

- 1 **APPEARANCES:**
- 2 The Honorable Charles R. Hawkins, Chairman
- 3 The Honorable Terry G. Kilgore, Vice Chairman
- 4 The Honorable Watkins Abbitt
- 5 Mr. Stephen S. Banner
- 6 Mr. Kenny F. Barnard
- 7 The Honorable Kathy J. Byron
- 8 The Honorable Barnie K. Day
- 9 The Honorable William P. Dickinson, Deputy Secretary of the
- 10 Department of Agriculture and Forestry
- 11 Ms. Linda P. DiYorio
- 12 The Honorable Lynn Hammond, Deputy Secretary of the Department of
- 13 Commerce and Trade
- 14 Mr. Scott M. Harwood, Sr.
- 15 Mr. Jordon M. Jenkins, Jr.
- 16 The Honorable Joseph P. Johnson, Jr.
- 17 The Honorable Daniel W. Marshall, III
- 18 Mr. Buddy Mayhew
- 19 The Honorable Harrison A. Moody
- 20 Ms. Connie Lee Greene Nyholm
- 21 The Honorable Edward Owens
- 22 The Honorable Phillip P. Puckett
- 23 Mr. David S. Redwine, DVM
- 24 Mr. Kenneth O. Reynolds
- 25 The Honorable W. Roscoe Reynolds

1 **APPEARANCES: (cont'd)**

2 The Honorable Frank M. Ruff

3 Mr. James C. Thompson

4 The Honorable William C. Wampler, Jr.

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7 COMMISSION STAFF:

8 Mr. Neal Noyes, Executive Director

9 Mr. Ned Stephenson, Deputy Director

10 Mr. Timothy F. Pfohl, Grants Program Administration Manager

11 Ms. Stephanie Wass, Director of Finance

12 Ms. Britt Nelson - Manager of Program Assessments

13 Ms. Sara Williams - Grants Coordinator, Southwest Virginia

14 Ms. Sarah Capps - Grants Coordinator, Southside Virginia

15

16 OFFICE OF THE ATTORNEY GENERAL:

17 Mr. Francis N. Ferguson, Deputy Attorney General, Counsel for the

18 Commission

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1 SENATOR HAWKINS: I'll call our meeting to
2 order, and I'll ask Neal to call the roll.

3 MR. NOYES: Delegate Abbitt?
4 DELEGATE ABBITT: Here.

5 MR. NOYES: Mr. Banner?
6 MR. BANNER: Here.

7 MR. NOYES: Mr. Barnard?
8 MR. BARNARD: Here.

9 MR. NOYES: Mr. Dickinson?
10 DEPUTY SECRETARY DICKINSON: Here.

11 MR. NOYES: Secretary Brown?
12 SECRETARY BROWN: (No response.)

13 MR. NOYES: Mr. Bryant?
14 MR. BRYANT: (No response.)

15 MR. NOYES: Delegate Byron?
16 DELEGATE BYRON: Here.

17 MR. NOYES: Mr. Day?
18 MR. DAY: Here.

19 MR. NOYES: Ms. DiYorio?
20 MS. DIYORIO: Here.

21 MR. NOYES: Mr. Fields?
22 MR. FIELDS: (No response.)

23 MR. NOYES: Deputy Secretary Hammond?
24 DEPUTY SECRETARY HAMMOND: Here.

25 MR. NOYES: Mr. Harwood?

1 MR. HARWOOD: Here.
2 MR. NOYES: Mr. Hite?
3 MR. HITE: (No response.)
4 MR. NOYES: Mr. Jenkins?
5 MR. JENKINS: Here.
6 MR. NOYES: Delegate Johnson?
7 DELEGATE JOHNSON: Here.
8 MR. NOYES: Delegate Kilgore?
9 DELEGATE KILGORE: Here.
10 MR. NOYES: Delegate Marshall?
11 DELEGATE MARSHALL: Here.
12 MR. NOYES: Mr. Mayhew?
13 MR. MAYHEW: Here.
14 MR. NOYES: Mr. Moody?
15 MR. MOODY: Here.
16 MR. NOYES: Ms. Nyholm?
17 MS. NYHOLM: Here.
18 MR. NOYES: Mr. Owens?
19 MR. OWENS: Here.
20 MR. NOYES: Senator Puckett?
21 SENATOR PUCKETT: Here.
22 MR. NOYES: Mr. Redwine?
23 MR. REDWINE: Here.
24 MR. NOYES: Mr. Kenneth Reynolds?
25 MR. REYNOLDS: Here.

