REPORT OF THE

Coal and Energy Commission

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

SENATE DOCUMENT NO. 44

COMMONWEALTH OF VIRGINIA
RICHMOND
2001

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Report of the Coal and Energy Commission
to
The Governor and the
General Assembly of Virginia
Richmond, Virginia
2001

TO: The Honorable James S. Gilmore, III, Governor,
and
the General Assembly of Virginia

I. INTRODUCTION

The Virginia Coal and Energy Commission was established in statute in 1979 to study all aspects of coal as an energy resource and endeavor to stimulate, encourage, promote, and assist in the development of renewable and alternative energy resources other than petroleum. The Commission has 20 members: five members of the Senate, seven members of the House of Delegates, and seven citizen members appointed by the Governor. Currently, there is one vacancy on the Commission due to former Delegate JoAnn Davis' election to Congress.

In addition to its general powers, the Commission is also directed by its enabling legislation to: (i) act in an advisory capacity to the Governor and executive branch agencies upon energy-related matters; (ii) investigate and consider questions and problems relating to the field of coal and energy utilization and alternative energy sources as may be submitted; (iii) make recommendations to the Governor and General Assembly on its own initiative; (iv) consult with state agencies on all matters regarding energy conservation, including the promotion and implementation of initiatives for encouraging energy conservation by the public; (v) encourage research designed to further new and more extensive use of the coal as well as alternative and renewable energy resources of the Commonwealth; (vi) disseminate its recommendations to groups and organizations, both state and local, so as to stimulate initiatives of local governing bodies and private business in the field of energy-related matters; (vii) coordinate its efforts with those of the Virginia Solar Energy Center and the Virginia Center for Coal and Energy Research; (viii) actively seek federal and other funds to be used to carry out its functions; and (ix) seek to establish alternative fuel capability within the Commonwealth (Va. Code § 9-145.1).

The Commission met for the first time since 1998 on January 9, 2001. Senator William Wampler of Bristol was elected Chairman and Delegate Harry Parrish of Manassas was elected Vice-Chairman. Senator Wampler appointed members to subcommittees, and these appointments are in Appendix A. The Commission heard updates on recent legislation involving coal and other sources of energy, production of various sources of energy in Virginia, and energy assistance programs for low-income households.

II. OVERVIEW OF PAST STUDY AND RECENT LEGISLATION

The Commission has examined a broad range of issues in the past in furtherance of its charge. A major area of Commission study has been Virginia's coal tax credits. The Commission recommended the creation of a tax credit in 1995 to encourage companies to both mine and increase usage of Virginia's coal. Since the enactment of the tax credit, the Commission has studied its effectiveness and has recommended changes in subsequent years to continue Virginia's support for the coal industry. A copy of the current tax credits related to coal production is attached as Appendix B.

The Commission has also studied implications of the Clean Air Act on coal-fired power plants. The Commission monitored the work of the Ozone Transport Assessment Group (OTAG), a group of 37 environmental officials formed with the encouragement of the U.S. EPA. OTAG was formed under the theory that, because ozone and ozone precursors are mobile in the atmosphere, some regions of the country may not be able to attain the air quality standard for ozone unless additional emissions reductions are imposed in other regions of the country. The General Assembly passed legislation that conditioned Virginia's participation in OTAG on study of its administration, process, and operations, and the Coal and Energy Commission was responsible for this study.

The Commission has received annual reports on the Federal Low-Income Home Energy Assistance Program (LIHEAP) and Weatherization, the Commonwealth's two state-administered programs assisting low-income households meet their energy needs, from their administering agencies. Other areas of the Commission's study include the production of coalbed methane gas, the implementation of the Powell River Project, and other issues pertinent to the coal, oil, and natural gas industries. The Commission has recognized needs in these areas and has recommended legislation to address such needs when appropriate.

Since the Commission last met, significant legislation has passed affecting the coal, natural gas, and electric supply industries. Delegate Jackie Stump introduced a major revision of the Coal Mine Safety Act that was passed by the General Assembly and signed into law in 1999. The amendments (i) require mine operators to secure surface openings against unauthorized entrance in areas where mining is discontinued for more than 30 days, (ii) increase the penalty for making false statements on mine maps, (iii) eliminate the maximum age limit for members of mine rescue teams, and (iv) require roof falls to be reported in the same manner as any other accident. The bill also made a number of technical revisions to the Coal Mine Safety Act and clarified standards and procedures for various safety measures to minimize accidents and injuries therefrom.

Deregulation in the natural gas industry began in 1999 upon the enactment of Senator Colgan's bill, SB1105. Each public utility authorized to furnish gas service may offer retail supply choice by filing a plan for implementing choice with the State Corporation Commission. The plan must include such elements as a schedule for implementation, tariff revisions providing for unbundled rates, surcharges for stranded cost recovery, and a code of conduct between suppliers and distributors to prevent discriminatory conduct and the unlawful exercise of market power. The SCC may also direct a gas utility to file a retail supply choice plan. In either case, the SCC shall review and approve such plans as long as (i) they do not adversely affect the quality, safety, reliability, and reasonableness of rates; or (ii) they are not in the public interest. Finally, if at least 25 percent or 500 of the utility's customers, whichever is lesser, file an application with the SCC indicating that the marketplace is not reasonably competitive or rates are unreasonably high, the SCC may terminate the gas utility's retail supply choice program.

The electricity supply industry has also been deregulated. After several years of study, the General Assembly passed the Virginia Electric Utility Restructuring Act in 1999. While natural gas deregulation can be accomplished through the individual plans of the utilities, the electric utility industry has a more complicated production and delivery system, compounded by the inability to store electricity. Electricity consists of generation, or supply of electricity, transmission across power lines, and distribution to individual customers. The only portion of the electric utility industry that has been deregulated is generation. Customers will now have the choice of electricity supplier, but will retain their incumbent distribution utility for delivering the electricity.

The Restructuring Act recognizes that electricity deregulation is a process that takes several years to implement. Provisions dealing with the transition to competition include a two-year phase-in for customer choice of generation services, a period of capped rates for incumbent utilities from 2001 until 2007, and utility pilot programs to provide a "trial run" scenario to learn about the implementation of customer choice. Since incumbent utilities normally recover their costs of facilities through rates, and rates will be deregulated, the Restructuring Act provides for stranded cost recovery through a nonbypassable wires charge assessed on customers who switch generation suppliers. Utilities must be licensed as suppliers or aggregators, must participate in a regional transmission entity, and must functionally separate the generation of electricity from transmission and distribution. The Act includes a number of consumer protection provisions, including the designation of default service providers in the event customers are unwilling or unable to choose their providers, a five-year, $30 million consumer education program to ensure consumers understand how customer choice will work, and SCC regulation of supplier marketing materials and operation of a complaint bureau. The Act also established a private right of action for consumers aggrieved by their electricity supplier.

In recognition of the complex, long-term implementation of competition, the General Assembly also passed a provision in the Restructuring Act creating a Legislative Transition Task Force. The Task Force is comprised of four senators and sixdelegates, and is chaired by Senator Thomas Norment. Two members of the Coal and Energy Commission, Senator Watkins and Delegate Parrish, are also members of the Task Force. The Task Force, in effect until July 2005, is charged with monitoring the implementation of the Restructuring Act, and studying major issues surrounding deregulation.

III. PRODUCTION TRENDS IN COAL, NATURAL GAS, AND OIL

Steve Walz of the Department of Mines, Minerals, and Energy provided the Commission with an update on the production of coal, oil, and natural gas in Virginia. A copy of his report is attached as Appendix C. All of Virginia's coal production in the past decade has been in Southwest Virginia. Total production peaked in 1990, and has declined somewhat since then. The production levels between small mines and large mines are about even today, and while the number of mines has increased overall, the number of tons of coal produced has dropped. Mr. Walz explained that this phenomenon is due to some mines reopening, but not yet reaching full production, and other mines are working out all available coal. Coal mines in Virginia produce twice the amount of coal actually consumed in the Commonwealth.

In 1990, Virginia was the seventh largest producer of coal nationwide; in 1999, that rank dropped to ninth. Delivery of coal was difficult in the 2000-2001 winter due to increased demand and limited rail transportation to power plants. Commission members noted that Virginia has an opportunity to increase production, now that considerable federal funds are available for supporting clean coal technologies. The Commission endorsed the idea of a letter from the Chairman and Vice-Chairman to the President of the United States expressing why Virginia should benefit from such funding.

Virginia's natural gas production has remained concentrated in Southwest Virginia as well. Production has increased dramatically since 1990, from 15 billion cubic feet (BCF) in 1990 to 72 BCF in 1999, due to the mining of coalbed methane gas. While the total number of producing wells has increased, prices have also increased dramatically. Virginia's natural gas production is less than one percent of total production in the United States, but the amount produced in Virginia comprises approximately 28 percent of the natural gas used in the Commonwealth, and production is still greater than residential consumption statewide. The amount of natural gas reserves is difficult to estimate because the number of reserves depends on the price of the commodity, which fluctuates often.

Production of oil in Virginia is less than one percent of that produced elsewhere in the United States. Virginia's production over the last decade has gone from 15 billion barrels (BBLS) in 1990, to 17 BBLS in 1994, to slightly more than 8 BBLS in 1999. Some oil wells in other regions of the U.S. produce more oil individually than is produced by all of

Virginia's wells in the aggregate. Delivery of oil was difficult in the winter of 2000-2001 because of the unusually cold winter. The Virginia Association of Petroleum Marketers and Convenience Stores has extended fuel oil driver time and weight limits to minimize delays in delivery to homes.

IV. LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

The Commission received an update on the Federal Low-Income Energy Assistance Program from Charlene Chapman of the Department of Social Services, a copy of which is attached as Appendix D. LIHEAP assists low-income households at or below 130% of poverty level with meeting a portion of their energy needs. In Virginia, the program meets about one-third of an eligible household's total energy costs for the heating season.

The Department of Social Services administers three components of LIHEAP. The Fuel Assistance component provides assistance for purchase of home heating fuel, furnace re-starts, late charges, delivery charges, installation charges, and connection fees. Crisis assistance is provided in the form of security deposit and primary heat utility bill payments, as well as purchase of primary home heating fuel, portable space heaters, heating equipment, and emergency shelter when there is no heat in the home. If funds are available, cooling assistance, the third component of LIHEAP, is provided to qualifying households to pay energy bills for cooling equipment or to purchase such equipment during the summer months.

