

# Virginia Commission on Energy and Environment

Wednesday, June 24, 2009, 10:00 a.m.  
Senate Room A, General Assembly Building  
Richmond, Virginia

## Meeting Summary

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Delegate Poindexter opened the meeting on behalf of Senator Whipple. After member introductions, the meeting began with a presentation from staff on energy-related legislation considered during the 2009 Session of the General Assembly.

Both Delegate Poindexter and Senator Petersen asked about SB 1212 (Deeds), Clean Energy Financing, and how such financing would be accomplished and whether the statute would apply to all localities. Steve Walz, Director of the Department of Mines, Minerals and Energy (DMME), explained that the financing would be secured by a lien on the property and could be repaid in conjunction with other local government invoicing. The ordinance by the locality would address the priority of payments. Private lenders will have the opportunity to participate in the program. Staff stated that the bill applies to all cities, counties, and towns. Members of the Commission also asked about SB 1350 (Wagner), regarding the Marine Resources Commission's authority to lease subaqueous lands for generating electrical energy, and the jurisdiction of the lands contemplated by the legislation. The bill refers to state territorial waters, which extend three miles from shore into the Atlantic Ocean.

Of those energy-related bills from the 2009 Session, SB 1452 (Petersen), was directed to the Commission on Energy & Environment for review. Staff provided a more detailed assessment of this legislation and its background. The program is based on a successful program in Vermont and would assess a \$1 fee to retail energy customers to fund a third-party administrator for energy efficiency programs. Delegate Poindexter asked how the program administrator would select and audit efficiency programs. Senator Petersen stated that any program would be conducted with transparency and accountability.

The next presentation was provided by Al Christopher, Director of the Division of Energy with DMME. Mr. Christopher reviewed the framework of the American Recovery and Reinvestment Act (ARRA), procedures for project proposals and grants, and reporting requirements mandated by ARRA. In addition to the numerous state and federal guidelines to which DMME must adhere when awarding grants, projects will be selected in part for their conformance with existing policy and the ability of such projects to preserve or create jobs.

Mr. Christopher relayed that the Commonwealth received a total of \$76.5 million—\$70 million from the State Energy Program and \$6.5 million from the Energy Efficiency and Conservation Block Grants (EECBG)—to broadly promote the conservation of energy, reduce the rate of energy growth, expand existing energy

efficiency, and support renewable energy. Programs include (i) rebates for the purchase of renewable energy systems such as wind and solar power for households and businesses; (ii) installations of such systems in state and local government facilities and public schools; (iii) economic development incentives to support biomass, waste-to-energy, renewable energy and energy efficiency products, services and projects; and (iv) grants and rebates for energy efficiency improvements in homes and commercial properties. The EECBG program also provides grants directly to localities to stimulate economic growth and reduce reliance on fossil fuels through conservation and efficiency. In Virginia, \$44.6 million will be provided directly to 28 larger localities and \$9.7 million will be provided competitively to smaller localities.

Senator Petersen asked about the selection and eligibility of certain localities and the liaison in state government. Al Christopher reviewed the criteria used to select and stated that he is the appropriate person to contact.

Shea Hollifield, Deputy Director of the Virginia Department of Housing and Community Development (DHCD), provided a review of the Weatherization Assistance Program, which receives funds from the U.S. Department of Energy's Weatherization Assistance Program and the U.S. Department of Health and Human Services Low Income Home Energy Assistance Program (LIHEAP). The program has received \$94.1 million in additional funding from ARRA. Currently weatherization services are provided through regional non profit organizations and allocated based on the federal weatherization formula that weighs income, number of heating and cooling days, and residential energy expenditures by low-income households. Eligibility is determined through an intake process that measures income and feasible energy savings. Priority is given to the elderly, the disabled, and households with children. The weatherization process includes an energy audit, prioritized work specifications (which may be accomplished directly through providers or subcontractors), and a post-project assessment to document the energy savings accomplished. As for the ARRA funding, DHCD has entered into initial contracts for 40% of the monies, accessed ramp-up funds for additional capacity to process the expanded program, and established training initiatives with the Virginia Community College System and the New River Center for Energy Research and Training. Ms. Hollifield stated the challenge faced by DHCD in the implementation of the program is that of the limited time for implementation—March 31, 2012.

Dr. Schultz asked who held the monies, which have not yet been released. Ms. Hollifield stated that only four states have received funds as of yet. Delegate Poindexter asked whether there were procurement guidelines used when entering into a relationship with the nonprofit service providers. Ms. Hollifield responded affirmatively. Senator Whipple asked about the eligibility of multifamily projects. Ms. Hollifield answered that DHCD was pleased to bring such projects into eligibility with the expanded guidelines. Mr. Wallmeyer asked about the limits on the cost per project, which will increase for spending under ARRA. Ms. Hollifield responded that there are more expensive projects, such as roof replacements, that have not been performed so that the average cost per project could be maintained at lower levels. Mr. Wallmeyer also asked about the consequences if DHCD would not be able to spend the money before the 2012 deadline.

The funds will revert to the federal government if not spent by the deadline and DHCD may need to explore additional service providers. Senator Petersen asked whether renters were eligible for weatherization improvements. Renters are viewed as the beneficiaries of weatherization projects and are thus eligible—landlords are asked to participate. Delegate Johnson asked about the training programs. Ms. Hollifield discussed the class offerings, which include insulation standards, certifications for auditors, and lead-safe practices. The community colleges will also expand existing HVAC curricula. Delegate Johnson asked about the proportion of funds dedicated to program administration. Ms. Hollifield stated that guidelines allow up to 10% of funds to be dedicated to administration and additional funds are allowed for training and technical assistance. Ms. Hollifield stated her belief that the total amount of allowed monies would not be spent. Senator Whipple noted that the jobs created would benefit the state. Ms. Hollifield relayed the US Department of Energy finding that in excess of 200 jobs would be created.

