

## Retail Merchants Association Supports

### COALITION FOR FAIR ELECTRICITY RATES Principles for a New Electric Regulation Structure

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The Coalition for Fair Electricity Rates is a statewide lobbying coalition of industrial, commercial, and retail businesses, which is an active participant in discussions over a return to regulation for Virginia's electric utilities.

The businesses represented by this organization are important contributors to Virginia's economy and quality of life by providing **tens of millions of dollars in annual tax revenue** and **tens of thousands of jobs** to the Commonwealth and its citizens.

Several legislative proposals are under consideration for the 2007 General Assembly session. We urge careful deliberation and caution as these proposals are considered so that unintended consequences may be avoided. There are many complex issues and there is no need to take legislative action during this General Assembly session. Current capped rates do not expire until the end of 2010 and a Capped Rates Subcommittee is scheduled to recommend alternatives for consideration during the 2008 General Assembly. **Therefore, the Coalition for Fair Electricity Rates and supporting organizations will only ask the General Assembly to support legislation if the following broad principles are achieved.**

We believe any new legislation should at a minimum:

- **Allow the opportunity for electricity rates not only to increase, but to be reduced as well.** The State Corporation Commission (SCC) can be directed to consider guidelines for re-setting rates that are fair and reasonable and will ensure that electric utilities have the opportunity to earn profit levels sufficient to attract capital and commensurate with their peer utilities. A guaranteed minimum profit level set in the Virginia Code, which prohibits or overly restricts appropriate adjustments in rates, would be unfair to customers.
- **Encourage more performance based regulation models for determining rates and ensuring that any premium profit levels available to the utility are earned by meeting customer needs.** Safety, reliability and an adequate supply at reasonable prices should be encouraged. Investments or business process changes that achieve those goals should be rewarded. If there is to be any premium level of profit on building a power plant, it should be earned by incentives linked to efficiencies, such as "on time on budget" in the construction process.
- **Ensure authority to review utility costs for reasonableness and prudence.** A comprehensive review of a utility's costs should be permitted. The ability to increase rates pursuant to automatic formulas, riders or surcharges considered in isolation from the overall costs of the utility should not be allowed.

- **Ensure that Virginia customers pay only for generation units, and other capital investments and costs that will serve Virginia customers.** While we recognize and support the need for new generation to meet Virginia's growing energy needs, it is important that Virginia customers are not burdened with the costs for generation that will be sold outside of Virginia.
- **Retain flexibility that allows businesses, under certain circumstances, to purchase electricity from other providers, which may be desirable in the future.** It is important that commercial and retail businesses in Virginia have an opportunity to aggregate their electricity demand and to purchase electricity from an alternative supplier. This option can result in an incentive to the utility to be efficient and provide low cost electricity. A cap on the amount of electricity that can be aggregated and reasonable rules are appropriate.

These principles are extremely important to a significant segment of the business community in Virginia. **If any proposed legislation falls short of these principles, we strongly urge that the General Assembly wait until the 2008 Session to act, allowing the Electric Utility Restructuring Commission's Capped Rates Subcommittee to complete its review and recommendations on this important, far-reaching policy initiative.**

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