1 MR. NOYES: Senator Reynolds?

2 SENATOR REYNOLDS: Here

3 MR. NOYES: Senator Ruff?

4 SENATOR RUFF: Here.

5 MR. NOYES: Mr. Stith?

6 MR. STITH: (No response.)

7 MR. NOYES: Mr. Thompson?

8 MR. THOMPSON: Here.

9 MR. NOYES: Senator Wampler?

10 SENATOR WAMPLER: Here.

11 MR. NOYES: Delegate Wright?

12 DELEGATE WRIGHT: (No response.)

13 MR. NOYES: Chairman Hawkins?

14 CHAIRMAN HAWKINS: Here.

15 MR. NOYES: Mr. Chairman, we have a quorum.

16 SENATOR HAWKINS: Thank you. We have a
17 couple of things here of a housekeeping nature. Breakfast is still available in
18 meeting room number one for anyone.

19 On a personal note, Ms. DiYorio, I want to thank you for last
20 night's reception, and that was absolutely wonderful. I want to thank you
21 very much. I also would like to thank the Town of Wytheville for their
22 courtesies in chauffeuring us around. The Town went beyond the call of
23 duty to make sure that we got around while we were here. Every time we
24 come up here we're treated with the same kind of hospitality. So, thank you
25 very much. Is the mayor here? Well, thank you, again.

1 Before we get into the Agenda I'd like to yield the floor to
2 Senator Puckett for an introduction.

3 SENATOR PUCKETT: Thank you, Mr.
4 Chairman. I'd just like to tell you that we have with us today a
5 representative of Rockingham High School from the 38th Senatorial District,
6 Adam Kidd. Thank you, Adam, for being with us, and I hope you have a
7 good day and that you learn a little bit about what's going on with the
8 Tobacco Commission.

9 SENATOR HAWKINS: I'd like to stop for a
10 moment and welcome a new member of the Commission. Delegate Watkins
11 Abbitt from Appomattox has joined us, and he's taken his place. Good to
12 have you with us. Your work is cut out for you. You have much to do.
13 Watkins, would you like to make any statement?

14 DELEGATE ABBITT: Mr. Chairman, I'm like a
15 babe in the woods and glad to be here, and I don't know what I'm doing, but
16 I will learn.

17 SENATOR HAWKINS: All right. I want to call
18 on Clark Lewis.

19 MR. LEWIS: Mr. Chairman and members of the
20 Commission, a very brief update on 2009, the Tobacco Indemnification
21 Program. As you recall from our last meeting, we were preparing the second
22 round of payments for eligible quota owners and growers. That payment
23 was successfully made on September 30th, 2009, a total of \$489,000,
24 included 1,714 claims. We're in the process of winding up the 2009 program
25 when we paid out 46,440 claims, about \$19.5 million. As was discussed at

1 the last meeting, this represents about 95 percent of the available money
2 under the 2009 program, which is very consistent with past years. We have
3 a few claims, and I've spoken to some of you this morning, and we're
4 continuing to resolve those involving a change in ownership, people who
5 have unfortunately had a death in their family, and so forth. I would
6 reiterate that if anybody asks you about those claims, we will continue to
7 work through them, and as soon as they submit the proper paperwork we
8 will pay out the claim.

9 DELEGATE KILGORE: You went over that
10 pretty fast. You're saying that you've sent out checks in the amount of \$19.5
11 million?

12 MR. LEWIS: Close to 19.5 million.

13 DELEGATE KILGORE: That's to our farming
14 community?

15 MR. LEWIS: Yes.

16 DELEGATE KILGORE: Mr. Chairman, the
17 reason I bring that out is that a lot of times that gets lost in all that we do,
18 that we send payments back to our farmers who have lost quota. I just
19 wanted to make sure that we bring that to the Commission's attention and to
20 the public.

21 SENATOR HAWKINS: We're unique about that.

22 MR. LEWIS: I'm pleased to report that working
23 with our partners in FSA and the Department of Agriculture that we were
24 able to facilitate the payments more rapidly this year than in prior years.
25 We're going to do a third round of payments for early December, and this

1 will be the final wrap-up payment for the year. It's a very small amount,
2 probably around 250 claims, and that will take into account any lingering
3 claims that we've been working through with the change of ownership form.
4 There'll be one final round of claims in December of about 250, and then we
5 can expect to issue 1099s for the close of the year, as we've done in the past
6 year.

