

Manufacturing Development Commission
(<http://dls.state.va.us/manufacturing.htm>)

August 22, 2008

First Meeting

The Manufacturing Development Commission held its first meeting in 2008 at the McDemmond Center at Norfolk State University. The Commission members are Senators Frank W. Wagner (Chairman), W. Roscoe Reynolds, and Ralph K. Smith; Delegates Harry R. "Bob" Purkey, Watkins M. Abbitt, Jr., Kathy J. Byron, Daniel W. Marshall, III, and David E. Poisson; Secretary of Commerce and Trade Patrick O. Gottschalk, ex officio; and Mr. John Jude Sygielski, Mr. Brett A. Vassey, Ms. Joyce W. Waugh, and Mr. Robert L. Williams.

Presentations

Mr. Stephen A. Walz

Mr. Walz, Senior Adviser for Energy Policy of the Office of the Governor, discussed reducing energy costs in the Commonwealth. He indicated that energy costs can be reduced by reducing electricity use during periods of high system-wide demand (demand response), reducing the energy input per unit of product (energy efficiency), and by conserving energy.

The cost of electricity is at its highest at peak demand. Mr. Walz stated that demand response or reducing electricity use during peak demand reduces the average cost per kilowatt hour. He reported that utilities and companies have developed programs for off peak pricing and emergency load shedding (turning equipment off or using backup generators during periods of peak demand that helps to reduce electricity use during periods of peak demand). PJM Interconnection is a regional organization that helps to ensure that electricity is available during periods of peak demand and emergencies.

In regard to possible demand response legislation in 2009, the State Corporation Commission's 2007 energy efficiency study has made recommendations relating to a statewide goal for capacity reduction, utility demand response programs with cost recovery, real-time or near real-time rate pricing, incentives for demand response programs, use of curtailment service providers, and defining emergencies for backup generator use.

Mr. Walz stated that like the United States as a whole, Virginia has made gains in energy efficiency. He presented data showing that between 1960 and

2005, industrial energy use in the Commonwealth increased at a rate of 2.2 percent per year (greater than the national average of 1.1 percent per year for the same period); however, between 1990 and 2005, industrial energy use in the Commonwealth increased at a rate of 0.5 percent per year (greater than the national average of 0.2 percent per year for the same period). Save Energy Now is a program of the United States Department of Energy to reduce industrial energy use by 25 percent over the next 10 years. The program consists of plant energy assessments, training curricula on energy improvements, technical publications, new technology development, and state and regional partnerships.

Mr. Walz also discussed the Virginia Energy Plan. The Virginia Energy Plan sets a target to reduce the anticipated growth rate of energy use by 40 percent. The Plan has a goal of reducing electric use by 10 percent, reducing natural gas consumption by 7 percent, and reducing the consumption of fuel oils by 10 percent.

Mr. Tim Wilkins

Mr. Wilkins is a Virginia Coastal Energy Resource Consortium subcontractor. Mr. Wilkins discussed the scientific and economic viability of harnessing Virginia's offshore winds to produce power. He stated that the following features make the Hampton Roads region a favorable candidate for the harnessing of offshore winds: (i) Class 6 winds located within 10-15 miles of the shoreline, (ii) a robust coastal transmission grid, and (iii) a minimal probability of major hurricane strikes. Mr. Wilkins explained that if there is no reduction in demand for electricity through conservation by 2016, then approximately 5,100 MW of new electricity generation will be needed to maintain electricity imports into Virginia at current levels. If conservation efforts can account for a 6-7 percent energy savings by 2016, then approximately 3,600 MW of new electricity generation will be needed to maintain electricity imports at current levels. Additionally, 1,985 MW of additional generation is anticipated by 2012 from currently planned projects. Thus, after taking into consideration conservation efforts and currently planned projects, Mr. Wilkins projected that an additional 1,600 MW of new electricity generation will be needed from projects that are not currently identified in order to maintain electricity imports into Virginia at current levels.

Norfolk State University and Science Applications International Corporation are preparing a report that will address the timetables and economic development impact to harness offshore wind potential. Mr. Wilkins estimated that the total capital investment to produce 2,000 MW of installed offshore wind capacity is \$6.2 billion over a 10-year build out period. Mr. Wilkins also estimated that the value of local fabrication and installation contracts to install offshore wind capacity over this same 10-year period is estimated at \$200 million

per year, while the value of local offshore service contracts after the build out has been completed is estimated at \$155 million per year.

Senator Wagner

Senator Wagner stated that Minerals Management Service estimates that there are 66.6-115.3 billion barrels of oil and 326.4-565.9 trillion cubic feet of natural gas that are undiscovered technically recoverable resources beneath the offshore waters of the Outer Continental Shelf. He said that the average estimates are 85.9 billion barrels of oil and 419.9 trillion cubic feet of natural gas. These estimates represent quantities that can be conventionally produced without consideration of economic feasibility.