LIHEAP is funded entirely by federal monies. The Virginia Code requires that 15 percent of all funds provided for LIHEAP be allocated to the Weatherization Assistance Program. Former President Clinton released contingency funds in recent years to supplement LIHEAP funds during unusually cold winters and hot summers. In 1999 and 2000, excess Temporary Aid to Needy Families (TANF) funds were also used to supplement LIHEAP funding. Since the winter of 2000-2001 held temperatures that were colder than average, the federal government allocated to Virginia an additional $5.8 million in regular funds and $7.6 million in contingency funds. The annual LIHEAP funds assist more than 84,000 Virginia households each year, and these additional appropriations will be allocated to increase the benefit amount for these homes.

V. WEATHERIZATION ASSISTANCE PROGRAM

Bill Shelton of the Department of Housing and Community Development provided an update on the Virginia Weatherization Assistance Program. This program helps to reduce the energy burden of low-income families by installing cost-effective, energy-efficient measures in the home. These measures provide a permanent decrease in home energy consumption, which in turn saves natural resources, reduces carbon emissions from power plants, and improves the quality of local housing. Weatherization efforts may include the installation of insulation and ventilation fans, repairs of leaky duct systems, and inefficient or unsafe heating and cooling systems.

The current program year has nearly $9 million in funding from the U. S. Department of Energy, LIHEAP funds, the General Fund, and oil overcharge funds. In the first quarter of this program year, 885 homes were weatherized, with an average cost of $2,000 per unit. A study released by the Department of Energy identified a savings of $1.80 for every dollar invested in weatherization. The 1999-2000 program year saw 3,387 homes weatherized. Details regarding the demographics of these households, including the number of elderly, disabled, and minor occupants, are in the handout provided by Mr. Shelton, which is attached as Appendix E.

Mr. Shelton also identified needs not currently met by the Weatherization Assistance Program. There are between 2,000 and 2,500 households on a waiting list for the program, but not all of these households may be eligible to receive services. One of the main areas of unmet need is multi-family rental buildings. Most of the households currently served by the Weatherization Assistance Program are single-family homes, but a number of multi-family dwellings across the Commonwealth would benefit from weatherization services.

VI. OTHER BUSINESS

Senator Watkins provided the Commission with an overview of the activities of the Southern States Energy Board. The Board has examined a number of issues surrounding electric utility restructuring, but the availability of coal and clean coal technologies also remain an area of study for the Board. Senator Watkins suggested the Commission ask agencies to provide members with information regarding incentives for power production in the Commonwealth, particularly the location of such production in western and southwestern Virginia. He stressed that states have to balance the protection of the environment with the need for producing energy, and that Virginia has an opportunity to be an example of how this balance can be achieved. Virginia has seen a growth in demand for electricity of 25 percent as a result of new technology, but Virginia's generation capacity has only increased four percent. The Chairman agreed that the Commission would be an appropriate forum for study of this issue.

The Chairman noted that workers' compensation premiums for mining industries increased 30 percent last year, and could increase another 20 percent this year. The cost of workers' compensation insurance has a direct impact on employment levels and the cost of coal production. Federal regulators will try and address the role of workers' compensation in occupational disease issues in the near future. Insurers may need to have reserves in case the costs of insuring any new obligations under federal regulations would drive premiums up to a level unreachable by coal employers. The Chairman recommended a letter be sent to the Commissioner of Insurance, asking him to monitor the issue carefully and keep the Commission informed of new developments in this area.

VII. CONCLUSION

The Commission will continue in the 2001 interim to explore ways to encourage production in Virginia of all types of energy, examine the recent rise in natural gas prices, study the increase in workers' compensation premiums for mining, and monitor the assistance of low-income households in meeting their energy needs.

Respectfully submitted,

Senator William C. Wampler, Jr.
Delegate Harry J. Parrish
Delegate Watkins M. Abbitt, Jr.
Delegate Kristen J. Amundson
Delegate Thomas Bolvin
Senator Charles J. Colgan
Delegate James K. O'Brien, Jr.
Senator Phillip P. Puckett
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Donald B. Baker
Laura M. Bateman
Marvin W. Gilliam
W. Thomas Hudson
John K. Matney
Edward J. Rivas
Lloyd Robinette

COAL AND ENERGY COMMISSION

2001 SUBCOMMITTEES

COAL

Delegate Stump, Chair
Delegate O'Brien
Senator Puckett
Mr. Gilliam
Mr. Hudson
Mr. Matney
Mr. Robinette

ENERGY PREPAREDNESS

Senator Watkins, Chair
Delegate Amundson
Delegate Bolvin
Senator Hawkins
Mr. Rivas
(vacancy)

OIL AND GAS

Delegate Parrish, Chair
Delegate Abbitt
Senator Colgan
Delegate Ware
Mr. Baker
Ms. Bateman
Mr. Hudson

COAL AND ENERGY COMMISSION

CURRENT TAX CREDITS TO ENCOURAGE THE MINING AND USE OF COAL

§ 58.1-433. (Effective until December 31, 2001) Qualifying cogenerators and small power producers credit.

A. For all taxable years beginning on and after January 1, 1988, every cogenerator as defined in § 58.1-2600 shall be allowed a credit against the tax imposed by § 58.1-400 in the following amount: one dollar per ton for each ton of coal mined in Virginia, purchased by any cogenerator which sells electric power to a public service corporation in Virginia.

B. For all taxable years beginning on and after January 1, 1989, every cogenerator as defined in § 58.1-2600 shall be allowed an additional credit against the tax imposed by § 58.1-400 in the following amount: one dollar per ton for each ton of coal mined in Virginia, purchased by any cogenerator which sells electric power to a public service corporation in Virginia.

C. In order to receive the credit under this section the cogenerator shall include a certification from the coal producer that the coal was mined in Virginia. In no event shall the credit allowed hereunder exceed the total amount of tax liability of such cogenerator. Any tax credit not usable for the taxable year may be carried over to the extent usable for the next five succeeding taxable years or until the full credit is utilized, whichever is sooner.

§ 58.1-433.1. Virginia Coal Employment and Production Incentive Tax Credit.

For taxable years beginning on and after January 1, 2001, every electricity generator in the Commonwealth shall be allowed a three-dollar-per-ton credit against the tax imposed by § 58.1-400 or § 58.1-400.2 for each ton of coal purchased and consumed by such electricity generator, provided such coal was mined in Virginia as certified by such seller. Notwithstanding any other provision of law, no electricity generator shall be allowed more than a three-dollar-per-ton coal tax credit and shall be subject to all limitations set forth in § 58.1-400.2. In no event shall the credit allowed hereunder exceed the total amount of tax liability of such taxpayer. Any tax credit not usable for the taxable year may be carried over to the extent usable for the next five succeeding taxable years or until the full credit is utilized, whichever is sooner. For the purposes of the credit provided by this section, "electricity generator" means any person who produces electricity for self-consumption or for sale. However, a cogenerator, as defined in § 58.1-2600, shall not be allowed to claim the credit provided by this section and the credit provided by § 58.1-433 on the same ton of coal.

§ 58.1-439.2. Coalfield employment enhancement tax credit.

A. For tax years beginning on and after January 1, 1996, but before January 1, 2008, any person who has an economic interest in coal mined in the Commonwealth shall be allowed a credit against the tax imposed by § 58.1-400 and any other tax imposed by the Commonwealth in accordance with the following:

1. For coal mined by underground methods, the credit amount shall be based on the seam thickness as follows:

Seam Thickness	Credit per Ton
36" and under	$2.00
Above 36"	$1.00

The seam thickness shall be based on the weighted average isopach mapping of actual coal thickness by mine as certified by a professional engineer. Copies of such certification shall be maintained by the person qualifying for the credit under this section for a period of three years after the credit is applied for and received and shall be available for inspection by the Department of Taxation. The Department of Mines, Minerals and Energy is hereby authorized to audit all information upon which the isopach mapping is based.

2. For coal mined by surface mining methods, a credit in the amount of forty cents per ton for coal sold in 1996, and each year thereafter.

B. In addition to the credit allowed in subsection A, for tax years beginning on and after January 1, 1996, any person who is a producer of coalbed methane shall be allowed a credit in the amount of one cent per million BTUs of coalbed methane produced in the Commonwealth against the tax imposed by § 58.1-400 and any other tax imposed by the Commonwealth on such person.

C. For purposes of this section, economic interest is the same as the economic ownership interest required by § 611 of the Internal Revenue Code which was in effect on December 31, 1977. A party who only receives an arm's length royalty shall not be considered as having an economic interest in coal mined in the Commonwealth.

D. If the credit exceeds the person's state tax liability for the tax year, the excess shall be redeemable by the Tax Commissioner on behalf of the Commonwealth for ninety percent of the face value within ninety days after filing the return; however, for credit earned in tax years beginning on and after January 1, 2002, such excess shall be redeemable by the Tax Commissioner on behalf of the Commonwealth for eighty-five percent of the face value within ninety days after filing the return. The remaining ten or fifteen percent of the value of the credit being redeemed, as applicable for such tax year, shall be deposited by the Commissioner in a regional economic development fund administered by the Coalfields Economic Development Authority to be used for regional economic diversification in accordance with guidelines developed by the Coalfields Economic Development Authority and the Virginia Economic Development Partnership.

E. No person may utilize more than one of the credits on a given ton of coal described in subsection A. No person may claim a credit pursuant to this section for any ton of coal for which a credit has been claimed under §§ 58.1-433, 58.1-433.1 or § 58.1-2626.1. Persons who qualify for the credit may not apply such credit to their tax returns prior to January 1, 1999, and only one year of credits shall be allowed annually beginning in 1999.

F. The amount of credit allowed pursuant to subsection A shall be the amount of credit earned multiplied by the person's employment factor. The person's employment factor shall be the percentage obtained by dividing the total number of coal mining jobs of the person filing the return, including the jobs of the contract operators of such person, as reflected in the annual tonnage reports filed with the Department of Mines, Minerals and Energy for the year in which the credit was earned by the total number of coal mining jobs of such persons or operators as reflected in the annual tonnage reports for the year immediately prior to the year in which the credit was earned. In no case shall the credit claimed exceed that amount set forth in subsection A.