7 I'm also pleased to report, as I told the Executive Director, that
8 we've completed our audit for 2009 with the outside auditing firm, and we
9 should submit a very positive report in our internal audit.

10 SENATOR HAWKINS: Once again, Clark, we
11 want to thank you for a job well done, dealing with a very complicated
12 matter, and we thank you very much.

13 MR. LEWIS: We appreciate that, and thank you.

14 SENATOR HAWKINS: All right. I'll now turn it
15 over to Ned.

16 MR. STEPHENSON: Thank you, Mr. Chairman
17 and members of the Commission. We are embarked on a rather bold
18 initiative, having committed well in excess of \$100 million to energy
19 research in this region. We have an individual who has agreed to come and
20 speak with us today who knows a little bit about energy. We have with us
21 today Kevin Crutchfield, and he is the CEO of Alpha Natural Resources.
22 Alpha Natural Resources, just to kind of set the scale a little bit, is a
23 company that employs over 6,000 people, and they are headquartered in
24 Abingdon, Virginia. Their revenues in one year exceed \$4 billion, and that
25 is payable to the order and address in Southwest Virginia. These are huge

1 revenue flows into our region. They have recently agreed to maintain their
2 headquarters in our region, after a historic merger with another large
3 company out of Baltimore. We're very pleased this morning to have with us
4 Kevin Crutchfield, and I know you'll look forward to his remarks.

5 Kevin.

6 MR. CRUTCHFIELD: Thank you, Ned. It's a
7 pleasure to be with you here this morning, and I appreciate this opportunity
8 very much. I'd highly recommend another mode of transportation versus the
9 helicopter in this kind of weather. I'd also like to thank the Tobacco
10 Commission for what they do for Virginians as well as our entire area.
11 We're lucky to have such a vehicle.

12 I want to talk a little bit today about energy in general. I've got
13 about 600 slides I need to get through today, and I've got a short amount of
14 time to do it, and I'll go through them pretty quickly, though. I want to talk a
15 little bit about Alpha and tell you who we are and what we do. Ned touched
16 upon it earlier. I'll talk a little bit about coal from a national perspective as
17 well as a perspective for Virginia, and I want to talk about energy as well,
18 because it's a matter of national security, and where we are with that. No
19 conversation about energy would be complete without some discussion
20 about carbon, and it's in the headlines every day, and give you our
21 perspective. Then, to the extent that we have time, I'll talk a little bit about
22 sustainability, as well as how the coal energy overlaps with the commonality
23 displayed by the Tobacco Commission.

24 So, off we go. Alpha Natural Resources didn't exist seven years
25 ago, and today we are the third largest coal producer in the United States.

1 We put the company together through a series of acquisitions, and we started
2 off back in the 2002-2003 time frame. We did an IPO in 2005, and buying
3 the IPO it was kind of like it is today, you buy something and you think
4 you're happy with it, and when you run a public company like the
5 environment is today, it's quite a challenge. It does give us great access to
6 capital and currency to handle future transactions. As Ned mentioned, we're
7 just coming off, about 80 days into a merger with the foundation of coal
8 holdings, which is what has been created today.

9 Just a little more about Alpha. Our reserves approximate 2.3
10 billion tons; we have 6,200 people across five states. Our revenues on a pro
11 forma basis exceed \$4 billion. We have about 60 coal mines at last count,
12 and that number tends to bounce around a little bit. We're also the largest
13 supplier of metallurgical coal in the United States. It's a very important
14 product, and it goes toward the making of steel. We're also one of two
15 companies west of Richmond, and there are a lot of coal companies in
16 Southwestern Virginia. It's a pretty big company. Just to give you a sense
17 of the footprint. We're largely located here in the central Appalachian basin,
18 Southwest Virginia and Southern West Virginia and Eastern Kentucky. As a
19 consequence we've picked up a lot of assets in Northern Appalachia, so now
20 we're about 17 million tons of production out of this region. We picked up
21 some reserves in the Midwest. It's important that we picked up reserves in
22 active operations, what's referred to as the Power River Basin. We'll
23 produce there about 50 million tons a year out of that river basin. In the
24 aggregate Alpha can be about a hundred million tons coal company, and
25 we're not producing that much now, given the economic climate, but we

1 have that kind of capacity.

