

**Follow Up**

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**Clean Coal Technology Council**

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**Follow Up Report to the May 2004  
Preliminary Performance Review of the  
Clean Coal Technology Council**



**July 2004  
PE 04-09-320**

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John Sylvia  
Director

July 25, 2004

The Honorable Edwin J. Bowman  
State Senate  
129 West Circle Drive  
Weirton, West Virginia 26062

The Honorable J.D. Beane  
House of Delegates  
Building 1, Room E-213  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0470

Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a Follow Up report of the *Clean Coal Technology Council*, which will be presented to the Joint Committee on Government Operations on Sunday, July 25, 2004. The issue covered herein is "Follow Up Report to the May 2004 Preliminary Performance Review of the Clean Coal Technology Council."

Let me know if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "John Sylvia".

John Sylvia

JS/tlc

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*Joint Committee on Government and Finance*



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# Executive Summary

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## **Issue 1: Follow Up Report to the May 2004 Preliminary Performance Review of the Clean Coal Technology Council**

In May of this year, the Legislative Auditor's Office issued a Preliminary Performance Review on the Clean Coal Technology Council. The review indicated that the council never initiated activities, is unconstitutional in membership, but could still serve a vital role in West Virginia. As such, the council should be re-constituted and continued. Members of the Joint Committee on Government Operations expressed some concerns with the report and requested the Legislative Auditor to further explore several issues.

The Legislative Auditor has determined that federal funds are still available for clean coal technology projects. The Legislative Auditor has conducted interviews with individuals representing a cross section of industry and government. All individuals interviewed support the creation of an office specifically mandated to support clean coal technology initiatives. Although there are a few programs in West Virginia that support clean coal projects, the Legislative Auditor does not believe that any of these entities could be strengthened to adequately fulfill the objectives of the Clean Coal Technology Council.

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# Issue 1

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## Follow Up Report to the May 2004 Preliminary Performance Review of the Clean Coal Technology Council

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*The Joint Committee on Government Operations had concerns with the May 2004 report on the Clean Coal Technology Council and requested a further review.*

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In May of this year, the Legislative Auditor's Office issued a Preliminary Performance Review on the Clean Coal Technology Council. The review indicated that the council never initiated activities, is unconstitutional in membership, but could still serve a vital role in West Virginia. As such, the council should be re-constituted and continued. Members of the Joint Committee on Government Operations expressed some concerns with the report and requested the Legislative Auditor to further explore several key issues, namely:

- Are federal grant funds still available for clean coal technology projects?
- Does industry still support and see a need for a Clean Coal Technology Council?
- Are there any other agencies, offices, or entities in West Virginia that could be strengthened so that the creation of a separate office would not be necessary?
- Is the current council membership adequate?

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*This review found that federal funds are still available for clean coal technology; there is support for the creation of the council; and no other state entity specifically addresses clean coal technology.*

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The Legislative Auditor has determined that federal funds are still available for clean coal technology projects. The Legislative Auditor has conducted interviews with individuals representing a cross section of industry and government. All individuals interviewed support the creation of an office specifically mandated to support clean coal technology initiatives. Although there are a few programs in West Virginia that support clean coal projects, the Legislative Auditor does not believe that any of these entities could be strengthened to adequately fulfill the objectives of the Clean Coal Technology Council. Although the Development Office appears most capable of assuming the duties of the council, broad perspective and knowledge afforded by the diverse council membership would be lost.

### Individuals Interviewed by the Legislative Auditor's Office

In order to answer the above mandates, the Legislative Auditor's Office interviewed a number of individuals representing a cross section of industry and government. Table 1 identifies the individuals interviewed.

<b>Table 1 Individuals Interviewed Regarding Clean Coal Technology Projects</b>	
Name	Position
Mr. Chip Slaven	Director of Federal Policy and Intra-Governmental Affairs, Governor's Office
Mr. Jeff Herholdt	Director, Office of Energy Efficiency, West Virginia Development Office
Ms. Stephanie Timmermeyer	Cabinet Secretary, Department of Environmental Protection
Mr. Pat Esposito	C.E.O., Augusta Systems Inc., and Chairman of the Governor's Energy Task Force
Mr. Richard Bajura	Director, WVU National Research Center for Coal and Energy
Mr. Bill Raney	President, West Virginia Coal Association

### **Availability of Federal Funds**

The first issue to be addressed is whether or not federal funds for clean coal technology projects are still available. The Legislative Auditor's Office contacted the U.S. Department of Energy to inquire as to whether or not federal funds are still available for clean coal technology projects. According to the Director of Finance and Procurement for the DOE's Office of Coal and Power Systems,

*President Bush has committed to providing \$2 billion over ten years for clean coal technology projects. Beginning in FY 2002 the DOE is issuing multiple solicitations for the funding of clean coal technology projects. This program is managed by the National Energy Technology Laboratory.*

Furthermore, according to the budget summary for the Office of Fossil Energy, grant money is available for other clean coal technology projects. Table 2 shows details from the Fossil Fuels budget.

