

Manufacturing Development Commission
August 14, 2007
Newport News, Virginia

The first meeting of the Manufacturing Development Commission during the 2007 -2008 interim was convened by Chairman Wagner at the Liebherr Mining Equipment Company facility in Newport News. Many of the topics covered during the course of the meeting involved updating members on the implementation of previous legislative initiatives of the Commission.

Environmental Boards

Kathy Frahm, Director of the Department of Environmental Quality's Division of Policy, briefed the Commission on the status of legislation from the 2007 Session to restructure Virginia's environmental boards. While the legislation did not originate with the Commission, it was briefed on the concept in January 2007 after it was proposed to the Joint Commission on Administrative Rules.

House Bill 3113 and Senate Bill 1403 replace the current Waste Management Board, Air Pollution Control Board and Water Control Board with an 11-member Board of Environmental Quality. This new board would promulgate regulations and set environmental standards. The tasks of issuing permits and taking enforcement issues would be assigned to the DEQ. A new Environmental Appeals Board would be established to hear appeals of permitting decisions. These bills passed the General Assembly subject to the condition that they be reenacted by the 2008 Session.

Frahm stated that the structure proposed by HB 3113 and SB 1403 increases transparency and public access in significant waste and air permitting decisions. She noted as examples that the Waste Board currently has no role in permitting and the Air Board has considered two permits in the previous 13 years. The legislation would institute the same procedural structure for permitting and enforcement activities for all three programs.

Following the 2007 Session, the chairmen of the Senate and House Committees on Agriculture and Natural Resources asked DEQ to convene a stakeholder process to evaluate the legislation and determine if consensus can be reached on any amendments. Interested persons participated in a hearing on May 31, and three additional meetings are scheduled for September and October. DEQ will report its recommendations to the Committees in November. Issues that have been identified for discussion include (i) the creation of the new Appeals Board, which the Virginia Manufacturers Association has identified as creating the possibility for permitting delays, (ii) whether modified versions of the three existing boards are preferable to the proposed single Board of Environmental Quality, (iii) the membership and makeup of the Board of Environmental Quality, and (iv) the process for making decisions on significant permits. The VMA also suggested that the group examine the model that has been implemented in Tennessee.

Virginia Energy Plan

Stephen Walz, Senior Advisor to the Governor for Energy Policy, provided an update on the Virginia Energy Plan. Commission-generated legislation from the 2006 Session directed the Department of Mines, Minerals and Energy to prepare a comprehensive Virginia Energy Plan proposing actions covering the ensuing 10-year period that will implement the Commonwealth Energy Policy. The Plan, which is scheduled to be released by September 2007, has been revised since a draft was provided to the Commission in July. The latest draft clarifies four overall goals: (i) increasing Virginia's energy independence; (ii) expanding consumer energy education; (iii) reducing greenhouse gas emissions; and (iv) increasing energy-related economic development and research and development.

The Plan provides for increasing energy independence over the next decade by reducing the rate of growth in energy use by 40 percent and increasing in-state energy production by 20 percent. Walz noted that the revised draft of the Plan estimates the costs of energy efficiency programs by electric utilities to be an average of \$300 million, of which \$100-\$120 would be invested by utilities and \$180-\$200 Million would be a consumer match. The savings from such programs are estimated to be \$50 million per year, or \$500 million of lifetime savings for each year's investment.

Other recommendations expected to be included in the final Plan include enhancing the electric, natural gas, petroleum, and coal elements of the Commonwealth's energy infrastructure; reducing carbon emissions; providing consistent funding for energy research and development; and targeting new jobs and capital investment in priority areas of nuclear technologies, alternate transportation fuels, coastal energy production, and carbon sequestration. In response to questions raised by Delegate Purkey, Walz agreed to consider whether the Plan should address the advisability of changes in federal policies regarding tax incentives for ethanol production and tariffs on imported ethanol.

Technical Diplomas in Virginia's High Schools

Michelle Vucci, Director of Policy at the Department of Education, reported on efforts to implement House Bill 2039 and Senate Bill 1147. These bills direct the Board of Education to establish requirements for a technical diploma and advanced technical diploma. The technical diploma is required to meet or exceed the requirements of a standard diploma and include a concentration in career and technical education.

The Board of Education has initiated the process for amending its regulations governing accrediting standards for graduation requirements in order to address the technical diploma and advanced technical diploma. As part of this process, the Board conducted a forum on July 24, 2007, at which numerous organizations provided comments on the requirements for the technical diplomas. Comments from the forum included the need for students to have the skills to be trainable employees; the need for a good assessment-based credential that provides a uniform measure of key workplace skills; the need for promotion of technical diplomas to students, parents, and potential employers; and the fostering of partnerships between the Board of Education, local school divisions, institutions of higher education, and the business community.

The Board will hold a second forum in September to receive additional comments. Vucci said that the Board is seeking feedback on the establishment of technical diplomas and advanced technical diplomas. She solicited comments on the following topics:

- What skill set is most needed in the workplace today?
- In addition to the soft skills, what hard skills are in greatest demand?
- Does demand vary by region?
- What partnerships between business and education currently exist that could enhance student training and education opportunities?
- How could these partnerships be used to promote technical diplomas?

A draft set of requirements is anticipated to be available for public comment in late fall. Chairman Wagner committed to working with Delegate Hamilton, the patron of House Bill 2039, to notify other members of the General Assembly of the opportunity to provide comments on the elements of technical diplomas.

Energy Conservation Proceeding

David R. Eichenlaub, Assistant Director of the State Corporation Commission's Division of Economics and Finance, updated members of the Commission on the status of the SCC's energy conservation proceeding. The proceeding was established in June 2007 pursuant to the third enactment clause of Senate Bill 1416 and House Bill 3068 from the 2007 Session. While the primary purpose of that legislation was to re-regulate elements of Virginia's electric utility industry, the measures include a clause that establishes a statewide goal of reducing the consumption of electric energy by retail customers through the implementation of fair and effective demand side management, conservation, energy efficiency, and load management programs, including consumer education, by the year 2022 by an amount equal to 10 percent of the amount of electric energy consumed by retail customers in 2006. The SCC is directed to conduct a proceeding to:

- Determine whether the 10 percent electric energy consumption reduction goal can be achieved cost-effectively, and if not, to determine the appropriate goal for the year 2022 relative to base year of 2006;
- Identify the mix of programs that should be implemented in the Commonwealth to cost-effectively achieve the defined electric energy consumption reduction goal by 2022;
- Develop a plan for the development and implementation of recommended programs, with incentives and alternative means of compliance to achieve such goals;
- Determine the entity or entities that could most efficiently deploy and administer various elements of the plan, and
- Estimate the cost of attaining the energy consumption reduction goal.

The SCC has convened a workgroup to assist it in ideas for inclusion in its report. The workgroup held its first meeting on July 19, after which it established subgroups to focus on areas such as consumption reduction, reducing demand peaks, financial considerations, and education. The workgroup will hold its next meeting on August 23, 2007. Eichenlaub reported that the target date for the SCC's staff report is November 9, and the SCC's report to the Governor and General Assembly, including recommendations for any additional legislation

necessary to implement the plan to meet the energy consumption reduction goal, is due December 15, 2007.

While the agenda called for a presentation by the VMA on the draft of its analysis of the skilled trade gap in manufacturing and a review of the Commission's 2007 legislative package, these matters were postponed after the Commission's legislative members departed for other scheduled meetings.