G. The tax credit allowed under this section shall be claimed according to the following schedule:

1. 50% of the credit allowed in tax year 1996 shall be claimed in tax year 1999 and the remainder in tax year 2005.
2. 50% of the credit allowed in tax year 1997 shall be claimed in tax year 2000 and the remainder in tax year 2006.
3. 75% of the credit allowed in tax year 1998 shall be claimed in tax year 2001 and the remainder in tax year 2007.
4. 75% of the credit allowed in tax year 1999 shall be claimed in tax year 2002 and the remainder in tax year 2008.
5. 100% of the credit allowed in tax year 2000 shall be claimed in tax year 2003.
6. 100% of the credit allowed in tax year 2001 shall be claimed in tax year 2004.
7. 100% of the credit allowed in tax year 2002 shall be claimed in tax year 2005.
8. 100% of the credit allowed in tax year 2003 shall be claimed in tax year 2006.
9. 100% of the credit allowed in tax year 2004 shall be claimed in tax year 2007.
10. 100% of the credit allowed in tax year 2005 shall be claimed in tax year 2008.
11. 100% of the credit allowed in tax year 2006 shall be claimed in tax year 2009.
12. 100% of the credit allowed in tax year 2007 shall be claimed in tax year 2010.

§ 58.1-439.3. Qualifying steam producers tax credit.

For tax years beginning on and after January 1, 1996, but before January 1, 2001, a steam producer shall be allowed a credit against the tax imposed by § 58.1-400 in the amount of three dollars per ton for each ton of coal mined in Virginia purchased by such steam producer. "Steam producer" means a person who sells steam energy to a manufacturing company in the Commonwealth or uses steam to produce manufactured goods. In order to receive the credit under this section, the steam producer shall include a certification from the coal producer that the coal was mined in Virginia. In no event shall the credit allowed hereunder exceed the total amount of tax liability of such steam producer. Any tax credit not usable for the taxable year may be carried over to the extent usable for the next five succeeding tax years or until the full credit is used, whichever is sooner.

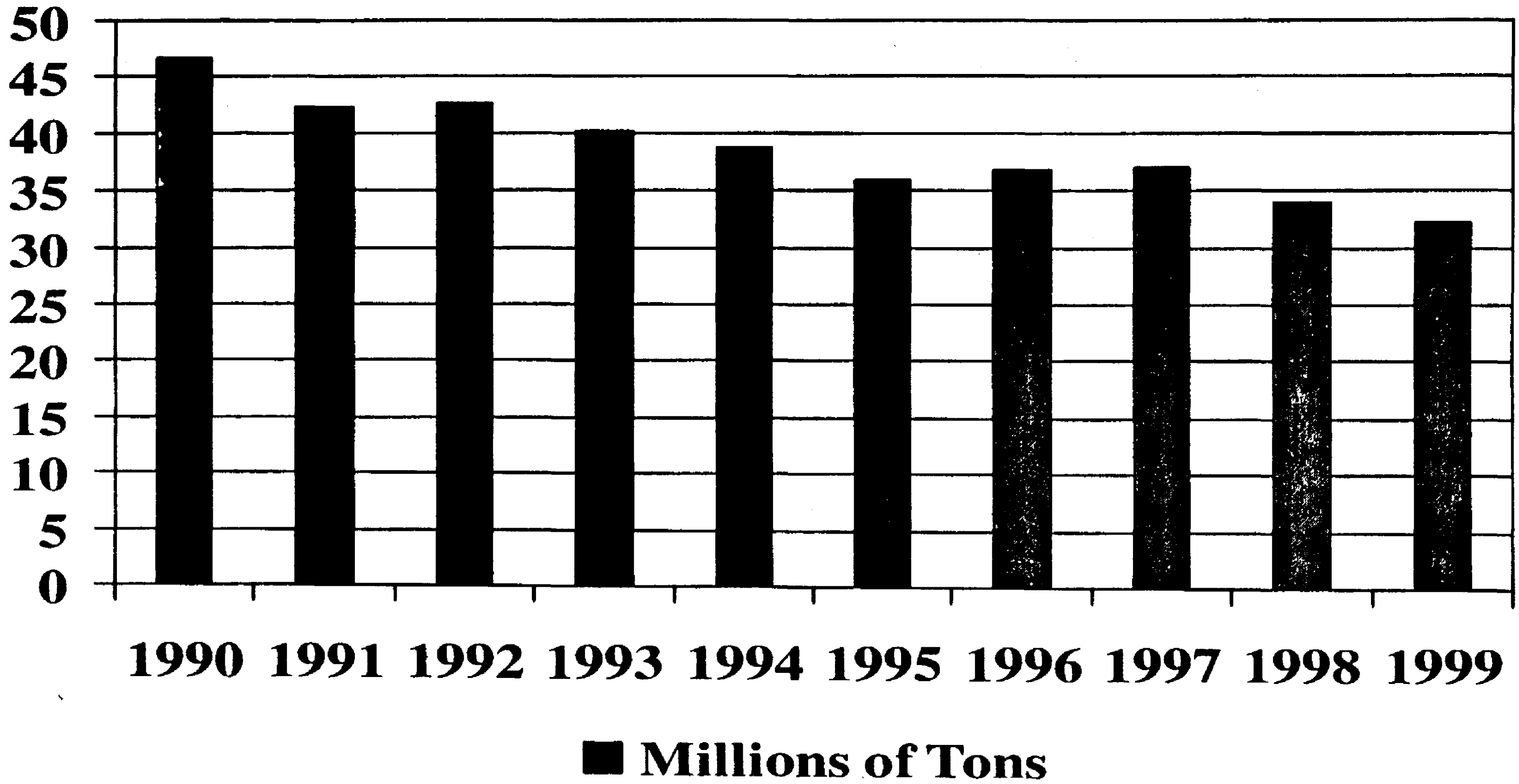
§ 58.1-2626.1. The Virginia Coal Employment and Production Incentive Tax Credit.

A. For the tax years beginning on and after January 1, 1988, every corporation in the Commonwealth doing the business of furnishing water, heat, light or power to the Commonwealth or its citizens, whether by means of electricity, gas or steam shall be allowed a credit against the tax imposed by § 58.1-2626 in the following amount: one dollar per ton for each ton of coal contracted for purchase and consumed by such corporation after July 1, 1986, provided such coal was mined in Virginia as certified by the producer of such coal. This credit shall be prorated equally against the corporation's estimated payments made in September and December and the final payment.

B. For tax years beginning on and after January 1, 1989, every corporation in the Commonwealth doing the business of furnishing water, heat, light or power to the Commonwealth or its citizens, whether by means of electricity, gas or steam shall be allowed additional credit against the tax imposed by § 58.1-2626 in the following amount: one dollar per ton for each ton of coal purchased and consumed by such corporation, provided such coal was mined in Virginia as certified by such seller. The credit shall be prorated equally against the corporation's estimated payments made in September and December and the final payment.

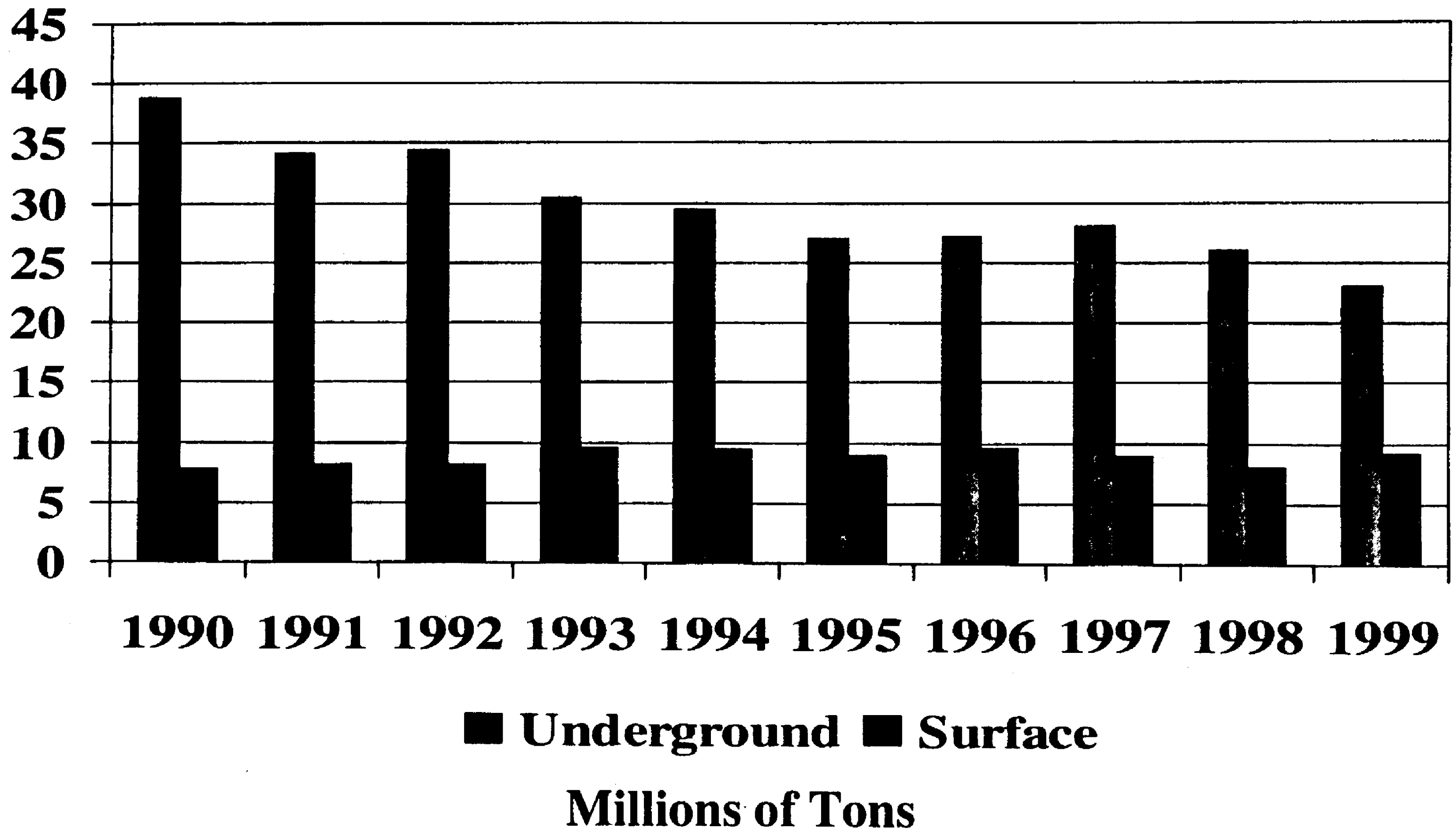
C. For tax years beginning on and after January 1, 1991, every corporation in the Commonwealth doing the business of furnishing water, heat, light or power to the Commonwealth or its citizens, whether by means of electricity, gas or steam, shall be allowed additional credit against the tax imposed by § 58.1-2626 in the following amount: one dollar per ton for each ton of coal purchased and consumed by such corporation, provided such coal was mined in Virginia as certified by such seller. The credit shall be prorated equally against the corporation's estimated payments made in September and December and the final payment.

