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Highlights from the Commonwealth of Virginia State Corporation Commission

Report to the Commission on Electric Utility Regulation of the Virginia General Assembly and the Governor of the Commonwealth of Virginia

Status Report: Implementation of The Virginia Electric Utility Regulation Act

Remarks of Howard Spinner

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Virginia Military Institute
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- In 2008, the General Assembly amended § 56-596 B of the Code of Virginia to require the Virginia State Corporation Commission ("SCC") to provide annual reports to the Governor and the General Assembly on the status of the implementation of the Virginia Electric Utility Regulation Act (the "Regulation Act"), and to offer recommendations for any actions by the General Assembly or others.

- The SCC, both by itself and as a member of the Organization of PJM States, Inc. ("OPSI"), continued to participate in various proceedings before the Federal Energy Regulatory Commission ("FERC") this past year.

- While Virginia's return to regulated retail rates alters the impact of PJM Interconnection, LLC ("PJM") electricity market outcomes on Virginia's homes and businesses, PJM markets and processes are still important to the Commonwealth's energy future.

- Most of Virginia's electric utilities are members of PJM and participate in the power markets that PJM operates.

IMPLEMENTATION OF THE REGULATION ACT

Consumer Education

- In 2008, the General Assembly directed the SCC to develop and implement an electric energy consumer education program to provide retail customers with information regarding energy conservation, energy efficiency, demand-side management, demand response and renewable energy.

- Summer 2008 - the SCC drafted a consumer education plan to create an integrated communications strategy for a statewide program named ***Virginia Energy Sense.*** The SCC sought input on the plan from a group of interested stakeholders who participated in a 2007 Commission proceeding.

- Consistent with the legislated mandate, the SCC recommended that a five-year electricity efficiency and conservation consumer education program be initiated by late 2009.

- ***Virginia Energy Sense*** will use a tiered approach to present energy conservation topics beginning with basic no-cost/low-cost steps that the public can take with little sacrifice.

- Introduction - the program will lead residential, business and institutional customers to the next step by introducing moderately-priced conservation measures, energy efficient equipment and demand response options.

- Next level - electricity customers will find resources on such topics as energy efficient home construction, high performance mechanical systems, and renewable and alternative energy sources.

- April 1, 2009 - The Commission issued a solicitation to receive proposals from firms capable of assisting with market research, public relations, website development, grassroots outreach, and advertising components of the consumer education plan.

- The SCC is currently evaluating several proposals and plans to award a contract for communications services in the fall of 2009.

- To meet the legislative mandate and to fund ***Virginia Energy Sense***, the SCC will increase the special regulatory tax beginning on January 1, 2010. The increase will be within the range already approved in law. This tax is paid by consumers along with other taxes that appear on their monthly utility bills.

COMPETITION UNDER THE REGULATION ACT

- Under the Regulation Act, mass market retail competition was scheduled to end on December 31, 2008.

- Retail choice remained for large commercial and industrial customers and for certain aggregated load beyond 2008. Large customers exceeding 5 MW in demand maintain the ability to shop among competitive suppliers, and nonresidential customers may seek to aggregate load up to the 5 MW threshold in order to use a competitive supplier.

- Revisions to § 56-582 of the Code - the General Assembly moved the expiration of capped rates to December 31, 2008, and limited the ability of most consumers to purchase electric generation service from competing suppliers thereafter.

- Residential retail consumers have the statutory right to purchase electric generation from competitive generation suppliers selling electric energy provided 100% from renewable energy resources (§ 56-577 A 5), but only if the incumbent electric utility serving these consumers does not itself offer an approved tariff for electric energy provided 100% from renewable energy resources.

- The Commission remains responsible under §§ 56-587 and 56-588 of the Code of Virginia for licensing suppliers and aggregators interested in participating in the retail access programs in Virginia.

Renewable Tariffs

- Two investor-owned utilities, DVP and APCo, submitted applications to the SCC for approval of a tariff to provide renewable energy options.

- December 3, 2008 - the SCC issued orders approving the tariffs for voluntary renewable energy options for customers of DVP (PUE-2008-00044) and APCo (PUE-2008-00057). In both programs, customers have the opportunity to purchase renewable energy certificates ("RECs") for some, or all, of the electricity that they consume from renewable sources such as wind, solar, falling water, biomass, energy from waste, wave motion, tides, and geothermal power.

- The companies will purchase RECs procured from "green" power sources equivalent to the amount of renewable energy purchased through customer contributions.

- The SCC found that the DVP and APCo renewable energy options fail to meet Virginia's statutory definition for electric energy provided 100% from renewable energy.

- Therefore, customers in these utilities' service territories may purchase 100 % renewable electricity supply service from competitive suppliers licensed by the SCC.

- To the Staff's knowledge, no CSP has made any such offering, to date.

Distributed Generation

- Distributed generation involves moving the generation of electricity away from large central units to smaller units located closer to the point of consumption.

- After receiving comments from interested persons, the SCC entered an order (Case PUE-2008-00004) on May 8, 2009, adopting Regulations Governing Interconnection of Small Electric Generators in accordance with § 56-578 C of the Code of Virginia.

Net Metering

- During the 2009 legislative session, several amendments to § 56-594 of the Code of Virginia were enacted regarding
  - the capacity limit of a nonresidential facility,
  - an eligible customer-generator choosing time-of-use tariffs, and
  - the option to sell RECs associated with renewable customer-generators to the electric utility.
- SCC Staff has had an informal dialogue with interested stakeholders regarding these amendments and the potential.
- On September 22, 2009, the SCC initiated Case PUE-2009-00105 to amend the regulations governing net metering.

