....

Requesting the Joint Subcommittee of the Corporations, Insurance and Banking Committee of the House of Delegates and the Commerce and Labor Committee of the Senate to continue its study on the feasibility of granting the State Corporation Commission certain management overview responsibilities and powers to facilitate the regulation of public utilities.

WHEREAS, the citizens of the Commonwealth are experiencing steady increases in their public utility bills; and

WHEREAS, many citizens of the Commonwealth question the managerial efficiency of such utilities; and

WHEREAS, the State Corporation Commission presently has limited management overview responsibilities and powers as relates to public utilities; and

WHEREAS, it is important that the concept of management overview be studied, particularly as it would apply to large capital construction projects of public utilities; and

WHEREAS, House Joint Resolution No. 56 of the nineteen hundred seventy-eight Session of the General Assembly created the Joint Subcommittee Studying the Feasibility of Granting the State Corporation Commission Certain Management Overview Responsibilities and Powers to Facilitate the Regulation of Public Utilities; and

WHEREAS, although the Joint Subcommittee has made significant progress, additional work remains to be done; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Subcommittee of the Corporations, Insurance and Banking Committee of the House of Delegates and the Commerce and Labor Committee of the Senate Studying the Feasibility of Granting the State Corporation Commission Certain Management Overview Responsibilities and Powers to Facilitate the Regulation of Public Utilities is hereby continued. The Joint Subcommittee is requested to continue studying the feasibility of granting the State Corporation Commission management overview responsibilities and powers as relates to public utilities; and, further, if specific need is indicated in the judgment of the Joint Subcommittee, it shall recommend specific management overview responsibilities and powers to be bestowed on the Commission and the method of implementing such responsibilities and powers.

The present eight members shall continue to serve on the Joint Subcommittee. If a vacancy occurs for any reason, a successor shall be appointed by the appropriate person pursuant to the method of appointment specified in House Joint Resolution No. 56 of the nineteen hundred seventy-eight General Assembly.

The Joint Subcommittee is requested to complete its study not later than November one, nineteen hundred seventy-nine.

All agencies of the Commonwealth shall assist in this study.