

COMMONWEALTH OF VIRGINIA

Howard M. Spinner
Director
Lawrence T. Oliver
Assistant Director, Finance
David R. Eichenlaub
Assistant Director, Economics

1300 E. Main St.
P.O. Box 1197
Richmond, VA 23218
Telephone: (804) 371-9050
Fax: (804) 371-9935
david.eichenlaub@scc.virginia.gov



STATE CORPORATION COMMISSION
DIVISION OF ECONOMICS AND FINANCE

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Dear Participant:

We appreciate your feedback and response to volunteer to support and assist the subgroups as outlined in my July 30th letter. Again, the topic list is not an exhaustive list, but will provide a good basis to begin. I have assembled the groups as attached and indicated the team leader/coordinator for each group. We had enough volunteers to actually have 2 co-leaders for each group and a good cross-section of expertise across the board. I ask the team leaders to work together and contact your respective subgroup to begin discussion and exchange of information to prepare an overview and outline to address the issues within the subgroup's subject matter for presentation at the next WorkGroup meeting on August 23rd. Also, please copy me on all subgroup correspondence to help me stay informed of the various efforts.

As stated also in the July 30th letter, the next meeting will be on August 23, 2007, at Dominion Virginia Power's Innsbrook Technical Center in the Short Pump area west of Richmond (http://www.dom.com/contact/dir_etc.jsp). We will take advantage of the facilities to afford the subgroups to meet face-to-face. Subgroups may meet at 8:30 a.m. until 10:30 or so before convening the entire WorkGroup at 11:00 a.m. Time will then be allotted for an overview presentation by PJM regarding their current demand response program and for each subgroup to present their plan of action going forward. Several parties have inquired about a third meeting, and we are exploring options of time and location. Suggestions or volunteers to host future meeting locations are welcomed.

It is hoped that each subgroup will identify any needed clarification of legislation or further legislative changes to include in Staff's report for consideration during the next session of the General Assembly. Additionally, it would be helpful for each subgroup to develop a priority list of actions or programs categorized by those that may occur immediately, in the short-term, mid-term, and long-term as well as those having zero or minimal costs to those reflecting higher costs to implement. Identification of needed

infrastructure requiring some lead time to implement future programs is also suggested. We request all written work products resulting from the subgroups' efforts be presented to Staff as soon as possible, but no later than October 1, 2007.

Several participants have inquired as to a list of those volunteering for the WorkGroup. Because there are several individual participants not representing any company or organization, we are concerned about privacy issues surrounding the posting of a list of participants to our website. Unless someone objects, however, we will produce a file containing a list of participants and their association, phone number and email address to electronically distribute to the WorkGroup.

I thank you in advance for your participation in this effort and assisting Staff in its endeavor to submit a report to the Commission.

Sincerely,
Dave Eichenlaub

WorkGroup Focus Topics

Subgroup #1 - General

- Goal: reasonable? exceed? (define target, components, measures)
- Implementation/Administration (who administers, accountability)
- Cost Effectiveness Criteria (consider industry structure, market conditions, PJM)
- Measurement and Verification (standards, what, how, existing programs, account for growth effects, enforcement)
- affected customers (jurisdictional, non-jurisdictional, municipalities, government)
- Level playing field for alternatives (Demand options equivalent to Supply options)
- Interaction between PJM and VA programs (how to design to complement rather than conflict)

Subgroup # 2 – Consumption reduction

- Conservation Programs (existing, short-, mid-, long-term strategy)
- Efficiency Programs (existing, short-, mid-, long-term strategy)
- Metering (more advanced needed?)
- Codes (building, appliance, equipment, Energy Star, enforcement)
- Cost elements, costs, cost ranking
- Penetration rates, experience

Subgroup # 3 – Demand/peak reduction

- Programs (existing, short-, mid-, long-term strategy)
- Metering (extent of AMI)
- Demand Response
- Rate design/Pricing for Consumers (RTP, CPP, TOU)
- Distributed generation
- Communications/signals
- Cost elements, costs, cost ranking
- Penetration rates, experience

Subgroup # 4 – Financial considerations

- Regulatory/market incentives for utilities
- Utility revenue decoupling
- Regulatory/market incentives for market providers
- Customer incentives / rebates
- Public benefit funds (how much, how accumulated, how allocated?)
- Carve-outs for existing participants?

Subgroup # 5 - Information

- Consumer education
- Marketing
- who provides, how provided, target audiences, cost, funding?