2 Just a little bit of background on coal. Coal fires about 40
3 percent of the world's electricity; 80 percent of the electricity being installed
4 in China right now is represented by coal. We mine as a nation about 1.1
5 billion tons a year. Nine out of ten of those tons go to manufacture
6 electricity. About half of our electricity as a nation comes from coal. We
7 find that about three-quarters of the people that we run across don't know
8 that. The industry employs about 133,000 people directly across the nation.
9 For every one coal job directly there is close to four to six indirectly, four to
10 six hundred thousand folks associated with this business. The aggregate
11 market capitalization of all the coal companies together in Southwest is
12 about 36 billion. It's not big relative to pharmaceutical and things like that.
13 Ninety percent of our nation's energy content, if you look at reserves, natural
14 gas, oil and coal, 90 percent of that energy comes from coal.

15 It is our view that coal represents a significant part of the
16 solution, and it's not as big a problem as people would like to make it. Also,
17 the emissions, regulated emissions from coal-base have been reduced by 40
18 percent since the 1970s, while coal use has tripled. Even more importantly,
19 if you get a coal-fired permit today, its emissions are 90 percent less than
20 what those old coal-fired operations were. The technology has come a long
21 way. The question is, do we still need coal from the national perspective.
22 Given that it's tied to electricity, we need to understand something about
23 electricity. This is the demand for electricity starting in 1970 through a
24 projection of 2030. From the 50s through the 1970s our demand for
25 electricity grew somewhere around nine percent per year. It peaked out and

1 began to grow in the 70s through the 90s about two to three percent per year,
2 and it's growing at a less rapid rate than it used to. It's projected to grow
3 about one percent per year going forward. So our electricity demand is very
4 mature and will not grow like it has in the past, but still will be a very, very
5 steady growth. As we all know, we do rely heavily on electricity, of course,
6 and it's the backbone of our economy in a lot of ways, and for the economic
7 engine it just needs to be there as we move along.

8 Where does the U.S. electricity base come from? We talked
9 earlier that half of it comes from coal, which is the black bar here on the
10 slide. You can see that nuclear represents somewhere between 18 or 19
11 percent, natural gas is about 20 percent, with the balance renewables. Of
12 that renewable percentage, which is right now just a few percentage points, a
13 fair amount of that is hydro-electricity or electric power out of the northwest
14 territory. As a nation we're somewhere between two and three percent when
15 it comes to other sources of energy. Based on the Energy Information
16 Administration projections in 2030, they look at three cases, a reference
17 case, a high-growth case, and a low growth case. I'll speak a little bit about
18 the reference case, which is essentially how electricity will grow one percent
19 per year. Notwithstanding all of the discussion right now about climate
20 change legislation, carbon in the atmosphere, these numbers can change. It's
21 projected that coal will maintain a market share somewhere around 45
22 percent, a little less than where it is now. Natural gas will kind of hold its
23 own, about 40 percent, but the growth is going to come in the form of
24 renewables, going from about two and a half percent today of the nation's
25 electric capacity to about 80 percent in 2030. That's pretty savvy growth,

1 when you think about it. There's an economic element of that that we'll talk
2 about here shortly.

3 This is a map obviously of the United States, and what we've
4 done here is color-coded the states by the cost of their electricity. The green
5 states are less than eight cents per kilowatt, and Virginia here is at about
6 seven, seven cents a kilowatt hour. The yellow states are between eight and
7 ten cents, and the red states are greater than ten cents, and the blue states are
8 hydro-electric power states. It may be hard to see this where you sit, there is
9 also a percentage here that tells you what percent of electricity from that
10 state comes from coal. As you can see, there is a direct relation between the
11 green states and coal. There is a direct relationship between the green states
12 and coal and affordable electricity.

13 As I mentioned earlier, the cheap energy is really the backbone
14 of our economy. Any discussion around carbon you'll see the heartland area,
15 they're the ones who have to come to the table, because they're the ones who
16 stand to get hurt the worst because of where these percentages that you see
17 here stand. I'll talk a little bit later about the carbon. The Midwestern states
18 are the ones that are going to suffer the most. This is a pretty telling
19 illustration for me, and I referenced it in the introduction. What we've done
20 here is we've looked at energy content by resource for the world. We've
21 broken it down into coal, basically, that's the tan bars, and natural gas, which
22 is the purple bars, and oil, which is the black bars. So if you convert the
23 energy content into billions of tons of oil, what you would see is that the
24 United States has more energy content in coal than the rest of the world in
25 any other resource. You hear people call the United States the Saudi Arabia

1 of coal. That's exactly right. You see where our natural gas and our oil
2 supplies are in terms of reserves. But these can change somewhat based on
3 the economic circumstances from time to time.