<b>Table 2</b>			
<b>Budget Details for the Office of Fossil Energy</b>			
(Dollars in Thousands)	FY 2004	FY 2005	
	Appropriated	Requested	House Passed*
<b>Research And Development</b>			
<b>President's Coal and Research Initiative</b>			
Clean Coal Power Initiative	\$178,770	\$287,000	\$105,000
<u>Central Systems R &amp; D</u>			
Innovations for Existing Plants	\$21,729	\$18,050	\$18,050
Advanced Systems	\$68,151	\$46,450	\$68,550
Sequestration R & D	\$40,297	\$49,000	\$46,000
Clean Fuels R & D	\$31,221	\$16,000	\$30,600
Advanced Research	<u>\$38,215</u>	<u>\$30,500</u>	<u>\$38,300</u>
<b>Total President's Clean Coal Research Initiative</b>	<b>\$378,383</b>	<b>\$447,000</b>	<b>\$306,500</b>
*The US House of Representatives passed the Fossil Energy Budget June 17, 2004			

*Major trade organizations representing the coal industry failed to submit the proper lists of candidates to the governor for appointment.*

## Industry Support for Clean Coal Technology Council

According to the President of the West Virginia Coal Association, industry was in support of the Clean Coal Technology Council when the legislation was passed initially. However, major trade organizations representing the coal industry failed to submit the proper lists of candidates to the governor for appointment because it simply “fell through the cracks.” This should not be construed to indicate that industry no longer supports the creation of the Clean Coal Technology Council. Furthermore, all members representing both industry and government interviewed by the Legislative Auditor support the creation of the council.

## Programs Already in Existence in West Virginia

One alternative to the creation of the council is to determine if any programs already exist in West Virginia that could be strengthened to perform the duties of the council. Although the Legislative Auditor identified three currently existing programs that perform related functions, it does not appear that any of the three programs could sufficiently perform the duties of the council.

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## The Governor's Energy Task Force

The Governor's Energy Task Force was created by Executive Order No. 5-01. According to the Governor's Office,

*In February 2001 Governor Wise established an energy task force to develop an energy roadmap for West Virginia. This roadmap will serve as long-term direction for the next 20 years outlining strategies whereby West Virginia may maintain its position as a leader in the energy sector.*

The Energy Roadmap developed by the task force does allude to the need for Clean Coal Technologies. Goal Numbers 5 and 6 of the Energy Roadmap state the following:

**Goal 5:** *Demonstrate leadership for West Virginia in advanced research, development, and demonstration of clean energy technologies.* **Goal 6:** *Establish West Virginia as a leader in non-traditional energy related technologies and products.*

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*There are several factors which would make it difficult to vest the duties and responsibilities of the council in the Governor's Task Force, one of which is that it is created by Executive Order and could be terminated by a new governor.*

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Furthermore, the task force has the necessary skills in its membership to serve the duties of the council. The Energy Roadmap includes a section which indicates the future role that the task force is willing to assume. According to the Energy Roadmap,

*The Governor's Energy Task Force stands ready to assist in the implementation of the actions proposed in this report and to undertake any other endeavors that further West Virginia's energy goals. West Virginia is poised for energy leadership and the Governor's Energy Task Force would be honored to continue to assist the State in assuming this role.*

However, there are several factors which would make it difficult to vest the duties and responsibilities of the council in the Governor's Task Force. First, the task force was created solely by Executive Order and could be terminated by a new governor. Also, as a creation of Executive Order, the task force has no formal executive powers. Finally, the task force consists of 38 members. Such a membership provides for the necessary background knowledge to develop the Energy Roadmap; however, this large membership could complicate the execution of official duties.

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The Office of Innovation within the Department of Environmental Protection

According to the DEP, the mission of the Office of Innovation is “to engage human, financial, technical and natural resources to build a sustainable environment, economy and society for West Virginia.” Furthermore, according to the DEP annual report, the Office of Innovation has also been involved in carbon sequestration projects as well as other “sustainable coal initiative” projects. However, vesting the duties of the Clean Coal Technology Council within the DEP could create a conflict of interest since the DEP is charged with the licensure and regulatory enforcement of the projects it would be promoting.

*Vesting the duties of the Clean Coal Technology Council within the DEP could create a conflict of interest.*

The Energy Efficiency Program within the Development Office

According to the Development Office, the Energy Efficiency Program;

*The Energy Efficiency Program (EEP) provides technical assistance to West Virginia industries, public institutions, local governments and the transportation sector to enhance energy efficiency and identify modernization opportunities. Through funding provided by the state of West Virginia and the U.S. Department of Energy (DOE), EEP supports activities in a variety of areas.*

Although both the Governor’s Office and the Development Office have indicated that the Energy Efficiency Program is involved in the development of clean coal projects, it is unclear exactly how the Energy Efficiency Program supports clean coal initiatives. Information from the Development Office did not indicate what activities the program has been involved in as it relates to clean coal technology, but it did indicate that the program also manages the following initiatives:

*Information from the Development Office did not indicate what activities the program has been involved in as it relates to clean coal technology.*

- Alternative fuels - The Energy Efficiency Program will continue to administer West Virginia’s Clean State Program (including meetings, development of funding proposals and Clean State events, such as the AFV Odyssey Day) as the primary component of this initiative. The program will support activities designed to advance the use of alternative fuels.
- Building code training - This program provides resources for building code training and technical assistance to builders, architects, engineers and code officials. The WVDO contracts with a code-associated organization to provide the seminars. Conducted twice yearly, usually in the fall and spring, they acquaint code officials with future code modifications, instruct architects and builders on new building

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practices required in federally supported projects and spur the introduction of new building technologies.

