

Draft Minutes
Governor's Energy Policy Advisory Council (GEPAC) and
The Built Environment Work Group

Friday, September 5, 2008
House Room 1, Capitol Building, Richmond, Virginia

Called to order: 09:42 a.m.

GEPAC members present:

Stephen Walz as Chair, Alleyn Harned for the Honorable Patrick O. Gottschalk, Eva Hardy, Larry Blanchfield, Karl Bren, George Minor, Dr. Irene Leech, and Michael Quillen (via phone)

GEPAC members absent:

The Honorable L. Preston Bryant, Jr., The Honorable Aneesh P. Chopra, The Honorable Patrick O. Gottschalk, Darlene Burcham, John Lewis, Jr., Ken Moss, and William Tayler

Governor's Commission on Climate Change Built Environment Work Group members present: Jodi Gidley (via phone), Bill Greenleaf, Felix Garcia, Luann Bennett, Paul Orentas (via phone), and Tyrone Murray

Welcoming remarks and introductions were made.

Minutes from the August 27, 2008 meeting were reviewed and unanimously approved as written, on a motion by Alleyn Harned, seconded by William Greenleaf.

A brief overview of the GEPAC and the Climate Change Commission Built Environment Workgroup charges was presented by GEPAC Chair Stephen Walz. The purpose of this meeting was to continue to review suggested options for recommendations to be presented to the Commission on Climate Change for consideration at its September 10, 2008 meeting.

The group reviewed the draft recommendations developed at its August 27, 2008 meeting related to investments in energy efficiency, smart metering, and educating Virginia's energy consumers. Additional discussions focused on seven primary areas of interest: Utility Energy Efficiency Programs and Funds, Renewable Incentives/ Regulatory Reform/Clean Energy Distributed Generation, Building Codes/Incentives, Green Building Lead by Example, Appliance/Equipment Efficiency Standards, Market Transformation, and Information Collection. Comments and suggestions by members were made as follows:

Utility Energy Efficiency Programs and Funds

- Key issue: Should Virginia have a more rigorous goal of reducing energy consumption, which reflects continuous reductions over time?
- An infrastructure must be in place to support such a goal, and it must be cost-effective for consumers.
- Some smart metering pilot programs are being run now, and preliminary data will be available later this year.
- Communications smart boards are available for monitoring energy and water consumption; consumer feedback on their usefulness is important.
- Should the state encourage adoption of such systems by consumers? The products must be affordable for consumers, and could be included as an eligible product to purchase during Energy Star sales tax holiday weekends.
- We should differentiate between utility meters and consumer-purchased systems.
- Electric/hybrid transportation is another piece that needs further exploration.
- Our regulatory system is geared now toward building energy/electricity, not saving it.
- We must find ways to let homeowners do energy efficient improvements at affordable prices.
- We must change consumer behavior in using energy; education is key to achieving this behavior modification.
- We must remove barriers and motivate consumers to conserve energy through education. However, utilities may not be the best resource for such education since traditionally, the less energy purchased from utilities, the less money they make. Decoupling legislation will help alleviate this conflict.
- We must stop wasting energy in homes and businesses.
- Sacrifices must be shared among utilities and consumers.
- We should provide incentives to consumers to buy energy efficient products in addition to education.
- We should consider recommending a more aggressive goal, but it may not be realistic to do so at this time.
- The goal should be contingent on putting a utility infrastructure in place; emphasizing saves over building energy, public education, and cost-effectiveness; being prudent, and contingent on approval by the SCC.
- Stay with the goal outlined in the Virginia Energy Plan for now, with the expectation that the goal will increase to deal with greenhouse gas reductions in the future. We may end up with multiple goals for different sectors (e.g., consumers, businesses, public buildings, etc.).
- Look at the ACEEE report to be released in mid-September at the COVES conference, and goals set in neighboring states, for additional data and guidance.