4 This is a snapshot as of about 2005. You can see how we
5 compare to the former Soviet Union, and they're very well blessed with their
6 own reserves, and how they compare with China and other Pacific Rim
7 countries and how they compare with the Middle East. There is their oil
8 right there, 179 versus our 258. To me, what this says is that we need to
9 make this part of the solution, and I'll address that a little bit more as we get
10 further into the presentation.

11 Let's do a little bit more talking about Virginia for the moment.
12 You can see that coal, nuclear and natural gas on a combined basis represent
13 about 90 percent of Virginia's electricity production. There is a lot of anti-
14 nuclear and anti-coal discussion out there. The question around that issue is
15 say for the fact that renewables comprise about three percent of our energy
16 needs nationwide and in Virginia, and that's the subsidies. What are we
17 going to replace those two with in the short term? I think that is the
18 pragmatism that we need to address in any discussion around our future
19 energy goals. The big question for Americans is to what extent are you
20 willing to incur the cost of living in the name of climate change, because
21 there is a cost of living change that will occur. So, dropping down a little
22 deeper, this is Virginia where it gets its energy, and we talked about that a
23 little earlier. Virginia still gets about 45 percent of its energy total from
24 coal, and the nation is a little higher, maybe closer to 50 percent. Virginia is
25 much higher on nuclear than the rest of the nation, about 40 percent versus

1 about 30 to 35 percent. Our energy mix is a little different. Interestingly
2 enough, when you look at renewables about 3.3 percent, and not much of
3 that is coming from wind or solar right now in Virginia. Most of that bio-
4 mass. Some hydro power and municipal waste solids and those kinds of
5 things. Close to 80 percent is coming from coal in Virginia.

6 Where are we as a state in terms of renewables? Eliminating
7 the hydro renewables comprise a small fraction. Right now total electric
8 supply is about one-tenth of one percent, about 583 megawatts. It's a step in
9 the right direction. The renewable portfolio standards that we're including in
10 the 2007 energy figures for Virginia and utilities over the long term is going
11 to continue to develop that. What the study came out and said was that there
12 were probably 44,000 megawatts capacity potential. What we need to keep
13 in context is that that's 75 times more than what we're doing today. There is
14 a lot of growth potential there, and that really shows that we have a long way
15 to go. I think no discussion around renewables would be complete without
16 acknowledging that there is an intermittency factor associated with wind and
17 solar, and the wind doesn't always blow, and the sun doesn't always shine, so
18 then you have to go back and have a backup source, whether it's coal or
19 natural gas. Also, the infrastructure around where the renewable sources of
20 energy lie does not exist; we're going to have to build it, and this is not a
21 cheap exercise. We know how difficult it is to get transmission lines built,
22 and we've got to get the transmission to where these sources of renewable
23 energy are. Whether it's off the coast of Virginia for wind, or whether it is in
24 a place where the sun shines regularly, we have to do that, and that's all
25 going to be very expensive, and we need to make sure that we address those

1 factors as part of the discussion.

2 This is in terms of the subsidies, and this is at the national level,
3 not so much Virginia. How are our sources of electricity subsidized? You
4 can see that natural gas, coal and hydro electric have some degree of
5 subsidy. Nuclear has a subsidy about 60 per megawatt hour, but wind and
6 solar are subsidized 10 to 20 or 24. We see electricity prices rise as a result,
7 and there is a tremendous amount of subsidy. Today I believe we need to
8 harness all sources of energy. That will come with a cost, and I think we
9 need to be honest with ourselves and realize this is going to be a cost.

10 In terms of Virginia, what do we pay? We paid on average in
11 2007 about \$2.81 per million BTU. You can see how it's broken out. That's
12 about a buck fifty-nine per bio-mass, which is good, nine seventy-seven or
13 eight dollars for petroleum products and natural gas. What we see with
14 natural gas, that's volatile, too. The price of natural gas is cheap at the
15 moment, but in '07 and '08 we saw it go to a higher price per BTU. There is
16 nuclear sitting there at 52 cents a megawatt hour, I mean a million BTUs,
17 excuse me. There is coal basically at \$2.50. When you multiply those times
18 the percentage that we use, it comes out to be about \$2.81, which is actually
19 not too bad. As far as the future, what does that mean in the mix as we go
20 forward?

