

# PERFORMANCE BASED REGULATION (PBR)

## STAKEHOLDER WORKGROUP MEETING #8

### VIRGINIA DEPARTMENT OF ENERGY

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# STAKEHOLDER GROUP

- Advanced Energy United
- Appalachian Power
- Appalachian Voices
- Chesapeake Climate Action Network
- Clean Virginia
- Climate Action Alliance of the Valley
- Commission on Electric Utility Regulation
- Current Energy Group
- Data Center Coalition
- Department of Energy
- Department of Environmental Quality
- Dominion Energy
- Great Plains Institute
- Office of Attorney General
- Old Dominion Committee for fair Utility Rates
- Natural Resources Defense Council (NRDC)
- New Virginia Majority
- NRG Energy
- Pacific Economics Group Research LLC
- Pacific Northwest National Laboratory
- Plan RVA
- Regulatory Assistance Project (RAP)
- Rocky Mountain Institute (RMI)
- Secure Solar Futures
- Sierra Club Virginia Chapter
- Solar United Neighbors
- Southern Environmental Law Center VA
- The Nature Conservancy
- The Virginia Grassroots Coalition
- Virginia Association of Counties
- Virginia Energy Consumer Alliance
- Virginia Energy Purchasing Governmental Association
- Virginia Committee for Fair Utility Rates
- Virginia League of Conservation Voters
- Virginia Manufacturers Association
- Virginia Municipal League
- Virginia Organizing
- Virginia Poverty Law Center



# AGENDA

## Meeting #8

- Welcome
- Carbon Leakage Discussion
- Draft Report Review
- SCC Update on Next Steps
- Closing



# CARBON LEAKAGE DISCUSSION

Carbon leakage occurs when businesses in jurisdictions with stringent environmental regulations are forced to move production to regions with less stringent rules due to compliance costs, resulting in little to no net reduction in overall emissions.

From the Resolutions:

*(h) consider whether and how these tools assist in preventing carbon leakage from the manufacturing sector.*



# **STAKEHOLDER MEETING DRAFT REPORT**



# RECOMMENDATION

## The Current Regulatory Structure

- **Recommendation:** The Commission should address whether the areas of concern identified by stakeholders in surveys, comments and discussions have clear scope for improvement based on reasonable comparisons (energy costs in neighboring states, energy efficiency program accomplishments etc.)
- **Recommendation:** The Commission should assess whether the current regulatory structure is aligned with the Commonwealth's mandatory clean energy and energy efficiency goals, identifying potential conflicting incentives.
- **Recommendation:** The Commission should review existing performance-based elements, assessing their efficacy in achieving the stated goals and identifying lessons learned for any future performance-based mechanisms.



# RECOMMENDATION

## Rate Adjustment Clauses (RACs)

**Recommendation:** The Commission should directly address RACs in their study and conduct comparative analysis on the costs and benefits to ratepayers and utilities of recovering investments through RACs, base rates, performance-based tools or hybrid mechanisms.

- In addition to looking broadly at RACs, the Commission should address fuel cost recovery and provide analysis on how fuel-cost sharing mechanisms can alter utility spending through fuel conservation or choosing alternate fuels.



# RECOMMENDATION

## Performance-Based and Alternative Tools

**Recommendation:** In its study, the Commission should clearly define the goals or objectives that have informed its approach to evaluating performance-based tools. If future work is conducted in Virginia to develop alternative ratemaking approaches, that should also be organized according to a targeted set of identified objectives.

**Recommendation:** The Commission should focus on PIMs, decoupling, MRPs, capex/opex equalization and fuel cost sharing in its study and incorporate the other stakeholder recommendations into that analysis.



# RECOMMENDATION

## Performance Incentive Mechanisms (PIMs)

**Recommendation:** The Commission should evaluate what PIM designs could materially affect positive outcomes in different performance areas, focusing on key areas identified by stakeholders, in surveys, comments and discussions.

- Such an assessment should address the scale of the associated reward/penalty required to incentivize improved performance, clarify what other performance areas could be positively or negatively affected and consider what measures could be put in place to guard against decreased performance in other areas.



# RECOMMENDATION

## Multiyear Rate Plans (MRPs)

**Recommendation:** The Commission should provide analysis of the relative performance of jurisdictions or utilities with MRPs compared to Virginia and other jurisdictions that employ the cost-of service model.

**Recommendation:** The Commission in its evaluation of MRPs should provide analysis on the effects of incorporating investments currently recovered through base rates and RACs into an MRPs framework, including how this affects the proportionate risk borne by ratepayers and shareholders.



# RECOMMENDATION

## Capital Investments

**Recommendation:** The Commission should compare the potential impacts of different alternative tools on capital investment and evaluate which existing or alternative mechanisms would ensure the most robust consideration of alternative solutions.



# RECOMMENDATION

## Regulatory Dynamics

**Recommendation:** The Commission study should examine which PBR tools would work together to effectively achieve key outcomes.

- Recognizing that the Commission will only have limited time, it could be appropriate to be selective in terms of which tools and outcomes to include in an evaluation. If this is the case, then it is recommended that the Commission focus on tools and outcomes that have been highlighted as key stakeholder interests.



# RECOMMENDATION

## Other

- Any other recommendations that reflect the interests of the stakeholder group based on previous discussions and submissions?

# SCC UPDATE ON NEXT STEPS



# NEXT STEPS / CLOSING



# NEXT STEPS

## Draft Report

- Please send us any comments on inaccuracies in the draft report by **EOD Thursday, April 24.**
- Report will be submitted to the SCC by May 9 and the final version will be circulated to stakeholders.

