

**REPORT OF THE**

# **Coal and Energy Commission**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



## **SENATE DOCUMENT NO. 30**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
2002**



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**Report of the Coal and Energy Commission**  
**to**  
**The Governor and the**  
**General Assembly of Virginia**  
**Richmond, Virginia**  
**2002**

**TO: The Honorable Mark R. Warner, 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.

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 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 § 30-189).

The Commission met four times in the 2001 interim. Members examined a broad range of issues including energy production in Virginia, low-income energy assistance, coalbed methane, Virginia's energy infrastructure, natural gas prices, and workers' compensation insurance premiums for coal miners.

## II. VIRGINIA'S ENERGY PICTURE

Steve Walz of the Department of Mines, Minerals and Energy (DMME) gave a detailed report to the Commission on production of traditional and alternative energy sources, consumption of energy, and energy-efficiency measures in the Commonwealth. A copy of Walz's presentation is attached as Appendix A. Walz noted that coal production in Virginia increased slightly, totaling more than 33 million tons last year, at a value of \$875 million. Several Commission members noted the difficulty in finding and retaining skilled coal miners, and Walz confirmed that information. Since the average miner is more than 50 years old, employment will continue to be a problem in the mining industry. Walz reported that Virginia's natural gas production declined slightly in 1999-2000, with just more than 71 million mcf produced for a value of \$284 million, but production should increase this year. Virginia has seen a large increase in the number of wells, and while the price of natural gas is higher than in 1998 and 1999, the price does seem to be dropping. Oil production remains limited in Virginia, but has increased in recent years from 8,804 barrels to 12,418.

Walz presented the Board with data from the federal Energy Information Administration about consumption of energy in Virginia. Overall, 40 percent of energy used in Virginia comes from petroleum, with the remainder of consumption divided almost equally among coal, natural gas, nuclear power, and electricity. However, these numbers vary greatly depending on the sector of consumption. Residential and commercial sectors get most of their energy from electricity, while the industrial sector is more evenly balanced among energy sources, and the transportation sector consumes 99 percent of its energy from petroleum. Virginians consume 324.1 million Btu per person, and the national average is 350.9 million Btu.

Virginia has a number of programs encouraging the use of alternative energy, and Walz outlined many of them in his presentation to the Commission. In the area of business development, there are solar manufacturing grants and wind projects to encourage businesses to domesticate in Virginia and produce equipment that fosters the use of alternative energy sources. Net metering, park power, Virginia Housing Development Authority loans, and solar easements are some of the other programs Virginia supports. Alternative energy programs utilizing biomass technologies include poultry litter projects operated by private companies and the generation of electricity from solid waste at municipal landfills. Finally, Walz outlined the Virginia Energy Plan. The plan has two main goals: to operate state government as a model of energy efficiency, and to ensure the sustainable use of energy in Virginia. Many state agencies have implemented their own programs to use energy more efficiently, and DMME is currently conducting a study of energy conservation in public education.

Steve Young of CONSOL Energy, Inc. (Consol) briefed the Commission on current activity in Congress affecting the coal industry. Young noted that Virginia is fortunate to have Rep. Rick Boucher of the 9<sup>th</sup> District as the ranking Democrat on the House Commerce Committee. In 1999, the Virginia Coal Association adopted a resolution urging Congress to



support research and development for clean coal technologies. A number of bills have been introduced in Congress and have gone through some of the committee process, but none have passed as of yet. A hearing on one major bill was scheduled for September 11, 2001, and had not yet been rescheduled. Senator Wampler asked Young to monitor the activities of Congress on this issue and provide the Commission with an update at a later meeting.

### **III. LOW-INCOME ENERGY ASSISTANCE**

The Commission received its annual update on the Low-Income Home Energy Assistance Program (LIHEAP) from Vickie Johnson-Scott of the Department of Social Services (DSS), a copy of which is attached as Appendix B. Johnson-Scott noted that more than 84,000 families were served by LIHEAP in the 2000-2001 season due to increased federal funding of the program, and between five and 10 percent of funds were used for cooling assistance. The Chairman noted that most crisis funds are used to pay heating costs in winter months, but summer heat is just as much a health risk when low-income persons, particularly the elderly, do not have adequate cooling in their homes. Senator Watkins noted that the Southern States Energy Board (SSEB) looked at LIHEAP funding this year. It was noted that most funding goes to the Northeast to pay for heat in winter, despite the fact that the incidence of fatalities resulting from extreme heat in summer is equal or greater to that in winter. Senator Watkins indicated that the SSEB passed a resolution asking the federal government to reexamine funding allocation methods, taking new census data into account, and suggested that DSS pass a similar measure and communicate it to Congress. Senator Wampler stated that LIHEAP has been underfunded at the state level, and suggested that the Commission recommend allocating Temporary Assistance for Needy Families dollars in the upcoming budget to supplement LIHEAP funds. He asked Johnson-Scott to update the Commission at a later meeting with additional figures for the year, as well as funding needs for next year.

Floris Weston of the Department of Housing and Community Development gave a brief update on the Weatherization Assistance Program. Her presentation is attached as Appendix C. Weston told the Commission that funding levels increased in FY 2000-2001, but the number of homes served did not increase dramatically because of turnover among skilled weatherization workers. The costs of training are high, and the Department of Energy has increased funding for safety training, but retention of employees is very difficult. The Chairman asked if the Weatherization Assistance Program had any funding challenges, and Weston indicated that the federal funding picture looks good. The funding may not increase, but she does not expect it to decrease this year. Senator Wampler asked her to keep staff apprised of any funding challenges the program may encounter.

Bill Lukhard, Chairman of the Consumer Advisory Board of the Electric Utility Restructuring Act, presented the Commission with an overview of low-income energy assistance and unmet need. A copy of Mr. Lukhard's comments is attached as Appendix D. The Consumer Advisory Board was created to assist the Legislative Transition Task Force in its work, including ensuring that residential and small business electricity customers benefit

from competition. The Board is in its third year of studying low-income energy assistance, including LIHEAP, Weatherization, and private-sector programs. One of the Board's recommendations for 2001 was introduced as House Bill 2473. As introduced, the bill created the Home Energy Assistance Fund, provided for funding through income tax refund checkoffs and contributions through the Neighborhood Assistance Act, and provided for the centralization of administration of low-income assistance programs. The proposed centralization of administration could require that DSS collect information regarding the amounts of assistance provided in Virginia and the amount of unmet need. Budget concerns in the 2001 Session led to most funding mechanisms and data collection requirements being removed from the bill, and the Board is examining the possibility of renewing these recommendations for the 2002 Session. Lukhard indicated that the current state of the economy and possible changes in federal funding could have an impact on the need for low-income energy assistance. The Chairman noted that the Commission will continue to monitor any of the Board's recommendations through the Task Force and the General Assembly.

#### **IV. COALBED METHANE PRODUCTION**

The Coal and Energy Commission dedicated its second meeting to the issue of coal owner consent to stimulating a coal seam for the operation of coalbed methane wells. The Commission also participated in a tour of Consol's Buchanan 1 Mine in Buchanan County and several coalbed methane wells.

Staff presented an overview of bills from the 2001 Session addressing coalbed methane. House Bill 1941 would have removed coalbed methane wells from the requirement that gas well operators receive consent from coal operators when applying for a permit to stimulate a coal seam. House Bill 2854 provided for arbitration to settle any disputes between a coal operator and well operator regarding the stimulation of a coal seam. House Bill 2868 would have permitted a coal operator to require a proposed coalbed methane well to be moved to an alternate location not farther than 800 feet of the original location, and the well operator would not be required to move the location again without a hearing. The House Committee on Mining and Mineral Resources did not report any of these bills, pending study by the Coal and Energy Commission.

Bob Wilson of DMME gave an overview of coalbed methane production and the permitting process. Wilson showed a diagram of a typical coalbed methane well and explained how the well is constructed. Virginia currently has 3,631 active well permits, with 388 new permits granted last year. Wells remain under permit until they are abandoned or if an operator does not install a well within two years of receiving the permit. All operators are required to be bonded. The application must include the names of all parties who require notification of the proposed well, proof of notification, consent to stimulate the coal seam, the method of stimulation, a map of the entire disturbed area, and a sworn statement indicating the well operator's right to perform these operations. Applicants also need a plan to dispose of the fluid that will be removed from the coal in order to get the gas to move.

The number of applications for permits to drill into active mines is small, but any operator of a well that will penetrate an active mine has to have a plan on how to drill while keeping the mine safe. DMME has internal agreements between divisions to cooperate and ensure safety in any coal seam stimulation.

John Heard expressed the Virginia Coal Association's frustration with and opposition to proposed changes to the Gas and Oil Act. The Coal and Energy Commission studied this issue at great length in the 1980s, and the Act that passed represented an agreement among all parties. Heard stated that the oil and gas industries have attempted to modify that agreement every year since the Act's enactment. Steve Young of Consol presented a comparison of coal and coalbed methane resources. Young stressed that the most valuable resource in coal mining is the miners themselves. Since the methane must be removed before the coal can be mined, Consol tries to collect as much of the gas as possible, but its removal has never proven profitable. Consol has invested heavily in research and development to ensure that gas removal occurs safely. Young admonished the Commission that anyone else mining the gas should be equally concerned with safety issues. Young stated that the current law works as it is drafted, and he does not see any need for change. Bob Brendlinger of Jewell Smokeless Coal Company also briefed the Commission. He stressed the importance of maintaining the requirement for coal operator consent to well drilling. Coal operators have to know exactly where the well is going to be; otherwise, a miner might hit a well, which could result in a fatal explosion.

The Commission heard from Sandy Fraley and Jim Kaiser of the Virginia Oil and Gas Association (VOGA). Kaiser stated that safety is the primary concern of VOGA as well. VOGA is not seeking to limit the ability of a coal operator to restrict the stimulation of a coal seam where there is an issue of safety. VOGA is merely seeking a limit on unilateral well rejection where a legitimate safety issue does not exist. Kaiser alleged that in the past year, more than 250 wells were not drilled because of the coal owner veto, resulting in more than \$700,000 in lost severance tax revenue. Kaiser claimed that in some cases, the veto has been used by the owner of the coal to veto the installation of wells proposed by the owner's lessee.

The Commission discussed the complexities surrounding stimulation of a coal seam. Members noted that the hydraulic fracturing (or "fracking") used to move the gas could damage the roof of a mine. However, damage might not be apparent until the coal is actually mined, which could be years later. VOGA asked that a hearing be held to determine whether denial of consent for a well is legitimately based on safety concerns. However, members expressed concerns that without federal or state fracking standards, the actual safety risk caused by fracking may be indeterminable, and suggested that the two industries may have to get together to develop standards that protect safety, meet contractual obligations, and protect royalties.

At the Commission's November 18 meeting, Jim Kibler, responding to questions about Mr. Kaiser's statements made at the Commission's previous meeting in Southwest Virginia, indicated that "250 wells" was the "theoretical" number of coalbed methane wells that could not be drilled on a particular sized plat assuming that consent was withheld by the

coal operator. Kibler then presented a proposal, on behalf of VOGA, that was a substitute version of Delegate Bryant's House Bill 2868 from the 2001 Session (Appendix E). The proposal would (i) permit a coal operator to require a well operator to move the location of a proposed coalbed methane well to an alternate location within 800 feet of the original location, (ii) create a hearing process before DMME to resolve coalbed methane well location issues, and (iii) provide that consent for wells more than 750 horizontal feet from active areas of a coal mine shall be deemed to be granted if the applicant has obtained consent to stimulate from any coal owner holding at least a 50 percent interest in the acreage for each coal seam. Currently, coal operators must consent to stimulate a coal seam before a permit for a new well can be heard by the Department. This proposal would provide for operators to object during the permitting process, rather than refusing consent before the permitting process may begin.

Members discussed the proposal at length. Several members continued to express concern about safety issues, particularly related to the fracking used to stimulate a coal seam. If the roof is damaged in the fracking process, the methane may migrate through the rock into other coal seams. Some members were concerned about taking away the operator's right to consent to fracking. Steve Walz of DMME confirmed the unpredictability of fracking and the lack of standards at the federal or state levels. The consensus position of the members was that more information about the science of fracking was needed, and the Commission did not vote to recommend any legislation.

