

**BEFORE THE COMMONWEALTH OF
VIRGINIA STATE CORPORATION COMMISSION**

**Ex Parte: In the matter of determining a
recommended mix of programs, including
demand side management (DSM),
conservation, energy efficiency load
management, real-time pricing, and
consumer education, to be implemented
in the Commonwealth to cost-effectively
achieve the energy policy goals set in
§ 67-102 of the Code of Virginia to reduce
electric energy consumption**

CASE NO. PUE-2007-00049

**COMMENTS OF
WASHINGTON GAS ENERGY SERVICES, INC.**

In accordance with the Commission’s Order of June 8, 2007 in the captioned case, Washington Gas Energy Services, Inc. (WGES) hereby files comments regarding the achievement of energy efficiency and energy conservation goals in the Commonwealth of Virginia pursuant to the recently enacted Third Enactment Clause of SB 1416/HB 3068 (“Clause”).

WGES is a licensed retail energy supplier of both natural gas and electricity supply services in the Commonwealth with headquarters in Herndon, Virginia. WGES is a reliable and committed competitive retail energy supplier that has operated in the Mid-Atlantic Region since 1996, and provides electricity, natural gas, and clean power supply services to nearly 210,000 consumers, commercial and residential, in the region. WGES, a leading supplier of competitive energy in Delaware, the District of Columbia, and Maryland, has served retail natural gas customers in Virginia since that competitive market opened. We served electricity choice customers in Virginia pilot programs and WGES served the first post-pilot electricity customer under the Virginia Electric Utility Restructuring Act. WGES is celebrating its eleventh year in business this summer and has proudly served nearly 47,000 Virginians in reaching this milestone. WGES is also licensed in Pennsylvania.

PUBLIC POLICY GOALS UNDER THE CLAUSE

Consistent with §67-102 of the Code of Virginia, the Clause establishes a public policy in the Commonwealth of programs that “promote cost-effective conservation of energy through fair and effective demand side management, conservation, energy efficiency, and load management programs, including consumer education.” The programs “may include activities by electric utilities, public or private organizations, or both electric utilities and public or private organizations.” The stated public policy goal is to reduce “the consumption of electric energy by retail customers through the implementation of such programs by the year 2022 by an amount equal to ten percent of the amount of electric energy consumed by retail customers in 2006”.

OBJECTIVES OF THIS PROCEEDING

The General Assembly directed the Commission to institute this proceeding to investigate the feasibility of the following policy goals and objectives:

“(i) determine whether the ten percent electric energy consumption reduction goal can be achieved cost-effectively through the operation of such programs, and if not, determine the appropriate goal for the year 2022 relative to the base year,

(ii) identify the mix of programs that should be implemented in the Commonwealth to cost-effectively achieve the defined electric energy consumption reduction goal by 2002, including but not limited to demand side management, conservation, energy efficiency, load management, real-time pricing, and consumer education,

(iii) develop a plan for the development and implementation of recommended programs, with incentives and alternative means of compliance to achieve such goals,

(iv) determine the entity or entities that could most efficiently deploy and administer various elements of the plan, and

(v) estimate the cost of attaining the energy consumption reduction goal.”

As a “private organization” under the Clause, WGES submits these comments based on its market experience in the jurisdictions in which has operated since 1996.

COMMENTS

WGES believes that the goal of reducing electric energy consumption by 10% by 2022 can be achieved if the Commission adopts policies and rules that enable competitive suppliers to develop and deploy demand response, energy conservation, energy efficiency, and real-time pricing services to electricity consumers and businesses so they can manage and reduce their energy consumption. The proper mix of programs and eventual plan should include competitively provided programs to achieve the overarching 10 % goal.

With a well-functioning, competitive wholesale electricity supply market administered by PJM serving the Commonwealth and adjoining states in the Mid-Atlantic Region, consumers and businesses in the Commonwealth will further benefit from access to competitive energy efficiency, energy conservation and demand response programs and services that will enable them to manage and reduce their electricity usage and peak demands, to save money and to contribute to the resolution of pressing environmental issues.

The development of a robust demand response, energy efficiency, and energy conservation services market will require the efforts of all market participants, not only government managed or utility sponsored programs. In this regard, the design of government and utility programs should be "competitively neutral", while utility programs should be available to all energy users, including those customers of competitive suppliers. The programs should not inhibit cost-effective competitive solutions. As a competitive supplier of energy, WGES is investigating ways in which it can assist its customers with these initiatives.

WGES recently added a Manager of Renewable and Conservation Programs to its management team to supplement its ongoing efforts to provide energy at attractive prices, to help customers stabilize their energy costs, and to add to its strong record of providing renewable energy supplies. As a leading supporter of renewable energy, WGES' standard electric offers to small commercial customers has a 3.5% wind energy component and to residential customers a 5% wind energy from regional wind-power facilities. Recently, WGES has enhanced its supply portfolio so customers can now choose to buy up to 100% of wind energy.

Demand response, conservation, and energy efficiency initiatives supplement and further environmental goals because customers can then choose “green” (environmentally friendly) products and services which ultimately influence the allocation of available natural resources. These products and services allow customers to reduce the amount of energy they consume from traditional generation sources, and consequently result in the reduction of environmental impacts including local air pollution. The development and implementation of such programs and initiatives would be in the best interest of Virginia and its energy market.

With the increase in the cost of electric power generation in both regulated and deregulated states, primarily due to rising fuel prices, consumers are receiving price signals that will encourage the development and deployment of energy conservation, energy efficiency and demand response services. While competitive generation supply markets administered by PJM have improved power plant operating efficiency, availability and other performance factors, all to the benefit of electricity end-users, there is an increased need for energy conservation, energy efficiency and demand response options and services if consumers and businesses are to be able to save money. This is made more crucial by the fact that retail competition is no longer available to provide customers with another channel to the competitive wholesale generation market, but will continue to pay regulated generation supply prices.

To facilitate the development and delivery of the competitive energy efficiency, energy conservation and demand response services to consumers and businesses, state level rules should be enabling to the deployment of advanced metering infrastructure (AMI) by both utilities and third party competitive providers. This would ensure competitively neutral utility programs and provide a platform for enhanced energy efficiency and conservation services.

WGES supports this working group process and the opportunity to actively participate with all stakeholders in the regulatory process regarding the development and implementation of energy efficiency and conservation programs in Virginia. WGES reserves the right to

comment further and to propose specific language in its reply comments after reviewing the comments of other stakeholders in this proceeding.

Respectfully Submitted,

A handwritten signature in black ink, reading "Kimberly J. August". The signature is written in a cursive style with a long horizontal flourish extending to the right.

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