21 Another factor that a lot of people don't know is that Virginia
22 imports about 50 percent of the energy that it uses on average, 50 percent.
23 Virginia and California are the two biggest importers; that's the only two that
24 imports energy in the U.S. The sources of that are as follows. In coal, we
25 actually use what we produce and export the other half. Coal is the biggest

1 export commodity in the state. Natural gas is actually 68 percent, petroleum
2 about 100 percent we use here, uranium a hundred percent, and what we use
3 is imported. I'm going to switch units here, but we use about 2,400 trillion
4 BTUs, and we import about half of that. A lot of folks don't know that, but
5 that's pretty important. It's a pretty important factor.

6 What's been happening with coal in Virginia? It's been on a
7 steady decline for several years, and since about 1990 it's been declining
8 steadily. Frankly, the rate has been declining and would have been more,
9 had it not been for some people in this room and others that created a tax
10 vehicle that allowed that production to stay up, and we owe those folks a
11 debt of gratitude. The peak in 1990 about 46 million tons currently stands at
12 about 24 million tons, and there are a lot of reasons for this. Our reserves
13 are getting deeper and they're getting thinner and they contain more rock,
14 and there are lots of reasons for that, and the basins have grown at the
15 expense of Virginia, but it's still a very significant business for Virginia and
16 employs about 8,000 people. It was down to about 10,000 in 1990. The
17 payroll in 2008 was about \$1.4 billion for our folks here in Virginia. Not
18 everyone is suffering in Virginia. Alpha has actually grown, and the base of
19 decline compared to some of these other nations, and with the acquisitions
20 we've made. We have about 1500 or so employees in Virginia. Our payroll
21 in Virginia is about \$120 million. Our average payroll for our coal miners is
22 about twice that of the other industries, so it's a good way to earn a living.

23 Now, I want to emphasize it's going to take all the resources of
24 energy to solve our long-term energy needs. It's going to take conservation.
25 It's going to take renewables, a dedicated focus on continuing to rely on

1 nuclear, and I also will tell you today, and not to delve into this too deeply,
2 but it's not going to happen like we want it to, in the sense that two or three
3 dollars for natural gas long-term, and our sense is natural gas long-term is
4 going to be five to six dollars. We've got to discontinue some of the things
5 that we've talked about, like you on the Tobacco Commission are doing with
6 some of the economic development initiatives to create new technologies
7 and also to reduce our reliance in importing over 50 percent of our energy.
8 We've just got to become more self-reliant in Virginia as well as on the
9 national level. I'll tell you this, and it's my obligation to do so, but coal
10 remains essential, and it's a big part of the solution, it's not a big part of the
11 problem. It's providing diversity in the fuel mix, it's very reliable, based on
12 the electricity that these plants use and how long we can do these new plants
13 with greatly reduced emissions, which are better than what they used to be.
14 It's actually a security issue.

15 Now, when you talk about clean coal technology, carbon
16 sequestration, there is also this BTU conversion technology, converting coal
17 to gas, coal to liquids; this technology has been around for a long time, and
18 it's time for us to start thinking about how to use coal for a higher and
19 greater use. Eighty-five percent of the fuel we consume in the United States,
20 the energy derives from the carbon-based fuels, 85 percent. So, we need to
21 keep that in mind when we're talking about de-carbonizing the world. The
22 states that touch us, just to give you some perspective, West Virginia is
23 almost 100 percent, Virginia sits at about 81 percent, and even Washington,
24 D. C., where a lot of the future is being made right now, 98 percent of the
25 energy comes from carbon-based sources. We need to be very careful when

1 we start trying to wean ourselves off of carbon, because it's a stable. Carbon
2 regulations are certain, our guess is probably, not sure exactly when, a lot of
3 talk going on, and healthcare seems to be drowning out the subject at the
4 moment, but it's important to know where the sources of carbon come from
5 in the atmosphere right now. This graph represents what we call, which
6 really comes down CO₂, which is emitted from human sources. Just for the
7 record, four percent of all carbon emitted in the atmosphere, 96 percent
8 occurs naturally. We're talking about enacting legislation to work on that
9 four percent. The two major sources are the electric power industry and
10 coal. The other source is transportation, but those are the two big sources of
11 carbon emissions in the United States. There is a lot of talk about converting
12 to electric cars; that's good, but what's going to happen is where are you
13 going to get the electricity to run the cars. That's going to increase the load
14 on the grid. Then we go down here a little further and you see electricity
15 generation by different fuel types. You'll see coal represents most of the, the
16 carbon emissions from electricity generation and burning petroleum, also.
17 The Heritage Foundation has done a study; you can get anything you want,
18 look, you can get a study and whatever answer you want, there's a study out
19 there that will give you the answer you want, or what outcome you're
20 looking for. We found this one called the Heritage Foundation, the impact it
21 has on, I'm not going to go through all of this, other than to say that by 2035
22 the gross product will be reduced by ---- millions of dollars, 52,000
23 Virginians will lose their jobs and electricity prices and bills per capita will
24 go up a thousand dollars and gasoline prices will rise by \$1.31. I'm talking
25 about an EPA study completed a few days ago that said that if this bill is

