



1108 E. Main St., S-700
P.O. Box 412
Richmond, VA 23218-0412

Telephone 804.643.7489
Fax 804.780.3853
www.vamanufacturers.com
thefuture@vamanufacturers.com

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Mr. David R. Eichenlaub
Assistant Director, Economics
State Corporation Commission
Commonwealth of Virginia
POB 1197
Richmond, Virginia, 23218

Dear David:

Thank you for the opportunity to participate in the **SCC Electric Conservation Workgroup (Workgroup)**. The Virginia Manufacturers Association will gladly participate in this Workgroup. **It is our position that consumers and government should promote cost-effective conservation of energy and fuel supplies.** We would also like to offer brief comments prior to the workgroup proceedings in anticipation of refining our final comments in time for the staff's report deadline of November 9, 2007.

Manufacturing is a critical sector of Virginia's economy and a leader in the global market. It remains the third largest sector in terms of private employment; it comprises nearly 6,000 facilities statewide; it exports \$10.3 billion in goods annually (84% of the state's entire exports); and, it produces \$32.6 billion of the Commonwealth's Gross State Product. Moreover, these statewide statistics do not adequately convey the extent to which manufacturing continues to serve as the backbone of several of the state's regional economies. In fact, the Virginia Economic Development Partnership recently reported that the combined direct (i.e., expenditures by manufacturers on wages and other inputs) and indirect (i.e., the ripple effects that the direct expenditures have as they spread out across the state's economy) impact of Virginia's manufacturing sector is \$172 billion annually in economic output, \$6.3 billion in state and local tax revenue, and 1,0156,971 jobs. **Simply put, 27% of the total number of jobs and 49% of the Gross State Product in Virginia are tied to, and dependent on, the manufacturing sector. Manufacturing consumes an estimated 46 trillion BTUs annually to create this economic foundation and has consistently improved its efficiency over the last decade.**

This economic footprint is squarely in the global market. Manufacturers must be competitive and their suppliers must be able to provide cost-effective and competitive products and services as well. **Failure to consider the cost-effectiveness of any energy mandate within the constraints of global competition may result in a negative "ripple effect" as prices for goods and services become artificially inflated.**

Therefore, the VMA suggests that the Workgroup consider the following issues:

1. Should there be an accurate measurement of the 2006 electricity consumption baseline? Is the actual goal to reduce electricity retail sales by 10%?
2. Energy efficiency goals should include a means for factoring the energy "intensity" of a retail consumer and/or industry.
3. Energy efficiency goals should be "normalized" for growth in order to protect the economy and jobs.
4. Should there be an evaluation of the PJM demand-management and conservation programs in evaluating Virginia's energy efficiency goal?

Again, thank you for the opportunity to participate in the Workgroup and offer initial public comments. **The VMA looks forward to evaluating the efficacy of the ten percent electric energy consumption reduction goal and contributing to the staff's report.**

Sincerely,

Brett A. Vassey
President & CEO