## **V. VIRGINIA'S ENERGY INFRASTRUCTURE**

Howard Spinner of the State Corporation Commission (SCC) presented the Commission with an overview of current and planned energy infrastructure in Virginia. Virginia currently has approximately 20,000 megawatts (mW) of electric generating capacity, plus one 540 mW plant under construction. Plants that have obtained a certificate of convenience and necessity from the SCC comprise between 5,628 and 7,043 mW of generation, and another 7,430 mW of generation have been announced, but applications for certificates for those plants have not been filed. AEP's 90-mile, 765-kV power line has been granted a certificate but is not yet under construction, and Dominion Virginia Power has applied for certificates for two new power lines: one 500-kV line of 101 miles, and one 230-kV line of four miles. Dominion also obtained a certificate from the SCC for a natural gas pipeline, and two other companies have filed applications for their pipelines. Other significant natural gas projects include Dominion's Greenbrier and Mid-Atlantic pipeline projects, Duke Energy's Patriot pipeline, the Saltville natural gas storage facility, Columbia Gas's Homestead Expansion project, and Williams Cos. Transco Pipeline Expansion. Senator Wampler noted that the end point of many new gas pipelines is an electric generating plant. He urged the SCC to examine ways of getting some of that gas dropped off to consumers along the pipeline. The Chairman also noted that the Commission looks to the SCC to see whether Virginia has an adequate energy infrastructure, and expects timely decisions from the SCC based on what is best for the Commonwealth.

Senator Watkins, as Chairman of the Commission's Energy Preparedness Subcommittee, expressed concern about the adequacy and reliability of Virginia's energy infrastructure, and worked with the SCC to develop the details of what information may be needed to understand the state of Virginia's energy resources and infrastructure. Senator Watkins proposed the collection of data regarding generation capacity and operations, electric transmission, and gas transmission, outlined in a letter to Senator Wampler (Appendix F). Senator Watkins explained the need to collect and organize this information to determine Virginia's energy infrastructure prior to the commencement of deregulation.

At a meeting of the Energy Preparedness Subcommittee to discuss the issue, representatives from Dominion Resources, American Electric Power, Old Dominion Electric Cooperative and the Virginia Energy Providers Association presented a letter to Senator Watkins identifying issues that they believe need to be resolved (Appendix G). The group expressed concern about a long-term obligation to provide information that may be proprietary or competitively sensitive, without a clear idea of the long-term objective of obtaining the information. Other issues included concerns about the geographical reach of the proposed inquiries, fears that some of the inquiries might obligate the electric utility to furnish information about facilities owned by others, which may not be appropriate, and concerns with interstate commerce issues related to the transmission of natural gas.

Members of the subcommittee discussed the collection of this information at length. Advocates of the proposal to collect the data suggested that as the energy industry is being deregulated, an understanding of a state's energy infrastructure will allay concerns that may arise as state regulators lose their traditional oversight powers. While the Federal Energy Regulatory Commission may have some of this information, it may not be willing to share it with the SCC. After much discussion, the subcommittee agreed that legislation should be prepared to establish a baseline of information about Virginia's infrastructure and that the legislation should be presented to both the full Coal and Energy Commission and the Legislative Transition Task Force of the Electric Utility Restructuring Act. The proposal was presented to both groups, and was introduced as Senate Bill 684. A copy is attached as Appendix H.

## **VI. NATURAL GAS PRICES**

Jim Kibler, representing the Virginia Oil and Gas Association, briefed the Commission on what has happened to natural gas prices over the past several years. High prices in the winter of 2001 led to the introduction of Senate Joint Resolution 481 in the 2001 Session (Appendix I), asking the Commission to study the rise in natural gas prices. Since February, prices have dropped dramatically. Producers mine the gas at the wellheads, transmission companies operate the pipelines to move the gas, and local distribution companies (LDCs) deliver the gas to customers. Most gas consumption is in the winter months, but production is all year long, so companies typically store a substantial amount of gas and release it when demand increases. LDCs do not earn a profit on their reselling of the gas, and are required to act as a prudent purchaser.

Last year, gas prices at the wellhead and for consumers were historically high. Depressed prices over the several years prior to 2000 led to a decrease in development of new gas wells. The unusually hot summer of 2000 also required more gas to be taken out of storage to fuel electric generation plants, leaving less stored gas available for winter consumption. The cold weather in December, January, and February came at a difficult time last year. Much of the price of natural gas is dependent on activity outside the Commonwealth, since Virginia only produces less than half of one percent of the gas produced nationwide. A record number of wells have been drilled this year nationwide. As a result, prices are now back down to where they were for the seven or eight years prior to last year.

## **VII. WORKERS' COMPENSATION INSURANCE PREMIUMS**

Karl Kendig, an attorney from Abingdon, presented the Commission with information regarding workers' compensation premiums for operators of coal mines. Kendig indicated that premiums for coal mine operations have reached crisis levels. Since 1997, approved rates have more than doubled from \$16.06 per \$100 of payroll to \$35.49 per \$100. While almost all large mining companies are self-insured, operators of approximately 90 mines, approximately one third of Virginia's coal production, must purchase workers' compensation insurance. Small operators tend to have higher payroll costs per ton of coal produced. As a result, these dramatic rate increases disparately affect small operators.

Kendig stated that regulatory authorities should obtain a clear understanding of the economics of providing this coverage by comparing cash premium generation to cash benefit payments over at least 10 years. Mechanisms should be explored for providing insurers with incentives to investigate suspect claims. Health care providers should be required to charge workers' compensation recipients the same rates as privately insured patients. Industry classifications should be analyzed and modified where appropriate, and regulatory barriers to self-insurance pools should be reduced. A copy of Kendig's remarks is attached as Appendix J.

Bob Maxwell of the National Council on Compensation Insurance (NCCI) explained the process for determining workers' compensation rates for operation of coal mines. Coal companies pay premiums to the insurance companies, and the insurance companies pay NCCI to determine the rates. NCCI then forwards information with its recommendation to the SCC for use in the company's annual rate case. NCCI does not examine the loss experience of self-insured coal companies. Rates before the 1990's decade had decreased substantially, but have increased in the last few years due to an increase in loss costs.

Charlie Tinzer of NCCI explained that his company is a rating organization designated by member insurance companies to fulfill their filing obligations with the SCC. Insurance companies may choose any rating organization to fulfill these duties. The cost of switching companies would be high. The data is analyzed extensively over the period of a year. Self-insured companies do not use the rates filed by NCCI, so NCCI would not want to

include their data in determining a premium recommendation. Senator Wampler suggested that part of the premiums be used to pay for independent review.

## **VIII. OTHER BUSINESS**

Senator Watkins gave the Commission an overview of the recent activities of the Southern States Energy Board (SSEB). The SSEB just approved the Energy Policy in the South, which was done as a result of the National Energy Policy promulgated by the President earlier this year. The Energy Policy in the South is designed to provide guidance to southern states about energy production and consumption, based on five guiding principles: (i) ensuring the diversity of domestic energy resources; (ii) addressing energy supply for stability and reliability; (iii) increasing conservation and energy efficiency; (iv) expanding and strengthening infrastructure capacity; and (v) advancing research and development and use of clean energy. In response to Delegate Stump's inquiry about the level of interest in clean coal technology, Senator Watkins replied that it is of great interest, and added that it is incumbent on Virginia to leverage as much of the federal funding for that technology as possible.

## **IX. CONCLUSION**

The Commission will continue in the 2002 interim to examine these and other issues as they arise, in accordance with its charge.

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  
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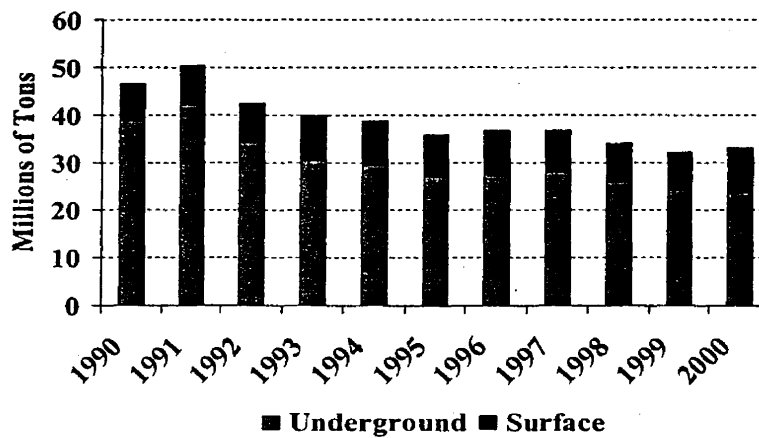


# Virginia Department of Mines, Minerals and Energy

*Presentation to the Virginia Coal and  
Energy Commission  
September 24, 2001*



## Coal Production by Type 1990-2000

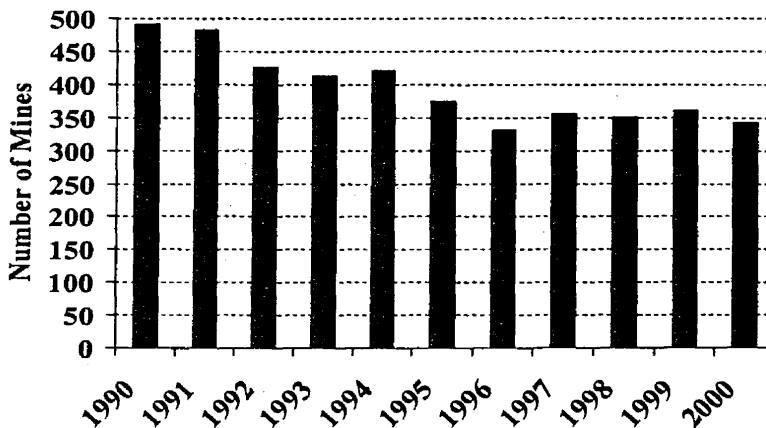


## Coal Sales Value - 2000

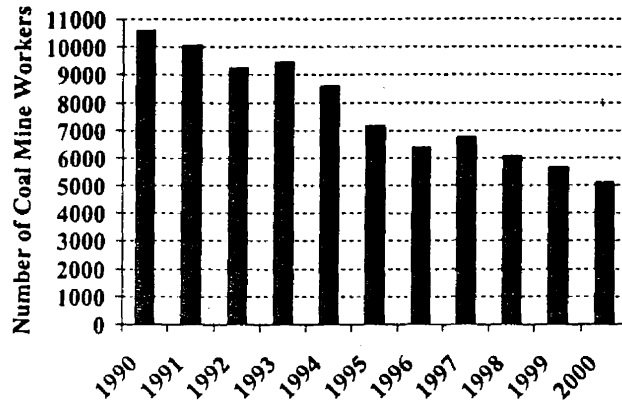
- Average free on board mine price for coal produced in Virginia -- \$26.30/ton
- 2000 production: 33,257,080 tons
- \$ 875 million value



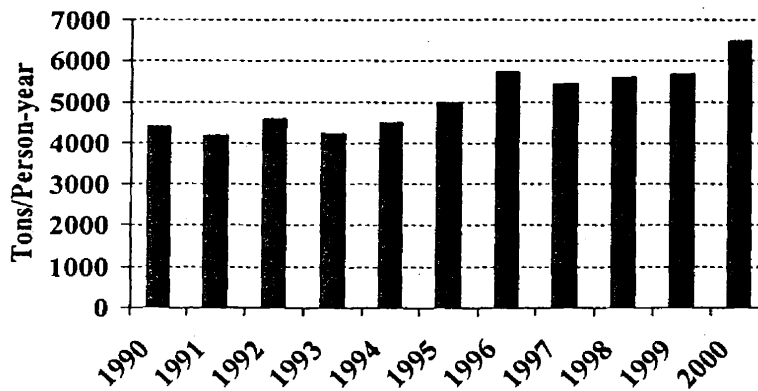
## Active Coal Mines 1990-2000



## Coal Miners 1990-2000



## Coal Production Manpower Efficiency 1990-2000



## Coal Production State Ranking

1990	1995	1998	2000
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
<b>VIRGINIA</b>	Montana	Illinois	Illinois
Montana	<b>VIRGINIA</b>	Indiana	<b>VIRGINIA</b>
Indiana	North Dakota	<b>VIRGINIA</b>	North Dakota
Ohio	Indiana	North Dakota	Colorado



