My name is John Lord. I am writing today in my role as Vice Chair of the Virginia Energy Purchasing Governmental Association (VEPGA.) These comments are submitted with the knowledge and consent of the entire VEPGA Board.

VEPGA has the following comments:

1. **VEPGA is an interested stakeholder in PBR development and wants to continue to be consulted as well as to provide input.**

These comments are being submitted on behalf of the nearly 170-member municipal entities who have authorized VEPGA to represent them. Please note, that when taken in aggregate, the VEPGA membership represents about 5% of Dominion Energy Virginia's total system load and as a group, VEPGA is Dominion's single largest customer. VEPGA would like to be invited to Stakeholder Meetings and invited to make comment as appropriate throughout the process.

2. **VEPGA would like to see objective measurements for customer service that are based on input from customers.**

If there is to be a performance-based rate adjustment, it should be based on the input from customers. Ideally, objective based comments and feedback would be best. Establishing what the baseline performance measures are (or should be) is vital to being able to improve. Although the utility may have certain measurements that they would propose, unless the measurements overlap with customer needs and interests, what would the value of such measurements really be? Additionally, if customers are not enthusiastic about increasing rates, the commission should not consider adding PBR. The long-term financial stability of investor-owned utilities is not in question, Virginia is a regulated monopoly state, and the utility is made 100% whole for all costs of service. What is in question is what the interests of all the stakeholders for the benefit of the Commonwealth are. Customers are the stakeholders.

3. **VEPGA would be willing to consider subjective measurement tools, if they are based on customer opinion, not utility opinion.**

Individual customers (or customer groups) should have a better avenue for defining the quality of service in having their needs met. As previously mentioned, objective measurements are best. However, if there is to be any subjectivity, customers should be the only stakeholders to be provided such latitude. Again, the utility has mechanisms to recover 100% of their costs and already make a perfectly adequate rate of return. Customer input is vital to knowing how a utility is performing.

4. **If created, any performance rate adjustment should go in both ways (up for superior performance – down for inferior performance)**

There should be a mechanism discussed for a reduction in revenue (earnings) for the utility if there is an underperformance in any area(s) that are identified as possible for an improvement in rate if performance should exceed expectations. Another way of considering this is that there should never be a mechanism approved for a reward for exceptional performance without an equal and opposite corresponding penalty for not meeting a basic standard. No PBR hearing should result in there only being a carrot dangled in front of the utility, but also a stick held behind. The concept of a performance-based rate should not be just an opportunity for rewards, but also for reductions.

5. **No upwards rate adjustment should be put in place based on performance of required tasks.**

Required tasks should be the baseline to be allowed to keep the current rate. A public utility should not be eligible for a performance-based reward for simply meeting basic requirements of a public utility. To make an analogous comparison, a pilot should not receive a bonus for simply not crashing the plane. Flying is the pilot’s job. Producing, transmitting, and distributing energy in a reliable and efficient manner for the public convenience and to meet public necessity is the job of a utility. It may be a good idea to identify what the baseline requirements for a public utility are, but it is important to not limit the need for an excellent public utility to exist in Virginia by artificially creating a short list of performance items upon which the rate of return is dependent. An unintended consequence may be that an item which was inadvertently left off the list of baseline needs doesn’t get done well so that those on the list could be improved. This would end up being the worst possible outcome.

Thank you for considering these comments. Please feel free to follow-up with any questions you may have.

Sincerely,

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