Virginia Regulatory Assessment Template

**Instructions:**

* Select one (1) “performance area” or outcome from the following set to evaluate how existing regulatory mechanisms in Virginia support (incentivize) the achievement of that outcome or disincentivize the achievement of the outcome. Consider this question for each regulatory mechanism identified in the template, and for the overall performance of Virginia’s utility regulatory structure to support (or hinder) that outcome (performance area).
* Each stakeholder should complete worksheets for at least two performance areas of their choosing. Additional (more than two) performance areas can be evaluated in additional worksheets, at your discretion.

**Reference Key:** Performance Areas from *House Joint Resolution No. 30 / Senate Joint Resolution No. 47*

|  |  |
| --- | --- |
| Reliability and resiliency | Affordability for customers |
| Emergency response and safety | Cost-efficient utility investments and operations |
| Peak demand reductions | Maximization of available federal funding |
| Cyber and physical security of the grid | Savings maximization from energy efficiency and exceedance of statutorily required savings levels |
| Annual and monthly generation and resource needs in addition to hourly generation and resource needs on the 10 hottest and coldest days of the year | DER integration and speed of interconnection |
| Customer service | Beneficial electrification |
| Environmental justice and equity | Electricity decarbonization |

**Regulatory Assessment**

|  |  |  |
| --- | --- | --- |
| **Outcome** | What regulatory *outcome* or *performance area* does this assessment consider? | **Affordability for customers** |
| **Do the existing regulatory mechanisms and programs sufficiently support the outcome?** |
| **Key** |  |
| **+** | **Yes** | The mechanism or program **incents achievement** of this outcome. |
| **0** | **No Impact** | The mechanism or program **does not seem to impact the achievement** of this outcome. |
| **-** | **No** | The mechanism or program **disincentivizes the achievement** of this outcome. |
| **Existing Regulatory Mechanisms and Programs** | **Description** | **Mechanism or Program’s Effect on Outcome** | **Issues for Attention** |
| **Score (+/0/-)** | **Discussion** |
| **Rate Reviews (typically biennial)** | Forward-looking | 0 |  |  |
| Backward-looking (w/ earnings adjustments)  | + |  |  |
| **ROE Determinations** |  | 0 |  |  |
| **Rate Adjustment Clauses (i.e., trackers)** | RACs overall (general assessment of the use of RACs) | - | A majority of the rate hikes in Virginia are being processed through a style of ratemaking that does not subject these rising costs to the basic incentives of traditional utility regulation.  | Brining operating and capital expenditures into a single ratemaking mechanism (eliminating the RACs, riders, and fuel factors and incorporating these into base rates) creates incentive for efficient business decisions—and thus, better affordability for customers.  |
| Fuel Cost Recovery | - | *See* supra | *See* supra |
| Purchased power | - | *See* supra | *See* supra |
| Demand response program costs | - | *See* supra | *See* supra |
| RPS compliance costs | - | *See* supra | *See* supra |
| Broadband capacity extension | - | *See* supra | *See* supra |
| Low-income programs (lost revenue recovery) | - | *See* supra | *See* supra |
| Capital projects (e.g., combined cycle gas projects, offshore wind, solar, distribution system undergrounding, distribution grid transformation, nuclear life extension, etc.) | - | *See* supra | *See* supra |
| **Other trackers** (user choice to select additional trackers used in Virginia rate making for attention) |  |  |  |  |
|  |  |  |  |
| **Transmission cost recovery (FERC formula rates)** | Transmission costs as allocated in FERC formula rates, recovered from customers via trackers (RACs) and/or base rates | - | *See* supra | *See* supra |
| **Performance adjustments and measurement** | ROE adjustment mechanisms | 0 |  |  |
| Energy efficiency savings target (ROE adder applied to DSN operating expenses) | 0 |  |   |
| Performance mechanisms (e.g., metrics, scorecards, PIMS), including Case No. PUR-2023-00210 (Separate SCC PBR Case) | 0 |  |  |
| **Other ratemaking and regulatory features** | IRPs | 0 |  |  |
| Certificates of Public Need and Necessity (CPCN) | 0 |  |  |
| Rate design (including universal service fee) | 0 |  |  |
| Pilot programs | 0 |  |  |

Overall Assessment

|  |  |
| --- | --- |
| **Overall, does the existing regulatory framework support achievement of the identified outcome?** | **Discussion** |
| **+ (YES)** incents achievement |  |  |
| **0 (NO IMPACT)** |  |  |
| **- (NO)** disincentivizes achievement | - | Over the past two decades in Virginia, riders and adjustment clauses, together with increases in the fuel factor, have made up the vast majority of rate increases to residential customers. The trackers employed by Virginia’s utilities erase the essential incentive to economize on costs. All—or nearly all—costs (both capital and operating expenditures) should be brought into the fold of a single ratemaking mechanism. |