## Coal Reserves

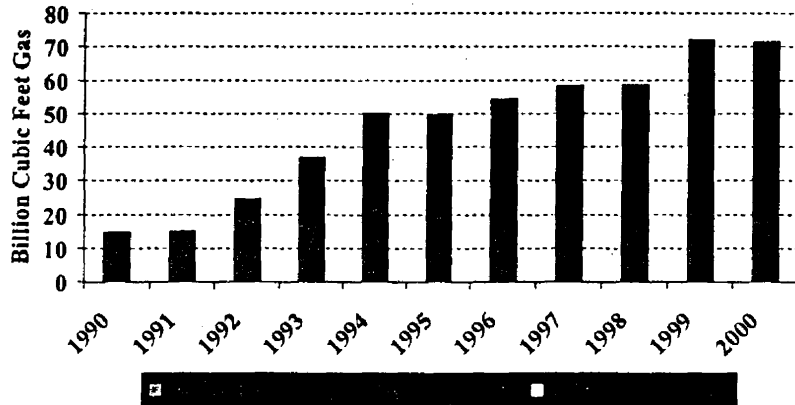
- Demonstrated Reserve Base – billion tons

	Virginia	US
• Underground mining	1.528	341.775
• Surface mining	<u>0.674</u>	<u>165.965</u>
• Total	2.202	507.740
• Quads of Energy	55	12,693

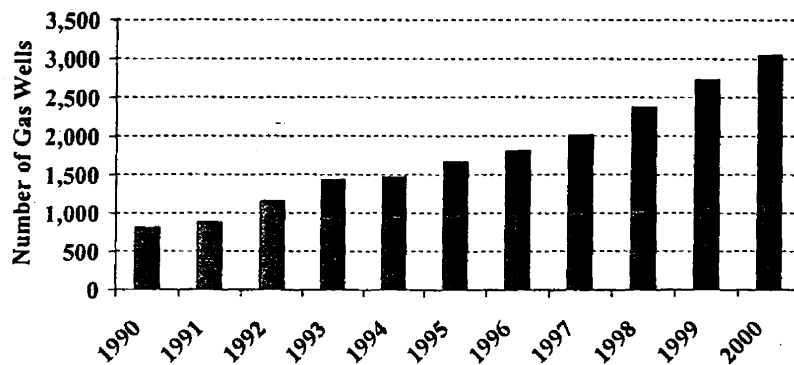
Source: "U.S. Coal Reserves: A Review and Update (US DOE/EIA-0529(97)) "U.S. Demonstrated Reserve Base of Coal by Potential Mining Method and Ranked by State Total, January 1, 1997"  
<http://www.eia.doe.gov/cneaf/coal/cia/html/t33p01p1.html>



## Natural Gas Production by Type 1990-2000 – Billion Cubic Feet



## Number of Gas Wells by Type 1990-2000

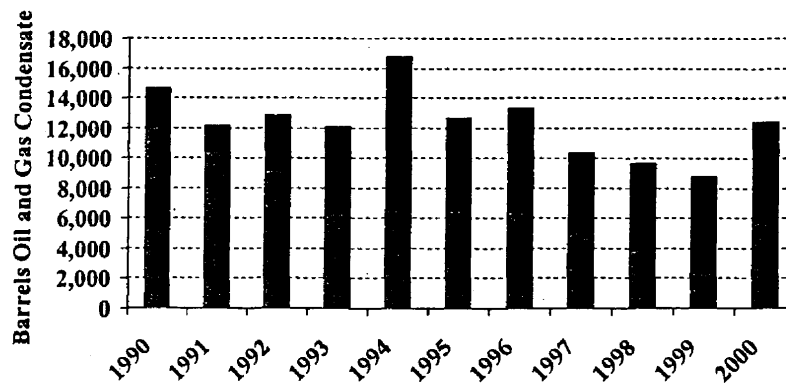


## Natural Gas Sales Value - 2000

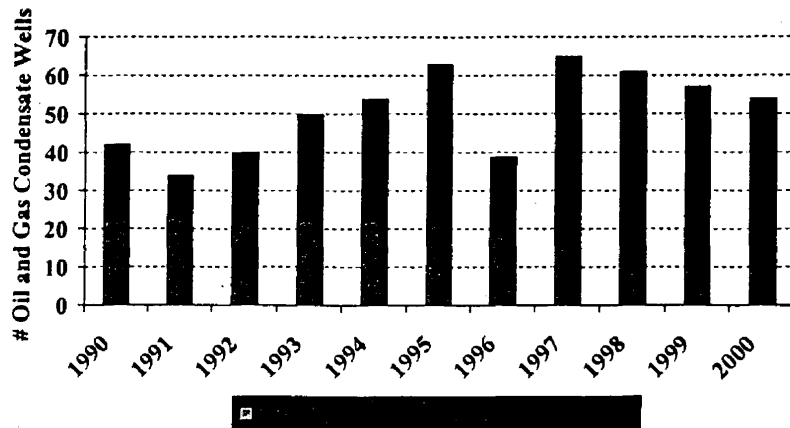
- Average wellhead price for natural gas produced in Virginia -- \$3.97/mcf
- 2000 production: 71,545,334 mcf
- \$ 284 million



## Oil Production 1990-2000



## Number of Oil and Gas Condensate Wells 1990-2000



## Oil Sales Value - 2000

- Average wellhead price for oil produced in Virginia -- \$19.00/barrel
- 2000 production: 12,418 barrels
- \$ 235,942



## Natural Gas Reserves

Dry Natural Gas Proved Reserves – billion cubic feet

	Virginia	U.S.
• Proved Reserves	2,017	167,406
• Quads of Energy	2.1	173.5

Source: U.S. DOE/EIA, U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves 1999 Annual Report, Table 8, "Dry Natural Gas Proved Reserves, Reserve Changes, and Production, 1999.



## Virginia Energy Consumption

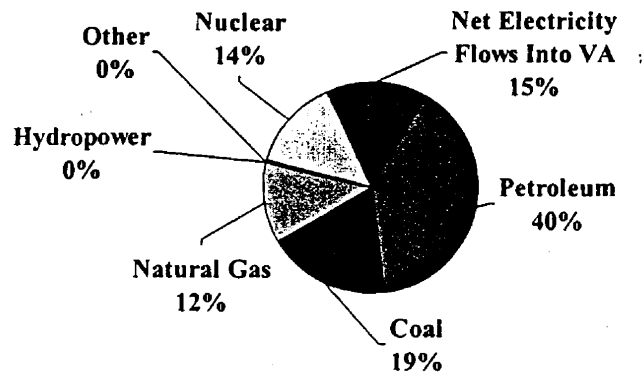
- Virginia Energy Patterns and Trends  
– <http://www.energy.vt.edu/vept>
- U.S. Department of Energy, Energy Information Administration  
– <http://www.eia.gov>





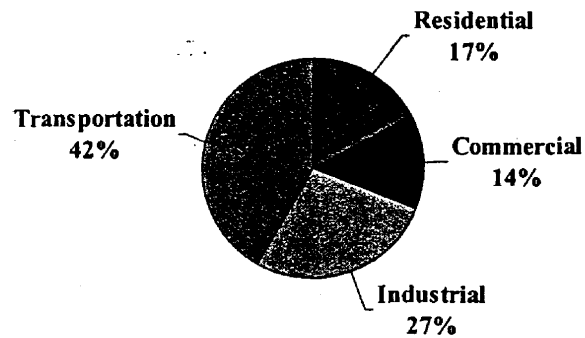
# Virginia Energy Consumption

## 1997 Consumption by Fuel Type



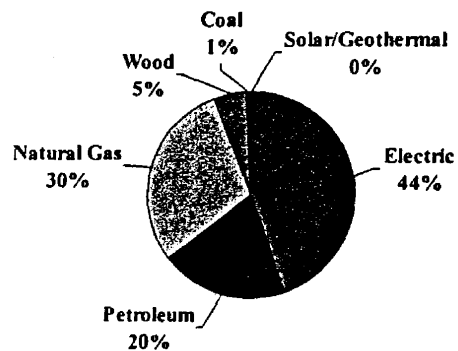
# Virginia Energy Consumption

## 1997 Energy Use by Sector



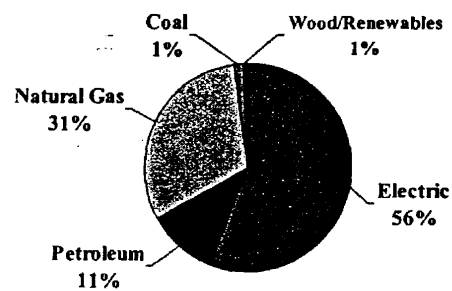
# Virginia Energy Consumption

## 1997 Residential Energy End Use Consumption



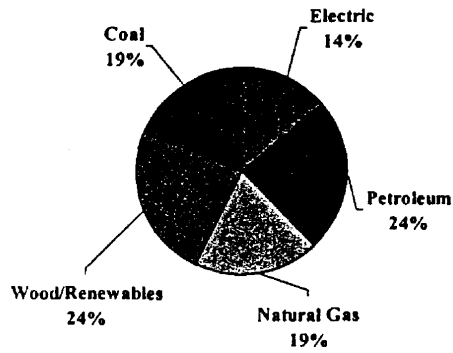
# Virginia Energy Consumption

## 1997 Commercial Energy End Use Consumption



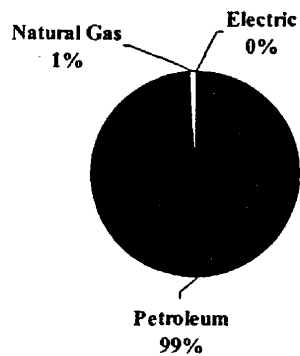
# Virginia Energy Consumption

## 1997 Industrial Energy End Use Consumption



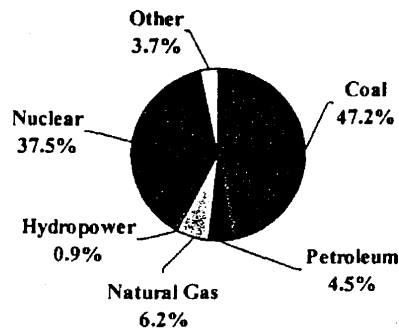
# Virginia Energy Consumption

## 1997 Transportation Energy End Use Consumption



# Virginia Energy Consumption

## Electric Generation - 1999 Source Fuels



# Virginia Energy Consumption

## Energy Intensity Measures - 1999

- 324.1 million Btu primary energy consumed per person in Virginia
- 350.9 million Btu primary energy consumed per person in the United States



## Alternate Energy in Virginia

- Business Development
  - PV SMIG
    - BP Solar
    - Atlantis/Solar Building Systems
  - Virginia Alliance For Solar Electricity
  - Million Solar Roof
  - Wind projects
    - ProVento
    - Wind Mapping and Measurement



## Alternate Energy in Virginia

- Net Metering
- Park Power
- Livestock PV and Wind Water Pumping
- VHDA Loans
- Solar Easements
- Solar Equipment Property Tax Exemption



## Alternate Energy in Virginia

- Biomass
  - Poultry Litter
    - Harmony
    - Tyson
  - SERBEP
    - Waste Wood Sources
    - Waste Wood Suppliers
    - Cotton Gin Waste to Ethanol
  - Municipal Solid Waste Plants
  - Combined Heat and Power Wood Plants



## Virginia Energy Plan

- Goal 1: Operate state government as a model of energy efficiency
  - Reduce facility energy use baseline by 5% per year
  - Ensure efficient use of energy in operations
  - Increase energy efficiency in state government transportation



## Virginia Energy Plan

- Goal 2: Ensure the sustainable use of energy in Virginia
  - Encourage economic development by advancing emerging energy technologies
  - Implement energy efficiency projects that enhance the environment and economic development
  - Increase transportation energy efficiency and diversity
  - Provide energy education and outreach



## State Agency Energy Conservation Activities

- DSS – LIHEAP
- DHCD – WAP
- Capital Project Funding
- Treasury/DMME – Master Energy Lease
- Energy Project Performance Contracting
- DMME Energy Accounting and Submetering
- Interagency Procurement Cooperative for Natural Gas
- DMME/CCC Central Steam Plant Study



## State Agency Energy Conservation Activities

- DMME/Virginia Housing and Environment Network
  - Rebuild America
  - Building America
- DEQ
  - Pollution Prevention Audits
  - Distributed Generation
- Virginia Tech Energy Management Institute
  - Industry & FEMP Audits
  - Energy Manager Training



## State Agency Energy Conservation Activities

- Virginia Tech Alexandria Research Institute
  - Geothermal Heat Pumps
  - Electricity for High-Tech Industries
- Virginia Tech Center for Coal and Energy Research
  - Mining Industry of the Future/Virtual Reality
- Old Dominion University
  - Maglev project





## State Agency Energy Conservation Activities

- James Madison University Integrated Science and Technology Program
  - U.S. Parks Solar
  - Wind Monitoring
- University of Virginia
  - Transportation Technologies
- DRPT
  - Ridesharing, Vanpooling, Mass Transit
- DGS State Fleet
  - Energy efficient fleet purchases
  - CNG Vehicle Purchases under EPACT



