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BEFORE
THE PUBLIC UTILTIES COMMISSION OF OHIO

In the Matter of the Ten-Year Alternative Energy Compliance Plan of Dominion Retail, Inc.	: : :	Case No. 10-2987-EL-ACP

TEN-YEAR ALTERNATIVE ENERGY COMPLIANCE PLAN OF DOMINION RETAIL, INC.

I. INTRODUCTION

Dominion Retail, Inc. ("Dominion Retail") is a Commission-certified provider of competitive retail electric service ("CRES") to consumers in this state. As an electric services company as defined in Section 4928.01(A)(9), Revised Code, Dominion Retail is subject to Rule 4901:1-40-03(C), Ohio Administrative Code ("OAC"), which requires jurisdictional electric utilities and electric services companies to submit, annually, a plan for compliance with future annual advanced and renewable energy benchmarks set forth in Section 4928.64(B), Revised Code, including solar, utilizing at least a ten-year planning horizon. Dominion Retail hereby submits its 2010 ten-year alternative energy compliance plan.

Dominion Retail recognizes that Rule 4901:1-40-03(C), OAC, requires the annual ten-year plans to be filed by April 15. As noted *infra,* Dominion Retail provides retail electric service in several other jurisdictions that have alternative energy portfolio requirements. Dominion Retail's failure to submit this plan in a timely manner was due to an internal miscommunication regarding the applicable due date for the Ohio plan. Upon discovery of this administrative error, Dominion Retail acted to prepare and file its plan. Dominion Retail apologizes for any inconvenience that the delay in filing this report has caused, and respectfully requests that it be granted leave to file this report out of time.

II. BASELINE FOR CURRENT AND FUTURE CALENDAR YEARS

Rule 4901:1-40-03(C), OAC, specifies the items that must be included in the ten-year alternative energy compliance plan. Rule 4901:1-40-03(C)(1), OAC, requires that the plan include the baseline for current and future years. As used in this rule, the term "baseline" refers to the level of annual sales utilized to determine compliance with the applicable yearly advanced and renewable energy benchmarks set forth in Section 4928.64(B), Revised Code. Rule 4901:1-40-03(B)(2), OAC, provides that, subject to certain exceptions not relevant here, the baseline for an electric services company shall be the average for the preceding three years of the total annual kilowatt-hours of electricity sold by the company to retail electric consumers in the state, based upon the kilowatt-hour sales in the company's most recent quarterly market-monitoring reports or reporting forms. Thus, Dominion Retail's 2010 baseline is the average of its total Ohio retail sales for the years 2007, 2008, and 2009. As previously reported to the Commission, Dominion Retail's total annual sales to retail consumers in Ohio for these years were 145,109,000 kWh, 117,558,00 kWh, and 372,587,000 kWh, respectively, which, when averaged, produces an indicated 2010 baseline of 211,751,334 kWh, or 211,752 MWh.[1]

Although the 2010 baseline can readily be calculated, the baseline for future calendar years can only be estimated. Based on 2010 year-to-date sales, Dominion Retail projects its total 2010 Ohio sales to be approximately 815,000,000 kWh. Combining this figure with the 2008 and 2009 reported sales produces an average for the three-year period for establishing the 2011

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[1] Rule 4901:1-40-08(A), OAC, provides that, for purposes of determining the amount of any required compliance payment, the amount of under-compliance shall be rounded to the next MWh. According, Dominion Retail has used this rounding convention here.

baseline of 435,048,334 kWh, for an indicated 2011 baseline of 435,049 MWh. Although this projected 2011 baseline should be relatively close to the baseline that will ultimately be used for measuring 2011 benchmark compliance, it is not possible for Dominion Retail to provide a meaningful estimate of the baselines for the remaining out years of the ten-year planning horizon contemplated by the rule. Several factors contribute to Dominion Retail's inability to do so.

First, like other CRES providers, Dominion Retail serves all its customers pursuant to contracts. However, Dominion Retail's focus is the residential market, and the vast majority of its contracts have one-year terms. Further, Dominion Retail typically does not impose an early termination fee on its residential customers with fixed price contracts, which means that customers can switch to another supplier at any time without penalty. Accordingly, Dominion Retail does not – and, indeed, cannot – use a ten-year horizon for planning purposes. Rather, Dominion's Retail's supply arrangements are necessarily designed to meet the residential customer load currently secured by contract. In addition, Dominion Retail makes multiple offers over the course of a given year, which means that, although its contracts have one-year terms, except by happenstance, the terms do not coincide with the calendar year. Thus, forecasting annual sales in advance based on the residential load under contract at any point in time will not necessarily produce a reliable estimate of calendar year sales.

