## Virginia PBR Mechanism Assessment Worksheet

**Please provide your name and organization.**

* Name: John Lord
* Organization: VEPGA

**Worksheet Instructions**

This worksheet contains a table that will allow you to share your views on how specific PBR mechanisms (or alternative regulatory tools) could help Virginia make progress towards the regulatory outcomes and performance areas listed in [HJ 30/SJ 47](https://legacylis.virginia.gov/cgi-bin/legp604.exe?241+ful+HJ30ER). In the first column, select a PBR mechanism that you think could be beneficial for Virginia. Follow the instructions in the top row of the table to make your PBR mechanism, regulatory outcome, and performance area selections. Then provide your responses to the open-ended follow-up questions. This document contains three copies of the table—you can elect to complete tables for up to three mechanisms.

This assessment serves as a template for you to provide your final written comments for the Department’s stakeholder engagement process. Participants are invited to expand on their responses in these tables in accompanying comments, but are asked to include PBR assessments in the format provided here to support a common approach and review of relevant information. **Please limit responses in the table(s) to 200 words per question.** If you wish to provide additional supporting detail, please do so in accompanying comments. This assessment is due to the Department on April 11, 2025.

**Glossary of PBR Mechanisms and Alternative Regulatory Tools**

For reference purposes, we have provided a glossary of the PBR mechanisms/alternative regulatory tools listed in HJ 30. If you feel that any of the listed tools require a modified definition, please provide your preferred definition and an explanation of why you think this modification is necessary. For additional details on these mechanisms, please refer to the prior meeting materials available on the Department of Energy’s PBR stakeholder engagement process webpage ([link here](https://energy.virginia.gov/public/Stakeholder_Process.shtml)).

* *Performance-incentive mechanisms (“PIMs”):* Mechanisms that provide a financial reward (or penalty) to the utility based on measurable performance on an identified outcome. PIMs consist of a metric, a target, and a financial incentive.
* *Reporting metrics:* Specific, quantifiable measures used to assess a utility's performance in achieving a outcome.
* *Scorecards:* A tool that pairs reported metrics with performance targets, improving transparency and tracking performance toward a goal.
* *Decoupling electricity rates from utility revenues (“revenue decoupling”):* decoupling (i.e., un-linking) the recovery of a utility’s allowed distribution revenue from the level of consumption (sales) by its customers.
* *Multiyear rate plans (“MYRPs”):* Rate plans that set the utility’s revenue requirement and base rates for more than one year. MYRPs typically include a rate-case moratorium (or stay out period) and may include a “revenue cap” that fixes allowed revenues over that period. A MYRP can include additional components to provide revenue adjustments for inflation, productivity improvements, additional cost components, or other factors.
* *Fuel cost-sharing mechanisms:* A shared savings mechanism (SSM) that allows the utility to retain a portion of fuel cost savings, if achieved, rather than pass those through to customers. This seeks to incentivize the utility to pursue fuel reductions or cost control measures.
* *All-source competitive procurement:* A set of approaches for utility contracting for resource needs, including requirements to seek competitive bids and to permit proposals of different technologies or solutions rather than be technology specific.
* *Strategies to equalize financial incentives to deploy capital expenditures and operating expenses (“capex-opex equalization”):* A suite of mechanisms that can reduce the inherent incentive embedded in conventional ratemaking for utility investment in capital projects over operating expense, due to the ability to earn (profit) on capex. Common options or proposed solutions include opex capitalization, PIMs or shared savings mechanisms for targeted expenses, modified clawback mechanism (e.g., included in a MYRP), earnings carryover mechanism, and totex ratemaking.