## Energy Conservation Public Education

- Consumer Advisory Commission
  - Request DMME Study
    - Residential
      - Existing Activities
      - Effectiveness
      - Gaps
      - Possible Approaches
    - Small Business



# ENERGY ASSISTANCE PROGRAM

## UPDATE 2001

A-18

PREPARED FOR THE COAL AND ENERGY SUBCOMMITTEE

BY: VIRGINIA DEPARTMENT OF SOCIAL SERVICES

1/09/2001

APPENDIX B

**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.

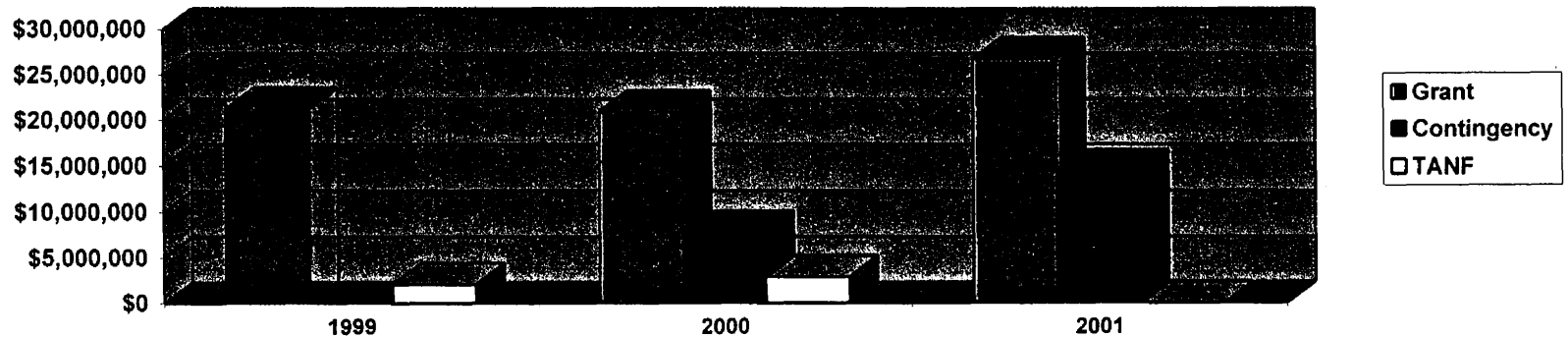
**Crisis Assistance:** The following types of assistance are provided to prevent or alleviate a crisis situation when it will ensure heat for the household:

- 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

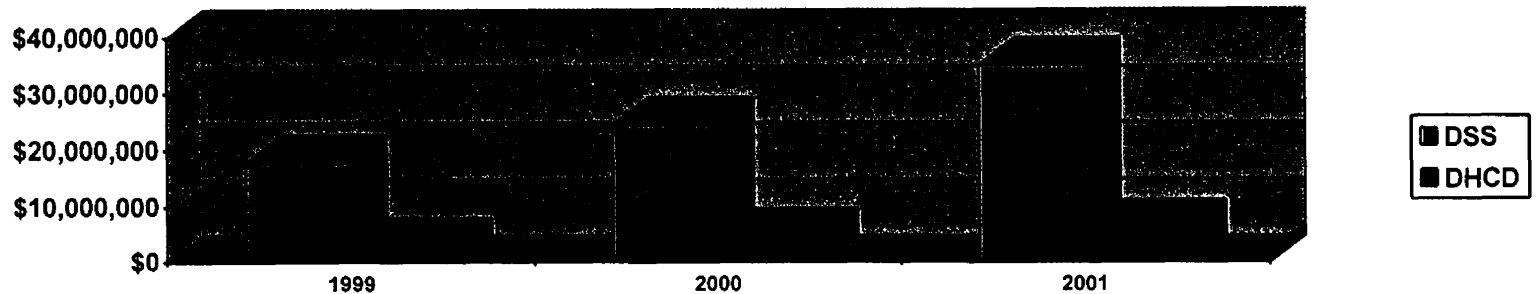
**FUNDING: 100% federal, no state funding.**

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.

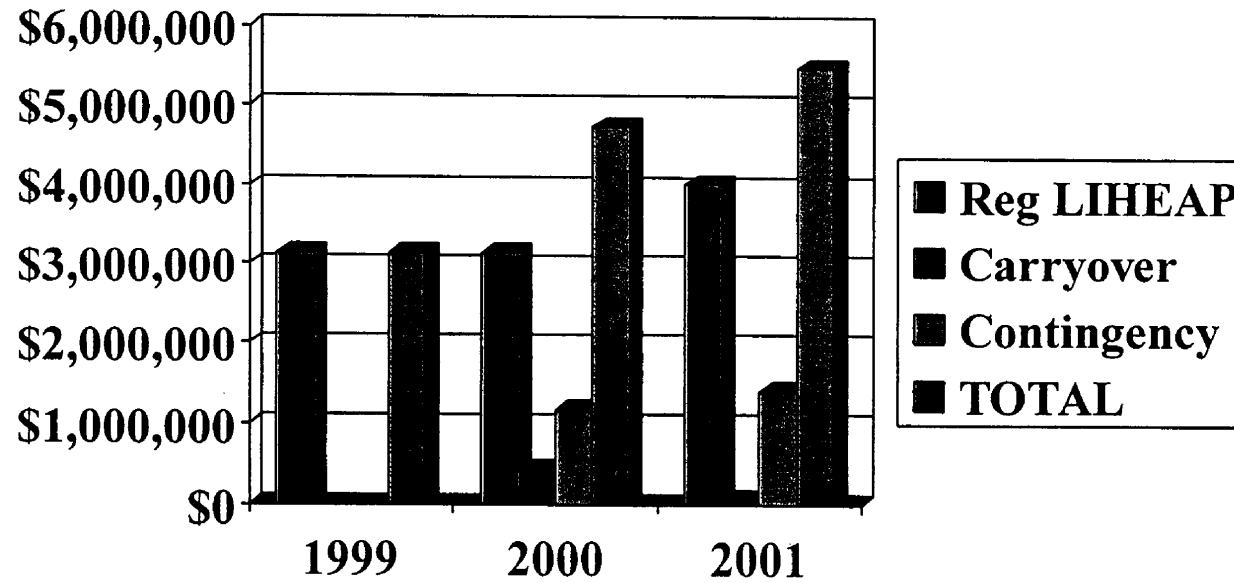
A-21



**DISTRIBUTION OF FEDERAL FUNDS**



## LIHEAP Funding to DHCD

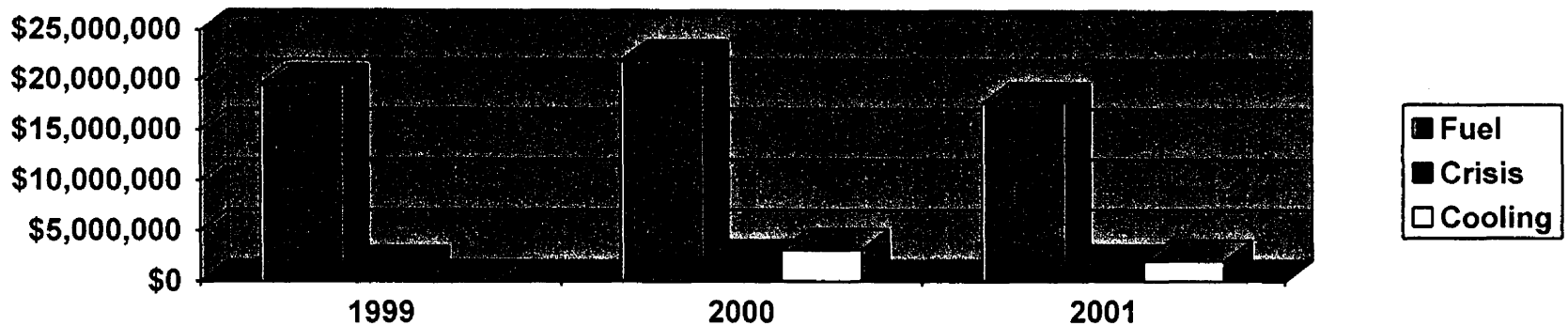


Housing Units assisted in 1999=1,700

Housing Units assisted in 2000=1,974

## DSS COMPONENT FUNDING

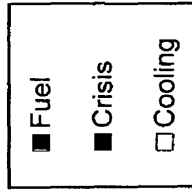
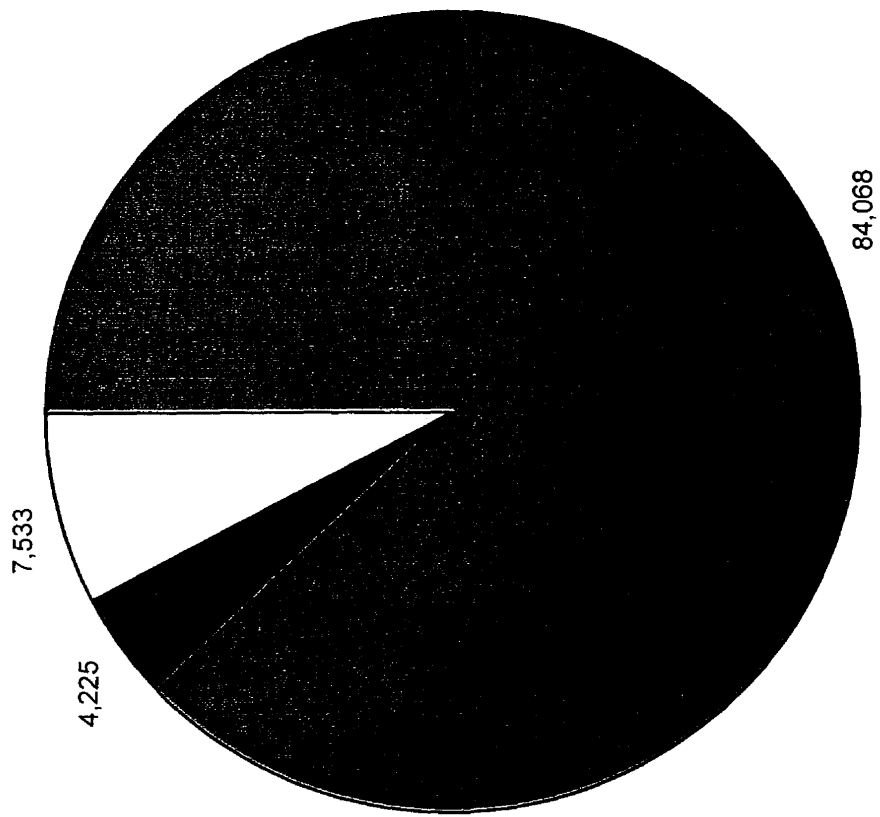
Expenditures for 1999 and 2000 are reflected in the chart below. Allocated amounts for the program components are indicated for 2001. Plans to increase these allocated amounts are in progress as a result of the additional funds received through increased congressional appropriations for the program and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