Integrated Resource Plan

- VA Code section 56-597 et seq. required each electric IOU to file an Integrated Resource Plan (“ IRP”) by 9/1/09 and every 2 years thereafter.

- SCC Guidelines issued in PUE-2008-00099 directed a renewed emphasis on DSM/EE/DR efforts on a comparable basis to supply-side options. The 4 IOUs in VA complied and such plans will be made available for public comment, consistent with any Protective Order.

- The SCC Staff is just beginning its review of the filings to determine whether the plans are reasonable and in the public interest.
    - Kentucky Utilities – PUE-2009-00062
    - Allegheny Power – PUE-2009-00095
    - Dominion VA Power – PUE-2009-00096
    - Appalachian Power Company – PUE-2009-00097

Renewable Portfolio Standards

- As evidenced by the Governor’s Virginia Energy Plan and also by actions taken by the General Assembly to provide incentives for regulated electric utilities to implement or increase the sale of electricity from renewable sources through development of a program emphasizing a renewable energy portfolio standard ("RPS"), the Commonwealth's interest in developing alternative energy sources continues to grow.

- The General Assembly’s 2007 enactment of § 56-585.2 provided economic incentives for Virginia’s electric utilities to provide increasing amounts of electric energy from renewable sources. Effectively, this legislation created a voluntary RPS for Virginia.

- The SCC issued a Final Order (Case PUE-2008-00003) on August 11, 2008, approving APCo’s application for participation in a voluntary RPS program.

- DVP submitted an application on July 28, 2009, seeking approval to participate in a voluntary RPS program. On August 26, 2009, the SCC issued an Order for Notice and Comment providing an opportunity for comments or request for hearing by October 16, 2009 and directing Staff to file its report by November 20, 2009.

- On September 18, 2009, APCo submitted an application (Case PUE-2009-00102) for approval of wind power purchase agreements as part of its continued participation in the Virginia RPS program.

Conservation, Energy Efficiency and Demand Response

SCC

- The SCC issued a scheduling order on April 30, 2009, establishing Case No. PUE-2009-00023, to conduct the evidentiary proceeding directed by legislation in Chapters 752 and 855 of the 2009 Acts of the Virginia General Assembly.

- The SCC sought input from a broad range of persons and organizations having an interest in energy conservation within the Commonwealth.

- The SCC found that each “generating electric utility” as defined in the legislation should be made a respondent in this proceeding. Accordingly, DVP, APCo and KU are named as respondents.

- All respondent generating electric utilities filed testimony and supporting briefs by June 30, 2009, and other parties proposing to participate as respondents filed the same by July 31, 2009.

- Staff filed testimony and a report on September 9, 2009. A public hearing took place on September 23, 2009.

Dominion Virginia Power

- On March 27, 2009, DVP filed its final report on the status of the pilot programs (Case PUE-2009-00089). DVP filed its first follow up report on July 1, 2009, to provide the status updates of the two continuing pilots:
  (1) Programmable Thermostats with Advanced Metering Infrastructure
  (2) Critical Peak Pricing Pilot and the Distributed Generation/Load Curtailment for Large Non-residential Customers Pilot.

  DVP will continue to file quarterly reports until the completion of these pilots.

- On July 28, 2009, DVP asked the SCC to approve a broad offering of programs that DVP says will enable customers to reduce their energy usage and save an estimated $1.2 billion over 15 years. (Case PUE-2009-00081)

- According to DVP, the plan provides a portfolio of 12 energy-saving and demand-reducing programs designed to meet the needs of its customers and move it toward meeting the 10% energy conservation goal enacted by the Virginia General Assembly and the Governor.

DVP- cont.

- “Smart” Meters - DVP states that it will provide environmental benefits in a cost-effective manner that will translate into financial savings to customers. A major portion of the energy, demand and cost savings is to be achieved by digital “smart” meter technology currently being deployed throughout the company’s service area.

- DVP says that the installation of approx. 2.4 million “smart” meters by 2013 will enable the company to save energy by delivering it more efficiently to customers.

- DVP’s first major smart meter project is now under way in the Charlottesville area, making that region the first in the state – and one of the first in the nation – to reportedly benefit from the new technology.

DVP- cont.

- DVP filed for approval of two rate adjustment clauses, Riders C1 and C2, with respect to its DSM portfolio. DVP is seeking to recover the capital costs and operating expenses of designing, implementing and operating the proposed DSM programs for 2009, the first quarter of 2010, and the rate period April 1, 2010 – March 31, 2011.

- DVP also seeks to recover an equity return on invested capital and a margin on the projected operating expenses associated with energy efficiency programs for costs incurred after July 1, 2009, pursuant to § 56-585.1 5 C of the Code of Virginia. The plan must be approved by the SCC before the programs can be implemented. If approved, most of the programs would be available to customers by next summer.

Appalachian Power

- Section 3 of Chapters 752 and 855 of the 2009 Acts of Assembly - requires the SCC to approve "any demand response program proposed to be offered to retail customers" by a generating electric utility "that has elected to meet its capacity obligations of a regional transmission entity through a fixed capacity resource requirement as an alternative to other capacity mechanisms," if the SCC finds the proposed demand response program "to be effective, reliable, and verifiable as a capacity resource" and "to be in the public interest.“

- July 15, 2009- APCo filed an application with the SCC requesting permission to offer two Demand Response Riders (“DR Riders”) to its Virginia retail customers pursuant to the section cited above. APCo also requested that the SCC, upon approval of the DR Riders, disallow any future participation by APCo’s customers in other demand response programs offered by PJM, stating that such a disallowance is necessary to ensure the reliability and effectiveness of the DR Riders. On August 3, 2009, the Commission issued an Order for Notice and Comment establishing Case No. PUE-2009-00068 to consider APCo’s application.