Ensuring a reliable, affordable, environmentally friendly supply of energy is one of the most important domestic policy challenges facing our nation. Energy demand has increased throughout our economy while our supplies of fossil fuels are diminishing, and environmental policy and energy policy have become closely intertwined.

During my administration’s first legislative session in 2006, the General Assembly passed a comprehensive energy bill, Senate Bill (SB) 262, sponsored by Sen. Frank Wagner, who is developing a national reputation as a legislative expert on state energy policy. Working with Sen. Wagner, I comprehensively rewrote this legislation during the 30-day post-session bill review period to emphasize conservation and renewable sources of energy.

The Virginia Energy Plan

The Virginia Energy Plan, released in September, reflects priorities this administration has consistently advocated: conservation, use of alternative and renewable energy, environmental protection, and job creation.

To increase energy independence, per capita energy use in Virginia must be controlled through conservation and efficiency. The plan recognizes that each Virginian should make the day-to-day and long-term lifestyle choices needed to use energy efficiently and that state government should lead by example, reducing its energy use. Additionally, recognizing that lack of accurate information about energy efficiency is a critical hurdle to consumers who wish to take energy-saving actions, Virginia will do more to provide energy education to its citizens. As well, the plan highlights conservation and efficiency practices for businesses, industry, and institutions.

The Virginia Energy Plan also addresses the need to provide both adequate infrastructure and the resources to support energy use at home and at work. To do so, Virginia must ensure that there are diverse energy supplies for generating electricity, heating and cooling our homes, powering our businesses, and fueling our transportation system. There must be robust electricity and natural gas transmission and delivery networks across the state to help our Southwest Virginia coal and natural gas producers maintain safe and productive operations, support new renewable energy development such as new biofuels development in Southside Virginia, and take advantage of our highly skilled nuclear businesses in Lynchburg and Hampton Roads.

Implementing the recommendations in this plan will be key to helping Virginia reduce carbon emissions and climate change. The plan sets an aggressive target to reduce Virginia’s carbon emissions to 2000 levels—a 30 percent reduction—by 2025. To help Virginia meet this challenge, the plan recommends forming a Commission on Climate Change. The commission would be charged with identifying Virginia’s carbon footprint, assessing the risk of climate change to Virginia, and making recommendations for reaching the 30 percent target.

Research and development will be vital to accomplishing the Virginia Energy Plan goals, and the commonwealth is very fortunate to have several world-class research universities. The plan identifies four strategic focus areas for energy research and development: nuclear technology, alternate transportation fuels, coastal energy production, and carbon capture and stor-
age. These actions also will lead to expanded economic development in Virginia.

Developing the Virginia Energy Plan has not been the only energy action undertaken by my administration during the past year. I have also helped to broker compromise over legislation on re-regulation of electric utilities, signed legislation to promote purchase of energy efficient products, issued a comprehensive executive order on energy efficiency, and created the Governor’s Energy Policy Advisory Council.

Electric utility re-regulation

It was apparent at the start of this year’s legislative session—and all major stakeholders agreed—that Virginia had not succeeded in deregulating electric utilities. The commonwealth faced the danger of the worst consumer situation of all: unregulated electric utility monopolies. That’s why I was pleased to be involved in efforts to broker responsible legislation to re-regulate electric utilities.

The General Assembly passed two electricity re-regulation bills: SB 1416, authored by Sen. Thomas Norment, and HB 3068, authored by Del. Clarke Hogan. I amended these bills significantly to make them both more consumer-friendly and a better vehicle for promoting renewable forms of energy.

Specifically, my amendments

- Place a greater emphasis on electric-generating plant performance, customer service, and utility-operating efficiency when calculating allowable return on equity for utilities.
- Provide a greater incentive for nuclear, carbon-capture-compatible clean coal, and renewable energy plants (lower-carbon technologies).
- Direct the State Corporation Commission to evaluate—once it determines how much Virginia’s electric utilities may earn—how much Virginians pay for electricity compared to our neighbors in other Southeastern states.
- Require, for the first time ever, Virginia’s electric utilities to return to consumers profits greater than those approved by the State Corporation Commission.
- Ensure that companies’ competitive bidding plans for new generation will continue.
- Increase the energy efficiency goal to 10 percent from 5 percent.
- Strengthen requirements for use of renewable sources in electricity generation.

The identical rewritten versions of the bills were overwhelmingly approved by the General Assembly at its one-day reconvened session in April.

Energy conservation legislation

The 2007 General Assembly passed, and I was happy to sign, legislation that provides for a four-day sales tax holiday each mid-October to promote purchase of Energy Star-qualified products. This legislation was sponsored by Sen. John Watkins (SB 867) and by Del. John Cosgrove (HB 1678). No state can afford to use tax policy as its sole tool to promote energy efficiency, but strategic investments such as this are part of a comprehensive energy policy.

Executive Order 48

My administration has taken a number of steps to promote energy conservation in state operations. The most important of these was the issuance of Executive Order 48 in April. Executive Order 48 contains several major provisions, including

- Setting stringent requirements for energy conservation for state agencies. State agencies spent more than $290 million in fiscal year (FY) 2006 on facility and transportation energy. Executive branch agencies and institutions are now targeted to reduce the annual cost of non-renewable energy purchases by at least 20 percent by FY 2010.
- Requiring agencies with energy costs in excess of $1 million annually to retain an agency energy manager certified by the Association of Energy Engineers. This will help ensure the needed management attention to state government energy practices.
- Calling for executive agencies and institutions to use green building standards in state capital projects. Using green construction standards is not only good for the environment, it also makes good business sense and protects taxpayer dollars by reducing the operating costs of new and renovated state facilities.
- Giving a higher profile to energy issues with the appointment of Steve Walz—widely viewed as Virginia state government’s energy expert—as a senior advisor for energy issues in the governor’s office.
- Requiring leased space in metropolitan areas to be near public transportation stops.