Second, as a CRES provider, Dominion Retail's ability to retain and/or increase its customer base is, in no small measure, dependent on market conditions. Although Dominion Retail has experienced substantial load growth in Ohio over the past two years due to its ability to offer favorable pricing, history shows that there is no assurance that this trend will continue into the future. At one point, Dominion Retail served residential customers within the service areas of four Ohio EDUs, but now provides service only in the Duke Energy Ohio ("Duke") service territory. Indeed, Dominion Retail saw its Ohio sales decline each year over the 2006-2008 period. Thus, attempting to predict sales during the out years of the ten-year horizon specified in the rule would involve pure speculation.

Finally, Dominion Retail's ability to retain existing customers and attract new customers is also a function of the regulatory environment in which it operates. Although the policy of this state is to promote retail electric competition (*see* Section 4928.02, Revised Code), there is no way to predict in advance where this Commission will come out on issues that bear on the competitive environment and no way to anticipate what issues of this type may arise in the future. However, decisions adverse to competition could, in fact, force Dominion Retail out of the Ohio retail electric market entirely. Under these circumstances, an attempt to estimate Dominion Retail's baseline in future years would not provide the Commission with meaningful information.

The foregoing should not be interpreted as a criticism of this requirement of the rule. However, at least in Dominion Retail's case, attempting to forecast sales ten years out would necessitate countless assumptions, most of which would undoubtedly ultimately prove to be incorrect. Because Dominion Retail does not plan in this fashion, it does not believe that an estimate developed in this manner would serve any useful purpose.

III. SUPPLY PORTFOLIO PROJECTION

Rule 4901:1-40-03(C)(2), OAC, requires that the alternative energy compliance plan include a supply portfolio projection, including both generation fleet and power purchases. Dominion Retail does not serve its Ohio load through owned generation. Moreover, although Dominion Retail utilizes financial swaps to hedge a percentage of its expected load, Dominion does not buy physical power forward. The physical power supplied to serve Dominion's Retail customers is obtained by submitting demand bids based on expected loads through the MISO Market Rules process, with the reliability aspect covered by purchasing the capacity from network resources necessary to satisfy the MISO capacity requirements with respect to the actual load. Dominion Retail will continue to utilize this process in the future as long as Duke remains in MISO. Once Duke switches to PJM, Dominion Retail will comply with the PJM Market Rules.

IV. EVALUATION OF COMPLIANCE OPTIONS

Rule 4901:1-40-03(C)(3), OAC, requires that the alternative energy compliance plan include a description of the methodology used by the company to evaluate its compliance options. In view of the method Dominion Retail utilizes to secure power supply for its Ohio customers, Dominion Retail intends to meet its Section 4928.64(B), Revised Code, alternative energy benchmark obligations through the purchase of renewable energy credits ("RECs") as contemplated by Section 4928.65, Revised Code, and Rule 4901:1-40-04(D), OAC. The REC market in other states in which Dominion Retail operates is liquid, and Dominion Retail has not experienced any problems in meeting the alternative energy supply portfolio requirements applicable in other jurisdictions through the purchase of RECs. Dominion Retail recognizes that the Ohio benchmarks require that at least half the of the renewable energy resources and solar energy resources requirements be generated by facilities located in Ohio, and that, currently, the availability of Ohio-sourced RECs, particularly Ohio-sourced solar RECs, is very limited. Thus, in the near term, it may be necessary for Dominion Retail to petition the Commission for relief from the Ohio-sourced solar and non-solar benchmarks on force majeure grounds. However, Dominion Retail anticipates that the availability of Ohio-sourced RECs will increase in the future and that, ultimately, it will be able to meet this component of the requirement through the purchase of Ohio-sourced RECs.

V. IMPEDIMENTS TO BENCHMARK COMPLIANCE

Rule 4901:1-40-03(C)(4), OAC, requires that the alternative energy resource plan include a discussion of any perceived impediments to achieving compliance with required benchmarks, as well as suggestions for addressing any such impediments. As suggested in the preceding section, Dominion Retail sees the current limited availability of Ohio-sourced solar RECs as the principal impediment to benchmark compliance. Although Dominion Retail hopes that the current state and federal incentives for installing solar generation will remedy this problem, if these incentives prove ineffective or if the incentives are reduced or eliminate in the future, it may be that the Ohio solar benchmarks will be impossible to achieve. Should this occur, it may be necessary for the legislature to revisit the efficacy of this component of the requirement.

Respectfully submitted,

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