

## **Virginia Commission on Energy and Environment**

### **DOCUMENT TITLE**

Executive Summary of Interim Activity and Work of the Virginia Commission on Energy and Environment

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Virginia Commission on Energy and Environment

### **ENABLING AUTHORITY**

§ 30-305

### **EXECUTIVE SUMMARY**

Pursuant to Chapter 46 (§ 30-301 et seq.) of Title 30 of the Code of Virginia, the Virginia Commission on Energy and Environment ("Commission") is charged with reviewing and recommending steps to implement the Virginia Energy Plan developed pursuant to Chapter 2 (§ 67-200 et seq.) of Title 67 of the Code of Virginia. The Commission is in its second year.

The Commission has 15 members: three members of the Senate, five members of the House of Delegates, four citizen members, and three ex officio members. Senator Mary Margaret Whipple served as the Commission's chairman and Delegate Charles D. Poindexter as vice chairman. The other Senate members are Senators J. Chapman Petersen and Richard H. Stuart. The other House of Delegates members are Delegates Samuel A. Nixon, Clarke N. Hogan, Joseph P. Johnson, Jr., and Mark D. Sickles. Citizen members are Patrick G. Hatcher, Karen Kennedy Schultz, Hugh E. Montgomery, Jr., and August Wallmeyer. The Director of the Department of Environmental Quality, David K. Paylor, the Director of Mines, Minerals and Energy, Stephen A. Walz, and Arlen K. Bolstad of the Virginia State Corporation Commission, serve on the Commission as ex officio members.

Staffing was provided by Patricia Lung from the Office of the Clerk of the Senate and Ellen Porter, Patrick Cushing, and Anne Louise Mason from the Division of Legislative Services.

The Commission met five times during the 2009 interim. At the first meeting of the interim on June 24, 2009, the Commission reviewed various successful and unsuccessful energy-related legislation during the 2009 Session of the General Assembly and heard testimony and updates from state agencies on recent developments including the American Recovery Reinvestment Act (ARRA). Presentations included an examination of project proposal and grant procedures under the act, as well as reporting requirements, and project selection criteria, which include conformance with existing policy and the ability to create or preserve jobs. Mr. Christopher, with the Department of Mines,

Minerals and Energy, reported that the Commonwealth had received a total of \$76.5 million, including \$70 million from the State Energy Program and \$6.5 million from the Energy Efficiency Block Grants, to promote energy conservation, lower the rate of energy consumption increase, expand energy efficiency, and support renewable energy. Shea Hollifield, with the Department of Housing and Community Development, presented a review of the Weatherization Assistance Program, which has received additional federal funding of \$94.1 million additional funding under ARRA, to be used in programs implemented by March 31, 2012. Emory Rodgers, also with the Department of Housing and Community Development, updated the Commission on the regulatory procedure for changes to the 2009 Virginia Uniform Statewide Building Code, which will require an energy efficiency increase of 15%. The Commission also heard from Kenneth Newbold and Jeffrey Tang of James Madison University on the “25 x ’25 Initiative” to acquire 25% of energy from renewable sources such as wind, solar, and biomass by the year 2025 in a demonstration area in the Shenandoah Valley. Finally, John Oyenheart of CLEAResult Consulting provided the Commission with information on four possible approaches to energy efficiency programs: (i) direct installation of energy saving and load control technologies, (ii) education initiatives, (iii) incentives for units installed or savings achieved, and (iv) market moving, which includes all three approaches.

