

Virginia lawmakers to consider utility regulation

MICHAEL FELBERBAUM - AP Business Writer - Associated Press

Virginia lawmakers are considering changes to how regulators handle electric rates following a proposed deal between the attorney general's office and the state's largest power companies.

The General Assembly's Commission on Electric Utility Regulation was briefed Thursday in Richmond on an agreement between Attorney General Ken Cuccinelli's office, Dominion Virginia Power and Appalachian Power on the part of a 2007 law that allows utilities to receive financial incentives for using renewable energy. Dominion Virginia is a unit of Dominion Resources Inc. and Appalachian Power is a unit of American Electric Power Co.

The commission had asked the parties to propose reforms to the law after a report from the attorney general's office last year found that the millions of dollars in bonuses haven't yielded the intended environmental gains and have contributed to increases in customers' bills.

The November report said utilities have primarily relied on buying renewable energy certificates from existing facilities to receive the incentives allowed by law rather than build any new renewable centers themselves. Overall, the report suggested the bonuses be eliminated or significantly changed because they are not meaningfully protecting customers from unnecessary rate increases, not promoting reliable electricity or fuel diversity, and not providing environmental benefits or stimulating economic development.

Under the agreement, electric utilities would no longer be eligible to receive the bonuses called "adders" for using sources of renewable energy or building new power plants that use fossil fuels. Incentives will still remain for nuclear and offshore wind, but the bonuses would be reduced. The agreement does not, however, repeal the state's voluntary goals that utilities have 15 percent of their generation come from renewable sources by 2025.

The deal also proposes changes to how much money utilities can be awarded by regulators for its performance, how it treats accounting issues related to storm restoration costs and the early closure of power plants, expands an electric provider's potential rate of return and makes other procedural changes.

Deputy Attorney General Wesley G. Russell Jr. told the commission that give-and-take between his office and the electric companies "made the end product better for Virginia consumers, and I believe Virginia utilities feel that it's fair to them as well." Representatives for Dominion and Appalachian Power said they would support legislative efforts stemming from the agreement. Dominion serves about 2.3 million customers in the state and Appalachian Power has about 500,000 Virginia customers.

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While members of the commission thanked the parties for their work, Del. Kenneth Plum questioned whether removing the incentives would eliminate the motivation for utilities to meet the state's voluntary renewable energy goals.

"While the words are on the page, what is it that would cause action where Virginia would positively move toward adoption of renewables?" asked Plum, D-Fairfax County.

But Russell said utilities "still have a reason to engage in renewables" because they'd still be entitled to recover the costs associated with meeting the state's goals.

Del. Terry Kilgore, R-Scott County, is carrying the legislation in the House of Delegates; several senators will carry portions of the proposed changes, officials said.

Several environmental groups gathered after the meeting to express concerns about the agreement between the attorney general's office and power companies and called for lawmakers to fix the portion of the law, rather than repeal it. They were joined by Del. Alfonso Lopez, D-Arlington, who has introduced a bill to change the qualifications for utilities to receive the incentives, focusing on renewable energy sources in the state.

"Virginia has done a pretty bad job of focusing on the environment for decades," Lopez said. "Republican or Democrat, you're either an environmentalist who cares about the future of this planet, who cares about the future of the commonwealth, or you're not."

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