Coal Production 1990-1999



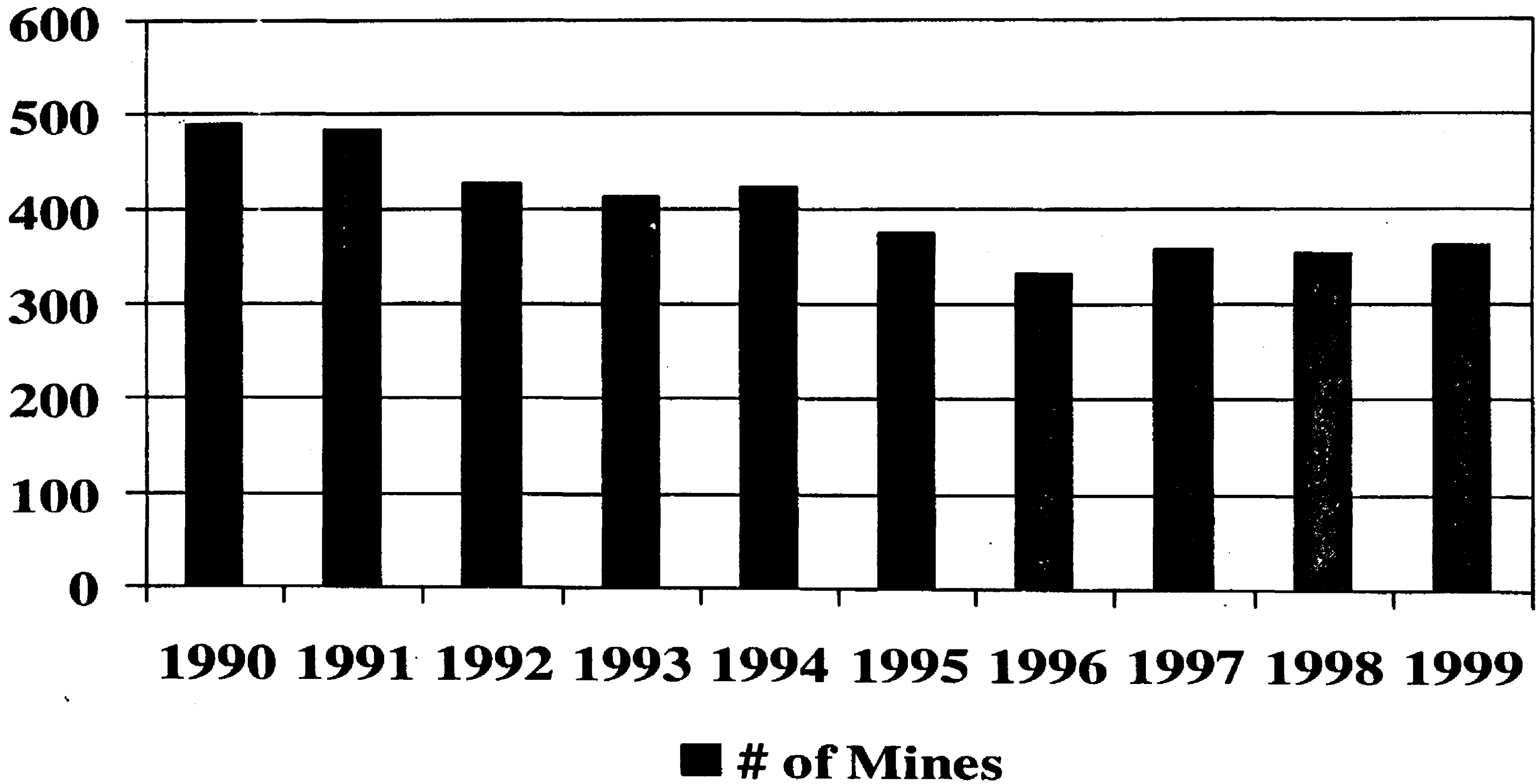
Virginia Department of Mines Minerals and Energy

Coal Production by Type



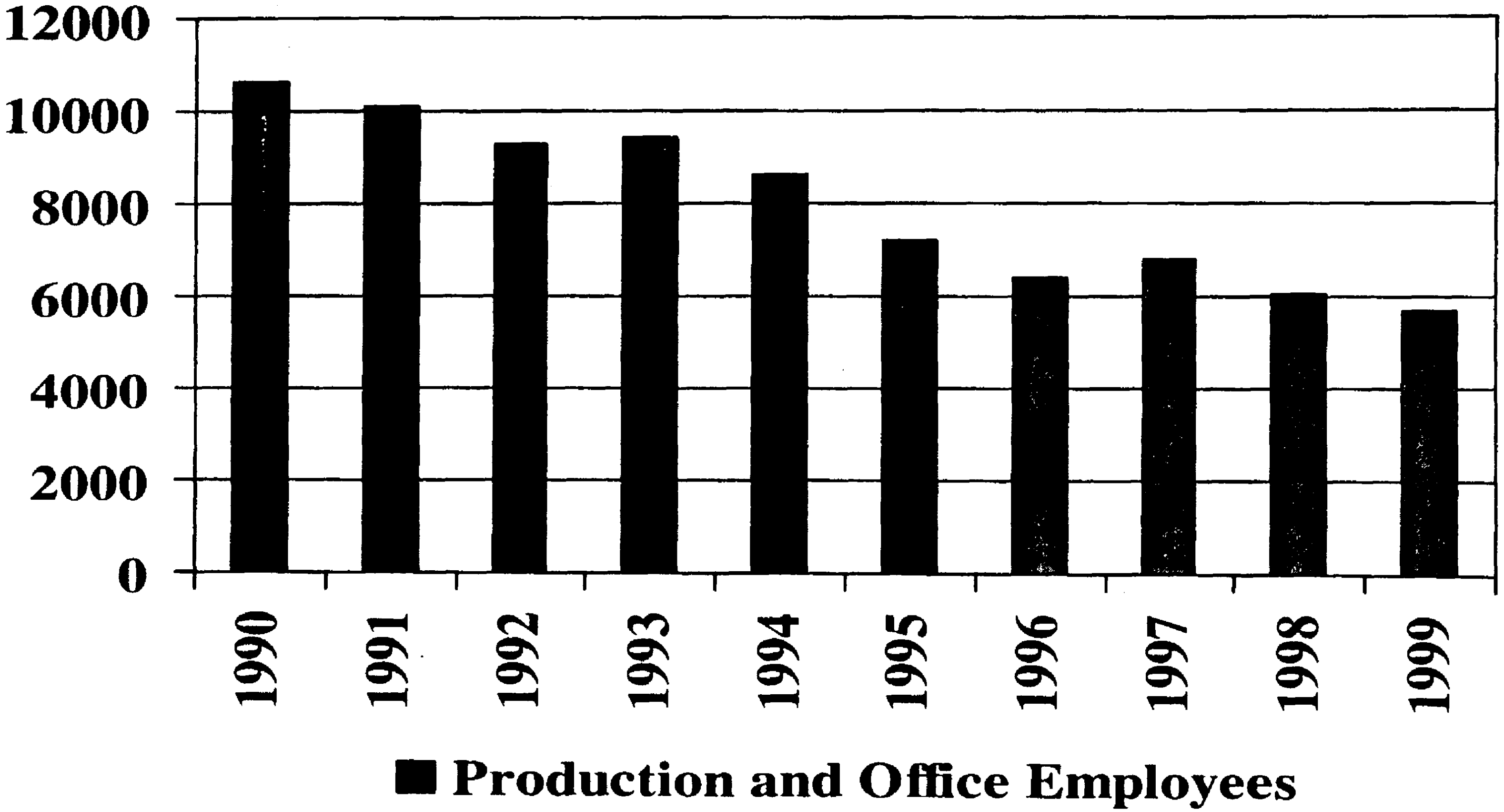
Virginia Department of Mines Minerals and Energy

