**INTRODUCTION**

In Virginia, a lack of progress in developing sources of renewable energy, curbing emissions, and cleaning up environmental hazards is directly tied to the outsized political power enjoyed by investor-owned electric utilities. Utilities like Dominion Energy and Appalachian Power Company are granted monopoly rights to operate in exclusive service territories, and in exchange, they are supposed to both act in the public interest and be subject to high levels of oversight and regulation. However, in practice, the General Assembly has passed laws at the behest of these regulated entities to strip the State Corporation Commission (SCC)—the main regulator of utilities in Virginia—of its normal oversight powers. These electric utilities have spent millions of dollars on campaign donations and lobbyists to ensure passage of favorable legislation, resulting in a slower transition to clean energy, the stalled cleanup of environmental pollution, a favorable market for capital-intensive fossil fuel infrastructure, and more than a billion dollars in excess profit. Without stronger campaign finance, ethics, and disclosure laws, this cycle of legalized corruption will continue.

**BACKGROUND**

Over the past two decades, the General Assembly has passed a series of new laws that have changed how electric utilities operate and the mechanism through which the SCC determines the “fair” market prices for electricity.\(^1\)

The most significant change came in 2015 when the General Assembly froze rates at artificially high levels and curtailed normal oversight of how much Dominion Energy and Appalachian Power Company are able to charge customers.\(^2\) These utilities lobbied successfully for two new laws in 2015 (SB 1349, the so-called “Rate Freeze Law”) and 2018 (SB 966, the Grid Transformation and Security Act) that suspended the normal biennial review of their rates, preventing the SCC from lowering rates or mandating ratepayer refunds in cases of overcharging.\(^3\) As a result of these two laws, Dominion has kept, on average, over $350 million each year since 2016 in over-earnings — money in excess of what the SCC determines as reasonable profit.\(^4\) Historically, the vast majority of this money would have been refunded to ratepayers.

All regulated utility systems are vulnerable to regulatory capture—the process in which the regulated entity unduly influences its regulators to such a degree that the regulators end up serving the interests of that entity. In Virginia, this regulatory capture goes one step further. Thanks to lax ethics, campaign finance, and disclosure laws, legislators are highly susceptible to influence-related activities that incentivize the passing of laws that reduce the SCC’s regulatory and oversight powers. In Virginia, the legislature itself has been captured. Dominion Energy is the top corporate campaign contributor over the past 20 years, during which time they donated over $11 million to candidates and committees.\(^5\) During recent legislative pushes, they have employed over 20 lobbyists to push their agenda through the General Assembly.\(^6\)

More critically, without market competition, Virginians cannot simply “walk away” from their utility if they disagree with their utility’s political practices. That means that captured ratepayers and customers are forced to subsidize political activity they may disagree with. These heightened structural power differences between ratepayers and their utility demand equally heightened protections to guard against legislative capture.

**CONCLUSION**

Without serious reforms to the incentives at play for legislators, regulators, and investor-owned utilities, ratepayers in Virginia will continue to be overcharged and see an ever-increasing gulf between the amount they pay and the value they get in return. More importantly, without such reforms, more widespread adoption of clean energy sources, stronger environmental protections, and other environmental priorities may never be realized.

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**CURBING UTILITIES’ POLITICAL INFLUENCE**

David Jonas // Clean Virginia

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**POLICY RECOMMENDATIONS**

- Pass legislation that bans candidates and campaigns from accepting contributions from investor-owned utilities that operate as public service corporations in Virginia.
- Pass legislation requiring public service corporations to file a “Statement of Government Influence Spending” that details in full their spending on lobbying, trade association fees, and other influence-related activities.
- Pass legislation that bans their members from owning stock in any Virginia-based investor-owned electric utility.