COMMONWEALTH *of* VIRGINIA

Office of the Attorney General

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Re: Budget Bill – Utility Disconnection Moratorium

Dear Members of the Senate of Virginia & Virginia House of Delegates:

As Attorney General, I have the statutory responsibility of representing the people of Virginia as consumers, which includes appearing in electric utility rate cases before the State Corporation Commission and speaking to legislation before the General Assembly.[1] Today, I write to you in support of Governor Northam's proposed budget language that will ultimately provide more relief to a larger number of Virginians during this difficult financial time.

The COVID-19 pandemic has created an unprecedented economic downturn that has resulted in massive business closures, layoffs, and unemployment, and thousands of Virginians are now struggling to make ends meet. At the very beginning of the pandemic, my office filed a petition with the SCC seeking an emergency order for a moratorium on utility service disconnections to ensure that Virginians continued to have access to electricity, heat, water and other utilities, while we navigated our way through these unforeseen challenges.[2] In support of an extension of that moratorium in light of potential costs that could be shifted to all customers, I noted that for "investor-owned utilities, it is possible that utility management could simply share the financial burden with shareholders, as other businesses impacted by the pandemic have had to do."[3]

With respect to Virginians receiving electric service from Dominion Energy, Governor Northam proposed to apply the profit margins over and above the company's SCC-authorized return of 9.20% for the three-year period 2017 – 2019 to provide relief to *all* of the utility's Virginia

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[1] Va. Code § 2.2-517 B.

[2] SCC Case No. PUR-2020-00049. https://scc.virginia.gov/docketsearch/DOCS/4lvd01!.PDF

[3] SCC Case No. PUR-2020-00048. https://scc.virginia.gov/docketsearch/DOCS/4ncw01!.PDF

customers. Those overcharges, as reported by Dominion to the SCC, amount to $502.7 million.[4] The Governor's proposal would in effect:

- Forgive unpaid residential utility accounts to provide economic relief and to further prevent Dominion from shifting those unpaid amounts onto its other customers currently in good standing; and

- Provide a direct refund of a portion to all customers, not just residential customers.

In all, the Governor's proposal sought to deliver more than $500 million in economic relief and customer benefits to Virginians, during an unprecedented financial and unemployment crisis. In comparison, the current budget language seeks to forgive only $74 million in customer debt associated with an estimate of 60-day arrearages existing as of August 31, 2020. While there is no doubt that this $74 million would help those customers that are eligible for relief, that relief should *not* be funded at the expense of other ratepayers, but instead at the expense of the utility's shareholders. Moreover, the current language will *increase* future monthly bills to the extent that it is designed to reduce any future bill credits otherwise due customers from over-earnings. Meanwhile Dominion's shareholders will keep every nickel associated with profit margins up to 9.90%. The Commonwealth should require this state-sanctioned monopoly, that earned exceedingly more over the last three years than authorized, to share the economic burden brought on by this pandemic with its shareholders and provide Virginians with the relief that they so desperately need right now.

During your deliberations over the coming days, I urge you to reconsider the Governor's proposal. It clearly provides *more* relief to a *broader* segment of Virginians that need our help in this time. My team is ready and available to offer technical assistance in order to find the best possible outcome for consumers.

Sincerely,

Mark R. Herring

Mark Herring

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[4] SCC Status Report: Implementation of the Virginia Electric Utility Regulation Act Pursuant to § 56-596 B of the Code of Virginia, August 18, 2020. https://scc.virginia.gov/getattachment/bef130f2-2e42-4c45-b128-f796ab2fa444/2020veur.pdf Dominion reported to the SCC combined earnings of 11.79% for 2017, 2018, and 2019. Existing Code provisions allow Dominion shareholders to retain all excess profits up to 70 basis points above the authorized return, or 9.90%, as well as 30 percent of the excess earnings above that level. Dominion's reported earnings in excess of 9.20% for the period total $502.7 million, consisting of $366.8 million in excess of 9.90%, and $135.9 million between 9.20% and 9.90%. SCC Status Report at 16, 18.