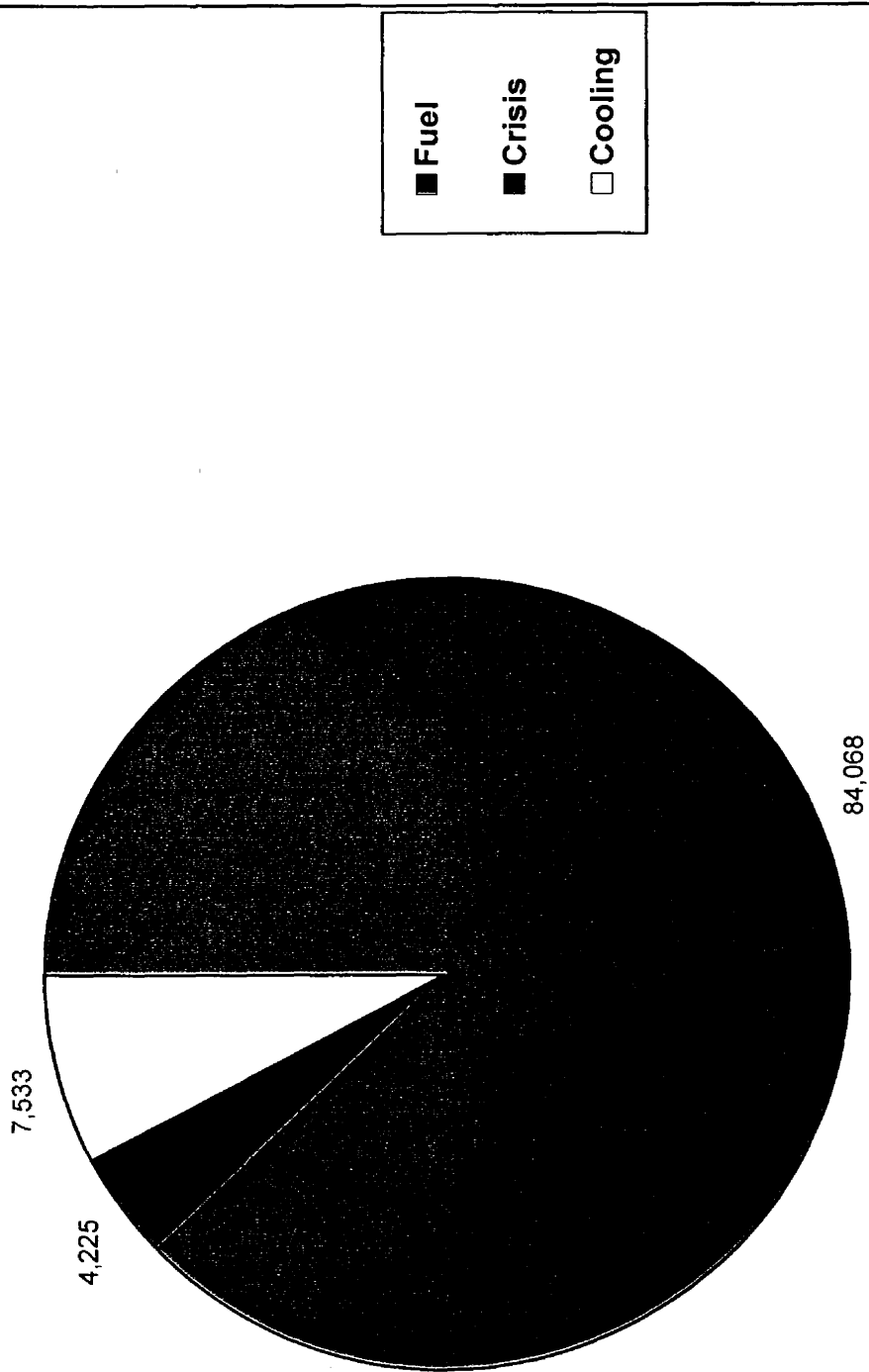
Virginia has been awarded an additional \$5.8 million in regular funds and \$7.6 million in contingency funds. The contingency funds should be obligated and expended under the same rules and requirements of regular LIHEAP funds. This means that these funds may be used for heating programs, cooling programs, 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



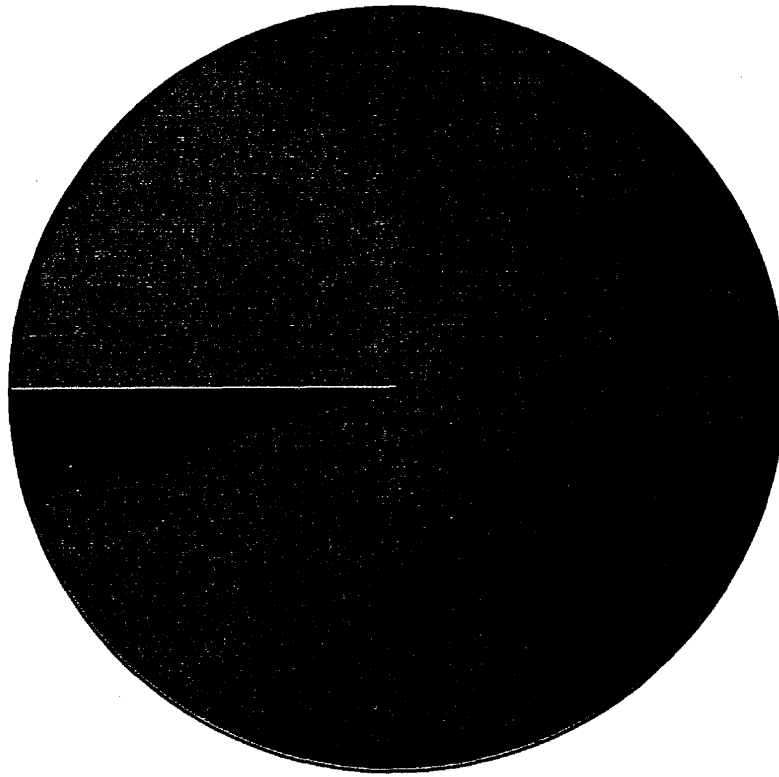
Households Served -- 2000





Households Served -- 2001


4,225



84,068

■ Fuel  
■ Crisis

The VIRGINIA  
**WEATHERIZATION**  
Assistance Program



Weatherization Works

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**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.

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**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

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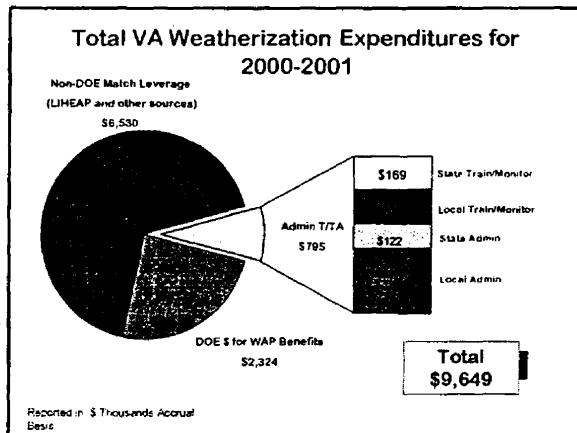
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- ### Weatherization Services
- Energy-saving measures can include:
    - Sealing air leaks with insulation, caulking, and weather-stripping.
    - Installing ventilation fans.
    - Repairing leaky duct systems.
    - Repairing and replacing inefficient 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.

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- ### 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

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### **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.

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COAL & ENERGY COMMISSION  
PRESENTATION BY  
WILLIAM LUKHARD  
CHAIRMAN, CONSUMER ADVISORY BOARD  
TO THE LEGISLATIVE TRANSITION TASK FORCE  
ON ELECTRIC UTILITY RESTRUCTURING

I About the Consumer Advisory Board

A. Membership 17

B. Purpose:

1. "The Consumer Advisory Board shall assist the Legislative Transition Task Force in its work as prescribed in this section (i.e. 56-595), and on other issues as may be directed by the Legislative Transition Task Force."
2. The Legislative Transition Task Force in its annual report to the Governor and General Assembly may offer "such recommendations as may be appropriate for legislative and administrative consideration in order to maintain the Commonwealth's position as a low" cost electricity market and ensuring that residential customers and small business consumers benefit from competition.

C. Issues assigned by the LTF:

1. For 2000:
  - a. Energy Efficiency Program
  - b. Renewable Energy Programs
  - c. Energy Assistance Programs for low-income households
2. Added For 2001:
  - a. Aggregation
  - b. Impact on Small Business
  - c. Demand Side Management

II Energy Assistance Programs for low-income households:

A. Senate Joint Resolution 154 General Assembly Session 2000 contained seven Changes to the CAB (Attachment A)

B. CAB Study- 2000

1. Virginia Energy Assistance Program
  - (a) 100% Federally Funded by the Low-Income Home Energy Assistance Program (LIHEAP) Block Grant
  - (b) Four Components (Attachment B)
    - Fuel Assistance
    - Crisis Assistance
    - Cooling Assistance
    - Weatherization Assistance
2. Department For The Aging
  - Fan Care Program
  - Summer Cooling Program

3. Department of Housing & Community Development
    - Weatherization Assistance Program
  4. Private Sector Programs
    - Neighbor to Neighbor
    - Energy Share-Dominion Power
- C. Study And Recommendations:
1. House Bill 2473-(2001) as introduced (Attachment C)
    - A State policy on the availability of affordable energy to all Virginians.
    - Centralization of administration
    - Expansion of existing low-income and addressing declines in LIHEAP funding.
    - Incentives to encourage voluntary contributions to energy assistance programs including tax credits.
  2. General Assembly Action and Current status of Home Energy Assistance Program
- D. Determining Need
1. Excerpts from Department of Services Report to the Governor and General Assembly-10/1/2001
  2. Dominion Virginia Energy Share (Attachment E)
- E. Other potential impacts on need
1. Economy
  2. Federal Funding
- F. CAB- Study- 2001
1. Relook at 2001 legislation as introduced
  2. Funding the program
    - General Appropriations
    - Public Benefits Charge

ATTACHMONT A  
SENATE JOINT RESOLUTION 154 (2000)  
CHANGES TO CAB FOR STUDING LOW- INCOME  
ENERGY ASSISTANCE PROGRAMS

The 2000 General Assembly passed Senate Joint Resolution 154 directing the Consumer Advisory Board, which was established pursuant to the Virginia Electric Utility Restructuring Act (1999), to study all aspects of low-income household energy assistance programs in the Commonwealth. The Resolution directed the Consumer Advisory Board to address whether Virginia should:

- Establish a State policy with respect to the availability of affordable electricity and other sources of energy to all Virginians;
  - Create a new program assisting low-income households with a basic level of electric utility service;
  - Expand existing programs, or establish new programs, assisting low-income households with seasonal energy needs regardless of the energy source;
  - Consolidate existing public programs providing energy assistance for low-income households;
  - Coordinate efforts of private, voluntary energy assistance programs with public programs and other private programs;
  - Provide incentives to encourage voluntary contributions to energy assistance programs, including the feasibility of tax credits as an incentive for energy consumers and suppliers to fund needed energy assistance programs for low-income households;
  - Address the likelihood of continued declines in federal funding for the Low Income Home Energy Assistance Program and the Weatherization Assistance Program; and
- 
- Use other funding sources, such as penalties or fees assessed on competitive energy providers, to pay for energy assistance programs for low-income households.

The findings and recommendations of the Consumer Advisory Board were submitted to the Legislative Transition Task Force for inclusion in its report to the Governor and the 2001 Session of the General Assembly. The General Assembly addressed the task force's recommendations when it enacted House Bill 2473.

**ATTACHMENT B  
VIRGINIA ENERGY ASSISTANCE PROGRAM COMPONENTS**

**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.

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

**Fuel Assistance** - Applications accepted from the second Tuesday in October through the second Friday in November

This Component supplements the purchase of home heating fuel inclusive of fees and services. Benefits are not intended to cover the household's total cost during the heating season.

**Crisis Assistance** - Applications are taken from November 1 through March 15 unless funds are depleted earlier

Crisis Assistance helps to prevent or alleviate a no heat or potential no heat crisis situation when the assistance will ensure heat for the household. The types of assistance provided are:

- |   |  |
|---|--|
| Payment or waiver of primary heat utility security deposit.             | Purchase of portable space heaters.      |
| Purchase of primary home heating fuel when low or out of fuel.          | Provide emergency shelter.               |
| Payment of primary heat utility bill to avoid or reverse disconnection. | Purchase or repair of heating equipment. |

**Cooling Assistance** - Applications are accepted from June 15 through August 15 when funds are available.

Assistance is provided to purchase fans and air conditioners, to repair and install fans and air conditioners, to pay electric bills and electric security deposits.

**Weatherization Assistance** - Applications are taken year round.

Assistance is provided to help reduce the energy burden on low-income families by installing cost-effective energy efficiency measures to decrease home energy consumption. The types of assistance provided are:

- |  |                           |
|--|---------------------------|
| Insulate, caulk, and weather-strip to seal air leaks             | Install ventilation fans  |
| Repair/replace inefficient or unsafe heating and cooling systems | Repair leaky duct systems |



ATTACHMENT C  
RECOMMENDATIONS CONTAINED IN HB 2473 (2000) AS INTRODUCED

1. A state policy on the availability of affordable energy to all Virginians. The Board considered whether to include language in the Code of Virginia affirmatively stating the Commonwealth's policy toward low-income programs. Since blanket policy statements placed in the Code without programs supporting them do not generally hold much import, the Board decided to discuss its recommendations for low-income programs first, and then draft language stating the policy reflected by those programs. The Board proposed the following language: "The General Assembly declares that it is the policy of this Commonwealth to support the efforts of public agencies, private utility service providers, and charitable and community groups seeking to assist low-income Virginians in meeting their seasonal residential energy needs. To this end the Department of Social Services is designated as the state agency responsible for coordinating state efforts in this regard."

