

Virginia Commission on Energy and Environment

Tuesday, October 6, 2009, 3:15 p.m.
Institute of Advanced Learning and Research
150 Slayton Avenue
Danville, Virginia

Summary

Senator Whipple opened the meeting with introductions from the members and requested an update on the two subcommittees formed from the Commission's membership.

Senator Petersen reported that the Subcommittee on Energy Efficiency and Conservation met on September 16th at George Mason University in Fairfax. The subcommittee reviewed energy efficiency legislation that came before the General Assembly in the 2009 Session and focused on dynamic rate policies as an opportunity for encouraging conservation by users. The subcommittee also received presentations from utilities on their implementation of demand-side management programs. Finally, the subcommittee received an update in the pending matter before the State Corporation Commission on the regulation of achievable, cost-effective energy conservation and demand response targets. Public comments to the subcommittee included the experience of the natural gas industry in decoupling and the opportunities created through inclining block rates, which set electricity prices in a positive relationship to quantity consumed. The Subcommittee on Energy Efficiency and Conservation will meet again prior to the last full meeting of the Commission.

Delegate Poindexter announced that the Subcommittee on Renewable Energy will meet on October 22nd in Gretna. The subcommittee will hear several presentations on "Green Jobs," distributed generation and biomass, the innovation at Piedmont Bio Products, and green building in a rural environment.

Senator Whipple then began a review and discussion of possible legislation for the upcoming session of the General Assembly. She stressed that this was an initial discussion for the members to explore policies for further investigation and eliminate those ideas with less promise.

Explore capacity of state to issue RFP and enter into long-term power purchase agreement with offshore wind developer and/or provide rate adjustments to ensure a competitive price for electricity produced from offshore wind energy resources.

Senator Whipple noted that this suggestion arose during the previous meeting that focused on offshore wind energy generation and that the State of Delaware has entered into such an agreement with one of the private developers that presented to the Commission. Mr. Wallmeyer noted his support for having the state step in and be a willing buyer to assist in market creation but hoped the Commission would broaden the policy to include other renewable energies, such as electricity generation from biomass. Mr. Montgomery agreed with Mr. Wallmeyer and stated his concern that the government is not suited for selecting technology standards in such quickly evolving fields.

Support for fuel-efficient driving practices; opportunities with DMV to encourage driver education.

Senator Whipple discussed the importance of driving practices to maximize fuel efficiencies. Dr. Hatcher recalled for the Commission that speed limits were decreased during the 1970s to reduce consumption of gasoline during the oil embargo. The Commission agreed that driver education was preferable to changes in the speed limits. Mr. Weeks noted that the Department of Environmental Quality worked with the Department of Education to include environmental education related to driving and automobile maintenance for high school students.

Make recommendations in "Title 67: Virginia Energy Plan" regarding the policy of the Commonwealth for nuclear, wind, and/or solar resources.

Staff reviewed the role of Title 67 of the Code of Virginia, which the General Assembly created in 2006 to include various provisions and policies related to energy, including the Virginia Energy Plan. Current policy statements in Title 67 include the Commonwealth's support of clean coal and offshore resources. Delegate Poindexter asked about hydropower support and Senator Whipple wanted to ensure that support for biofuels was clearly stated. Senator Petersen hoped that the Commission would consider the implications of a policy endorsement as it would apply statewide.

Identify continued funding sources for the Virginia Coastal Energy Research Consortium.

Senator Whipple stated the sense of the Commission that the Virginia Coastal Energy Research Consortium has helped Virginia develop technology and compete amongst other states. Dr. Hatcher stated that some proposals were outstanding for federal funds, but state assistance may still be needed. Most importantly, the federal and private grant funds that might become available would require matching funds. Senator Whipple stated that the members would speak to the Senate Finance Committee and the House Appropriations Committee on the issue.

Require that the Climate Change Action Plan is continued and updated.

Senator Whipple expressed her hope that the report of the Governor's Commission on Climate Change would continue and be updated. Senator Petersen clarified that the Governor's Commission was annual and had terminated its work. Senator Whipple suggested that the enabling legislation for this Commission, the Virginia Commission on Energy and Environment, could be expanded to include the responsibility of updating the Climate Change Action Plan. This Commission could request assistance from other agencies as needed.

Expand personal tax credit for Energy Star products to those eligible for WaterSense certification.

Add a four-day tax holiday in the spring, similar to the existing four-day tax holiday in the fall, for Energy Star and WaterSense eligible products.

