Comments to the State Corporation Commission
Richmond, Virginia
July 19, 2007

Mr Chairman, members of the Commission,

I am speaking for the Virginia Chapter of the Sierra Club and its 17,000 members throughout Virginia. We consider energy conservation to be a primary way to address our highest priority environmental issue, global warming.

Virginia has a lot of catching up to do, as it is a state near the lower end of the spectrum for spending on conservation according to a recent report. We think it is evident that a goal higher than 10% can be obtained and that no policy should be established that limits us to a 10% goal. Many states have very active and successful programs. For example, the Northwest Power and Conservation Council just completed an assessment of their program started in 1983 and they have met 100 percent of the goals established at that time. I recently read that the Public utilities Commission of Ohio approved spending $15 million per year on gas and electricity efficiency programs.

There are many policy tools that should be considered in developing a program, but one that we would especially like to see is a Systems Benefit Fund (SBF, *aka* Public Benefits Fund). This would impose a small (1-3 %) surcharge on gas and electric bills to be placed into a dedicated fund. The fund would then be managed to provide support for a broad range of demand-side management (DSM) activities. This could include weatherization of low-income homes, school improvements, low-interest loans for new industrial processes and so on.

While some DSM programs managed by utilities have been successful in shaving peak loads and saving energy (e.g., FPL saved 10% of peak load), many have been less successful in saving energy. Such a program would have to be accompanied by special rate structures and substantial efficiency goals. Given utility attitudes and Virginia's regulatory framework, the Sierra Club does not does think a utility-managed program should be advanced.

A preferable alternative to utility management, especially in situations where there is no real interest by utilities or insufficient economic incentives, is a substantial state-managed program with dedicated funding such as a system benefits fund. The fund could support a variety of activities such as:

1) Efficiency standards for homes, starting with new homes, but eventually older homes could be implemented. While Virginia does have standards, we believe they are inadequately enforced.

2) Older home efficiency could be addressed by an energy audit campaign to identify the most cost-effective methods for each home and supported by financial and technical assistance in making improvements.

3) In spite of past activity in improving appliance standards, we believe more can be done in that arena by the State.

4) Commercial sector activity might be served best by analyzing tax code barriers for elements like depreciation periods for relevant improvement investments. A similar strategy may apply to industrial process opportunities.

5) Some states also use such funds to support renewable energy projects. We would recommend that for Virginia also, given sufficient funding and appropriate funding criteria, especially emphasizing small distributed renewable projects and solar photovoltaic energy.

While they will have only slight conservation advantages per-se, we believe load-leveling strategies such as interruptible service and time-of-day pricing would be advantageous in reducing the need for new generating capacity and transmission service.

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