Emory Rodgers, Deputy Director of the Division of Building and Fire Regulation at the Department of Housing and Community Development, provided the Commission with a review of the regulatory procedures for changes to the building code. The 2009 Virginia Uniform Statewide Building Code (USBC) will reference both the 2009 International Energy Conservation Code and the 2009 International Residential Code. The development of the regulation proceeds in accordance with the Administrative Process Act and includes two public hearings before the approval by the Board of Housing and Community Development on September 30, 2010. The progression of energy efficiency gains is occurring incrementally with each three-year amendment to the code. The 2006 USBC provided an approximate increase in energy efficiency of 11%, the 2009 USBC will provide an approximate increase in energy efficiency of 15%, and the 2012 USBC will provide an approximate increase in energy efficiency of 15%. Mr. Rodgers stressed that, while the process is complicated because of its interrelation to other numerous and specific uniform codes, it is also open and transparent. Finally, Mr. Rodgers reviewed the changes to the USBC for 2009.

Senator Petersen noted his own experience to the Commission regarding a recent visit to Korea. Typical residential buildings had a number of innovations including the maximum use of natural light, motion detectors for lighting, and the absence of heating and air conditioning in common areas. Senator Whipple asked about the meeting in Milwaukee and whether the 30% increase in energy efficiency was hotly debated. Mr. Rodgers agreed that it was controversial and will probably return. The incremental improvements of 15% are more to the liking of industry and certain regions.

Kenneth Newbold and Jeffrey Tang from James Madison University spoke to the Commission about the 25 x '25 Initiative to acquire 25% of energy from renewable resources such as wind, solar, and biomass by the year 2025. Although over 850 entities have endorsed the 25 x '25 Initiative, the General Assembly has not done so. A number of entities have joined to form the state alliance to create a demonstration area in the Shenandoah Valley. In Virginia, the efforts began with research entities and has attracted agricultural and silvicultural industries. A demonstration area to show the feasibility of renewable energies in the Shenandoah Valley is particularly appropriate because it is

rural, on the East Coast, and close to Washington, D.C. The demonstration area in the Shenandoah Valley is only the second project endorsed by the national 25 x '25 organization. The presenters hope to achieve the support of the community.

Mr. Wallmeyer asked for clarification of JMU's assertion that it, as an institution, will meet the goal of 25% renewable energy by 2015—ten years early. Mr. Tang responded that the numbers shift with the measurements and that how one measures the proportion of renewable energy used is not clear. Mr. Wallmeyer asked how, from a policy standpoint, does the Commission know that "25%" is the right choice if it is unable to measure renewable energy as a portion of all energy. Mr. Tang asserted that 25% is a reachable goal. Mr. Newbold added that the numbers can be viewed from a consumption or production standpoint. Mr. Montgomery asked if the presenters were familiar with the efforts of the Coal Initiative and the Tobacco Indemnification and Community Revitalization Commission. Delegate Poindexter suggested that the presenters review an article published by the University of Massachusetts, which can be found at [http://www.peri.umass.edu/fileadmin/pdf/other\\_publication\\_types/Green\\_Jobs\\_PERI.pdf](http://www.peri.umass.edu/fileadmin/pdf/other_publication_types/Green_Jobs_PERI.pdf). Delegate Poindexter further warned the speakers of the negative impacts that can come from a rushed or uninformed adoption of renewable standards, such as biofuels that can damage vehicle operations. Senator Whipple asked about whether the presenters had an opinion of the Waxman-Markey legislation. Mr. Tang responded that the legislation was still evolving and that the definition of renewable energy should not be crafted to cut out entire sectors such as agriculture and forestry.

Mr. Oyenheart provided the Commission with some details on the value of energy efficiency: it can be acquired for one-third to one-half of the cost of new generation; it is clean and reliable; it pays even bigger dividends during fuel cost increases; there are no NIMBY issues; and it eliminates or defers at least some of the capital projects now required to relieve electric transmission and distribution congestion. Mr. Oyenheart suggested that there are four approaches to an energy efficiency program: (i) direct-install, which includes energy-saving and load control technologies installed by a utility; (ii) educational such as ad campaigns, informational brochures, presentations; (iii) incentives-only measured as dollars per unit installed and/or savings achieved; and (iv) market moving, which includes education, incentives, and proactive steps to build infrastructure and help accelerate and sustain market adoption of energy efficiency. There are also several models that can be adopted to administer an energy efficiency program. It could be done solely by the utility, the government, or a third party and each model has its pros and cons.

Senator Petersen noted his interest in having a subcommittee looking at efficiency issues so that this topic could continue to be studied.

Senator Whipple discussed funding and work plans with the Commission. Today's meeting was covered by special exception of the Joint Rules Committee under the current fiscal year. For the next year, the Departments of Mines, Minerals and Energy and Environmental Quality have offered to assist with expenses, although members would not

receive compensation. Members of the Commission reviewed the proposed work plan and suggested items for discussion at the next meeting. Delegate Sickles stated he would like to have presentation on the risks and benefits of drilling offshore for natural gas. Mr. Walz stated that he would like an opportunity to present the Commission with an interim version of the updated Virginia Energy Plan at a later meeting in the fall. Staff will provide further information to the members on assignment of topics to subcommittees or full meetings of the Commission. The next meeting has been set for August 18.