Ms. Michelle Vucci

Ms. Vucci, Director of Policy for the Virginia Department of Education, gave an update on the development of the standard technical diploma and the advanced technical diploma established by the 2007 General Assembly. The Virginia Board of Education has published draft regulations for implementation of the diplomas. She stated that the regulations are in the public comment phase with the Board holding public hearings in Alexandria, Highland Springs, Chesapeake, Waynesboro, and Wytheville on Thursday, October 30. She indicated that the regulations include academic and career plans for students and a graduation and completion index that will be used in accrediting schools. She pointed out that the academic requirements meet or exceed the requirements for the Standard and Advanced Studies Diplomas.

Ms. Vucci mentioned that a student must earn four standard credits in career and technical education in a career concentration approved by the Board for both the standard and advanced technical diplomas. She mentioned that if a career concentration includes a specific assessment approved by the Board, the student must take this assessment in order to earn the diplomas. Twenty-two credits must be earned to receive a standard technical diploma, which is the same number of credit requirements for a standard diploma. Twenty-six credits must be earned to receive an advanced technical diploma, which is the same number of credit requirements for an advanced studies diploma.

Ms. Gloria Westerman

Ms. Westerman is the Director of Education and Career Transitional Programs at the Virginia Community College System. She presented information on Virginia's Career Readiness Certificate (CRC). The CRC gives employers a uniform measure of workplace skills and workplace readiness. She stated that

the CRC measures skills that are easily understood by employers, educators, and recipients.

Ms. Westerman mentioned that the CRC is based on the WorkKeys comprehensive skills assessment tool. She indicated that Workkeys is a widely accepted common language for skills definition among employers, educators, and employees.

In order to earn the certificate, individuals must test in reading for information, applied math, and locating information. As of August 18, a total of 19,372 persons have taken the three tests with a total of 17,109 certificates being awarded.

Ms. Westerman stated that legislation passed by the 2008 General Assembly creating the CRC program also makes instruction and remediation easily accessible, requires a statewide online data system that incorporates services for employers and individuals, and requires the Virginia Workforce Council to develop policies and guidelines to administer the CRC program.

Mr. Joseph Mayer

Mr. Mayer of the Virginia Department of Taxation briefly discussed the constitutionality of using tax preferences to foster business investment and expansion in the Commonwealth. He stated that the use of tax preferences to stimulate economic development, as opposed to general fund appropriations, will be scrutinized by courts to determine if there has been a transgression of the federal Commerce Clause.

Mr. Joseph Croce

Mr. Croce is a Senior Vice President of the Virginia Manufacturers Association. He briefly discussed a stormwater control fee that local governments may impose upon businesses and other persons contributing to stormwater runoff. Section 15.2-2114 of the Code of Virginia provides that a locality imposing the fee may provide for a full or partial waiver of the fee to any person "who develops, redevelops or retrofits outfalls, discharges or property so that there is a permanent reduction in post-development stormwater flow and pollutant loading." Mr. Croce stated that there are some manufacturers who have implemented stormwater runoff improvements that have led to a permanent reduction in post-development runoff whom have not seen a partial or full waiver of the fee. The Virginia Manufacturers Association believes that at least some of the fee should be waived for businesses that have implemented such improvements.

Ms. Nikki Rovner

Ms. Rovner, Deputy Secretary of Natural Resources, reported to the Commission on the Governor's Commission on Climate Change (the Governor's Commission). The Governor's Commission was established pursuant to Executive Order 59 and is chaired by the Secretary of Natural Resources. The Governor's Commission is to report its findings and recommendations by December 15, 2008.

Ms. Rovner stated that the Governor's Commission is charged with preparing a Climate Change Action Plan that will (i) inventory the amount of and contributors to Virginia's greenhouse gas emissions, (ii) evaluate the expected impacts of climate change on Virginia's natural resources, the health of its citizens, and the economy, (iii) identify actions to take to prepare for climate change, (iv) identify the actions that need to be taken to achieve a 30 percent reduction in greenhouse gas emissions by 2025, and (v) identify climate change approaches being undertaken by other governmental entities.

Ms. Rovner commented that the impacts of climate change will include higher coastal water levels and greater salinities, ocean acidification, shoreline erosion, increasing nutrient inputs and decreases in oxygen content in estuarine waters, and significant ramifications for coastal, bay, and estuarine plants, animals, food webs, and ecosystems. She stated that these impacts put Norfolk Naval Facilities at risk for sea level rise and put Virginia's roads, rail, airports, and ports also at risk.

Ms. Rovner commented that climate change approaches being taken by other governmental entities include state greenhouse gas emission targets, renewable portfolio standards, regional cap-and-trade initiatives, vehicle emission standards, and the U. S. Mayors Climate Protection Agreement.

Future Meetings

The Commission has not yet determined a date for its next meeting.