Number of Active Coal Mines



DMME Virginia Department of Mines Minerals and Energy

Coal Mine Employment



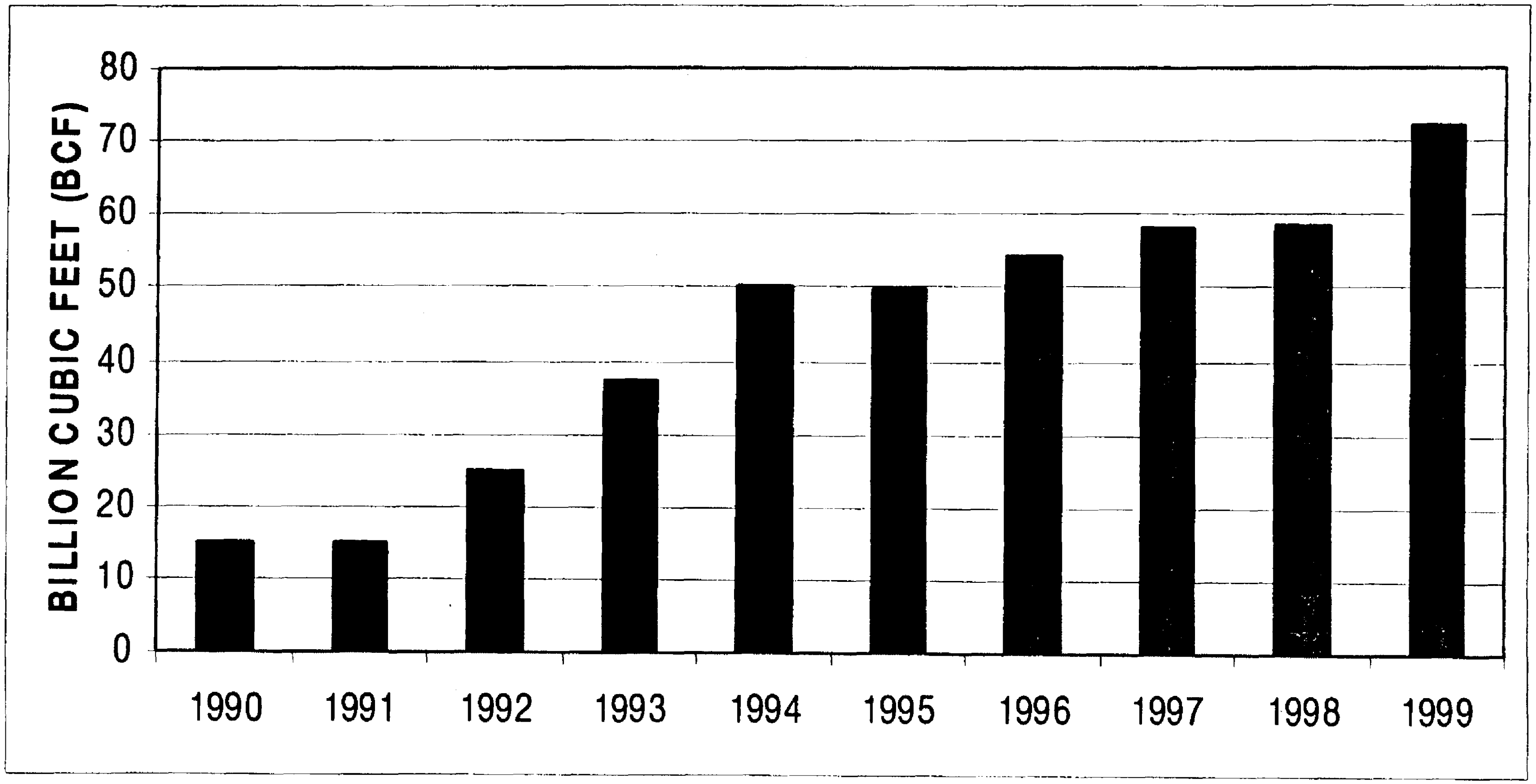
Virginia Department of Mines Minerals and Energy

Coal Production Ranking

1990	1995	1998	1999
Wyoming	Wyoming	Wyoming	Wyoming
Kentucky	West Virginia	West Virginia	West Virginia
West Virginia	Kentucky	Kentucky	Kentucky
Pennsylvania	Pennsylvania	Pennsylvania	Pennsylvania
Illinois	Texas	Texas	Texas
Texas	Illinois	Montana	Montana
VIRGINIA	Montana	Illinois	Illinois
Montana	**VIRGINIA**	Indiana	Indiana
Indiana	North Dakota	**VIRGINIA**	**VIRGINIA**
Ohio	Indiana	North Dakota	North Dakota

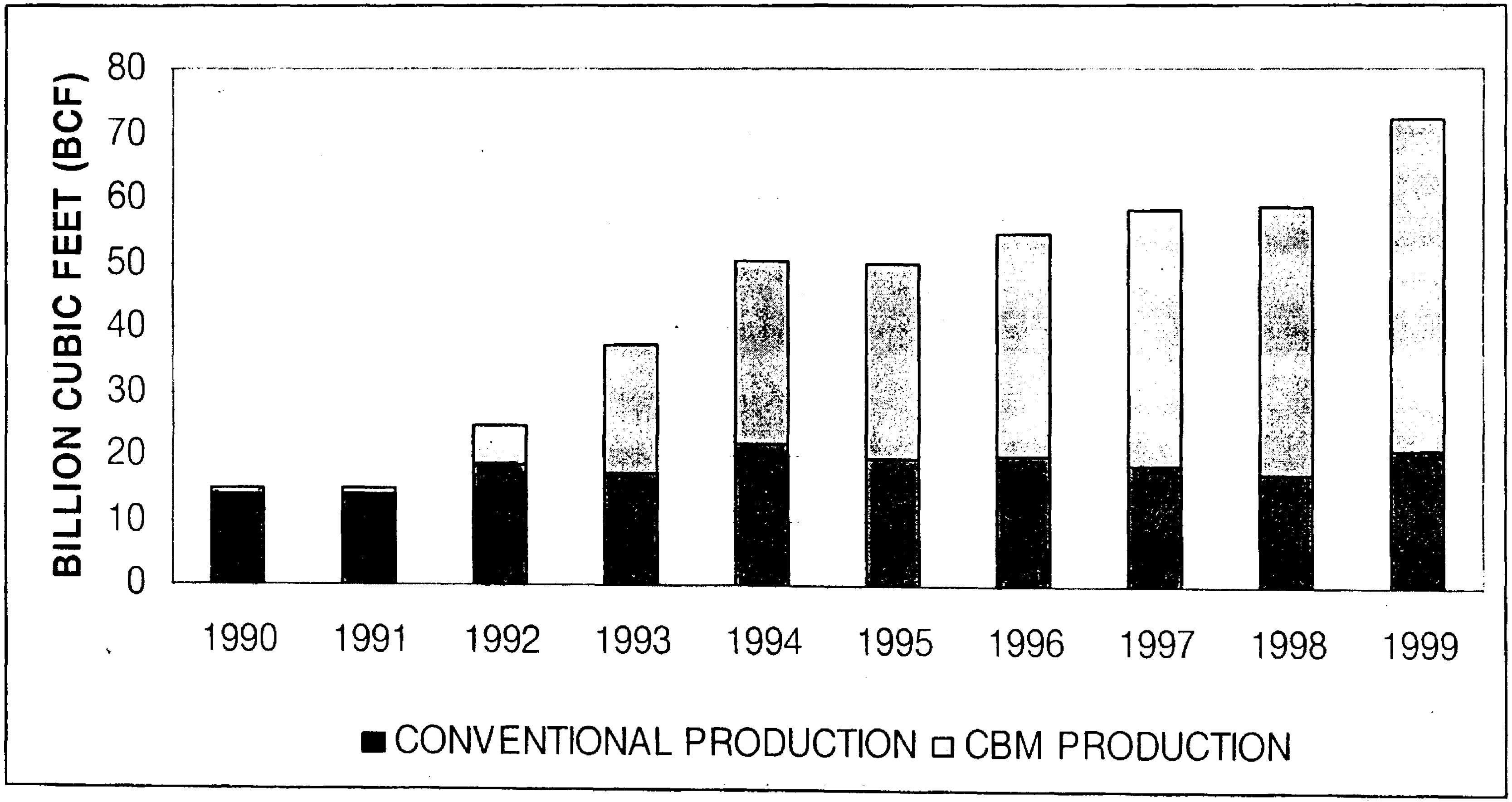
Virginia Department of Mines Minerals and Energy

Gas Production 1990 - 1999



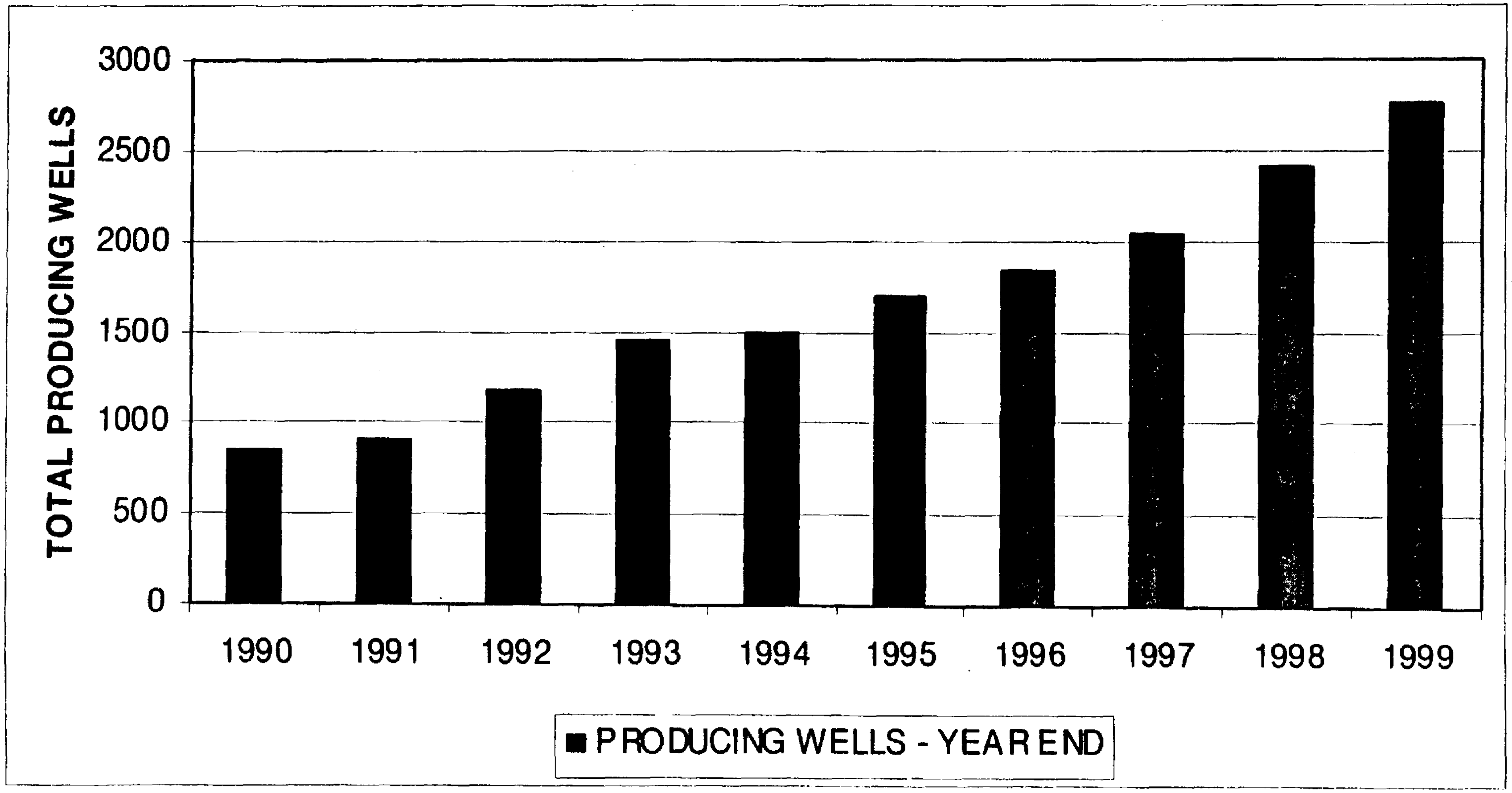
Virginia Department of Mines Minerals and Energy

