

HOUSE JOINT RESOLUTION NO. 30

Requesting the State Corporation Commission, in collaboration with the Department of Energy, to study performance-based regulatory tools for investor-owned electric utilities in the Commonwealth. Report.

Agreed to by the House of Delegates, March 6, 2024

Agreed to by the Senate, March 5, 2024

WHEREAS, energy is essential to the health, safety, and welfare of the people of the Commonwealth and to the Commonwealth's economy; and

WHEREAS, a well-capitalized utility that is financially stable is vital to every aspect of the Commonwealth; and

WHEREAS, performance-based regulation and alternative regulatory tools represent a potential opportunity for the Commonwealth to further align the financial incentives of investor-owned utilities with public interest goals, including reliability, customer satisfaction, and the deployment of the best-available and lowest-cost energy technologies, in meeting the policies of the Commonwealth; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the State Corporation Commission, in collaboration with the Department of Energy, be requested to study performance-based regulatory tools for investor-owned electric utilities. Such study shall evaluate the potential of such tools and alternative regulatory tools to modernize the legal or regulatory framework relevant to such utilities and competitive service providers. Such review shall consider the long-term financial stability of investor-owned utilities and balance the interests of all stakeholders for the benefit of the Commonwealth. For purposes of this resolution, "competitive service providers" means entities with generation or transmission and licensed suppliers that sell electricity to end-use customers.

In conducting its study, the State Corporation Commission (the Commission) shall evaluate the potential of performance-based regulatory tools and alternative regulatory tools to assist in the regulation of investor-owned electric utilities by (i) tracking and achieving improved performance in affordability, reliability, customer service, and resiliency; (ii) enhancing cost-containment incentives; (iii) streamlining planning and resource procurement to secure competitive prices for energy infrastructure; (iv) harmonizing financial incentives created through regulation with the Commonwealth's energy policy goals; (v) eliminating disincentives for utilities to deploy third-party and customer-owned generation, energy efficiency savings, and peak-load reduction; and (vi) making progress toward the Commonwealth's decarbonization goals. The Commission shall (a) provide an analysis of the current regulatory framework and the financial incentives such framework creates for investor-owned electric utilities and competitive service providers in the Commonwealth; (b) identify possible misalignments between such incentives for investor-owned utilities and competitive service providers and the Commonwealth's energy policy goals; (c) analyze performance-based and alternative regulatory tools used in other jurisdictions to correct such misalignments; (d) review the varying obligations on investor-owned utilities and competitive service providers; (e) analyze the potential impact of competitive service providers to all customers in the Commonwealth; (f) propose reforms to the current regulatory framework; (g) identify reforms that could be implemented under the current authority vested in the Commission, as well as reforms requiring additional enabling legislation; and (h) consider whether and how these tools assist in preventing carbon leakage from the manufacturing sector. Tools the Commission shall consider in its study include reporting metrics, scorecards, performance-incentive mechanisms, the decoupling of electricity sales from utility revenues, multiyear rate plans, fuel cost-sharing mechanisms, best practices for all-source competitive procurement, and strategies to equalize financial incentives to deploy capital expenditures and operating expenses and any other information deemed relevant or helpful by the Commission in its review. Performance areas the Commission shall consider in conducting such study include (1) reliability and resiliency; (2) affordability for customers; (3) emergency response and safety; (4) cost-efficient utility investments and operations; (5) customer service; (6) savings maximization from energy efficiency and exceedance of statutorily required savings levels; (7) peak-demand reductions; (8) integration of distributed energy resources, including the quality and timeliness of interconnection of customer-owned and third-party-owned resources; (9) environmental justice and equity; (10) beneficial electrification, including in the transportation and buildings sectors; (11) maximization of available federal funding; (12) decarbonization of the Commonwealth's electricity sector; (13) cyber and physical security of the grid; (14) 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; and (15) any other topics deemed relevant and useful to the Commission in its review of performance

areas.

In conducting its study, the Commission shall gather comments and include the input and recommendations of a stakeholder process that shall be developed by the Department of Energy (the Department). The Department shall create and facilitate such stakeholder process and shall include as stakeholders electric utilities in the Commonwealth, competitive service suppliers in the Commonwealth, representatives of all customer classes, Commission staff, the Office of the Attorney General, environmental organizations, consumer protection groups, and local communities. Such stakeholder process shall engage stakeholders in the Commission's study of alternative regulatory tools and other jurisdictions' experiences, successes, and failures in implementing such tools, and such process shall lead to the development and proposal of potential reforms to the current regulatory framework of investor-owned electric utilities in the Commonwealth that shall inform the Commission's final report. The activities of such stakeholder group shall include (A) facilitated workshops and presentations on alternative regulatory tools, (B) opportunities for open dialogue and meaningful input, (C) access to the information and other resources necessary for robust engagement, and (D) the opportunity to respond to proposals, as appropriate.

Technical assistance shall be provided to the Commission by the Department. In conducting its study, the Commission may engage consultants with experience in alternative utility regulation and performance-based regulation. All agencies of the Commonwealth shall provide assistance to the Commission for this study, upon request.

The Commission shall complete its meetings by September 30, 2025, and shall submit to the Governor and the General Assembly an executive summary and report of its findings and recommendations for publication as a House or Senate document by October 15, 2025. The executive summary and report shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports no later than the first day of the next Regular Session of the General Assembly and shall be posted on the General Assembly's website. The Commission and the Department shall report their findings and recommendations to the Senate Committee on Commerce and Labor and the House Committee on Labor and Commerce and shall additionally present their findings and recommendations in a public meeting to the Commission on Electric Utility Regulation by November 15, 2025.