

Remarks of August Wallmeyer

On behalf of

Virginia Independent Power Producers, Inc.

and Virginia Energy Providers Association

Before the joint meeting of the

Commission on Electric Utility Restructuring

and the Virginia Coal and Energy Commission

September 19, 2007

---

Good morning, Mr. Chairman. I am August Wallmeyer. I'm executive director of Virginia Independent Power Producers, the trade association of independent electricity generators that since the late 1980s has sold all their output to Dominion Virginia Power under long-term contracts.

And, along with Bill Axelle, I am co-manager of Virginia Energy Providers Association, a trade association of 'merchant' electricity generators, who develop, build and own power stations and sell the output on the open market.

Both organizations applaud your leadership in holding this inquiry into the need for new generating capacity in Virginia. We certainly agree that there is a definite and serious need for new sources of generating capacity in Virginia in the near term future. And we believe the combined efforts of all of us in the generation industry—utilities, cooperatives and independents—are needed to achieve the best results for Virginia consumers.

Because independent generators don't sell at retail in Virginia, many people are unaware of our role.

Today, across the nation, independent generators are playing a major role in supplying needed capacity. Competitive generators now account for nearly 40 percent of the nation's generation fleet.

Here in Virginia,

- In the late 80s and early 90s, independents invested more than \$3.5 billion in new generators in Virginia—the largest industrial expansion in Virginia history at that time.

- Independents built more than 3,000,000 kilowatts of generating capacity in Virginia, a significant share Dominion's total generating capacity. Independents build utility-grade power plants, using the same engineering and construction firms and the same major equipment suppliers as the utilities.
- Almost all of this generation development came about as a result of Dominion's use of competitive bidding to secure new generating capacity. Dominion at that time was the recognized national leader in the use of competitive bidding for new generation—the practice of going to the marketplace of competing suppliers to obtain the best price and terms for the benefit of electricity consumers.
- Wisely, the General Assembly earlier this year provided for the continued use of competitive bidding for new generation for utilities with biennial rate review.

Competitive generators provide significant advantages for ratepayers:

- When participating in competitive bids, independent generators bear all the risks of project cost overruns. Unexpected, higher project costs are not passed on to consumers.
- More fundamentally, use of competitive bidding insures that consumers get the best deal by shopping among multiple, competing suppliers. With oversight from state regulators, use of competitive bidding in Virginia will ensure that the billions of dollars needed to be spent here on new generators and fuel over the next several decades will be spent wisely on behalf of the ultimate consumers.

We look forward to continuing our involvement in Virginia's energy supply portfolio.

Thank you for the opportunity to speak today.

##

vippvepa091807a

**Electrical Generation by Type of Producer  
(Thousands of Megawatthours)**