1 passed it will cost 30 cents a day more, and that conflicts strongly with what
2 I'm saying here. To get to the point, you'll get whatever you're looking for.
3 Our general sense is that your cost of living will definitely head up.

4 I'm going to conclude with the carbon sequestration. This is in
5 some ways the whole grid. If we're going to have clean coal technology,
6 there are three major points. One is carbon sequestration, the second is coal
7 cast, and the third is coal. What is carbon sequestration? In a coal plant you
8 capture the emissions coming off, and you separate the carbon dioxide from
9 that, and you compress it so it liquefies, and you push it into oil reserves and
10 push it into the gas reserves. You store it in geologic formations, forest
11 materials. The technology, I think, has been driven by the Israelis, where
12 you take the CO₂ off the smoke stacks and put it in a pond, and the algae
13 grows, and it's wiped off the top of the pond, dewatered, and actually burned
14 in the plant as a bio-mass. This is new technology here, and it's brand new.
15 We'd have to spend a lot of money on it, and it would take a long time to
16 figure it out, but in our view it is a significant portion of figuring this out,
17 figuring this out for the future. Several of the bills being bantered about in
18 Congress actually provide for several million dollars, and 10 billion is the
19 latest number I've heard over the next ten years to figure this out. At the end
20 of the day there is infrastructure to handle this CO₂, so we're looking at
21 another buildout. The Central Appalachian region is a pretty prolific region
22 for CO₂ storage. We're working closely with one of the firms, the regional
23 partnership, looking at storage of CO₂ and for forest materials in Central
24 Appalachia. We think it's pretty important.

25 With that I feel like I'm getting a little pressure time wise, and

1 there was a little more I'd like to talk about, but I'd just like to conclude by
2 saying that, and I thank you very much for this time.

3 SENATOR HAWKINS: Thank you. Does
4 anyone have any questions?

5 SENATOR RUFF: Mr. Chairman, under the
6 future use of bio-mass for renewables, you've had big increases for a lot of
7 those, but you didn't show that it actually doubled the bio-mass. You don't
8 see that as a great big issue in the future?

9 MR. CRUTCHFIELD: I think it is a big potential
10 to some degree. If you look at a crystal ball right now, I was kind of looking
11 out there this morning, it's just kind of pea soup. Personally, I think bio-
12 mass represents a lot of potential, especially with some of the technologies
13 around, just like the algae. We need to do this as a nation and particularly as
14 a state, to commit the dollars for the research through these energy research
15 centers to think about things like that. I think you could come up with some
16 disruptive technology there and make some real changes.

17 SENATOR WAMPLER: Mr. Chairman, I don't
18 know if Mr. Crutchfield wants to comment on this or not, but in the slide
19 showing the direct jobs and Alpha's employment at 1561, 1,561 jobs. It's
20 estimated that for every direct industry or direct mining job there is a
21 multiplier of four to four and a half support that supports every one of those
22 active miners. For every thousand jobs there is a huge impact in the overall
23 economies to support that operation, generally.

24 MR. CRUTCHFIELD: We found that to be very
25 consistent, yes.

1 SENATOR HAWKINS: I'm going to try to ask a
2 question, and I'll apologize if it comes out very awkward. Our state was the
3 dominant user of resources during the last century. Most of the fossil fuel,
4 we were the dominant source. We were a big market also, and therefore we
5 dominated the entire world market, and they catered to our needs. We're
6 also facing a change in that dynamic as well as we approach this century
7 with the growth of the Pacific Rim countries, and they're demanding more
8 and more of the natural resources that are out there. So, we're in direct
9 competition today with the sources that were not players in the game 25
10 years ago. When you factor that in, and with the growth, particularly in
11 China, with their coal energy initiative and the smoke stacks they're building
12 and the prevailing winds, as I understand it, it's my understanding that most
13 of the air pollution we're dealing with, it's actually generated in Asia, and we
14 have no control over that whatsoever. If you factor all that into your
15 scenario about dependence on American coal and the pressure you're all
16 under today in the industry and the growth of the population and the demand
17 for more and more of your product, how does this all mesh together that you
18 can get any sort of sense out of it? To me it's like trying to take a jar of jelly,
19 and no matter what you do you can't get your hands on it.