Senator Petersen spoke to the importance of conservation and energy-efficient products. He would like to look at the policy supporting the tax holidays and, if the policy is worthwhile, provide the tax incentive or credit all year instead of only on several days,

and then sunset the tax credit after several years. Mr. Montgomery mentioned the benefit to the retailers of sale events. Delegate Poindexter cautioned the members and reminded them of the dim revenue picture faced by the Commonwealth. Senator Petersen agreed with Delegate Poindexter's concern and hoped that whatever savings were granted to consumers would be spread throughout the year instead of only certain days. Mr. Christopher noted that the sales tax avoided during the four-day Columbus Day weekend was projected to be \$185,000.

Support the second resolution and ballot bill for the constitutional amendment that would allow the General Assembly to pass enabling legislation for localities to provide an exemption or partial exemption on personal and real property taxes for equipment, facilities, or devices constructed or designed to conserve energy and natural resources. The change would encourage the installation of energy and natural resource efficient devices.

Senator Whipple and Senator Petersen explained that the constitutional amendment had passed in its first resolution and was up for a second resolution. Amendments must pass in two subsequent years of the General Assembly and then they are placed on the ballot for referendum.

Codify provisions contained in Executive Order 82 requiring certain public buildings to adhere to be built to either the Green Globes Green Building Initiative green building rating standard or the United States Green Building Council Leadership in Energy and Environment Design (LEED) green building rating standard.

Senator Petersen suggested that the Commission support the policy that is currently embodied in Executive Order 82 and in legislation he introduced last year to build public buildings to LEED standards. Delegate Poindexter asked if the legislation would cover local buildings and schools in addition to state buildings. Senator Petersen noted that there were different versions of the legislation as it passed through committee that exempted buildings based on size and other factors. Delegate Poindexter stated his concern that local governments might construe the requirement as an unfunded mandate. Senator Whipple expressed that the Department of General Services should report on whether, and to what extent, the cost increases when building new construction to LEED standards.

Require the development of policies supporting combined heat and power.

Mr. Hatcher expressed his support for cogeneration and explained that the generation of electricity often produces waste heat that should be utilized and not just burned off into the atmosphere.

Direct the SCC to develop progressive or inclining block rate structures for residential customers.

Senator Petersen reminded the Commission that this was an issue which his subcommittee has under review. The SCC is looking at this issue closely and reporting back to the subcommittee. Senator Petersen expressed his belief that a pricing model that encouraged conservation would be perhaps the most significant approach the Commission could take towards its goals. Mr. Bolstad added that the SCC is willing to

assist the Commission. The subcommittee will report back to the full Commission at the next meeting.

Encourage adoption of the 2009 International Energy Conservation Code.

Senator Whipple explained that the Department of Housing and Community Development takes the lead on the adoption of regulations and that this issue is under review. Senator Whipple reminded the Commission that there had been discussion as to whether the building code would require a 15% or 30% improvement in energy efficiency. Due to lags in technology and other reasons, the building code will reflect an increase of 15% in 2009 and another 15% in 2012. Senator Whipple hoped that the members would support the efforts to incorporate ambitious energy savings in the Uniform Statewide Building Code through the regulatory process.

Support legislation requiring the adoption of an energy efficiency standard.

The Commission discussed the need to adopt an energy efficiency portfolio standard. Senator Petersen offered to look at this issue during his subcommittee meeting. Legislation from the 2009 Session allowed for cost recovery for the utilities to implement energy efficiency programs, but did not require that utilities strive for certain of energy efficiency reduction targets.

Increase voluntary Renewable Portfolio Standard to 15% by 2025.

It was clarified for the Commission that legislation from the 2009 Session already included the goal to have a Renewable Portfolio Standard that strived for 15% by 2025. Mr. Wallmeyer suggested to the Commission that it might consider changing the voluntary program to a mandatory program and evaluate the costs and benefits of each approach. Senator Whipple agreed that the renewable energy industry cannot accept a voluntary program for the purpose of project development and that the long-term financing required to secure such projects demands further assurances. Mr. Montgomery stated that the Commission owes it to itself to thoroughly review this issue. Senator Petersen added that the developers who presented to the Commission at the last full meeting expressed concern that the voluntary standard was simply not sufficient. Mr. Wallmeyer hoped to have testimony on this issue at the Commission's last meeting.

Ensure net metering parity.

