

# Virginia Commission on Energy and Environment

Tuesday, August 18, 2009, 10:00 a.m.  
Senate Room A, General Assembly Building  
Richmond, Virginia

## Summary

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Senator Whipple called the meeting to order and members of the Commission provided brief introductions. Presentations made to the Commission can be found on the Commission's website at <http://dls.virginia.gov/energy.htm>.

### **Report on the Consumer Education Plan required by §§ 56-592 and 56-592.1 of the Code of Virginia**

Ken Schrad provided a presentation focusing on the SCC's consumer education plan entitled "Virginia Energy Sense", which the General Assembly required of the SCC in 2008. The plan focuses on energy efficiency for residential electric customers with a goal of reducing electricity consumption of retail customers by 10% by 2022. The SCC has submitted proposals for partners to implement the plan and expect to award a contract in the fall of 2009.

Delegate Poindexter noted that there may be an opportunity to work with the Department of Motor Vehicles (DMV) to encourage conservation in the transportation sector.

Senator Whipple reiterated the importance of energy efficiency programs as a cost-effective means of lowering the electricity bills of retail customers.

### **Status of Recommendations from the Virginia Energy Plan and the Governor's Commission on Climate Change**

Steve Walz provided a brief presentation updating the Commission on the status of the recommendations drafted in response to the goals listed in the Virginia Energy Plan. Mr. Walz reviewed actual and projected energy consumption as well as actual and projected energy production in the Commonwealth. Mr. Walz also reviewed measures taken to reach the goals outlined in the Virginia Energy Plan.

Nikki Rovner provided an overview of the status of recommendations generated by the Governor's Climate Change Commission (GCCC). Mrs. Rovner stated that the majority of the funds from the American Recovery and Reinvestment Act (ARRA) will be used in a manner consistent with the recommendations from the GCCC. The following legislation from the 2009 Session furthers the GCCC recommendations, but did not pass the General Assembly or needs further action: HB 2176/SB 1248 and HB 2105/SB 1339.

Senator Petersen asked if the state fleet qualified for the "Cash for Clunkers" or C.A.R.S. program. Mrs. Rovner will find an answer to the question and follow-up with the Commission (State and local governments are not eligible under the C.A.R.S. program). Mrs. Rovner also mentioned that the majority of progress being made towards the GCCC recommendations can be attributed to ARRA funding. Interconnection rules, feed-in tariffs, and combined heat and power are all issues the General Assembly may want to focus on in 2010.

Over the next few years the key challenges identified by Mrs. Rovner are preparing and adapting to the impacts of climate change and focusing and expanding state capacity to ensure implementation of the Climate Change Action Plan.

Hugh Montgomery noted that with the transition from one governor to the next the General Assembly should move forward to implement the recommendations and continue the work of the GCCC.

Senator Petersen stated that the General Assembly has yet to move forward with legislation that would change people's behavior in a way that would significantly address the threat of climate change and reduce energy consumption in the Commonwealth.

### **Offshore Oil & Gas Leasing**

Renee Orr provided an overview of the Minerals Management Service (MMS) and a description of the leasing framework for oil and gas on the OCS. Currently, MMS is exploring the idea of leases off the Virginia coast in an area known as Block 220. Mrs. Orr stated that all leases on the outer continental shelf (OCS) are over 50 miles from the closest shore, mainly due to the geologic structure and associated fossil fuels reserves.

Delegate Poindexter asked about development of OCS lands between 0-50 miles. MMS is currently researching the extent of possible reserves based on the geology, but as of now it does not look like there will be significant oil or gas reserves.

### **Offshore Wind Energy Development**

George Hagerman addressed the Commission with an overview of offshore wind potential off the Virginia coast. Regarding the cost of building an offshore wind farm, Dr. Hagerman noted that the price of steel is very important in estimating costs and with steel prices forecasted to increase, now would be a good time to start a project. In return for an initially higher cost for electricity, offshore wind can provide stable energy prices and add stability to PJM electricity prices. Dr. Hagerman noted that one of the major drawbacks of offshore wind is reliability. However, recent advances in technology and re-engineering of key components are beginning to address the problem. VCERC has recommended that a federal, state, and local task force be established to begin discussions on how to develop a windfarm off the coast of Virginia.

Senator Petersen asked if wind could be used as base load generation. Mr. Hagerman stated that the more wind resource there is, the more reliable service it could provide. However, wind, by itself, is not a traditional source of base load generation. Senator Petersen asked if VA has the needed interconnection facilities in place. Mr. Hagerman responded that VA does have a 500kV substation that could be utilized, but more may be necessary. Cooperation with the local governments will be essential in securing interconnection facilities. VA Beach could absorb about 300 MW of load right now without any modifications.

Delegate Poindexter asked how many land interconnections are needed to develop all of VA's potential for offshore wind. Dr. Hagerman stated that there would be several needed and he suggested that there be further coordination via an interstate compact so that developers do not end up with a patchwork of interconnections. Ideally, a north-south underwater transmission line could be a huge asset to the PJM and offshore wind developers. Mr. Walz stated that there is some interest from a private company in establishing a north-south underwater transmission line.

Robert Propes with Bluewater Wind presented on their offshore development projects in Delaware and New Jersey. Mr. Propes explained that his company needed to have a purchase power agreement (PPA) in place before starting a project. Mr. Propes stated that developers take the initial risk in early stage development but that risk is hedged with a PPA that includes a fixed price, long-term contract. A state can also issue an RFP to purchase power for the state thereby reducing the risk for developers.

Delegate Poindexter asked about the number of jobs created vs. destroyed by offshore wind development. Mr. Propes responded that the majority of the jobs are going to be pulled from other areas, but some new jobs are created as well.

Jim Lanard from Deepwater Wind presented on offshore wind and their projects in RI and NJ. Mr. Lanard stated that offshore wind farms are expensive and risky. Early development of offshore wind in Europe can be attributed to heavy subsidies that represented a major policy commitment. Mr. Lanard stated that logistics and timing are among the greatest challenges to offshore wind. Mr. Lanard stated that one of the largest barriers to offshore development in VA specifically is that VA has some of the lowest electricity rates on the east coast, which makes it more difficult for offshore wind to compete with traditional sources. Mr. Lanard urged the Commission members to support the building of a vessel to install OCS platforms utilizing VA shipyards. Mr. Lanard stated that VA can help lure offshore wind developers by finding a way for developers to compete with traditional energy suppliers. One option would be enacting a production tax credit tailored for offshore wind. Another way of lowering the cost is encouraging the building of a vessel to install these turbines.

Tim Ryan, president of Apex Wind, briefed the Commission on Apex Wind and offered some advice for encouraging the development of offshore wind. One clear message to the Commission was that VCERC is very important and he encourages the General Assembly to continue funding VCERC in any way possible. Mr. Ryan wanted to remind Commission members that this is a huge industry in Europe employing thousands of people and dozens of companies.

### **Public Comment**

Kim Stein, AREVA Renewables, stated that AREVA currently builds offshore wind turbines in Germany and would like to bring that business to the US.

Phillip Lovelace, Pittsylvania, VA. Commented on his opposition to uranium. He does not want his tax money to go to a uranium study.