Renewable Incentives/Regulatory Reform/Clean Energy Distributed Generation

- Virginia is a net importer of electricity; we cannot generate enough through our utilities and have to purchase more through the marketplace.

- Consumers can sell back excess energy through net metering to the utility at avoided cost (PJM next day rate).
- A suggestion was made to take the \$2 billion that a utility will spend to build a new plant and apply it to retrofitting homes and businesses with energy efficiency improvements.
- We need to put mechanisms/systems in place for consumers to reduce energy demand which are not tied to utilities, such as:
 - Low Profit Limited Liability Company (L3C), which is being modeled now to support communities
 - Power Purchase Agreement (PPA) model being used in Europe, which guarantees rates to consumers (mostly used with wind farms)
 - Create a Virginia Energy Finance Agency to provide loans to homeowners/small businesses to increase energy efficiency in existing buildings and homes (i.e., pay-as-you-save), which could be set up under VHDA
 - Excess power generated from renewable energy sources could be bought back to the grid at a “green tariff” rate
- Tax incentives for renewable distributed generation systems could be based on the cost-effectiveness of the system (wind, solar PV and thermal), but people would have to be able to count on it.
- Tax incentives for conservation and energy efficiencies would provide the opportunity for more “green jobs” at the local community level.
- Energy Star sales tax holiday could be expanded to include additional products such as insulation.
- We should incentivize consumers and landlords to help renters make changes, for example through lease restructuring.
- Look at other states’ programs and incentives (NJ, NC, MD, NM).
- Change the rate schedule to be net revenue neutral.
- A public funding authority may work better than tax incentives in today’s economic situation: the loan stays with the house, is not tied to the home mortgage, and homeowner could repay the loan through property taxes over time. Legislation would be required to give localities the authority to create/manage such a system.

Building Codes/Incentives

- Although multiple standards have been adopted by Virginia already, the Commonwealth should quickly adopt new energy conservation building codes and train inspectors about the codes.
- The proposed code changes for 2009 will be voted on in October 2008.
- We should work with the building community to influence the development of the 2012 code changes.
- Virginia should encourage adherence to codes through other mechanisms like land use planning.
- There should be a 3-4 year phase-in period to require new building to be silver LEED certified (to the extent that standards exist for certain building types like

offices or hospitals, etc.). Building size may affect certification type, and LEED certifications should be harmonized with neighboring jurisdictions.

Green Building Lead by Example

- Executive Order 48 should be institutionalized into code and legislation.
- Publicly funded buildings (e.g., schools, libraries, colleges/universities) should meet higher-level standards unless there is a compelling reason for an exemption.
- There should be a broader market transformation program for K-12 schools.

Appliance/Equipment Efficiency Standards

- Site-to-source emission labels on appliances were discussed; this information could be added to Energy Guide/Energy Star appliance levels on a national level.
- Emission information could also be part of a consumer education program to help consumers become aware of emissions from appliances
- Contractors who service appliances should also be educated on emission rates, and share that information with homeowners.
- Better standards should be required for appliances put into rental units.

Market Transformation

- This is a target area for future work by the GEPAC members.
- We should add banking expertise to the group as we look at financial options in the future.

Other – Information Collection/Analysis

- We should independently collect and analyze Virginia energy data; we need a mechanism and funding to do this.
- DMME will continue to work with the Virginia Tech Coal Center to look for additional ways to obtain data from utilities, universities, etc. for analysis.

At the conclusion of these discussions, Chairman Walz outlined the next steps for the GEPAC. Recommendations gleaned from these meeting discussions will be compiled and presented at the Governor's Commission on Climate Change meeting scheduled for September 10, 2008. GEPAC will continue to explore issues raised during their previous meetings' discussions, and will follow-up with any work efforts that result from the Commission on Climate Change deliberations.

The meeting was adjourned at 2:30 p.m.

Prepared by Barbara Simcoe, Department of Mines, Minerals and Energy, September 8, 2008