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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. 11-2471-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, including solar benchmarks, set forth in Section 4928.64(B), Revised Code, utilizing at least a ten-year planning horizon. Dominion Retail hereby submits its 2011 ten-year alternative energy compliance plan.

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 2011 baseline will be the average of its total Ohio retail sales for the years 2008, 2009, and 2010. As previously reported to the Commission, Dominion Retail's total annual sales to retail consumers in Ohio for these years were 117,558,000 kWh, 372,587,000 kWh, and 794,511,000 respectively, which, when averaged, produces an indicated 2011 baseline of 428,218,667 kWh, or 428,219 MWh.

Although the 2011 baseline can readily be calculated, the baseline for future calendar years can only be estimated. Based on 2011 year-to-date sales and an exercise of judgment based on factors affecting its ability to attract and retain customers, Dominion Retail projects that its total 2011 Ohio sales will be approximately 90 percent of its 2010 sales, or 715,059,900 kWh. Combining this estimate with the 2009 and 2010 reported sales produces an estimated average for the three-year period for establishing the 2012 baseline of 627,385,967 kWh, for an indicated 2012 baseline of 627,386 MWh. However, not only is there no assurance that this estimate of the 2012 baseline will ultimately prove to be accurate, but 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 three 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. If and when Duke switches to PJM, Dominion Retail will comply with the PJM Market Rules, but will continue to acquire the power necessary to serve its Ohio load in this same manner.

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 of other jurisdictions in which it operates through the purchase of RECs.

As set forth in Section 4928.64(B)(2), Revised Code, and Rule 4901:1-40-03(A), OAC, the Ohio alternative energy benchmarks require that at least half the of the renewable energy resources and solar energy resources requirements be generated by facilities located in Ohio As reported in its 2010 Alternative Energy Portfolio Status report filed this date,[1] during 2010, Dominion Retail was able to purchase sufficient RECs to comply with its 2010 Ohio Renewable, Non-Ohio Renewable, and Non-Ohio Solar benchmarks. Indeed, Dominion Retail purchased significantly more RECS in 2010 that necessary to meet these benchmarks, and intends to carry over the surplus to subsequent reporting years to the extent permitted by Section 4928.65, Revised Code However, in 2010, the availability of Ohio-sourced solar RECS ("SRECs') was extremely limited, and, as a result, Dominion Retail was unable to purchase the Ohio SRECs necessary to meet the 2010 Ohio Solar benchmark. Accordingly, Dominion Retail has requested relief from the 2010 Ohio Solar benchmark on forced majeure grounds pursuant to Section

[1] *In the Matter of the Alternative Energy Portfolio Status Report of Dominion Retail, Inc.*, Case No. 11-2470-EL-ACP.

4928.64(C)(4), Revised Code. Dominion Retail is actively engaged in an effort to purchase Ohio SRECs to meet the 2011 Ohio Solar benchmark, but, if that effort is not successful, it may be necessary for Dominion Retail to petition the Commission for relief from this benchmark on force majeure grounds. However, Dominion Retail anticipates that the availability of Ohio-sourced SRECs 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 SRECs.

V. IMPEDIMENTS TO BENCHMARK COMPLIANCE

Rule 4901:1-40-03(C)(4), OAC, requires that the alternative energy resource compliance 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 SRECs as the principal impediment to benchmark compliance. Although Dominion Retail hopes that the various 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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