From: Eric Matheson [mathesone@millenianet.com]

Sent: Friday, April 04, 2003 6:15 AM

To: Eric Matheson; Susan Larsen

Subject: VA Strand Cost definitions - Comments by

Stranded Costs - Stranded Costs are a utility's lost revenues arising from electric generation-related costs that become unrecoverable due to restructuring and retail competition.

Constellation NewEnergy, Inc. (NewEnergy) proposes that the definition be changed as follows, by drawing on the definitions of Richard Williams of the VSCC and the Attorney General:

Stranded Costs are the net loss in economic value arising from electric generation-related costs that become unrecoverable due to restructuring and retail competition.

Any reference to "lost revenues" may imply that utilities are guaranteed some sort of revenue stream into perpetuity without regard to future fuel costs, technological change, efficiency improvements, changes in the generation portfolios, generation asset life, expiration of power purchase contracts, and other factors. This notion of guaranteed revenues is why the current wires charge calculations do not permit competition in the base case, and why the LTTF and the Commission have committed themselves to examine actual stranded costs. A more general definition (net loss in economic value), as provided by Richard Williams in his presentation to the Task Force will provide a more flexible and broad definition from which to commence discussions on stranded costs.

Net Just and Reasonable Stranded Costs - Net Just and Reasonable Stranded Costs are a utility's lost revenues arising from prudently incurred, verifiable and non-mitagable electric generation-related costs that become unrecoverable due to restructuring and retail competition.

Consistent with the above adjustment to the stranded cost definition, NewEnergy recommends that the definition of Net Just and Reasonable Stranded Costs be adjusted as follows:

Net Just and Reasonable Stranded Costs are a utilities net loss in economic value of prudently incurred, verifiable and non-mitagable electric generation-related costs that become unrecoverable due to restructuring and retail competition.

Constellation NewEnergy, Inc. will discuss its positions on the components of net stranded cost at the meeting on Monday.