2. Centralization of administration. The Board agreed that administration of low-income programs should to be centralized. The Board recommends the establishment of an office within the Department of Social Services to be responsible for statewide coordination of all state and federally-funded energy assistance programs, as well as any non-state programs that wish to participate. Currently, any coordination among state-administered programs and private or local programs is voluntary. This measure would require DSS to coordinate the benefits provided among public providers, track recipients of assistance, and collect and analyze data regarding the need for assistance. The administration of the Weatherization Assistance Program would remain with DHCD, but DSS would coordinate information and any additional funding with DHCD for this program. DSS would also administer funding for low-income energy assistance, and report to the Governor and General Assembly on the effectiveness of current programs in the Commonwealth. Administrators of private, voluntary programs would have the option of turning over their administrative duties and funds to DSS.

3. Expansion of existing low-income programs and addressing declines in LIHEAP funding. The Board agreed that state funding was needed to supplement current programs in Virginia. It recommended establishing a dedicated special fund as a repository for funds from various sources to enhance existing, largely federal, sources of funds for low-income energy assistance efforts. To generate moneys for this fund, the Board recommended the following: (i) creating an income tax refund check-off; (ii) creating a special incentive for donations by business firms to the fund, through an expansion of the Neighborhood Assistance Act. Businesses contributing to the special fund could be eligible for a tax credit of 45 percent of their gift. The cap on the total amount of tax credits under the Act would increase from \$8,000,000 to \$9,000,000, with the \$1,000,000 increase being earmarked for contributions of money to the special fund. Over \$2.2 million would be generated in contributions if the full \$1 million in credits were taken.

4. Incentives to encourage voluntary contributions to energy assistance programs, including tax credits. Currently, a tax deduction may be taken on an individual's federal tax return for contributions to qualified voluntary utility programs, and the deduction is carried through to the state tax return. However, the deduction is only available to taxpayers who itemize their returns. The possibility of a tax credit for these contributions was discussed, but if individuals who itemize can already take a deduction from gross income, a credit on the amount of tax liability for those who do not itemize would create a disparity in benefit among taxpayers. The Board decided to recommend the creation of a tax deduction for individuals who do not itemize their returns, providing an incentive to individuals to contribute or increase contributions to private, voluntary energy assistance programs.

ATTACHMENT D

DEPARTMENT OF SOCIAL SERVICES

**Report on the  
Effectiveness of Low-Income  
Energy Assistance Programs**

October 1, 2001

## Analysis on Effectiveness of Programs

The programs identified in this report serve approximately 119,143 low-income Virginia households. Virginia's programs provide assistance to eligible households with income up to 150 percent of poverty. According to the United States Department of Health and Human Services (see Appendix III), Virginia has approximately 451,269 households at or below the 150 percent of poverty level. The data provided indicates that 26.4 percent of needy households benefit from available assistance.

Energy is generally considered a basic necessity of life. In Virginia, home heating is provided with natural gas, electricity, oil, kerosene, wood, coal or liquid propane. These sources are quite expensive for lower income Virginians. The average family spends about 4.3 percent of the household budget on home energy. Low-income households spend a dramatically larger percentage of their income on energy. Data captured by the Virginia Energy Assistance Program reveals that 75 percent of the households receiving assistance in Virginia spend in excess of 50 percent of their income on home energy. This data suggests that we are serving households at the lower end of the poverty level.

Households served by the Virginia Energy Assistance Program fall within the following income ranges:

Annual Income	Households Served
Under \$ 2,000	5,046
\$2,000 - \$ 3,999	3,887
\$4,000 - \$ 5,999	5,056
\$6,000 - \$ 7,999	30,921
\$8,000 - \$ 9,999	13,470
\$10,000 - \$11,999	7,226
\$12,000 - \$14,999	9,525
\$15,000 and over	8,920

*A Look at Residential Energy Consumption in 1997*, released by the Energy Information Administration, presents the results of the tenth Residential Energy Consumption Survey, which, since 1978, has collected information on household energy consumption, energy expenditures, and energy-related household characteristics.

Highlights from the national survey include:

- The average household spent \$1,338 for energy in 1997. Total annual energy expenditures per household were highest in the Northeast (\$1,644) and lowest in the West (\$1,014).
- Electricity accounted for 35 percent of all the energy consumed in U.S. households in 1997 compared to 23 percent in 1978. Over the same period, fuel oil and kerosene, as a percentage of total energy consumption,

decreased from 21 percent in 1978 to 10 percent in 1997. The share of natural gas and propane remained unchanged.

- Space heating, which accounted for two-thirds of the total energy consumed in U.S. households in 1978, accounted for only half in 1997. At the same time the proportion of energy consumed to operate appliances, including lights, increased from 17 percent to 27 percent.
- Much of the increase in energy consumption for operating electrical appliances is due to their proliferation in the typical American household. Between 1978 and 1997, the percent of households using a microwave oven climbed from 8 to 83 percent; dishwashers went from 35 to 50 percent; and personal computers went from non-existent to 35 percent.

Virginia will continue to effectively deliver benefits to low-income households, which have the highest energy costs or needs, and to assist them with meeting their immediate home energy needs. The Department of Social Services will obtain additional information on the demographics of recipients for future reports to the Governor and General Assembly.

APPENDIX II

**2001 ANNUAL FEDERAL POVERTY GUIDELINES**

*For All States (Except Alaska and Hawaii) and for the District of Columbia*

Size of family Unit	100 Percent of Poverty	110 Percent of Poverty*	150 Percent of Poverty
1	\$ 8,590	\$ 9,449	\$12,885
2	\$11,610	\$12,771	\$17,415
3	\$14,630	\$16,093	\$21,945
4	\$17,650	\$19,415	\$26,475
5	\$20,670	\$22,737	\$31,005
6	\$23,690	\$26,059	\$35,535
7	\$26,710	\$29,381	\$40,065
8	\$29,730	\$32,703	\$44,595

\*Federal law requires that income criteria for use of Low Income Home Energy Assistance Program funds must be at least 110 percent of the federal poverty guidelines. Virginia uses 130 percent of poverty.

**LIHEAP INCOME ELIGIBILITY ESTIMATES<sup>1</sup>  
FOR VIRGINIA  
Federal Fiscal year (FFY) 1999**

Estimates of Federal and State LIHEAP Eligible Household  
by Vulnerable Group, FFY 1999

Vulnerable Group	Number of LIHEAP Eligible Households (Federal Maximum Standard) <sup>2</sup>	Number of LIHEAP Eligible Households (State Maximum Standard) <sup>3</sup>
All	654,664	368,695
Elderly	285,507	152,895
Disabled	140,001	103,316
Young Child	114,875	60,975

Estimates of Federal and State LIHEAP Eligible Household  
by Poverty Level, FFY 1999

Vulnerable Group	Number of LIHEAP Eligible Households (Federal Maximum Standard) <sup>2</sup>	Number of LIHEAP Eligible Households (State Maximum Standard) <sup>3</sup>
All	654,664	368,695
<=100%	254,551	254,550
101% - 125%	100,540	100,540
126% - 150%	96,178	13,605

<sup>1</sup> An average of 1998, 1999, and 2000 March Current Population Survey data are used to create these estimates. Estimates are subject to sampling error.

<sup>2</sup> The greater of 60 percent of state median income or 150 percent of poverty using poverty guidelines published by HHS.

<sup>3</sup> The state maximum standard was obtained from the LIHEAP Clearinghouse.

**Dominion Resources Services, Inc.**  
701 East Cary Street, Richmond, VA 23219  
Mailing Address: P.O. Box 26666  
Richmond, VA 23261



**Dominion™**

ATTACHMENT E

**Dominion Virginia Power (19<sup>th</sup> year)**  
**EnergyShare**  
December 15, 2000 – May 31, 2001

Raised - \$1,422,392  
Assisted - 6,699 households  
Helped - 17,751 people; 2,527 children under age 5; 1,284 seniors and 2,469 disabled  
Average bill payment - \$212  
Still turned away 1,200 requests due to a lack of funds

**American Electric Power (20<sup>th</sup> year)**  
**Neighbor-to-Neighbor Program**  
January 1, 2001 – February 28, 2001

Raised - \$120,645  
Helped - 1,393 households  
Average bill payment - \$86

**Richmond Department of Public Utilities (3<sup>rd</sup> year)**  
**Metro Care**  
December 15 – Until funds run out

Raised – \$33,714  
Helped - 167 households  
Average bill payment - \$167

Both Rappahannock and Southside Electric Cooperatives are EnergyShare Partners, but do not have a company sponsored heating assistance program.

Submitted by:  
Rita J. Randolph, EnergyShare Program Coordinator  
(804) 771-4414 or rita\_randolph@dom.com

01 - 3392652

11/18/01 5:10 PM

Dennis A. Walter

## 1 HOUSE BILL NO. 2868

## 2 AMENDMENT IN THE NATURE OF A SUBSTITUTE

3 (Proposed by the House Committee on Mining and Mineral Resources

4 on January 31, 2001)

5 (Patron Prior to Substitute--Delegate Bryant)

6 A BILL to amend and reenact §§ 45.1-361.11, 45.1-361.12, 45.1-361.29, 45.1-361.30 and  
7 45.1-361.36 of the Code of Virginia, relating to the Virginia Gas and Oil Act; distance  
8 limits and permit applications.

9 **Be it enacted by the General Assembly of Virginia:**

10 1. That §§ 45.1-361.11, 45.1-361.12, 45.1-361.29, 45.1-361.30 and 45.1-361.36 of the Code  
11 of Virginia are amended and reenacted as follows:

12 § 45.1-361.11. Objections by coal owner; coal operator's right to require alternate well  
13 location.

14 A. In deciding on objections by a coal owner or coal operator to a proposed permit  
15 modification or drilling unit modification, only the following questions shall be considered:

16 1. Whether the work can be done safely with respect to persons engaged in coal mining  
17 at or near the well site; and

18 2. Whether the well work is an unreasonable or arbitrary exercise of the well operator's  
19 right to explore for, market and produce oil and gas.

20 B. In deciding on objections by a coal owner or coal operator to the establishment of a  
21 drilling unit, a permit for a new well, or the stimulation of a coalbed methane gas well, the  
22 following safety aspects shall first be considered, and no order or permit shall be issued where  
23 the evidence indicates that the proposed activities will be unsafe:

24 1. Whether the drilling unit or drilling location is above or in close proximity to any mine  
25 opening or shaft, entry, travelway, airway, haulageway, drainageway or passageway, or to any



1 proposed extension thereof, in any operated or abandoned or operating coal mine, or in any  
2 coal mine already surveyed and platted but not yet being operated;

3 2. Whether the proposed drilling can reasonably be done through an existing or planned  
4 pillar of coal, or in close proximity to an existing well or such pillar of coal, taking into  
5 consideration the surface topography;

6 3. Whether the proposed well can be drilled safely or the proposed coalbed methane  
7 gas well can be stimulated safely, taking into consideration the dangers from creeps, squeezes  
8 or other disturbances due to the extraction of coal; and

9 4. The extent to which the proposed drilling unit or drilling location or stimulation of the  
10 coalbed methane gas well unreasonably interferes with the safe recovery of coal, oil and gas.

11 C. The following questions with respect to the drilling unit or drilling location of a new  
12 well or stimulation of a new coalbed methane gas well shall also be considered:

13 1. The extent to which the proposed drilling unit or drilling location or coalbed methane  
14 gas well stimulation will unreasonably interfere with present or future coal mining operations;

15 2. The feasibility of moving the proposed drilling unit or drilling location to a mined-out  
16 area, below the coal outcrop or to some other area;

17 3. The feasibility of a drilling moratorium for not more than two years in order to permit  
18 the completion of coal mining operations;

19 4. The method proposed for the recovery of coal and gas;

20 5. The practicality of locating the unit or the well on a uniform pattern with other units or  
21 wells;

22 6. The surface topography and use; and

23 7. Whether the decision will substantially affect the right of the gas operator to explore  
24 for and produce the gas.

25 The factors in this subsection ~~C of this section~~ are not intended to and shall not be  
26 construed to authorize the Director, or the Board under § 45.1-361.36, to supersede, impair,

1 abridge or affect any contractual rights or obligations now or hereafter existing between the  
2 respective owners of coal and gas or any interest therein.

3 D.1. In addition to the objections permitted by this section and the provisions of § 45.1-  
4 361.12, a coal operator may require a well operator to move the location of a proposed  
5 coalbed methane well to a reasonable alternate location not greater than 800 feet from the  
6 originally proposed location; provided, however, that any such alternate location must be on  
7 the same leasehold and within the same drilling unit as the originally proposed location.

①

8 2. After an alternate location has been chosen pursuant to subdivision 1. of subsection  
9 D, should any other coal operator with standing as set out in § 45.1-361.30 object to the  
10 alternate location, the well operator shall not be required to again move the well location  
11 unless required to do so after a hearing pursuant to § 45.1-361.35.

