

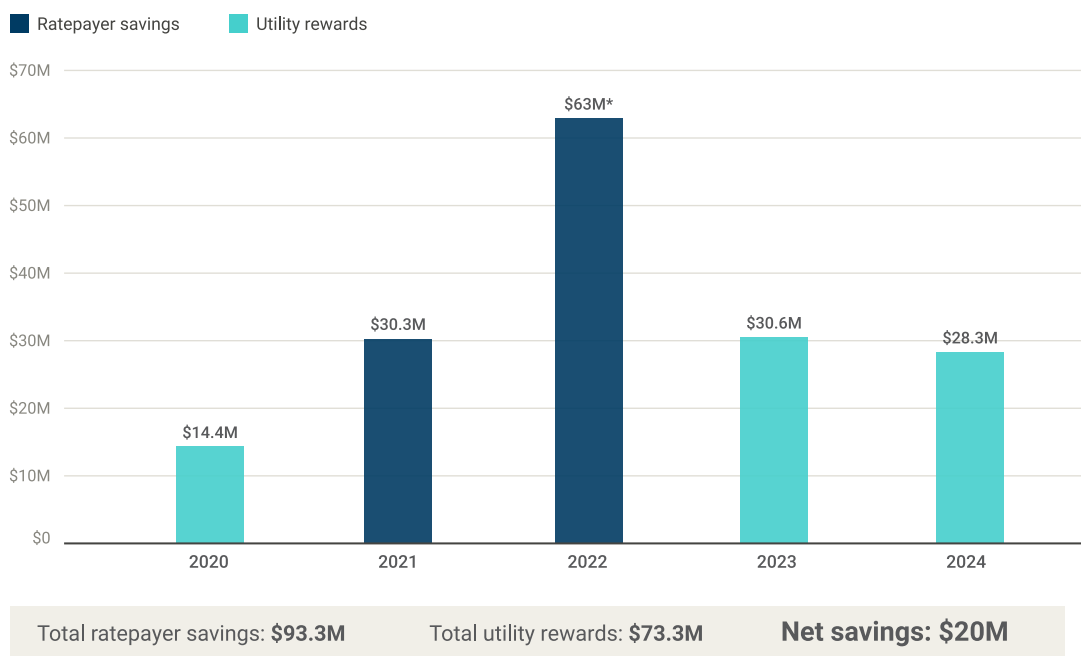
# Fuel Cost-Sharing Could Have Delivered Savings For Virginia Utility Customers

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RMI analysis shows that a well-designed fuel cost-sharing policy, in which a utility would cover some of the excess costs for fuel, **could have delivered \$20 million** in net cumulative savings for Virginia utility customers between 2020 and 2024. By shielding customers from some of the risks of fuel price volatility and incentivizing good utility fuel-cost management, fuel cost-sharing can deliver on energy affordability goals by directly reducing customer fuel costs.<sup>i</sup>

## Savings under a fuel cost-sharing policy in Virginia (2020–2024)



Dollar amounts for each year are inflation-adjusted, rounded to the nearest million, and reported in 2025 dollars.

\*Our analysis assumes that the amount of sharing annually would be capped at 0.5% of the prior year's total retail electric sales revenues. The assumed cap was hit once, in 2022.

## Delivering customer savings through fuel cost-sharing

Utilities in Virginia currently pass 100% of fuel costs to customers through a mechanism known as a fuel factor or fuel charge, depending on the utility.<sup>ii</sup> These fuel recovery mechanisms insulate utilities in the state from the financial consequences of fuel procurement decisions. If Virginia utilities manage to reduce their fuel costs, they retain none of the savings; if they spend more than is budgeted, their customers pick up the bill. This reduces incentives for utilities to manage fuel costs or explore alternatives that could reduce customer exposure to volatile fuel markets.

<sup>i</sup> For additional discussion of this dynamic, see Joe Daniel et al., *Strategies for Encouraging Good Fuel-Cost Management: A Handbook for Utility Regulators*, RMI, 2023, <https://rmi.org/insight/strategies-for-encouraging-good-fuel-cost-management/>.

<sup>ii</sup> The fuel factor and fuel charge are rate riders that true up the revenues collected from customers to match the utility's actual fuel expenditures. In Virginia these costs are trueed up annually.