**Table 1**

|  |  |  |
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| ***PBR Mechanism/Alternative Regulatory Tool Selection*** | | |
| Select **one** PBR mechanism or alternative regulatory tool | Which regulatory objective(s) would this PBR mechanism most help Virginia achieve? **Select UP TO two (2) as the primary objectives to achieve.** | What performance area(s) could this PBR mechanism help improve or advance? **Select UP TO three performance areas that you think could or should be improved by implementing this mechanism.** |
| Reporting Metrics  Scorecards  Performance-Incentive Mechanisms  Decoupling electricity sales from utility revenues  Multiyear Rate Plans  Fuel cost-sharing mechanisms  Best practices for all-source competitive procurement  Strategies to equalize financial incentives to deploy capital expenditures and operating expenses  Other (please describe: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) | Tracking and achieving improved performance in affordability, reliability, customer service, and resiliency  Enhancing cost-containment incentives  Streamlining planning and resource procurement to secure competitive prices for energy infrastructure  Harmonizing financial incentives created through regulation with the Commonwealth's energy policy goals  Eliminating disincentives for utilities to deploy third-party and customer-owned generation, energy efficiency savings, and peak-load reduction  Making progress toward the Commonwealth's decarbonization goals | reliability and resiliency  affordability for customers  emergency response and safety  cost-efficient utility investments and operations  customer service  savings maximization from energy efficiency and exceedance of statutorily required savings levels  peak-demand reductions  DER integration, including the quality and timeliness of interconnection of customer- & third-party-owned resources  environmental justice and equity  beneficial electrification (transportation, buildings, other)  maximization of available federal funding  decarbonization of the Commonwealth's electricity sector  cyber and physical security of the grid  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  Other (please describe: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) |
| ***Features and Design Considerations for this PBR or alternative regulation tool*** | | |
| ***Question 1:*** *Why would the PBR mechanism you selected help Virginia make progress towards meeting the regulatory objectives and performance areas that you selected above?* | | |
| *Multi-year rate planning accomplishes many goals if it is coupled with reduction of all rate adjustment clauses (riders) Having a base rate determined in a multi-year review with an associated elimination of riders has many benefits as described by industry experts* | | |
| ***Question 2:*** *What component(s) of the utility’s* ***costs or revenue requirements*** *would this PBR mechanism/alternative regulatory tool would apply to? (e.g., distribution system capital expense, transmission, power supply, fuel costs, ROE, etc.).*  *For example, a fuel cost-sharing mechanism would impact a utility’s* ***fuel costs (operating expense)****. Rather than the fuel costs being entirely passed through to customers, the utility would have opportunity to retain a share of fuel cost savings as* ***earnings.*** | | |
| *Everything except fuel. Fuel costs are truly out of the control of the utility, there can be controls put in place for all other costs of service, including meeting regulatory and environmental requirements. Even Percentage of Income Pricing for low-income customers can be rolled into this.* | | |
| ***Question 3:*** *What limitations or challenges of Virginia’s* ***current ratemaking construct*** *would this PBR mechanism/alternative regulatory tool seek to change? Where possible, identify specific ratemaking structures and their limitations.* | | |
| *There are many existing riders that would have to be eliminated and those cost recoveries would need to go into a base rate instead.* | | |
| ***Question 4:*** *For this PBR mechanism/alternative regulatory tool, what* ***key design features/attributes*** *do you suggest for inclusion? (e.g., if you selected multi-year rate plans as your PBR mechanism, what is your suggested number of years between rate cases and what other design features should be considered?)* | | |
| *A 5 year base rate model appears to be the most effective based on what was presented by subject matter experts. One important feature is that this will allow Virginia’s cost for electricity to be compared to other parts of the country more effectively. National comparisons cited by utility representatives during the shareholder process only compare base rates, so the utility appears to be offering a competitive rate, but the rate-payer is actually paying base plus Riders. This gives the impression that the consumer is better off than they actually are.* | | |
| ***Question 5:*** *What* ***potential interactions*** *with other mechanisms need to be considered?*   * *4a) Existing regulatory/ratemaking structures* * *4b) Potential new regulatory/ratemaking structures (e.g., other PBR mechanisms or alternative regulatory tools under consideration)* | | |
| All riders (except for fuel) will need to go into base rates and be eliminated as separate billing items. | | |
| Any potential true-ups or cost of service corrections would have to have a way for over-earnings by the utility against the approved base rate to be capped or shared with consumers. The goal is to incentivize utilities to be efficient with cost containment, while still meeting the needs. | | |
| ***Question 6:*** *What* ***data, metrics, or other information requirements*** *are necessary for this PBR mechanism/alternative regulatory tool to be deployed successfully?* | | |
| *The five-year rate cases would be extraordinarily detailed, but by reducing the number of rate cases (currently held biennially) there should be an appropriate offset available* | | |
| ***Question 7:*** *What* ***challenges or unintended consequences*** *could this PBR mechanism/alternative regulatory tool create, which might require additional attention and/or monitoring?* | | |
| *Five years is a long time, but stability in rate making and long-range planning should be the hallmarks of a well-regulated utility industry. Particularly one with monopoly components involved. Regulators must assist the utility in making cost efficient decisions and must also assist in incentivizing the ability of a utility to effectively prioritize legislative and environmental mandates.* | | |
| ***Question 8:*** *Are there any other issues or points related to this PBR mechanism/alternative regulatory tool that you feel require attention?* | | |
| *It is worth noting that in the 70’s, when Dominion was installing nuclear facilities that required immense investment and required overcoming incredible regulatory hurdles, a base rate, with just one rider model worked great. It should work well again today regardless of the hurdles that the Virginia Clean Economy act require. Rate adjustment Clauses put no risk on the utility, all the risk is on the consumer. This is not the way it should be.* | | |

