

**COMMONWEALTH OF VIRGINIA**

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**STATE CORPORATION COMMISSION**  
DIVISION OF ECONOMICS AND FINANCE

June 13, 2007

Dear Market Participant:

As directed by the recently passed Third Enactment Clause of SB 1416/HB 3068 (“Clause”) amending the Virginia Electric Utility Restructuring Act, the State Corporation Commission is preparing for its report to the Governor and the General Assembly to be filed by December 15, 2007. That report will address the feasibility of reducing electric energy consumption by 10% by year 2022 through the use of various programs including demand-side management, conservation, energy efficiency, demand response, real-time pricing, incentives, and consumer education.

The Commission established a proceeding in its Order of June 8, 2007, Case No. PUE-2007-00049, to respond to the legislative directive. The Commission Staff is soliciting input from interested parties (including electric and natural gas utilities, competitive service providers, retail customers, appropriate state agencies, environmental and consumer organizations, and business associations) to assist the Commission in developing a comprehensive review of ideas that may be considered for inclusion in that report. The statutory language related to the Commission report provides as follows:

SB1416: 3rd Enactment Clause

That it is in the public interest, and is consistent with the energy policy goals in § 67-102 of the Code of Virginia, to promote cost-effective conservation of energy through fair and effective demand side management, conservation, energy efficiency, and load management programs, including consumer education. These programs may include activities by electric utilities, public or private organizations, or both electric utilities and public or

private organizations. The Commonwealth shall have a stated goal of reducing the consumption of electric energy by retail customers through the implementation of such programs by the year 2022 by an amount equal to ten percent of the amount of electric energy consumed by retail customers in 2006.

The State Corporation Commission shall conduct a proceeding to:

(i) determine whether the ten percent electric energy consumption reduction goal can be achieved cost-effectively through the operation of such programs, and if not, determine the appropriate goal for the year 2022 relative to base year of 2006,

(ii) identify the mix of programs that should be implemented in the Commonwealth to cost-effectively achieve the defined electric energy consumption reduction goal by 2022, including but not limited to demand side management, conservation, energy efficiency, load management, real-time pricing, and consumer education,

(iii) develop a plan for the development and implementation of recommended programs, with incentives and alternative means of compliance to achieve such goals,

(iv) determine the entity or entities that could most efficiently deploy and administer various elements of the plan, and

(v) estimate the cost of attaining the energy consumption reduction goal.

The Commission shall, on or before December 15, 2007, submit its findings and recommendations to the Governor and General Assembly, which shall include recommendations for any additional legislation necessary to implement the plan to meet the energy consumption reduction goal. In developing a plan to meet the goal, the Commission may consider providing for a public benefit fund and shall consider the fair and reasonable allocation by customer class of the incremental costs of meeting the goal that are recovered in accordance with subdivision A 5 b of § 56-585.1 of the Code of Virginia.

Staff will lead workgroup discussions as deemed necessary, with the first meeting to occur on July 19, 2007 at 9:00 a.m. in the Commission's Courtroom 'C'. The first order of business at that meeting will be to allow any public comment from those not wishing to participate with the workgroup but desiring to express their views. Staff will then entertain ideas regarding short-term and long-term strategies for program implementation, advancement of technologies, consumer education efforts, need and amount for incentives, measurement and verification of results, decreasing energy consumption within a rapidly growing demand for energy, and the associated costs and

benefits of such programs. In effect, our task will be directed at determining a usable definition of the term “cost-effective”.

Staff also requests that anyone currently offering any such program to provide a summary detailing the costs, benefits, response level, incentives, measures and verifiable data results, and specific plans to continue and enhance such program. Additionally, Staff seeks input regarding next steps to fully implement the appropriate mix of programs in the Commonwealth and reach legislative targets. This also includes ongoing efforts within PJM and how programs in Virginia will fit into PJM efforts.

Staff will entertain all input to its writing of a report to the Commissioners by November 9, 2007. One does not have to be part of the workgroup to provide written comments as described below. Staff’s report will include all written responses as an appendix to its report. Anyone wishing to have specific ideas or comments included in the main body of Staff’s report is invited to provide a written overview or summary of such ideas in a WORD document that can be inserted directly into Staff’s report. Such written information will be properly identified and attributed to the writer.

We invite and encourage anyone to take this opportunity to submit in writing any comments and ideas to facilitate obtaining the goals of the Clause. Please provide your comments to me by July 13, 2007. Such response may be sent electronically to [david.eichenlaub@scc.virginia.gov](mailto:david.eichenlaub@scc.virginia.gov). Please send a WORD Document to ease the inclusion of such comments into Staff’s Report. To assure the integrity of such comments, you may also send a secure pdf file for Staff to post to our website at <http://www.scc.virginia.gov/division/eaf/comments.htm>. Following such posting, any party may submit additional comments in reaction to those posted, if they so desire, by August 3, 2007.

I thank you in advance for your participation in this effort.

Sincerely,

Dave Eichenlaub