

REFORMING ELECTRIC UTILITY REGULATION FOR AN AFFORDABLE CLEAN ENERGY TRANSITION

Will Cleveland // Southern Environmental Law Center // wccleveland@selcva.org
Laura Gonzalez // Clean Virginia // laura@cleanvirginia.org
Joy Loving // Climate Action Alliance of the Valley // jal_1998@yahoo.com
Emily Piontek // Appalachian Voices // emily@appvoices.org

EXECUTIVE SUMMARY

The current laws regulating Virginia's electric utility monopolies restrict the ability to manage a clean energy transition that is both effective at combating climate change and affordable for Virginians. The State Corporation Commission (SCC) is responsible for keeping electricity prices fair and reasonable, but current law restrictions, including an arbitrary cap on rate reduction and constraints to address key accounting matters, have limited the SCC's ability to protect Virginians from excessive energy bills. In this upcoming legislative session, it is crucial to eliminate these restrictions and allow the SCC to set fair electricity rates so that Virginia's transition to clean energy is just and affordable.

CHALLENGE

Virginia made history in 2020 with the Virginia Clean Economy Act, which puts the Commonwealth on a path to be 100% powered by clean energy. It is critical this transition does not burden families and small businesses with needlessly high bills especially as the cost of renewable energy falls daily nationwide. The rate case is the best tool to ensure that Dominion Energy and Appalachian Power Company, the utilities responsible for powering most of Virginia, do not exploit the climate crisis at the expense of ratepayers. During this regulatory process, the SCC establishes the rates a utility should charge to recover its costs and earn a fair profit.

As a result of more than 14 years of restrictions to adjust rates, Virginians are paying the sixth highest electricity bills in the nation, bills that are unaffordable for 75% of Virginia households.

Historically, the SCC could order rate cuts if utilities overcharged customers. Unfortunately, these powers have been stripped away over the

years. As a result of more than 14 years of restrictions to adjust rates,¹ Virginians are paying the sixth highest electricity bills in the nation,² bills that are unaffordable for 75% of Virginia households.³ Because of legislation that allows Dominion Energy to essentially regulate itself, the utility has overcharged Virginians by \$1.3 billion since 2015.⁴ These massive excess profits have real financial impacts for Virginians and hinder our ability to have a fair and affordable clean energy transition.

SOLUTION

The SCC must be able to ensure that electricity rates are reasonable and that electric utility monopolies, with captive customers and no competition, do not charge unfair prices at a time when Virginia is making massive investments in new clean energy and shuttering fossil fuel plants. In the last two years, a broad group of bipartisan advocates and legislators have proposed strong solutions to give back to the SCC tools to prioritize rate affordability.

Proposals included eliminating the unmerited bonus profit in the code of 0.7% above the authorized profit level that amounts to hundreds of millions of dollars, as well as utilities keeping 30% of overcharges that should be refunded to customers. Another set of ideas included giving back to the SCC the authority to determine reasonable amortization periods for investments; current law allows electric utilities to unilaterally determine cost recovery periods that impede rate reductions. Different proposals have been studied and widely supported by the House of Delegates. The next legislative session is yet another opportunity for the General Assembly to strengthen SCC oversight over electric utilities to make sure the clean energy transition is affordable and equitable.

POLICY RECOMMENDATIONS

Eliminate existing restrictions on the SCC to set future fair electricity rates using traditional cost-of-service methods. The SCC should be able to decrease rates when the current ones are likely to generate revenues above the authorized profit.

Remove all limitations on the SCC's ability to set utilities authorized rates of return or profit, according to market conditions.

Authorize the SCC to terminate separate riders and opt to roll costs into base rates, if in the best interests of ratepayers. These riders, called Rate Adjustment Clauses, exempt utilities from risks associated with investments, placing disproportionate risk on customers.



November Flooding - Hampton Roads, Va
Image credit: Ailenn Devlin