**Remarks of August Wallmeyer**
**Committee on Electric Utility Restructuring**
**December 20, 2004**

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On September 8, 2004 I was named to facilitate meetings of persons interested in increased use of renewable energy in Virginia. The group was invited to make no more than two legislative proposals to the Committee on Electric Utility Restructuring.

The group of persons interested in renewable energy in Virginia has met four times, on September 22, October 7, October 19 and November 17, 2004.

The persons and groups who have participated include:

- Appalachian Power Company
- Blue Ridge Environmental Defense League
- City of Alexandria, VA
- Covanta Energy
- Dominion Virginia Power
- Environmental Resources Trust
- Highland County New Wind
- MD, DC, VA Solar Energy Industries Association
- Old Mill Hydro
- Peoples Alliance for Clean Energy
- Pepco Energy Services
- Sierra Club, Virginia Chapter
- Southeastern Public Service Authority
- Virginia Department of Mines, Mineral and Energy
- Virginia Electric Cooperatives
- Washington Gas Energy Services

At the November 23, 2004 meeting of the CEUR, I reported that there was general agreement during our last group meeting that we would recommend an independent, unbiased study of the purported benefits and costs of renewable energy in Virginia. I used the word "purported" because renewable advocates claim a variety of health, economic, employment and other benefits arising from increased use of renewable energy sources. For example, some renewable advocates claim significant air quality and health benefits from using solar devices or hydropower, as opposed to burning fossil fuels to generate electricity. Others claim that using renewables would have other societal benefits, such as increased employment, especially in economically distressed areas of Southwest and Southside Virginia. Taken together, these claims are often referred to as "externalities" related to use of renewable energy sources.

In addition, there is also general agreement that electric energy produced from renewable sources is more expensive than from so-called "traditional" generating sources.

The basic purpose of our recommended study, as I reported in November, was to measure these externalities in comparison to the generally higher production costs of renewable energy. We proposed a serious cost/benefit study to determine if, on balance, the purported benefits outweigh the increased costs of renewables. Such an investigation could attempt to monetize the purported benefits and to compare the value of the benefits to the financial costs. If monetizing the benefits demonstrates that the benefits outweigh the costs, the study should then recommend ways to realize the benefits.

Since our last meeting and my report to the CEUR, two participants have notified me that they now do not favor a study which would consider any "environmental externalities." Dominion Virginia Power and the Virginia, Maryland and Delaware Association of Electric Cooperatives both say they favor a study of the use of renewables in Virginia, but that "no indirect costs or benefits—of the type known as 'environmental externalities' should be considered." In addition, Appalachian Power Company has contacted me to express similar reservations.

Frankly, I am unsure what a study that excludes environmental externalities would reveal that would be useful to this effort. Nevertheless, I report these participants' current positions to you.

The draft scope of the renewables study which is before you this morning does not exclude consideration of externalities, as that was the general consensus of the work group at its last meeting.

I have alerted all study participants that this issue might be considered here today, and encouraged them to make their views known to you.

Finally, for your information, I direct your attention to a recent news release announcing Pennsylvania's recent enactment of a law mandating a two-tiered renewable mandate. The Pennsylvania statute that requires, in 15 years, that 18 percent of all the energy generated in Pennsylvania come from clean, efficient sources. Tier I requires eight percent of electricity sold at retail to come from 'traditional' renewable energy sources such as solar photovoltaic, wind, low-impact hydropower, geothermal, methane, fuel cells, biomass or coal-mine methane energy sources. Tier II requires ten percent of Pennsylvania's electricity to be generated from waste coal, distributed generation systems, demand side management, large-scale hydropower, municipal solid waste, generation from pulping and wood manufacturing byproducts, and integrated combined coal gasification.

I have enjoyed working with the other participants in this effort, and now look forward to the CEUR's response to our suggestions for study.

August Wallmeyer