Gas Production by Type



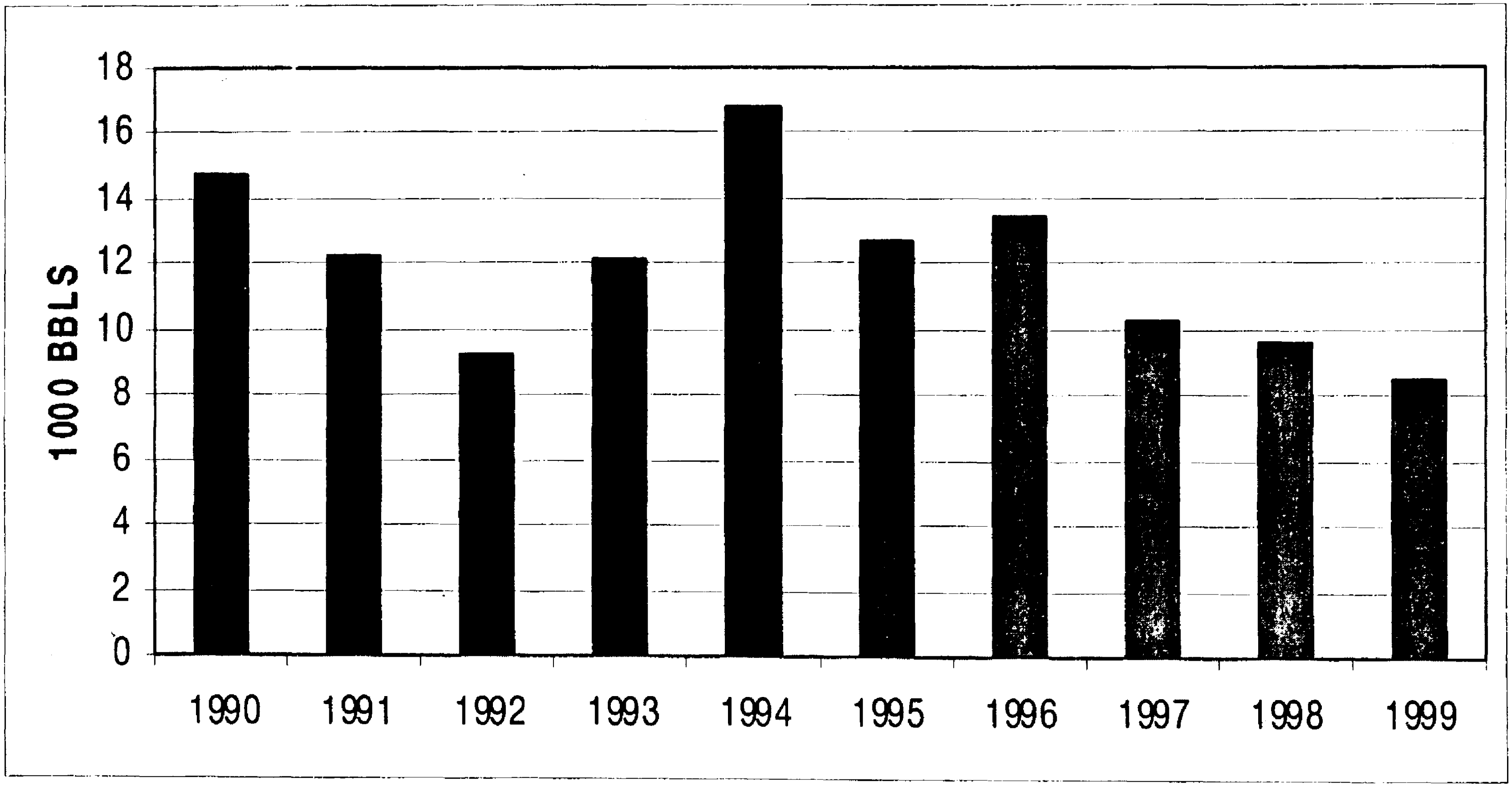
Virginia Department of Mines Minerals and Energy

Total Number of Producing Gas/Oil Wells



Virginia Department of Mines Minerals and Energy

Oil Production 1990 - 1999



Virginia Department of Mines Minerals and Energy

ENERGY ASSISTANCE PROGRAM

UPDATE 2001

PREPARED FOR THE COAL AND ENERGY SUBCOMMITTEE

BY: VIRGINIA DEPARTMENT OF SOCIAL SERVICES 1/09/2001

APPENDIX D

VIRGINIA DEPARTMENT OF SOCIAL SERVICES
ENERGY ASSISTANCE PROGRAM

PURPOSE: The Energy Assistance Program assists low income households at or below 130% of poverty, particularly those with the lowest incomes, that pay a high portion of household income for home energy, primarily in meeting their immediate home energy needs.

The Energy Assistance population is fairly stable, and although many households receive assistance for multiple years, the program is not intended to meet the household's total energy cost during the heating season. In Virginia, the Energy Assistance Program benefit meets about one-third of an eligible household's total energy cost for the heating season.

COMPONENTS: The Energy Assistance Program consists of **four** components:

Fuel Assistance: Provides assistance for purchase of home heating fuel, furnace re-starts, late charges, delivery charges, installation charges, and connection fees. Benefits do not cover the household's total cost during the heating season.

Crisis Assistance: The following types of assistance are provided to prevent or alleviate a crisis situation when it will ensure heat for the household:

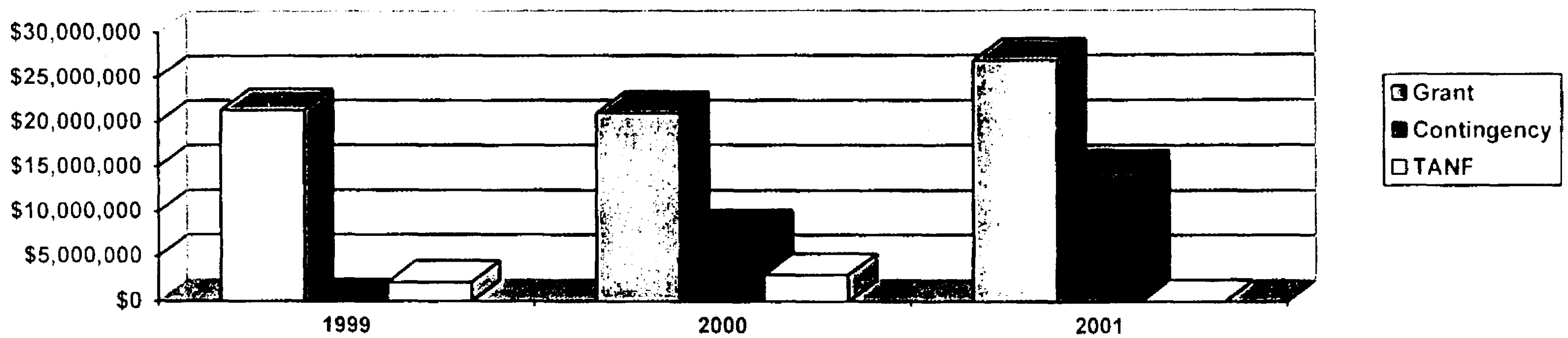
Once-per-lifetime payment of primary heat utility security deposit.
Purchase of portable space heaters for temporary use.
Purchase of primary home heating fuel.
Payment for emergency shelter when there is no heat in the house.
Payment of primary heat utility bill.
Purchase or repair of heating equipment

Cooling Assistance: If funds are available or as result of release of contingency funds by the federal government, assistance is provided to purchase cooling equipment or to pay for electricity to operate the cooling equipment.

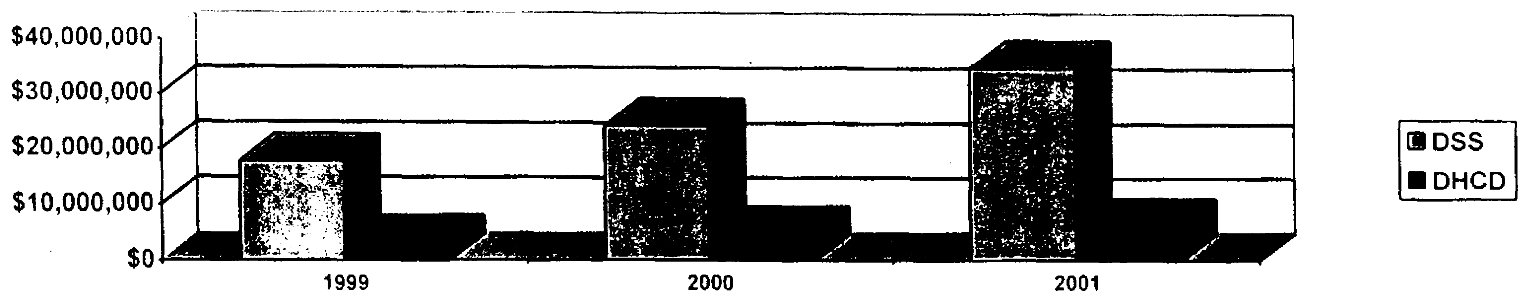
Weatherization Assistance: The Virginia Department of Housing and Community Development (DHCD) administers this component. The 1998 Virginia General Assembly passed legislation appropriating 15% of Virginia's LIHEAP grant and all contingency funds for weatherization activities.

