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?	**Electricity decarbonization**		
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			

	Backward-looking (w/ earnings adjustments)			
ROE Determinations				
Rate Adjustment Clauses (i.e., trackers)	RACs overall (general assessment of the use of RACs)	-	There is nothing inherently +/0/- about RACs for decarbonization. Overall, the impacts of RACs for capital projects and fuel cost recovery dwarf the impact of the other RACs.	
	Fuel Cost Recovery	-	Because the entire cost of fuel is passed on to ratepayers, IOUs have no incentive to use less fuel. This can result in using more carbon-based fuel.	Consider a PIM in which the Fuel Cost Recovery is shared between ratepayers and the utility/shareholders. This would incentivize the utility to reduce fuel costs, leading to greater efficiency, DSM, and zero-fuel energy sources.
	Purchased power	0	To the extent that IOUs purchase power from PJM, they are not able to choose the electricity source.	
	Demand response program costs	+	Demand response programs lower peak demand, which generally lowers the use of fossil-fueled plants. Demand Response programs are approved as cost-effective by the SCC.	
	RPS compliance costs	+	The RPS directly affects decarbonization by offsetting fossil-fueled generation with non-carbon emitting resources.	The RPS could further improve decarbonization by providing a PIM that offers a bonus for exceeding RPS targets and a penalty to the company (not the ratepayers) for not reaching the targets. The RPS alone does not guarantee the replacement of fossil-fuel power plants with renewable energy. Rather, it helps put more renewable energy on the grid by requiring IOUs to purchase RECs.
	Broadband capacity extension	0	Not applicable	
	Low-income programs (lost revenue recovery)	0	Not applicable	
	Capital projects (e.g., combined cycle gas projects, offshore wind, solar, distribution system undergrounding, distribution grid transformation, nuclear life extension, etc.)	-	RACs for combined cycle gas and gas peaker plants directly disincentivize electricity decarbonization. If the cost of capital projects were recovered in the rate base, the risk of recovering the cost would fall more to the Company, and less to the ratepayers. This would cause the Company to more fully consider the financial risks of generators, such as forced retirement dates for carbon-emitting generators.	It should be noted that all capital projects result in embedded carbon, and some can be especially carbon-intensive, regardless of whether the electricity generated is carbon-free. Therefore, capital projects should be built only when non-wires solutions have been exhausted.

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	0	Not applicable	
Performance adjustments and measurement	ROE adjustment mechanisms			
	Energy efficiency savings target (ROE adder applied to DSN operating expenses)	+	The EE target results in greater energy savings by the utility company, lowering its carbon emissions.	Dominion has not met its EE targets and APCo may not meet its 2025 target, so the current EERS PIM may be insufficient.
	Performance mechanisms (e.g., metrics, scorecards, PIMS), including Case No. PUR-2023-00210 (Separate SCC PBR Case)		It's too early to know the impact of No. PUR-2023-00210, since it is not finalized yet.	https://www.scc.virginia.gov/docketsearch/DOCS/847m01!.PDF Schedule 49: (page 47) contains several metrics that could lower carbon dioxide emissions if finalized and used to determine basis points. Examples include operating efficiency and generating plant performance.
Other ratemaking and regulatory features	IRPs	+/-	Dominion's Oct 15, 2024 IRP did consider certain policies that reduce carbon emissions, such as the VCEA, the RPS, and the EPA 111(b) and 111(d). However, it did not consider the possibility that Virginia would rejoin RGGI, or begin a different carbon allowance program by 2030 (part of VCEA). It also projected no further investment in energy conservation or demand response. (see Appendix 3C-7: Construction Forecast)	Consider that an IRP could do much more to test the impact of increased energy efficiency on reducing the need to build out other resources. Just as there are sensitivity tests and "book ends" for other factors, there can be a lower end and a higher end for energy efficiency achievement in IRP scenarios. Additionally, including RGGI in IRP scenarios would likely result in different model results than the VCEA alone. Consider an Integrated System Plan that includes planning for transmission, GETs, AMI, utility-scale energy storage, transportation electrification, beneficial electrification, and maximized DSM to plan for Virginia's evolving grid planning needs.
	Certificates of Public Need and Necessity (CPCN)	+	§ 56-585.1.A.6 "A utility seeking approval to construct or purchase a generating facility that emits carbon dioxide shall demonstrate that it has already met the energy savings goals identified in § 56-596.2 and that the identified need cannot be met more affordably through the deployment or utilization of demand-side resources or energy storage resources and that it has considered and weighed alternative options, including third-party market alternatives, in its selection process." Unless the SCC determines that the generating facility is needed for reliability	
	Rate design (including universal service fee)			Consider a rate design that includes decoupling to remove the disincentive that COSR contains against energy efficiency, peak shaving, operational efficiency, and other demand side management.

	Pilot programs			

Overall Assessment

Overall, does the existing regulatory framework support achievement of the identified outcome?		**Discussion**
+ (YES) incents achievement		
0 (NO IMPACT)		
- (NO) disincentivizes achievement	-	Overall, the system incentivizes building of capital projects. Those projects could be carbon-free. However, the latest IRP demonstrates that there is still incentive within the system to build new gas-fire generators without giving serious consideration to the full potential of demand side management and energy efficiency.