

COMMISSION ON ELECTRIC UTILITY RESTRUCTURING

Tuesday, January 13, 2004

10:00 a.m.

Senate Room B, General Assembly Building

PROPOSED AGENDA

1. **Call to order.**
2. **Opening remarks of Chairman.**
3. **Status of Federal Legislation and Federal Energy Regulatory Commission Activity:**
 - Arlen Bolstad, State Corporation Commission
4. **Proposed Changes to the Electric Utility Restructuring Act:**
 - A. **Office of the Governor and of the Attorney General** - Michael J. Schewel, Secretary of Commerce and Trade and Judith Williams Jagdmann, Deputy Attorney General for the Civil Litigation Division
 - B. **Urchie B. Ellis**
 - C. **Virginia Energy Providers Association** - Ralph L. "Bill" Axselle, Jr., Counsel, and August Wallmeyer, Consultant
 - D. **Old Mill Power Company** - Mitch King, President
 - E. **MDV Solar Energy Industries Association** - Peter Lowenthal, Executive Director
 - F. **Virginia Alliance for Retail Energy Markets** - Thomas B. Nicholson, Counsel (ad hoc group of energy marketers)
 - G. **PJM Interconnection** - Philip F. Abraham, Director and General Counsel of The Vectre Corporation
 - H. **Allegheny Power** - Joseph H. Richardson, President
 - I. **Delmarva Power & Light Company** - Guy Tripp
 - J. **Dominion Virginia Power** - Thomas F. Farrell II, President and Chief Operating Officer, Dominion
 - K. **State Corporation Commission** - Arlen Bolstad, Deputy General Counsel

L. General Assembly Member Proposals -

1. Senator Watkins -

- Proposal 1: **Minimum stay requirements; wires charges.** (Combines last Session's bills SB 891 and SB 892, which were referred to the EURC by the Senate Commerce and Labor Committee.) Authorizes any large industrial or commercial customer who is returning to its incumbent electric utility or default provider after purchasing power from a competitive supplier to elect to accept market-based pricing as an alternative to being bound by the minimum stay period (currently 12 months unless otherwise authorized) prescribed by the SCC. Customers exempted from minimum stay periods will not be entitled to purchase retail electric energy from their incumbent electric utilities thereafter at the capped rates unless such customers agree to satisfy any minimum stay period then applicable. Also authorizes industrial and commercial customers, as well as aggregated customers in all rate classes, to switch to a competitive service provider without paying a wires charge if they agree to pay market-based prices if they ever return to the incumbent electric utility. Customers who make this commitment and obtain power from suppliers without paying wires charges are not entitled to obtain power from their incumbent utility at its capped rates.
- Proposal 2: **Municipal and state aggregation.** Provides that a municipality or other political subdivision may aggregate the electric energy load of residential, commercial, and industrial retail customers within its boundaries on either an opt-in or opt-out basis, eliminates the requirement that customers must opt in to select such aggregation, and eliminates the requirement that such municipality or other political subdivision may not earn a profit from such aggregation.

2. Delegate Kilgore -

Consensus Proposal:

- **Alliance for Lower Electric Rates Today (ALERT)**
- **American Electric Power**
- **Chaparral Steel**
- **Old Dominion Committee for Fair Utility Rates**
- **Old Dominion Electric Cooperative**
- **Retail Merchants Association of Greater Richmond**
- **Virginia Retail Merchants Association**
- **Virginia Agribusiness Council**
- **Virginia Citizens Consumer Council**
- **Virginia Committee for Fair Utility Rates**
- **Virginia Farm Bureau**
- **Virginia, Maryland and Delaware Association of Electric Cooperatives**

Proposal: **The Electric Utility Restructuring Act.** Suspends indefinitely, except for pilot programs, competition among suppliers of electric energy to retail customers in the Commonwealth; facilitates the proceedings of the EURC with regard to monitoring the development of competitive wholesale electric markets and making future judgments as to the viability of retail customer choice in the Commonwealth; returns incumbent electric utilities to the rate making jurisdiction of the SCC on a cost-of-service basis pursuant to Chapter 10 of Title 56; and authorizes, except as otherwise provided, the SCC to continue to regulate the generation, transmission, and distribution of retail electric energy in the Commonwealth. The bill does not disturb requirements related to the transfer of management and control of transmission assets to regional transmission entities, including the SCC's responsibilities concerning such transfers, nor does it inhibit retail competition involving pilot programs.

3. Delegate Morgan -

- Proposal 1: **Stranded costs; overearnings.** Defines stranded costs and just and reasonable net stranded costs. Requires the SCC to calculate on an annual basis the stranded costs of each incumbent electric utility and to prepare an annual report to the Commission on Electric Utility Restructuring regarding stranded cost issues. Authorizes the State Corporation Commission to reduce or eliminate an incumbent utility's wires charges, capped rates, or both, if after notice and hearing, it determines that a utility has overearned its stranded costs.
- Proposal 2: **Electric utility restructuring; protection of state jurisdiction; customer choice suspended.** Suspends customer choice until July 1, 2007, unless the SCC finds that rate unbundling will not result in the Commonwealth ceding its jurisdiction and authority to ensure reliable service at reasonable rates. Directs the SCC to immediately rebundle incumbent electric utilities' rates and take the actions necessary to protect the Commonwealth's jurisdiction to ensure reliable electric service at reasonable rates. This bill does not repeal the Electric Utility Restructuring Act. On and after July 1, 2007, retail customers will face market-based prices for generation services either through purchases from competitive suppliers or through default service prices that reflect the market. This bill has an emergency clause.

4. Delegate Parrish -

- Proposal: **Electric utility restructuring; electrical generating facility certificates.** Extends by two years the expiration date of certain certificates granted by the SCC to construct and operate electrical generating facilities. Only those certificates for which applications were filed with the SCC prior to July 1, 2002, will receive an extension.

M. Other Legislative Proposals.

5. **Consideration of Legislative Proposals.**
6. **Other business.**
7. **Adjournment.**

Members

Senator Thomas K. Norment, Jr., Chairman
Senator Kenneth W. Stolle
Senator John C. Watkins
Senator Richard L. Saslaw
Delegate Harry J. Parrish

Delegate Robert Tata
Delegate Terry G. Kilgore
Delegate Allen W. Dudley
Delegate Kenneth R. Plum
Delegate James M. Scott

Staff

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Thomas C. Gilman, Senate Clerk's Office