

PROPOSED 2007 ELECTRICITY RATE LEGISLATION

The Virginia Committee for Fair Utility Rates, the Old Dominion Committee for Fair Utility Rates, and the Coalition for Fair Electricity Rates (collectively, the "Coalition") represent more than **20 major manufacturing companies** and **more than 2,000 commercial and retail businesses** located in Virginia that depend on reliable, low cost electricity for the success of their businesses.

Member businesses of these organizations are important contributors to Virginia's economy and quality of life by **providing hundreds of millions of dollars in annual tax revenue and hundreds of thousands of jobs to the Commonwealth and its citizens.**

There is clear consensus, based on the various restructuring bills and proposals presented to the General Assembly's Commission on Electric Utility Restructuring, that **continuing on the current electric restructuring path will harm all electricity consumers** in the Commonwealth. However, **there is no clear consensus on what the alternative form of regulation should be.**

The **member businesses of the Coalition need fair and reasonable electricity rates** to remain competitive with peer companies located in other states **in order to grow and to expand the economy of Virginia.**

The Coalition wants fair and reasonable regulatory oversight and decision-making that incorporates the interests of all stakeholders into any new regulatory legislation. Achieving such legislation will require a fair and open process that obtains, considers, and balances input from all stakeholders, including customers, and such a process may require more than 45 days to accomplish. Passage of legislation in this session could result in unintended outcomes that harm the competitiveness of Virginia businesses. Most stakeholders, including customers, were prepared to work during 2007 with the Subcommittee on Capped Rates of the General Assembly's Commission on Electric Utility Restructuring to build consensus on major changes to the restructuring law that would be introduced for consideration during the 2008 General Assembly session. None-the-less, the Coalition will work during the session in good faith with all stakeholders to try to fashion legislation that provides fair and reasonable results for Virginia.

PRINCIPLES FOR ELECTRIC INDUSTRY REGULATION

Electricity should be reliable and available to all customers at fair and reasonable prices.

Electric power is critical to the operations of manufacturers and commercial organizations throughout Virginia. Without reliable and fairly priced electricity, manufacturers will not be able to operate competitively and commercial and retail organizations will not be able to keep prices low.

Electric utilities and other energy providers should receive just compensation for the services they provide. Rates and charges should be sufficient to yield revenues that will cover all legitimate operating expenses and a reasonable return on investment.

A regulated rate structure should encourage a utility to meet demand for service at a minimum cost of production. Utilities should be provided reasonable incentives to provide efficient reliable service at fair and reasonable rates. Inefficient utilities should not be permitted to pass on excessive costs to customers.

A regulatory model that covers efficient operating costs and provides a fair and reasonable return on investment should serve consumers and producers well. Consumers should be provided reasonable incentives to effectively manage the use of electricity.