

VEPGA Fact Sheet (2016 Update)

Why it's important to set the record straight on misleading claims that Virginia is the second largest importer of electricity

(1) Virginia's electric utilities have claimed that Virginia is the second largest importer (on the order of 35%) of electricity in the US. Is this a true statement and a cause for concern? From a literal sense, the statement may have been true. However, from a practical standpoint it is misleading because that level of imports does not engender a cause for concern, for the reasons explained below. For a fuller explanation, see SCC Staff testimony on August 15, 2011 in PUE-2011-00027 and Status Report to CEUR and Governor by Va. SCC, pp. 7-11, on September 1, 2013.

(2) What happens when you consider all generating units dedicated to serving Virginia load? You find out that the so-called "imports" are largely coming from plants owned by utilities regulated by the SCC but located in West Virginia (one within a few miles of the Virginia state line). Such plants are paid for by Virginia rate payers and are dedicated to serve Virginia load. When taking this into consideration, **that 35% figure for imports becomes 13%.**

VIRGINIA ELECTRICITY IMPORTS



(3) Why shouldn't we be concerned about this 13% of Virginia retail electricity use being sourced from outside Virginia utility control areas? There are 3 basic reasons. First, much of that is based on the decision by Dominion Virginia Power (Dominion) that it's cheaper to obtain 10% to 12% of its energy needs from market purchases rather than run its more expensive generation: this is rational behavior that Dominion claims benefits ratepayers. Second, Dominion has brought online four new generating units in Wise, Buckingham, Warren, and Brunswick counties, all of which will reduce the market purchases. It has also started constructing a new generating unit in Greensville County. In fact, Dominion expects to have reserve margins above its expected capacity needs in 2016 of 16%. Third, the market purchases are made in our regional electric market, within the PJM footprint, so they are intra-system transfers that are enabled by funds from Virginia ratepayers to upgrade PJM's infrastructure in Virginia and other states. Virginia law declares that this money is well spent, so it makes little sense to decry these kinds of purchases when Virginia ratepayers are financing the very transmission upgrades that make them feasible.

(4) Does it hurt consumers to make misleading claims about importing power? It does hurt consumers because this claim is used to justify spending billions of dollars of ratepayers' money on building new generation plants within Virginia. This is troubling for several reasons. First, the sheer amount of such investment could be as much as **\$7 billion** from 2011 to 2016 for Dominion, with an **additional \$19 billion** or more in upcoming years if a new nuclear unit is added. Second, any new generation plants in Virginia should be based on the true need for such plants, not on misleading claims that Virginia is importing too much energy and thus utilities need special incentives to build new plants. Otherwise, such new generation will unnecessarily drive up electricity rates for residential and non-residential customers and thereby hurt jobs and economic development.