**Table 2**

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| ***PBR Mechanism/Alternative Regulatory Tool Selection*** | | |
| Select **one** PBR mechanism or alternative regulatory tool | Which regulatory objective(s) would this PBR mechanism most help Virginia achieve? **Select UP TO two (2) as the primary objectives to achieve.** | What performance area(s) could this PBR mechanism help improve or advance? **Select UP TO three performance areas that you think could or should be improved by implementing this mechanism.** |
| Reporting Metrics  Scorecards  Performance-Incentive Mechanisms  Decoupling electricity sales from utility revenues  Multiyear Rate Plans  Fuel cost-sharing mechanisms  Best practices for all-source competitive procurement  Strategies to equalize financial incentives to deploy capital expenditures and operating expenses  Other (please describe: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) | Tracking and achieving improved performance in affordability, reliability, customer service, and resiliency  Enhancing cost-containment incentives  Streamlining planning and resource procurement to secure competitive prices for energy infrastructure  Harmonizing financial incentives created through regulation with the Commonwealth's energy policy goals  Eliminating disincentives for utilities to deploy third-party and customer-owned generation, energy efficiency savings, and peak-load reduction  Making progress toward the Commonwealth's decarbonization goals | reliability and resiliency  affordability for customers  emergency response and safety  cost-efficient utility investments and operations  customer service  savings maximization from energy efficiency and exceedance of statutorily required savings levels  peak-demand reductions  DER integration, including the quality and timeliness of interconnection of customer- & third-party-owned resources  environmental justice and equity  beneficial electrification (transportation, buildings, other)  maximization of available federal funding  decarbonization of the Commonwealth's electricity sector  cyber and physical security of the grid  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  Other (please describe: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) |
| ***Features and Design Considerations for this PBR or alternative regulation tool*** | | |
| ***Question 1:*** *Why would the PBR mechanism you selected help Virginia make progress towards meeting the regulatory objectives and performance areas that you selected above?* | | |
| *Customer service is an area that the organization I represent feels is lacking. It is lacking in some very fundamental ways. Creating appropriate reporting mechanisms that allow customers to identify priorities and to work together with regulators to require the utilities to respond to customer needs in appropriate ways – as determined by the regulators would be very helpful. Unfortunately, many of the existing metrics, although not bad, do not address some of the issues that customers face. There needs to be a way to address measures for which existing metrics do not apply or for which existing metrics are inadequate.* | | |
| ***Question 2:*** *What component(s) of the utility’s* ***costs or revenue requirements*** *would this PBR mechanism/alternative regulatory tool would apply to? (e.g., distribution system capital expense, transmission, power supply, fuel costs, ROE, etc.).*  *For example, a fuel cost-sharing mechanism would impact a utility’s* ***fuel costs (operating expense)****. Rather than the fuel costs being entirely passed through to customers, the utility would have opportunity to retain a share of fuel cost savings as* ***earnings.*** | | |
| *I think this would be a general cost of service issue that should be rolled into the umbrella base rate as described in item one above* | | |
| ***Question 3:*** *What limitations or challenges of Virginia’s* ***current ratemaking construct*** *would this PBR mechanism/alternative regulatory tool seek to change? Where possible, identify specific ratemaking structures and their limitations.* | | |
| *The metrics that currently are in place are (perhaps effective) but are easily accomplished by the utilities. The issues that persist and are not addressed by existing metrics need to have a way to be measured, brought before regulators, and made into real effective change for improved customer service.* | | |
| ***Question 4:*** *For this PBR mechanism/alternative regulatory tool, what* ***key design features/attributes*** *do you suggest for inclusion? (e.g., if you selected multi-year rate plans as your PBR mechanism, what is your suggested number of years between rate cases and what other design features should be considered?)* | | |
| *So, here are some ideas. Please note these items are specific to the customer group I Represent, but VEPGA affects many customers in Virginia as we represent the municipal governmental agencies that serve territory within the Dominion Energy regions of the commonwealth. These comments do not apply to APCO or non-investor-owned utilities, like cooperatives, etc.*   1. *The utility does not always know which accounts belong to which customer* 2. *The utility does not always properly meter service – most notably, when interconnect metering is in place* 3. *The utility does not perform beta testing, parallel installation, incremental implementation, or any other industry standard best practice when replacing its core billing system* 4. *The utility does not always provide accurate metered billing on the monthly interval they are supposed to, most notably after the billing system was updated surreptitiously* 5. *The utility does not monitor leased street lighting to ensure that the fixtures are functional, even though the customer is paying no for metered service, but for street lighting. The customer wants/needs lights that function in exchange for the lease payments. However, the utility can let them burn out and not function with virtual impunity.* 6. *The utility implements burdensome interconnect parameters that were not approved by the SCC until after they were implemented, and it is currently in dispute if they are necessary. This (to the customer) seemingly arbitrary enhancement of system cost is inconsistent with general industry best practice and is so burdensome as to interfere with the ability of customers to implement renewable energy distributed generation. The customer recognizes the burden of maintaining safety that the utility has, but if other utilities can safely function without such burdensome requirements, what makes Dominion exceptional in that arena?* 7. *The list could go on and on – these are hard (if not impossible) things to measure and having a metric may not be possible, but there has to be a basic avenue for all customers to bring items to the regulators.* | | |
| ***Question 5:*** *What* ***potential interactions*** *with other mechanisms need to be considered?*   * *4a) Existing regulatory/ratemaking structures* * *4b) Potential new regulatory/ratemaking structures (e.g., other PBR mechanisms or alternative regulatory tools under consideration)* | | |
| *This would need to be something supplemental* | | |
| SCC would need to determine how to make a feedback metric that allows for fair, substantiated customer service issues to be addressed formally and consider how it may affect rate of return for utilities as the five-year rate case is reviewed. | | |
| ***Question 6:*** *What* ***data, metrics, or other information requirements*** *are necessary for this PBR mechanism/alternative regulatory tool to be deployed successfully?* | | |
| *This is going to be the tough part. I do not have a suggestion for this* | | |
| ***Question 7:*** *What* ***challenges or unintended consequences*** *could this PBR mechanism/alternative regulatory tool create, which might require additional attention and/or monitoring?* | | |
| *Not having an existing metric that allows for objectivity will be a challenge. However, there are already three partes. Utility, client, regulator. The utility and client can present issues and the regulator can self-regulate for objectivity – OR – the regulator can default to being in favor of customer service unless the utility proves that there is legitimate undue burden to address customer complaints.* | | |
| ***Question 8:*** *Are there any other issues or points related to this PBR mechanism/alternative regulatory tool that you feel require attention?* | | |
| *This has to be addressed in some way. Customer service is suffering.* | | |

