Virginia Energy's Stakeholder Proceeding on Performance-Based Regulation

Comments by the Climate & Clean Energy Working Group, Virginia Grassroots Coalition, 2 December 2024

The Virginia Grassroots Coalition is a statewide organization of more than 55 groups and 15,000 voters. Adopting legislation, regulations and policies that reduce the impacts of climate change in Virginia is one of our Coalition's priorities. The Climate & Clean Energy Working Group of the Virginia Grassroots Coalition provides these comments for the Stakeholder Proceeding on Performance-Based Regulation (PBR).

PBR, which is a catch all for different business model and regulatory reform tools, motivates utilities to invest in clean energy services and products. PBR can better align our utilities with critical policy goals including those of the Virginia Clean Economy (VCEA). To reduce the impacts of climate change, now and in the future, the VCEA phases out fossil fueled power generation facilities, increases the use of renewable energy, and encourages energy efficiency. But meeting these legislative mandates will be increasingly difficult without replacing the outdated "Cost of Service" model which provides incentives for utilities to build power generation facilities (especially fossil fuel power plants) and sell as much electricity as possible.

We urge the SCC and the General Assembly to adopt PBR tools critical to the health, safety, and welfare of all those living in Virginia by reigning in the worst impacts of climate change. Accordingly, we ask that the SCC and General Assembly to undertake the following:

Remove Utilities' Incentives to Grow Energy Sales. This can best be accomplished through decoupling – breaking the tie between utility revenues and energy sales. This removes disincentives for utilities to invest in clean energy or energy efficiency solutions that decrease sales. ***We note that as of 2019, 35 states have adopted decoupling for electricity or natural gas (and in some states, both). Virginia is "late to the game."***

Realign Profit-Making Incentives. Structure earning opportunities for utilities that are aligned with public goals consistent with clean, ***affordable,*** and reliable energy. This includes adopting reforms to ratemaking which encourage energy efficiency/conservation or reducing peak load.

Revise Risk Sharing. Regulations should address the risk imbalances between utility shareholders and ratepayers. In Virginia, the risk is vastly skewed in favor of the shareholders. Better utility financial incentives could create a better risk balance.

Cost Containment. In Virginia, there is little incentive for utilities to contain costs. Regulations should promote business practices and profit incentives that reduce cost overruns.

We thank you for the opportunity to provide comments on this critical issue.

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