FUNDING: 100% federal, no state funding.

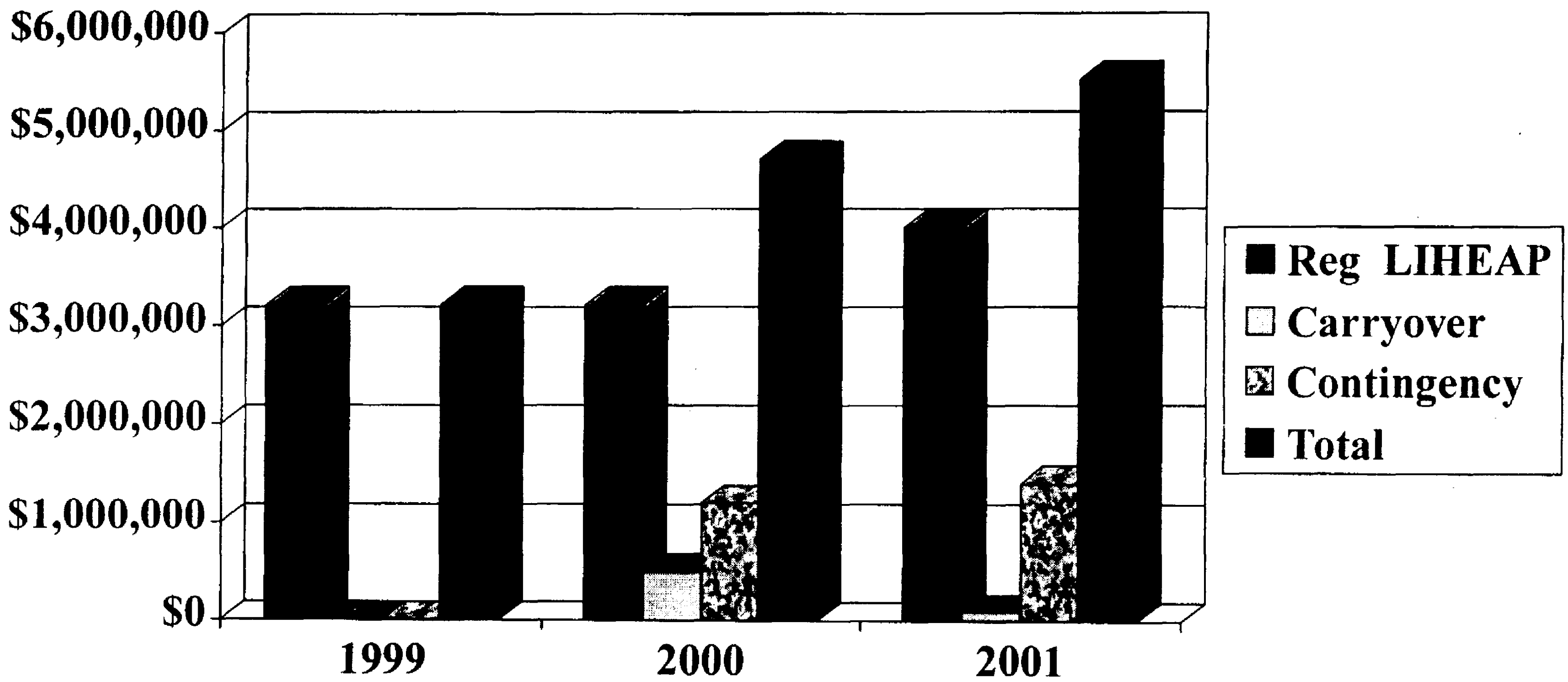
Virginia's Energy Assistance Program, has been primarily funded by the federal Low Income Home Energy Assistance Program Block Grant. TANF funds were used to supplement the DSS funding in FFY 1999 and 2000. The President in FFY 2000 and 2001 as a result of the rapidly rising home heating fuels prices has released contingency funding. Appropriations and legislation on both the federal and state level are responsible for the fluctuation in available funding.



DISTRIBUTION OF FEDERAL FUNDS



LIHEAP Funding to DHCD

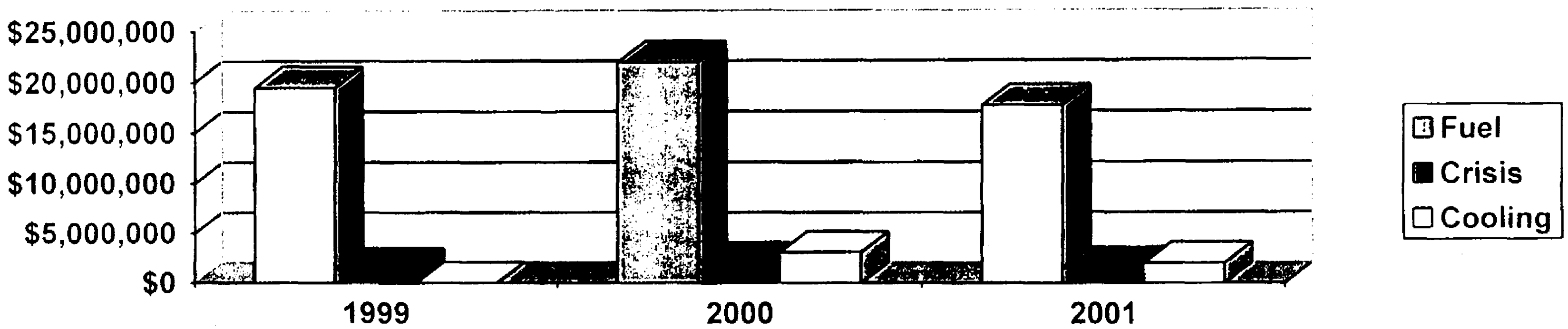


Housing Units assisted in 1999=1,700

Housing Units assisted in 2000=1,974

DSS COMPONENT FUNDING

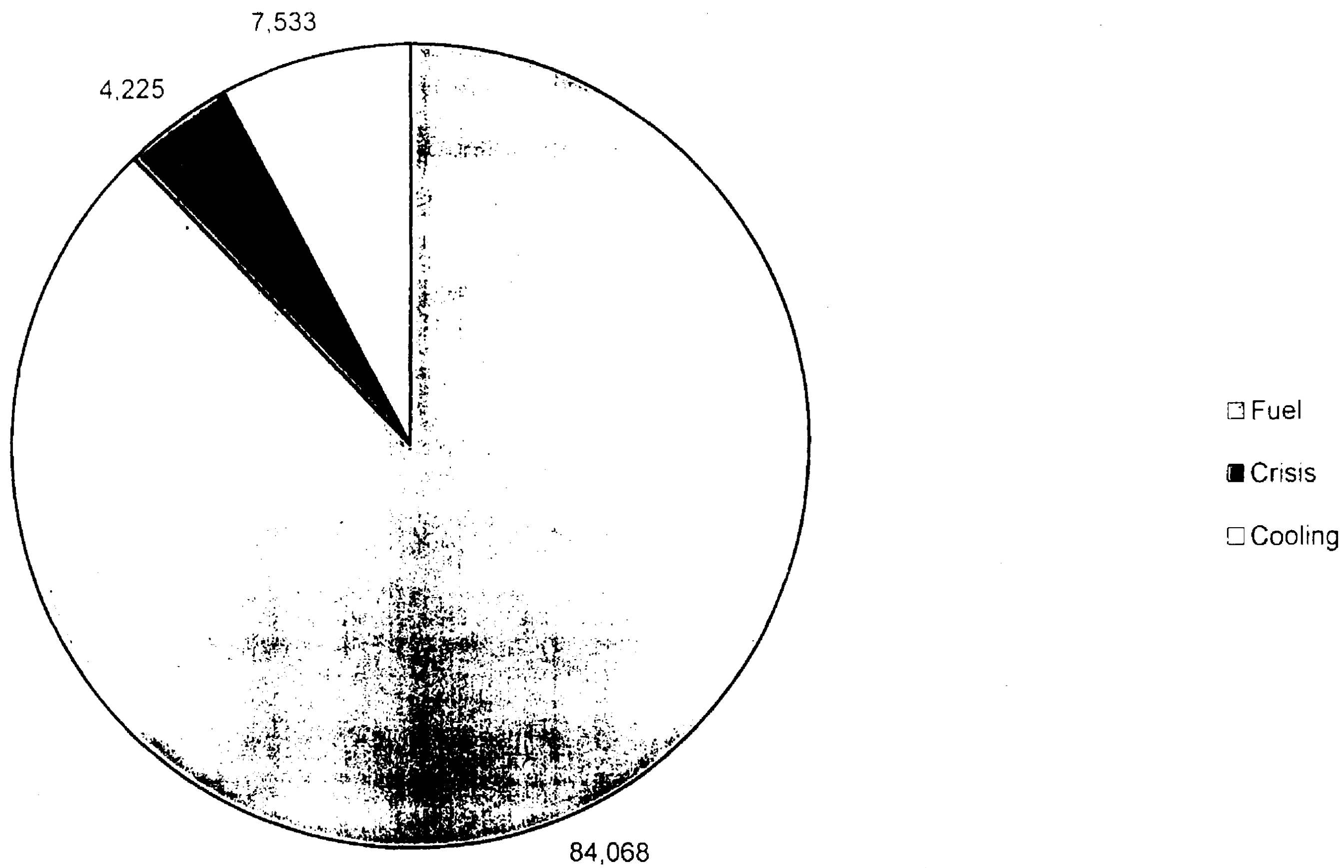
Expenditures for 1999 and 2000 are reflected in the chart below. Allocated amounts for the program components are indicated for 2001. Plans to increase these allocated amounts are in progress as a result of the additional funds received through increased congressional appropriations for the program and Presidential release of contingency funds.



