

Commonwealth of Virginia
State Corporation Commission

Report to the Commission on Electric Utility Restructuring
of the Virginia General Assembly



Letter from Commission Chairman

Regarding

Stranded Cost Report

Volume III

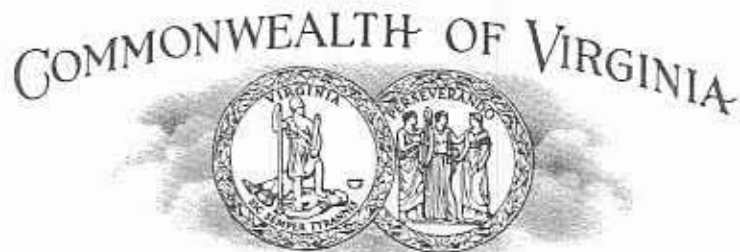
Pursuant to the Commission on Electric Utility Restructuring's
Resolution
Adopted January 27, 2003

October 28, 2003

HULLIHEN WILLIAMS MOORE
CHAIRMAN

CLINTON MILLER
COMMISSIONER

THEODORE V. MORRISON, JR.
COMMISSIONER



JOEL H. PECK
CLERK OF THE COMMISSION
P.O. BOX 1197
RICHMOND, VIRGINIA 23218-1197

STATE CORPORATION COMMISSION

October 28, 2003

The Honorable Thomas K. Norment, Jr.
Member, Senate of Virginia
Chairman, Commission on Electric Utility Restructuring
and
Members of the Commission on Electric Utility Restructuring

Dear Sirs:

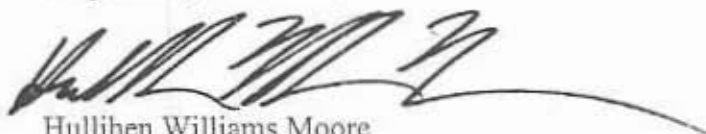
The January 27, 2003, Resolution of the Legislative Transition Task Force, now the Commission on Electric Utility Restructuring ("EURC"), directed the State Corporation Commission to convene a Stranded Cost Work Group and present two reports to the EURC. The first Stranded Cost Report, dated July 1, 2003, presented the work group's definitions for "stranded costs" and "just and reasonable net stranded costs," discussed methodologies for monitoring the overrecovery or underrecovery of stranded costs, and discussed administrative and legislative recommendations. No consensus definitions, methodologies, or recommendations were reached by the Stranded Cost Work Group.

The Resolution directed the State Corporation Commission to present the second report by November 1, 2003. The second report was to calculate each incumbent electric utility's just and reasonable net stranded costs, and the amount that each utility has received and is expected to receive over the balance of the capped rate period to offset just and reasonable net stranded costs from capped rates and wires charges. Such calculations were to be based on the consensus recommendations of the Stranded Cost Work Group regarding definitions and methodologies as set forth in the July 1, 2003, Stranded Cost Report.

The transmittal letter accompanying the July 1, 2003, Stranded Cost Report explained that no consensus methodology was reached by the Stranded Cost Work Group and requested that you advise us as to whether you wish the State Corporation Commission to determine stranded cost amounts, if any, and any amounts that may be appropriately credited to reduce or offset any stranded costs for each utility. If so, we further requested that you advise us as to whether you wish to request a particular methodology or whether you wish us to determine which methodologies should be employed.

In the absence of a consensus recommendation from the Stranded Cost Work Group, or direction from the EURC on developing the particular methodology to employ, the Stranded Cost Work Group is unable to prepare the stranded cost calculations for the second report required by the Resolution.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Hullahen Williams Moore', with a long horizontal flourish extending to the right.

Hullahen Williams Moore
Chairman

c: Virginia General Assembly -
Division of Legislative Automated Services