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 | +/- | |  |  |
| Backward-looking (w/ earnings adjustments) | +/- | |  |  |
| **ROE Determinations** |  | +/- | |  |  |
| **Rate Adjustment Clauses (i.e., trackers)** | RACs overall (general assessment of the use of RACs) | +/- | |  |  |
| Fuel Cost Recovery | +/- | |  |  |
| Purchased power | +/- | |  |  |
| Demand response program costs | +/- | |  |  |
| RPS compliance costs | +/- | |  |  |
| Broadband capacity extension | +/- | |  |  |
| Low-income programs (lost revenue recovery) | +/- | |  |  |
| Capital projects (e.g., combined cycle gas projects, offshore wind, solar, distribution system undergrounding, distribution grid transformation, nuclear life extension, etc.) | +/- | |  |  |
| **Other trackers** (user choice to select additional trackers used in Virginia rate making for attention) |  | 0 | |  |  |
|  | 0 | |  |  |
| **Transmission cost recovery (FERC formula rates)** | Transmission costs as allocated in FERC formula rates, recovered from customers via trackers (RACs) and/or base rates | +/- | |  |  |
| **Performance adjustments and measurement** | ROE adjustment mechanisms | +/- | |  |  |
| Energy efficiency savings target (ROE adder applied to DSN operating expenses) | +/- | |  |  |
| Performance mechanisms (e.g., metrics, scorecards, PIMS), including Case No. PUR-2023-00210 (Separate SCC PBR Case) | +/- | |  |  |
| **Other ratemaking and regulatory features** | IRPs | 0 | |  |  |
| Certificates of Public Need and Necessity (CPCN) | +/- | |  |  |
| Rate design (including universal service fee) | +/- | |  |  |
| Pilot programs | 0 | |  |  |

Overall Assessment

|  |  |  |
| --- | --- | --- |
| **Overall, does the existing regulatory framework support achievement of the identified outcome?** | | **Discussion** |
| **+ (YES)** incents achievement |  |  |
| **0 (NO IMPACT)** |  | The existing regulatory framework incents achievement of affordability for customers to the extent that it ensures that the utility’s Rate of Return correlates to the level of risk posed to the utility and ensures fair allocation of costs to customers and amongst customer classes.  The Virginia General Assembly voted in 2023 to return to the traditional “Chapter 10” methodology of electric utility regulation that is consistent with the Principles of Public Utility Rates going back to 1960. It is sound policy that protected ratepayers and provided reliable, affordable, and competitively priced electricity for decades.  Additionally, VMA reiterates its concern that any surplus or deficit in electric generation capacity disincentivizes the achievement of affordability to customers. Overbuilding generation capacity leads to higher capital and maintenance expenses for utilities. These additional costs are passed on to customers through increased rates. Insufficient generation capacity can lead to electricity shortages, especially during peak demand periods. Inadequate capacity can disincentivize affordability by disrupting manufacturing activities and increasing operational costs for both manufacturers and consumers. |
| **- (NO)** disincentivizes achievement |  |  |