**Table 3**

|  |  |  |
| --- | --- | --- |
| ***PBR Mechanism/Alternative Regulatory Tool Selection*** | | |
| Select **one** PBR mechanism or alternative regulatory tool | Which regulatory objective(s) would this PBR mechanism most help Virginia achieve? **Select UP TO two (2) as the primary objectives to achieve.** | What performance area(s) could this PBR mechanism help improve or advance? **Select UP TO three performance areas that you think could or should be improved by implementing this mechanism.** |
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| ***Features and Design Considerations for this PBR or alternative regulation tool*** | | |
| ***Question 1:*** *Why would the PBR mechanism you selected help Virginia make progress towards meeting the regulatory objectives and performance areas that you selected above?* | | |
| *[please type your answer here]* | | |
| ***Question 2:*** *What component(s) of the utility’s* ***costs or revenue requirements*** *would this PBR mechanism/alternative regulatory tool would apply to? (e.g., distribution system capital expense, transmission, power supply, fuel costs, ROE, etc.).*  *For example, a fuel cost-sharing mechanism would impact a utility’s* ***fuel costs (operating expense)****. Rather than the fuel costs being entirely passed through to customers, the utility would have opportunity to retain a share of fuel cost savings as* ***earnings.*** | | |
| *[please type your answer here]* | | |
| ***Question 3:*** *What limitations or challenges of Virginia’s* ***current ratemaking construct*** *would this PBR mechanism/alternative regulatory tool seek to change? Where possible, identify specific ratemaking structures and their limitations.* | | |
| *[please type your answer here]* | | |
| ***Question 4:*** *For this PBR mechanism/alternative regulatory tool, what* ***key design features/attributes*** *do you suggest for inclusion? (e.g., if you selected multi-year rate plans as your PBR mechanism, what is your suggested number of years between rate cases and what other design features should be considered?)* | | |
| *[please type your answer here]* | | |
| ***Question 5:*** *What* ***potential interactions*** *with other mechanisms need to be considered?*   * *4a) Existing regulatory/ratemaking structures* * *4b) Potential new regulatory/ratemaking structures (e.g., other PBR mechanisms or alternative regulatory tools under consideration)* | | |
| 4a) *[please type your answer here]* | | |
| 4b) *[please type your answer here]* | | |
| ***Question 6:*** *What* ***data, metrics, or other information requirements*** *are necessary for this PBR mechanism/alternative regulatory tool to be deployed successfully?* | | |
| *[please type your answer here]* | | |
| ***Question 7:*** *What* ***challenges or unintended consequences*** *could this PBR mechanism/alternative regulatory tool create, which might require additional attention and/or monitoring?* | | |
| *[please type your answer here]* | | |
| ***Question 8:*** *Are there any other issues or points related to this PBR mechanism/alternative regulatory tool that you feel require attention?* | | |
| *[please type your answer here]* | | |