

2011 VEPGA Contract With Virginia Power

Contract materials on VEPGA website www.vepga.org	<p>The VEPGA website contains detailed information on the 2011 contract, including</p> <ul style="list-style-type: none">• the final contract documents• a mark-up showing how the 2011 contract differs from the 2007 contract• the March 4, 2011 summary of rate impacts on specific VEPGA members• details on the informational sessions on the 2011 contract being hosted by Virginia Power• Q&A addressing issues commonly raised concerning the 2011 contract
Savings as compared to Virginia Power's offer	<p>Virginia Power proposed an increase of \$37.098 million for calendar year 2011. After protracted negotiations, Virginia Power and VEPGA agreed to a total increase of \$25 million. In addition, VEPGA got Virginia Power to agree to provide a one-time rate credit in 2011 of \$7.4 million based on giving VEPGA the benefit of financial transmission rights that Virginia Power had received from 2007 to 2009.</p>
Savings as compared to SCC rates	<p>VEPGA rates are expected to save its members approximately \$16 million per year (roughly a 4.3% savings) as compared to what VEPGA members would pay if VEPGA rates were set by the Virginia State Corporation Commission (SCC).</p>
Term of Contract	<p>The full term of the contract is January 1, 2010 through June 30, 2014, but VEPGA has an option to terminate the contract one year in advance of that on June 30, 2013. When Virginia Power made its final offer of \$25 million, it indicated that if VEPGA did not accept the offer, VEPGA would need to purchase electricity from the competitive market. This option does not offer savings at current market prices, but 2013 market prices may offer savings, and VEPGA wanted to preserve the option of going to the market in 2013 if that is the case.</p>
Overall Rate Increases based on contract rates and based on fuel factor estimate	<p>For usage effective April 1, 2011, rates will increase on average by 7% based on increases to base (non-fuel) rates. For usage effective July 1, 2011, rates are expected to increase, on average, an additional 9% based the current estimate for the new fuel factor. Note: the April 1st increase results from the new contract rates. The July 1st increase does not result from the new contract: the fuel factor has always been a "pass through" of Virginia Power's actual costs, which can vary widely from year to year.</p>
Rate Riders	<p>VEPGA rates are now, for the first time, subject to "riders" for generation facilities and for transmission costs. These riders, which are also called "rate adjustment clauses," allow a utility to automatically increase rates to recover specific costs without being subject to a comprehensive rate review that would balance all cost increases and decreases with total revenues in re-setting rates. This means that during the course of the contract, VEPGA rates will continue to increase as Virginia Power updates its Rider R for the Bear Garden generator, its Rider S for the Virginia City coal plant, and its Rider T for its FERC-approved transmission rate. If the SCC approves additional riders for jurisdictional customers during the course of the VEPGA contract, then VEPGA rates will be increased by these riders, as well. The disadvantages of these types of rate riders, which were created by the 2007 Re-regulation legislation, is discussed in VEPGA's Elected Official's Guide to Ensuring Fair Regulation for Electricity. This guide is available on the VEPGA website.</p>
Discrepancies between service provided in northern vs. eastern areas of state	<p>In conjunction with negotiations for the 2011 contract, VEPGA and Virginia Power executed a letter agreement effective December 29, 2010 setting forth a process to address systemic issues with perceived discrepancies between service provided in eastern areas of the state as compared to northern areas of the state. The first meeting to inaugurate this process was held on February 16, 2011. The objective of this process is to determine whether service issues can be addressed outside the contract, or whether they need to be comprehensively addressed in the 2014 contract.</p>
Price certainty for budgets	<p>For the first time, VEPGA's contract requires Virginia Power to set its fuel factor and all other riders in advance to eliminate price uncertainty in members' fiscal year budgeting. Starting in 2012, fuel and rate riders will all be set on January 25th and all be effective on July 1st.</p>
Green Option	<p>The price for purchasing renewable energy credits (RECs) has decreased by 60% under the 2011 contract, with the caveat that the price is subject to change, up or down, upon two months notice.</p>