12 § 45.1-361.12. Distance limitations of certain wells.

13 A. If the well operator and the objecting coal owners or coal operators present or  
14 represented at the hearing to consider the objections to the proposed drilling unit or location  
15 are unable to agree upon a drilling unit or location for a new well within 2,500 linear feet of the  
16 location of an existing well or a well for which a permit application is on file, then the permit or  
17 drilling unit shall be refused unless the Department determines, after consideration of the  
18 factors enumerated in subsections A, B and C of § 45.1-361.11, that the drilling unit or location  
19 will not unreasonably interfere with the safe recovery of coal, oil, gas, or coalbed methane gas  
20 as proposed. The Department may modify the drilling unit or location, after consideration of  
21 the factors enumerated in subsections A, B and C of § 45.1-361.11, to permit the safe recovery  
22 of coal, oil, gas, and coalbed methane gas.

②

23 B. The minimum distance limitations established by this section shall not apply if the  
24 proposed well will be drilled through an existing or planned pillar of coal required for protection  
25 of a preexisting well drilled to any depth, and the proposed well will neither require  
26 enlargement of the pillar nor otherwise have an adverse effect on existing or planned coal  
27 mining operations.

1 § 45.1-361.29. Permit required; gas, oil, or geophysical operations; coalbed methane  
2 gas wells; environmental assessment.

3 A. No person shall commence any ground disturbing activity for a well, gathering  
4 pipeline, geophysical exploration or associated activity, facilities or structures without first  
5 having obtained from the Director a permit to conduct such activity. Every permit application or  
6 permit modification application filed with the Director shall be verified by the permit applicant  
7 and shall contain all data, maps, plats, plans and other information as required by regulation or  
8 the Director.

9 B. For permits issued on July 1, 1996, or thereafter, new permits issued by the Director  
10 shall be issued only for the following activities: geophysical operations, drilling, casing,  
11 equipping, stimulating, producing, reworking initially productive zones and plugging a well, or  
12 gathering pipeline construction and operation. Applications for new permits to conduct  
13 geophysical operations shall be accompanied by an application fee of \$100. Applications for all  
14 other new permits shall be accompanied by an application fee of \$200.

15 C. For permits issued prior to July 1, 1996, prior to commencing any reworking,  
16 deepening or plugging of the well, or other activity not previously approved on the permitted  
17 site, a permittee shall first obtain a permit modification from the Director. All applications for  
18 permit modifications shall be accompanied by a permit modification fee of \$100. For permits  
19 issued on July 1, 1996, or thereafter, prior to commencing any new zone completions a  
20 permittee shall first obtain a permit modification from the Director.

21 D. All permits and operations provided for under this section shall conform to the rules,  
22 regulations and orders of the Director and the Board. When permit terms or conditions required  
23 or provided for under Article 3 (§ 45.1-361.27 et seq.) of this chapter are in conflict with any  
24 provision of a conservation order issued pursuant to the provisions of Article 2 (§ 45.1-361.13  
25 et seq.) of this chapter, the terms of the permit shall control. In this event, the operator shall  
26 return to the Board for reconsideration of a conservation order in light of the conflicting permit.

1 Every permittee shall be responsible for all operations, activity or disturbances associated with  
2 the permitted site.

3 E. No permit or permit modification shall be issued by the Director until he has received  
4 from the applicant a written certification that (i) all notice requirements of this article have been  
5 complied with, together with proof thereof, and (ii) the applicant has the right to conduct the  
6 operations as set forth in the application and operations plan.

7 F. A permit shall be required to drill any coalbed methane gas well or to convert any  
8 methane drainage borehole into a coalbed methane gas well. In addition to the other  
9 requirements of this section, every permit application for a coalbed methane gas well shall  
10 include:

11 1. The method that the coalbed methane gas well operator will use to stimulate the well.

12 2. a. A signed consent from the coal operator of each coal seam which is located within  
13 750 horizontal feet of the proposed well location (i) which the applicant proposes to stimulate  
14 or (ii) which is within 100 vertical feet above or below a coal bearing stratum which the  
15 applicant proposes to stimulate.

16 b. The consent required by this section may be (i) contained in a lease or other such  
17 agreement; (ii) contained in an instrument of title; or (iii) in any case where a coal operator  
18 cannot be located or identified and the operator has complied with § 45.1-361.19, provided by  
19 a pooling order entered pursuant to § 45.1-361.21 or § 45.1-361.22 and provided such order  
20 contains a finding that the operator has exercised due diligence in attempting to identify and  
21 locate the coal operator. The consent required by this section shall be deemed to be granted  
22 for any tract where title to the coal is held by multiple owners if the applicant has obtained  
23 consent to stimulate from the co-tenants holding majority interest in the tract and none of the  
24 coal co-tenants has leased the tract for coal development. Except in cases where the  
25 proposed well location is located within 750 horizontal feet of active areas of an underground  
26 coal mine as defined in § 45.1-161.8, the consent required by this section shall be deemed to  
27 be granted if the applicant has obtained the consent to stimulate from any coal owner or

③

1 owners holding at least fifty percent interest in the acreage for each coal seam for which  
2 consent is required. The requirement of signed consent contained in this section shall in no  
3 way be considered to impair, abridge or affect any contractual rights or objections arising out of  
4 a coalbed methane gas contract or coalbed methane gas lease entered into prior to January 1,  
5 1990, between the applicant and any coal operator, and any extensions or renewals thereto,  
6 and the existence of such lease or contractual arrangement and any extensions or renewals  
7 thereto shall constitute a waiver of the requirement for the applicant to file an additional signed  
8 consent.

9 3. The unit map, if any, approved by the Board.

10 G. No permit required by this chapter for activities to be conducted within an area of  
11 Tidewater Virginia where drilling is authorized under subsection B of § 62.1-195.1 shall be  
12 granted until the environmental impact assessment required by § 62.1-195.1 has been  
13 conducted and the assessment has been reviewed by the Department.

14 H. The operator of any coalbed methane well drilled within 250 feet of a cemetery shall  
15 comply with a written request of any person owning an interest in a private cemetery or the  
16 authorized agent of a public cemetery that the operator of such well suspend operations for a  
17 period from two hours before to two hours after any burial service that takes place on the  
18 surface area of such cemetery. However, if the well operator or a mine operator determines  
19 that suspension of such operations will have an adverse effect on the safety of the well  
20 operations or mining operations, the operator shall be under no obligation to comply with the  
21 request, and operation of the well shall continue.

22 § 45.1-361.30. Notice of permit applications and permit modification applications  
23 required; content.

24 A. Within one day of the day on which the application for a permit for a gas or oil  
25 operation is filed, the applicant shall provide notice of the application to the following persons:

26 1. All surface owners, coal owners, and mineral owners on the tract to be drilled;

1 2. Coal operators who have registered operation plans with the Department for activities  
2 located on the tract to be drilled;

3 3. All surface owners on tracts where the surface is to be disturbed;

4 4. All gas, oil, or royalty owners within one-half of the distance specified in § 45.1-  
5 361.17 for that type of well, or within one-half of the distance to the nearest well completed in  
6 the same pool, whichever is less, or within the boundaries of a drilling unit established  
7 pursuant to the provisions of this chapter;

8 ~~5. All coal operators who have applied for or obtained a mining or prospecting permit  
9 with respect to tracts located within 500 feet of the proposed well location or in the case of a  
10 proposed coalbed methane gas well location, within 750 feet thereof;~~

11 ~~6. All coal owners or, coal operators, and mineral owners on tracts located within 500  
12 feet of the proposed well location or in the case of a proposed coalbed methane gas well  
13 location, within 750 feet thereof; and~~

14 ~~7.6. All operators of gas storage fields certificated by the State Corporation Commission  
15 as a public utility facility whose certificated area includes the well location, or whose  
6 certificated boundary is within 1,250 feet of the proposed well location.~~

7 B. Within one day of the day on which the application for a permit modification for a gas  
8 or oil operation is filed, the applicant requesting such permit modification shall provide notice of  
9 the application to all persons listed in subsection A of this section who may be directly affected  
0 by the proposed activity.

1 C. Within one day of the day on which the application for a permit for geophysical  
2 operations is submitted, the applicant shall provide notice to those persons listed in  
3 subdivisions 1, 2 and 3 of subsection A of this section.

4 D. All notices required to be given pursuant to subsections A, B and C of this section  
5 shall contain a statement of the time within which objections may be made and the name and  
6 address of the person to whom objections shall be forwarded. Only those persons entitled to  
7 notice under subsections A, B and C of this section shall have standing to object to the

1 issuance of the proposed permit or permit modification for a gas, oil, or geophysical operation  
2 as the use may be. Upon receipt of notice, any person may waive in writing the time and right  
3 to object.

4 E. Within one day of the day on which the application for a permit is filed, the applicant  
5 shall provide notice to (i) the local governing body or chief executive officer of the county, city,  
6 or town in which the well is proposed to be located and (ii) the general public, through  
7 publication of a notice in at least one newspaper of general circulation which is published in the  
8 county, city or town where the well is proposed to be located.

9 § 45.1-361.36. Appeals of Director's decisions to the Board.

10 A. ~~Any~~ The applicant or any person with standing under the provisions of § 45.1-361.30  
11 who is aggrieved by a decision of the Director may appeal to the Board, subject to the  
12 limitations imposed by subsection B of this section, by petition to the Board filed within ten  
13 days following the appealed decision.

14 B. No petition for appeal may raise any matter other than matters raised by the Director  
15 or which the petitioner put in issue either by application or by objections, proposals or claims  
made and specified in writing at the informal fact-finding hearing held under § 45.1-361.35  
7 leading to the appealed decision.

8 #

COMMONWEALTH OF VIRGINIA

JOHN C. WATKINS  
10TH SENATORIAL DISTRICT  
PART OF CHESTERFIELD AND HENRICO COUNTIES,  
POWHEATAN COUNTY,  
PART OF THE CITY OF RICHMOND  
POST OFFICE BOX 159  
MIDLOTHIAN, VIRGINIA 23113



SENATE

COMMITTEE ASSIGNMENTS:  
AGRICULTURE, CONSERVATION AND  
NATURAL RESOURCES  
COMMERCE AND LABOR  
LOCAL GOVERNMENT  
TRANSPORTATION

November 15, 2001

The Honorable William C. Wampler, Jr.  
Chairman of the Virginia Coal and Energy Commission  
510 Cumberland Street, Suite 308  
Bristol, VA 24201

Dear Mr. Chairman:

I have attempted in the past couple of weeks to assess the needs of this Commission and of the Commonwealth of Virginia with regards to energy reliability in the future. This assessment is particularly needed at this time in light of the deregulation of the electric utility industry as well as the natural gas industry. This all has to be viewed in the context that both of these industries have already been deregulated at the wholesale level by the Federal government. In order to provide an adequate assessment we will likely be challenged with regard to jurisdiction in these matters. Nonetheless, without adequate baseline data there will be no means provided from which we can determine efficiencies in the reliability of these systems to deliver the energy needs of our citizens.

Included in this letter is a compilation of information regarding energy reliability that has been prepared in conjunction with the State Corporation Commission (SCC). I have requested that the Legislative Services staff provide copies of the information to all committee members so that it may be considered during our November 18<sup>th</sup> meeting in Richmond.

I look forward to seeing you Sunday evening

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Watkins", with a long horizontal flourish extending to the right.

John C. Watkins

cc: Coal and Energy Commission  
Enclosure



In order to establish a benchmark database for Virginia's electric industry infrastructure, it is necessary to first focus on the generation facilities located within the respective control areas of each of our incumbent electric utilities and then determine the pro-rata share of that generation dedicated to Virginia during the benchmark period. The benchmark period should cover several years to remove the anomalies specific to a particular year. With respect to generation, the following information should be supplied or the following questions answered:

- An inventory of generating facilities located within the control areas of the incumbent electric utilities during the benchmark period.
- Data specific to each generating unit – size (summer/winter capabilities), location, fuel type, heat rates; and megawatts applicable (by law or regulation) to the provision of service in Virginia.
- Data relative to the historical generating capabilities of each unit compared to actual operating parameters:
  - Specific hours the unit was forced off line.
  - Specific hours the unit was off-line for planned maintenance.
  - Hourly forced curtailment levels (unit derates).
  - Hourly planned curtailment levels.
  - Hourly generation by unit for the benchmark period.
- Total hourly load (demand and energy) in the control area during the benchmark period; each utility's Virginia hourly load during the benchmark period.