Senator Petersen noted that customer-generators should be paid fairly for the electricity sold back to the grid. The Commission noted that there might be both interconnection and rate issues outstanding for legislative attention. Senator Herring's bill from last session, SB 1339, passed with a reenactment clause. That bill required that rates paid by utilities to customer-generators shall be based on avoided generation costs and the average market value for renewable electricity.

Expand the solar photovoltaic manufacturing grant to other non-emitting technologies.

The current program, which is located at § 45.1-392 of the Code of Virginia, has never been utilized by a manufacturer. Senator Whipple noted her concern that funding may not be available for the existing program. Mr. Christopher added that no manufacturer

currently qualifies. Senator Whipple asked that Delegate Poindexter's subcommittee look into this issue.

Facilitate the permitting of individual energy-generating devices in residential and agricultural applications.

Senator Whipple also asked that Delegate Poindexter's subcommittee look into this issue.

Provide personal property or sales tax credits for consumer purchased electric or other alternative-fuel vehicles, specifically Extended-Range Electric Vehicles.

Expand and extend HOV lane access for electric or other alternative-fuel vehicles.

Require government fleet purchasers to consider Extended-Range Electric Vehicles.

Promote installation of workplace and public charging stations.

Encourage free or preferred parking for Extended-Range Electric Vehicles.

Ease building and other codes to allow for 240V home charging in the garage.

The Commission considered these proposals together as incentives for the purchase and use of electric vehicles. Senator Petersen expressed his concern about the distinctions among alternative fuel vehicles. He also stated his discomfort with providing HOV lane access. Mr. Wallmeyer associated himself with Senator Petersen and commented that, while there is potential benefit to switching gasoline fuels for electricity, the market should still be a strong determinant in standard selection. Senator Whipple asked if it was currently permissible to charge an electric car in one's garage. Senator Whipple also stated that it would be within the proper scope of government action to encourage public charging stations until the users become more numerous. Mr. Montgomery added that the Commission should look at the whole picture of the benefits and drawbacks of different alternative vehicles.

Other Business

Senator Whipple asked if the Commission members had any more questions. Senator Petersen noted that the Commission spent much of the previous year reviewing biofuels issues but that no initiatives on biofuels were presented. Senator Whipple noted that she carried legislation in the previous session to mandate a 2% biodiesel blend in all diesel sold in the Commonwealth. The legislation met opposition on alleged motor and equipment problems. Mr. Hatcher noted that some alleged problems with biodiesel are inherent to diesel in general and might be easily avoided—in any case, sound research might inform the Commission's concerns. Senator Whipple suggested that the full Commission or Delegate Poindexter's subcommittee review the issue for possible legislative approaches. Mr. Montgomery added that the Commission should be looking at synthetic fuels and biofuels.

Delegate Poindexter asked if the Commission could look at the opportunities posed by hydropower capacity, either the expansion of existing large hydropower facilities or the

installation of micro-hydropower generation by farmers and landowners. Delegate Poindexter also added that natural gas conversion of existing vehicles could be promising and should also be encouraged. Finally, Delegate Poindexter added that nuclear power is a generation resource and that the Commission should explore whether its exploitation should be pursued. Mr. Weeks with the Department of Environmental Quality noted that much of the regulation of nuclear facilities is federal, but that the state will work with the environmental impact statement and issue the permits related to water use and impact.

Public Comment

Senator Whipple then asked the public for comments. Mr. Dell from the Advanced Vehicle Research Center, which has recently opened its headquarters in Danville, spoke to the Commission about options for hybrid conversions and electric cars. Mr. Dell offered to speak with the Commission at a later date regarding alternative vehicles and importance of recognizing the broad scope of technologies that are or may be available.

Another member of the public commented to the Commission on the importance of pursuing avenues with waste products that are useful and questioned the availability of grant funds for nuclear power. Senator Whipple was unaware of such funds or programs.

Another member of the public asked about smart meters and questioned the wisdom of nuclear power when less harmful renewable technologies are available. Senator Petersen clarified the use of smart meters and inclining block rates.

Mr. Marshall Ecker, with the Pittsylvania County Board of Supervisors, stated his agreement with the concerns of Delegate Poindexter that green building requirements would be unfunded mandates to the localities that are already struggling with reduced budgets. Mr. Ecker further stated that incentives for biofuels should accompany incentives for the vehicles that use those biofuels.

Senator Whipple thanked the members and adjourned the meeting. More information on the Virginia Commission on Energy and Environment may be found at <http://dls.state.va.us/energy.htm>.