- Energy Efficiency in Historic Buildings - This program assists in the operation and maintenance of West Virginia's historic structures by reducing their energy costs.
- Industrial assessment - This program provides industrial assessments to industries that participate in the Industries of the Future-West Virginia (IOF-WV) program. These assessments examine energy costs and opportunities in lighting, motors, energy consumption, boilers, steam systems and other process areas.
- Industries of the Future-West Virginia (IOF-WV) - IOF-WV provides technical assistance through West Virginia University and the West Virginia Development Office to seven industrial sectors (aluminum, chemical/polymer, glass, metal castings, steel, and wood/forest products). Each sector team serves to acquaint its membership with technology and funding opportunities.
- Lighting Grants Program - The program provides lighting analyses of state and local government facilities and schools; nonprofit hospitals, and public libraries using the Environmental Protection Agency's Energy Star Lighting audit.
- Recycling - An annual survey of the retail, community and enduse recycling markets is conducted and the results are compiled in print and internet editions of the West Virginia Materials Recycling Directory.
- Renewable Energy (solar, wind, biofuels) - Through U.S. Department of Energy funding, the Energy Efficiency Program has provided grants to West Virginia University and other organizations to advance the use of West Virginia's wind and renewable resources. Projects include promotion of West Virginia's wind energy resources to commercial wind power developers and support of the development of biodiesel technologies.
- West Virginia Cool Communities - Using trees in the right locations can reduce heating and cooling costs by up to 25 percent. The West Virginia Division of Forestry helps communities and school systems acquire and plant trees to reduce energy costs.

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*The Energy Efficiency Program within the Development Office represents the best alternative to implementing the activities of the council. However, it currently oversees other projects and would need either additional staff or shift resources to address clean coal technology.*

Of the three programs discussed, the Energy Efficiency Program would represent the best alternative to implementing the activities of the council. The benefit of placing the functions of the council within the Development Office is that the Development Office has staff who are working on energy related issues and have developed a network of contacts. However, the Energy Efficiency Program is already overseeing a number of projects and may need either additional staff or a shifting of resources to address clean coal technology. Furthermore, the Energy Efficiency Program currently utilizes



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West Virginia University, and the West Virginia Institute of Technology's engineering students to provide technical assistance for other programs. It is unclear if the Development Office would have the sufficient technical ability to evaluate the various clean coal technology projects that would be submitted to the council for review. One additional concern is that the Clean Coal Technology Council would be able to view projects from a broad spectrum of knowledge due to the diverse membership of the council. Placing the duties of the council within the Development Office would limit the views of the projects to those of Development Office employees only.

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## **Council Membership**

In addition to the items discussed above, the Legislative Auditor questioned the individuals interviewed as to who should be on the Clean Coal Technology Council. Those individuals interviewed suggested a number of additional members who could serve on the council, such as:

- A representative of the West Virginia DEP;
- A representative of the West Virginia Development Office;
- A representative of the West Virginia Public Service Commission;
- A representative of environmental advocates;
- Someone familiar with the United States Department of Energy's grant funding procedures.

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*In order to determine what the composition of the council should be, a proper understanding of the exact outcomes of the council will be needed.*

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In order to determine what the composition of the council should be, a proper understanding of the exact outcomes of the council will be needed. One common theme expressed by all interviewed is that the council should have access to individuals with enough technical knowledge to evaluate all projects submitted to the council to ensure that West Virginia is submitting the best projects to the federal government for funding.

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*It seems evident that both industry and government entities support an office devoted to the advancement of clean coal technology initiatives.*

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## **Conclusion**

Based on information obtained by the Legislative Auditor's Office, it appears that federal grant funds are still available. As one interviewed individual speculated, given the amount of coal reserves and the current 4 to 1 ratio of natural gas to coal powered electric prices, these funds will likely continue into the future. Also, it seems evident that both industry and government entities support an office devoted to the advancement of clean coal technology initiatives, which is something not currently being done at the state level. Should the Legislature decide to continue the council, additional thought may need to be given to the membership of the council. The Legislature should

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determine what groups should be represented to best accomplish the mandates of the council.

### **Original Recommendation**

1. *The Legislative Auditor recommends that the Clean Coal Technology Council be continued and that the membership of the council be reconstituted to address conflicts with the State Constitution.*

### **Recommendations from this Follow Up**

If the Legislature continues the Clean Coal Technology Council, consideration should be given to the following recommendations:

2. Consider amending the current membership to include representatives of the Department of Environmental Protection, the Development Office; the Public Service Commission; environmental advocates; and someone familiar with the United States Department of Energy's grant funding procedures.
3. Consider requiring the Clean Coal Technology Council to use staff of the West Virginia Development Office where necessary.