With regard to electric transmission systems, the process of comparing the on-going operation of such systems to benchmark performance levels is more complex. At a minimum, the following data should be collected for a specific benchmark period:

- Individual line transfer capabilities at control area interfaces.
- Aggregate transfer capabilities across the control area interface on an hourly basis for the benchmark period, including the degree to which such capabilities were reserved and the actual use of such capabilities (actual load flows).
- Hours during which bulk transmission facilities were off line or operated at reduced levels for planned maintenance.
- Hours during which bulk transmission facilities were off-line or were operated at reduced levels because of equipment failure.
- Actions taken to relieve transmission loadings including:
  - A description of the action.
  - Duration of the action – start and end dates/times.
  - The critical facilities involved in the action.
- Hourly flows into and out of the control areas.

For gas transmission facilities, the following information should be collected for a specific benchmark period:

- A description (including maps) of the interstate and intra-state gas transmission lines and associated facilities located in Virginia by Company.
- The transmission capability (mcf/day) for each of these facilities on a specified date.

- **The amount of that capability dedicated to Virginia.**
- **The amount dedicated to customers outside Virginia.**
- **Additional load each pipeline is capable of serving; aggregate additional load each company's facilities are capable of carrying.**
- **Actual flows (mcf) into Virginia during the benchmark period for each pipeline facility; the aggregate flows (mcf) on all the facilities of each transmission owner into Virginia during the benchmark period.**
- **Actual flows (mcf) out of Virginia during the benchmark period for each pipeline facility; the aggregate flows (mcf) on all facilities of a transmission owner out of Virginia during the benchmark period.**
- **Total gas storage capability located in Virginia; capability dedicated to Virginia load.**
- **Total gas storage capability located outside Virginia dedicated to Virginia load.**
- **Expansion projects planned; expected capacity enhancements into Virginia as a result of each project.**
- **Operational flow orders issued during benchmark period, reasons orders issued.**
- **Requests for curtailment (mcf/day) issued by Virginia LDCs to interruptible customers and a description of why such requests were issued.**

- **The oversight of interstate gas pipelines from certification, safety, and rate perspectives comes under the purview of the federal government.**

## **Notes**

1. The above represents a significant volume of data; however, in a competitive wholesale market, the hourly availability of facilities is critical to monitoring the maintenance of reliability because of the potential of the economic withholding of generation.
2. The preceding represents a "first-cut" at developing a series of questions to generate a benchmark database. The creation of this database and subsequent updates for comparison purpose represents a significant undertaking. These questions would likely be modified, perhaps significantly, in the process of generating such a database.
3. This document requests generation data by control area and attempts to identify units dedicated to Virginia during the benchmark period. For those utilities that are part of a pool; units that served Virginia via an interconnection agreement that dedication could diminish significantly as load grows outside Virginia grows and dedicated capacity is not added by the incumbent.
4. In terms of developing a database for the inventory and operation of generating units, there are currently several merchant plants in the Commonwealth, the output of which is dedicated to the wholesale market as opposed to the Virginia market.
5. With the ultimate control of transmission by an RTO and the provision of generation by a competitive market, the oversight of bulk power facilities from reliability and economic perspectives may be the purview of federal government with the states responsible for distribution reliability only.



**Eva Teig Hardy**  
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December 19, 2001

The Honorable John C. Watkins  
Chairman  
Energy Preparedness Subcommittee  
Virginia Coal and Energy Commission  
Room 316  
General Assembly Building  
Richmond, VA 23219

Dear John:

Our company has been meeting with other representatives of the electricity generation and transmission businesses in Virginia, specifically, American Electric Power, Old Dominion Electric Cooperative, and the Virginia Energy Providers Association, and this letter is submitted on behalf of that group.

We have reviewed your letter of November 15, 2001 addressed to Chairman Wampler and the attachment which specifies information that would be gathered to establish a data benchmark for both electricity and gas as deregulation evolves. We want you to know that we have no objection to the general approach set forth in your letter and the attachment and are most interested in working with you to resolve a number of issues with regard to the information provided and its use for the data benchmark.

Those issues include the following:

- We would appreciate it if you would give us some understanding of your long-term goal in securing this information and the purpose of compiling the information. While our group is not concerned about providing information to establish a "benchmark," we are concerned about providing a long-term, on-going obligation to continually provide updated information, providing competitively sensitive information, and, specifically, the adverse impact that this might have on those pursuing new generation within the Commonwealth.
- There are some in our group that are very concerned about the apparent geographical reach of the proposed inquiries. Specifically, by focusing on the "control areas" for our company you would include everything in our territory located in the state of North Carolina. And for Appalachian (AEP) you would including everything in its control area that goes far beyond the confines of the Commonwealth of Virginia. Is this necessary to achieve your purpose?

The Honorable John C. Watkins  
December 19, 2001  
Page 2

- You should be aware that we are concerned that the inquiries would obligate the electric utility to furnish information about generation facilities within its "control area" which are owned by others. We are concerned that this may impose an obligation to disclose information about others, which might be inappropriate for the electric utility.
- Our group has expressed some reservation about the provisions as they apply to gas transmission facilities in Virginia. Some of the concern expressed is principally because our group is much more familiar with electricity generation and transmission than it is with gas transmission. Others are concerned that much involved with gas transmission may be purely involved in interstate commerce and question whether it is appropriate for this type of an inquiry.

With these observations, I hope you will appreciate the fact that our group is most interested in working with you to resolve these issues as promptly as possible and proceed to work with you, the Virginia Coal and Energy Commission, as well as the Legislative Transition Task Force as these issues are considered by the upcoming General Assembly.

I hope you find this helpful.

Best wishes.

Yours truly,

Dominion Virginia Power

  
Eva Teig Hardy

## VIRGINIA ACTS OF ASSEMBLY -- 2002 SESSION

### CHAPTER 474

*An Act to require certain electric and gas utilities to furnish information to the State Corporation Commission about Virginia's energy infrastructure.*

[S 684]

Approved April 2, 2002

**Be it enacted by the General Assembly of Virginia:**

1. § 1. *For purposes of monitoring the adequacy of the energy infrastructure within the Commonwealth, the State Corporation Commission shall convene a work group to study the feasibility, effectiveness, and value of collecting, for the period commencing January 1, 1996, and ending December 31, 2001, and for periods subsequent to December 31, 2001, the following data or any other data pertaining to Virginia's energy infrastructure:*

A. *For every generator of electric energy operating within the Commonwealth, the following electric generation data: (i) an inventory of generating units located within the control area of the utility, including size, location, fuel type, heat rates, and megawatts of each unit, (ii) the historical generating capabilities of each unit compared to actual operating parameters, including hours a unit was offline and reasons therefor, forced and planned curtailment levels, and hourly generation by unit, and (iii) total hourly load in the control area compared to the total hourly load in Virginia;*

B. *For every incumbent electric utility, as defined in § 56-576 of the Code of Virginia, the following electric transmission data: (i) individual line transfer capabilities at control area interfaces, (ii) aggregate transfer capabilities, including the degree to which the capabilities were reserved and the actual use of such capabilities, (iii) hours during which bulk transmission facilities were offline and the reasons therefor, (iv) actions taken to relieve transmission overload, and (v) hourly flows into and out of the control areas;*

C. *For every gas transmission company operating within the Commonwealth, the following data: (i) a description and map of each interstate and intrastate gas transmission line and associated facilities in Virginia, (ii) the transmission capability of each facility, including the amount dedicated to Virginia and outside Virginia, (iii) the additional load each pipeline is capable of serving and the aggregate load each company's facilities are capable of carrying, (iv) the actual gas flows into and out of Virginia for each facility and the aggregate flows into and out of Virginia for all facilities, (v) total gas storage capability located in Virginia and outside Virginia that is dedicated to Virginia load, (vi) operational flow orders issued and reasons therefor, and (vii) expansion projects planned and the expected capacity enhancements in Virginia resulting from such expansion; and*

D. *For every public utility authorized to furnish natural gas service in Virginia, the number of requests for curtailment issued by such utility and a description of the reasons therefor.*

§ 2. *The work group shall consist of representatives of electricity generators, incumbent electric utilities, gas transmission companies, gas local distribution companies, State Corporation Commission staff, and other appropriate persons. The Commission shall report the results of the work group's study, not later than December 1, 2002, to the Legislative Transition Task Force established pursuant to § 56-595 of the Code of Virginia.*

§ 3. *The State Corporation Commission shall not release any of the information that may be collected pursuant to this act; however, this prohibition shall not be construed to prohibit the Commission from releasing such information in the aggregate on an industry-wide, statewide or other basis that does not permit the identification of data specific to a single entity.*



## 2001 SESSION

ENROLLED

## SENATE JOINT RESOLUTION NO. 481

*Directing the Coal and Energy Commission, in consultation with the State Corporation Commission, to study the reasons for the recent increase in the price of natural gas.*

Agreed to by the Senate, February 22, 2001

Agreed to by the House of Delegates, February 21, 2001

WHEREAS, natural gas customers' bills have increased in recent months, due in part to a colder winter and an imbalance between supply and demand; and

WHEREAS, low wellhead prices for natural gas in 1998 and 1999 contributed to a decline in the number of working rigs for natural gas; and

WHEREAS, the Commonwealth's investor-owned natural gas utilities indicate that they do not profit from the cost of natural gas purchased for customers' usage; and

WHEREAS, the State Corporation Commission reviews investor-owned natural gas utilities' gas purchase contract for prudence; and

WHEREAS, the availability of reliable, reasonably priced sources of energy is critical to the continued health of the Commonwealth's economy and to the well-being of its citizens; and

WHEREAS, the American economy is becoming increasingly dependent on imported foreign oil to meet its growing energy needs; and

WHEREAS, it is critically important for the nation and Virginia to develop energy policy that promotes domestic energy supply; and

WHEREAS, the federal government is devoting itself to a comprehensive energy strategy, so too should the Commonwealth; and

WHEREAS, natural gas as a domestic energy source should be promoted as a clean, safe, efficient, and reliable fuel; and

WHEREAS, the recent fluctuation in natural gas prices indicates that market forces are attempting to balance supply and demand; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Coal and Energy Commission, in consultation with the State Corporation Commission, be directed to study the reasons for the recent increase in the price of natural gas. The Coal and Energy Commission shall study recommended actions at the national and state levels that will increase available natural gas supplies, thereby promoting the affordability of natural gas as an efficient domestic energy source.

Technical assistance shall be provided to the Coal and Energy Commission by the Department of Mines, Minerals, and Energy, and the State Corporation Commission.

All agencies of the Commonwealth shall provide assistance to the Commission for this study, upon request.

The Coal and Energy Commission shall complete its work in time to submit its findings and recommendations by November 30, 2001, to the Governor and the 2002 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

# Virginia's Coalfield Worker's Compensation Crisis

- Since 1997 Approved Rates/Loss Costs Have More Than Doubled from \$16.06 per \$100 of Payroll to \$35.49 per \$100.
- Taking into Account Individual Insurer's Loss Cost Factors, Rates Have Nearly Tripled to \$49.68 per \$100.

# These Dramatic Rate Increases Unfairly Harm Small Operators

- Virtually all Larger Mining Companies are Self-insured.
- Small Operators Tend to Have Higher Payroll Costs per Ton of Coal Produced.

# Major Rate Increases Have an Anti-competitive Impact

- With the Most Recent Rate Increase, Some Small Operators Will Pay Nearly \$5.00 per ton for Worker's Compensation Insurance.
- This Compares to an Estimated Cost of Less Than \$1.00 per ton for Large, Self-insured Coal Companies.

# The W/C Crisis Will Threaten Many Operators with Extinction

- Operators of Approx. Ninety Mines Must Purchase Worker's Compensation Insurance
- These Mines Represent Approx. One Third of Virginia's Coal Production and More Than One of Third Coal Mine Employees in Virginia (+/- 2,000 employees).

# What Should Be Done?

- The Regulatory Authorities Should Obtain a Clear Understanding of the Economics of Providing this Coverage.
- Cash Premium Generation Should be Compared to Cash Benefit Payments Over at Least Ten Years.

# What Should Be Done? (cont.)

- Mechanisms Should be Explored For Providing Insurers with Incentives to Investigate Suspect Claims.
- Health Care Providers Should be Required to Charge Worker's Comp. Recipients the Same Rates as the Privately Insured.

# What Should Be Done? (cont.)

- Industry Classifications Should be Analyzed and Modified Where Appropriate.
- Regulatory Barriers to Self-insurance Pools Should be Reduced, e.g., aggregate excess coverage.