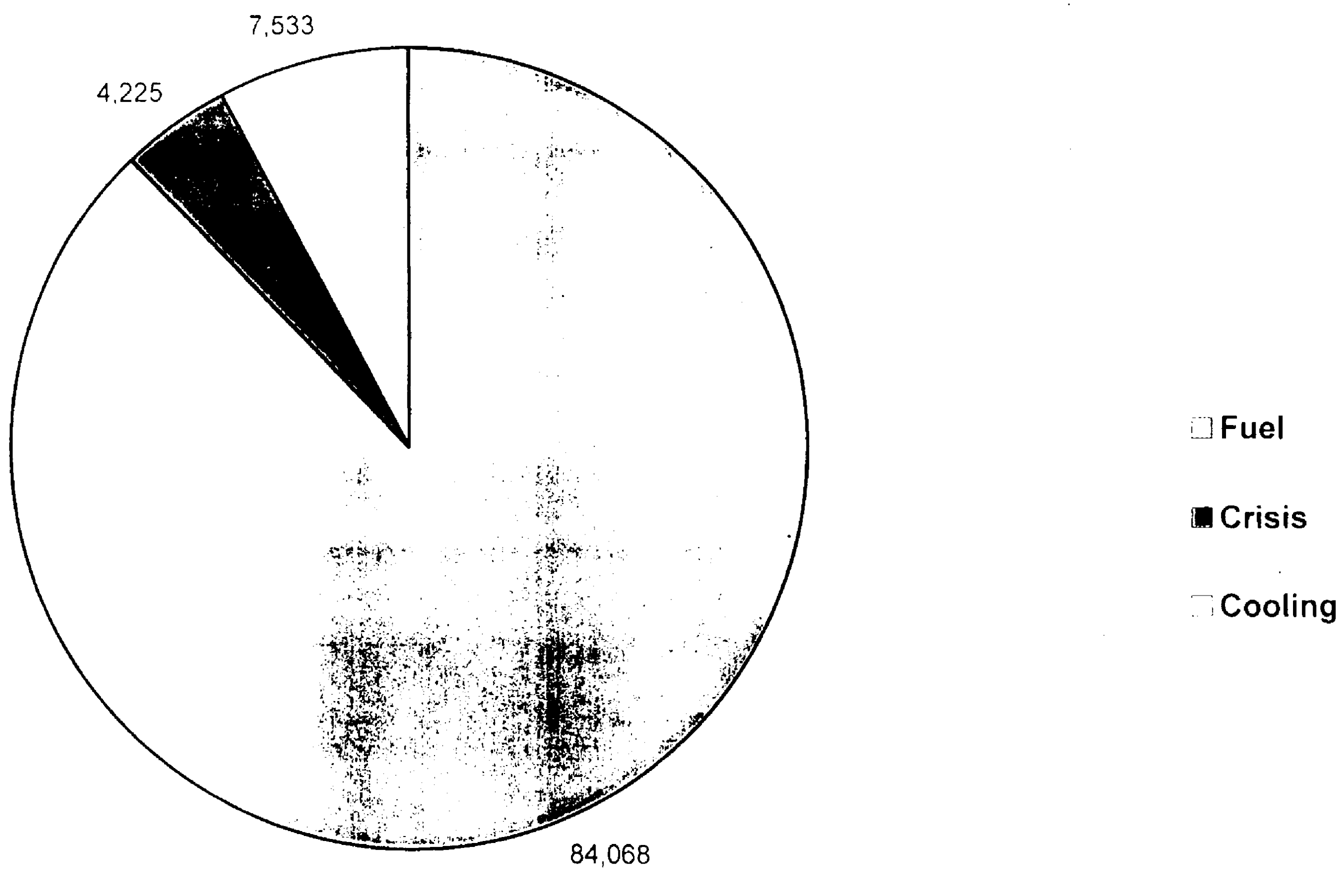
Virginia has been awarded an additional $5.8 million in regular funds and $7.6 million in contingency funds. The contingency funds should be obligated and expended under the same rules and requirements of regular LIHEAP funds. This means that these funds may be used for heating programs, cooling programs, crisis intervention programs and low cost weatherization programs. Tentative plans for the additional funding are as follows:

- $7,839,224 to increase fuel assistance benefits in January, 2001
- $1,500,000 to increase the Crisis Component allocation
- $2,030,000 to the Department of Housing and Community Development
- $1,151,302 in additional administrative dollars
- $1,000,000 to increase the Cooling Component allocation

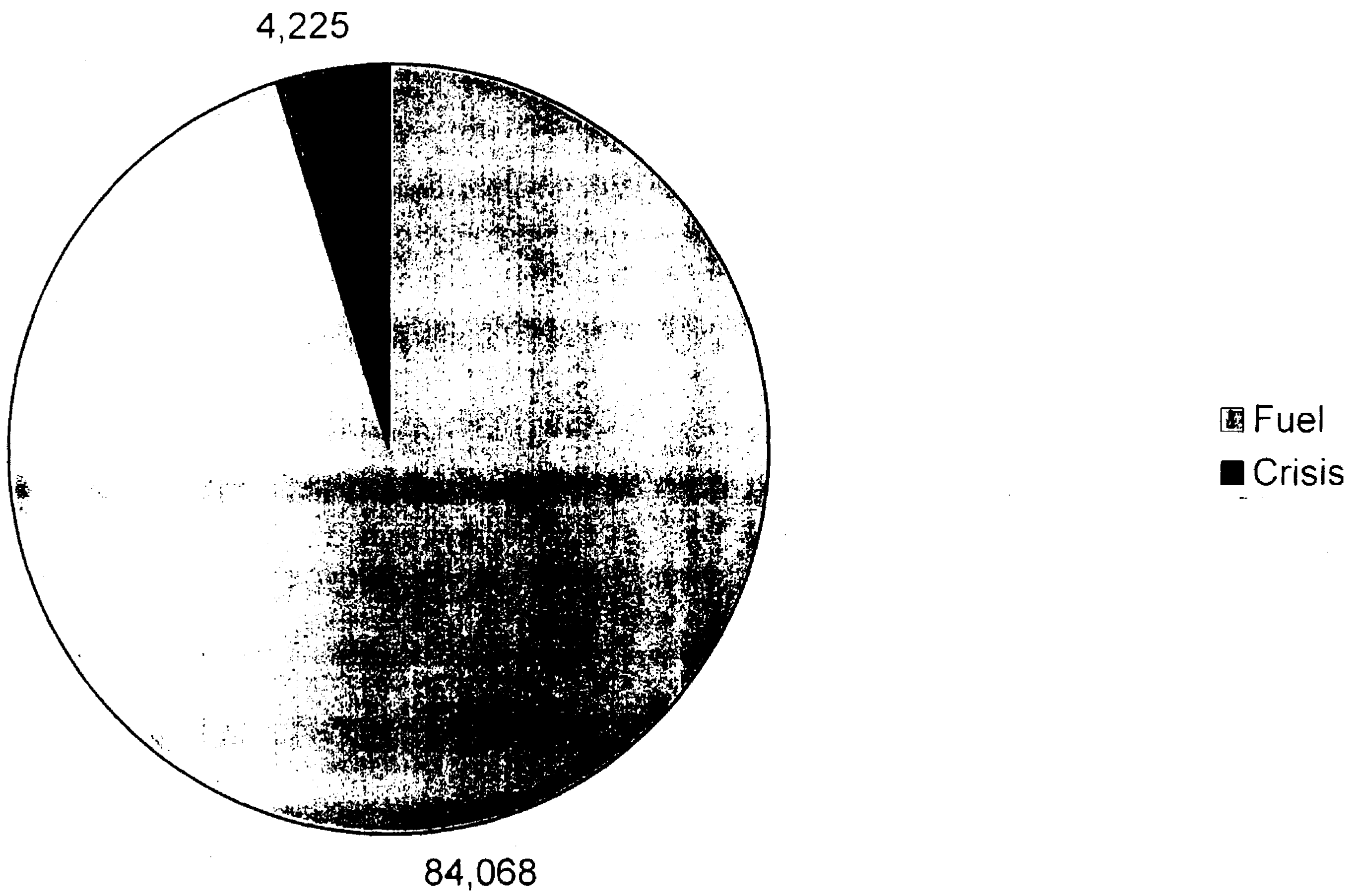
Households Served -- 1999



Households Served -- 2000



Households Served -- 2001



The VIRGINIA

WEATHERIZATION

Assistance Program

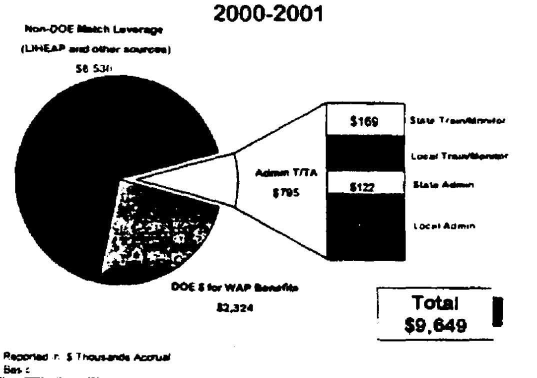
Virginia Weatherization Program

- Helps to reduce the energy burden on low-income families by installing cost-effective, energy efficiency measures.
- Decreases home energy consumption.
  - Saving natural resources.
  - Reducing carbon emissions to help preserve the environment.
  - Improving the local housing stock.

Weatherization Funding Sources: Current Program Year

• Department of Energy	$2,381,204
• PVE	$ 162,000
• Low Income Home Energy Assistance Program (LIHEAP)	$6,240,205
• State General Fund	$ 150,000
• Total Available Funding	$8,933,409

Total VA Weatherization Expenditures for 2000-2001



Weatherization Services

- Energy-saving measures can include:
  - Sealing air leaks with insulation, caulking, and weather-stripping.
  - Installing ventilation fans.
  - Repairing leaky duct systems.
  - Repairing and replacing inefficient or unsafe heating and cooling systems.
- 885 units weatherized though the first quarter of this Program Year.
- 3,387 units weatherized during 1999-2000 Program Year.

Demographics for Households Served by the VIRGINIA WEATHERIZATION ASSISTANCE PROGRAM

- 47% CONTAINED ELDERLY OCCUPANTS
- 44% CONTAINED DISABLED CCUPANTS
- 30% CONTAINED CHILDREN
- 66% HOUSEHOLD INCOME BELOW $10,000
- 47% FEMALE HEAD OF HOUSEHOLD
- 93% SINGLE FAMILY, OWNER OCCUPIED
- 7% SINGLE FAMILY, RENTERS

Weatherization Waiting List

- Estimated to be between 2,000 and 2,500 for all 22 local agencies serving Virginia.
- Everyone currently on a waiting list may not be eligible for assistance.