At the August 18, 2009, the Commission heard from Ken Schrad, with the State Corporation Commission (SCC), presented a report on the SCC’s consumer education plan. The plan focuses on energy efficiency for residential electric customers with a goal of reducing electricity consumption by retail customers by 10% by 2022. Mr. Walz, with the Department of Mines, Minerals and Energy, presented the Commission with the status of recommendations and goals in the Virginia Energy Plan. Nikki Rovner, Deputy Secretary of Natural Resources, similarly presented on the status of recommendations generated by the Governor’s Climate Change Commission. Renee Orr, with the federal Minerals Management Service, provided an overview of the leasing framework for oil and gas on the outer continental shelf, and the possibility of leases in an area off the coast of Virginia known as Block 220. George Hagerman of the Virginia Center for Coastal Energy Research presented an overview of offshore wind potential off the Virginia coast. Although the initial energy costs are higher, Mr. Hagerman asserts that offshore wind may provide stable energy prices as reliability problems are addressed by developing technology and re-engineering of key components. Representatives of several offshore wind development companies presented on offshore wind development projects in Delaware, Rhode Island, and New Jersey. Robert Propes of Bluewater Wind underscored the importance of securing a Purchase Power Agreement or a state issued Request for Proposals before beginning any project to reduce the risk to developers in the early stages of project development. Jim Lanard of Deepwater Wind focused on the risk involved in developing a new project, the inability of project developers to compete against the prohibitively low cost of electricity produced by traditional sources in Virginia, and building a vessel to install offshore wind platforms and turbines. Tim Ryan of Apex Wind encouraged the General Assembly to continue funding the Virginia Coastal Energy Research Consortium (VCERC) and reminded Commission members that offshore wind development is a thriving industry in Europe, employing thousands of people in dozens of companies.

The Commission met in Danville, Virginia, at "Southern Virginia Bioenergy: Making Innovation Work" conference at the Institute for Advanced Learning and Research for the October 6, 2009, meeting. The Commission reviewed possible legislation for the 2010 Session of the General Assembly. In addition to those items on the agenda, the Commission discussed legislation from the 2009 Session mandating a 2% biodiesel blend in all diesel sold in the Commonwealth that faced opposition alleging motor and equipment problems. The Commission determined that the Subcommittee on Renewable Energy, chaired by Delegate Poindexter, should review the matter for possible legislative approaches. The Commission also briefly discussed the expansion of existing large hydropower stations or the installation of micro-hydropower generation, natural gas conversion of existing vehicles, and nuclear power generation. Senator Petersen reported to the Commission that the Subcommittee on Energy Efficiency and Conservation had met at George Mason University in Fairfax on September 16 to review energy efficiency legislation and examine dynamic rate policies. The subcommittee also heard presentations from utilities on demand-side management programs, an update from the SCC on the regulation of energy conservation and demand response targets, and public comment from the natural gas industry on decoupling and inclining block rates.

At the fourth meeting on November 30, 2009, Senator Frank Wagner presented an overview of offshore wind development along the Virginia coastline, highlighting a VCERC report indicating commercially viable class 5 and 6 winds within 30 miles of the coast. Joe Gorberg, with LS Power, presented on the benefits of a mandatory Renewable Portfolio Standard (RPS) program over a voluntary one including securing financing for projects, supporting a stable market for renewable energy, and promoting job growth in the industry. Chelsea Jenkins, with Virginia Clean Cities, presented on the successful use of biodiesel fuels in vehicle fleets in Virginia and explained the benefits and limitations of using biodiesel. The Commission also reviewed possible legislative initiatives including: (i) amendments to the Climate Change Action Plan or the Commission's enabling legislation to allow updates to the Climate Change Action Plan or evaluate the interaction and the interrelationship between the energy industry and the environment and impact of related decisions to both; (ii) requiring a minimum biodiesel content in diesel fuel sold in the Commonwealth subject to availability; (iii) a Clean Energy Manufacturing Incentive Grant Program; (iv) requirements for the public buildings to be built in accordance with LEED standards; (v) promotion of inclined block rates and dynamic pricing; (vi) natural gas infrastructure replacement; (vii) the inclusion of fuel-efficient driving techniques in driver education programs; (viii) a mandatory renewable portfolio standard; and (ix) the recovery of lost profits resulting from energy efficiency programs. The Commission opted not to recommend item (iii) and decided to meet again to discuss items (vi), (viii), and (ix).

The final interim meeting of the Commission was held on January 6, 2010 to discuss the three remaining legislative initiatives. After discussion, the Commission determined to support all three measures. The Commission voted 5-3 to recommend legislation in concept that would provide for a mandatory renewable energy portfolio standard program. The Commission voted 5-3 to recommend legislation to eliminate the ability of

an investor-owned utility to recover lost profits on the implementation of energy efficiency programs. The Commission voted unanimously to support legislation that would authorize investor-owned natural gas utilities to petition the State Corporation Commission to implement a separate rider that will allow for recovery of certain costs associated with eligible infrastructure replacement projects.

Specific agendas, meeting summaries, and presentations made to the Commission can be found at the Commission's website at <http://dls.virginia.gov/energy.htm>. The Commission does not intend to submit a further report for publication.