20 MR. CRUTCHFIELD: That's a very good
21 example. We spent a lot of time thinking about it, actually. When you think
22 about China, American consumers per capita it's about 30, or Americans
23 consume per capita about 30 barrels of oil a year. The Chinese consume
24 about 1.2. Their appetite is insatiable, and their economy has slowed down
25 to a modest six or eight percent. When you talk about the resource

1 requirements for six to eight percent growth per year across a population of
2 some billion people, the numbers start to get very staggering. They installed
3 in China last year electrical capacity greater than what the UK has installed
4 right now, in one year. Right now India has the same potential. I think at
5 the end of the day what we've got to be thinking about as a nation is
6 resources. The nation with the most resources is going to win. We've got a
7 great natural resource in coal, and we need to figure out how to raise it to a
8 higher and better use. There is significant competition across the globe for
9 resource access, whether it's copper, gold, coal, metallurgical coal. We've
10 seen four international transactions at metallurgical coal occur right now,
11 right in our backyard, in the last 12 months. There is a big play
12 internationally by the Chinese and Indians to tie up resources for the
13 country. We need to take a good look at that.

14 SENATOR HAWKINS: Does that drive up the
15 price of raw materials?

16 MR. CRUTCHFIELD: Yes.

17 SENATOR HAWKINS: If, in fact, what we're
18 seeing is probably the greatest transfer of wealth in the history of mankind
19 and we spend more and more money trying to buy our natural resources
20 which is outside of our control from our friends in Saudi Arabia and
21 Venezuela, it puts more and more pressure on the capital that we're trying to
22 expand to build an economy. When you start talking about the economy, do
23 people understand that without the growth in your industry we bleed more
24 and more capital out of this country?

25 MR. CRUTCHFIELD: That's my mission in life,

1 to try to solve it. What's going to happen is you can't be a service economy
2 without access to services. We're in a very scary time and we'd better wake
3 up; if not, we're going to be in third place. Resources are the key, oil
4 resources, coal resources, they're absolutely the key. You're already seen the
5 biggest coal company in the world, Peabody. Asia is where the growth is.
6 They believe that the U.S. energy sector is mature, too highly regulated,
7 we're going where the growth is, and they've pulled out, and they started off,
8 and they've got five offices in the Pacific Rim; that's where their money has
9 gone. It's a matter of national security, and we need to keep our eye on the
10 ball there.

11 SENATOR HAWKINS: We want to thank you. It
12 was a very informative presentation.

13 MR. MAYHEW: I think the most valuable thing I
14 heard today was this 96 percent against the four percent on the carbon
15 dioxide. Do you have an idea of where we're headed in the next 20 or 30
16 years as far as that percentage changing, or will it change much, do you
17 think?

18 MR. CRUTCHFIELD: It's hard to know for sure.
19 It probably will a little bit. If this legislation were to pass, and we really just
20 talked about the United States, but it would change that 4.02 percent to
21 something like 3.94 or 3.95. That's if China and India fold, but that's not
22 going to happen. Over time, and we're talking about spending trillions of
23 dollars that's a small percentage, but over time it's hard to say and hard to
24 know what that use will be, versus what it is now. I can send you some
25 source material on that, and that makes for quite a bit of fascinating reading.

1 That's just a little known fact.

2 SENATOR HAWKINS: Thank you, sir, for your
3 presentation.

4 Moving on now to the next thing that we do have some control
5 over. Ned, would you like to take over?

6 MR. STEPHENSON: Mr. Chairman, there is a
7 single question that has challenged the Commission for ten years, and that
8 question is how do we know how we're doing with revitalization efforts.
9 Our own Britt Nelson has been dealing with the data as to how to answer
10 that question. You may remember that recently we got professional
11 economist to give us a definition of revitalization and to tell us what the
12 metrics are by which it is measured. Britt has taken that information and
13 delved very deeply into the data, and she has some interesting conclusions to
14 reveal to you today. Without further ado, I'll give you Britt Nelson.

15 MS. NELSON: As you recall, at the meeting in
16 July Chmura Economics & Analytics was contracted to assist the
17 Commission with that first initial step in trying to monitor the progress
18 toward that mission, and that is, what is revitalization. In July Chmura gave
19 us a definition, and I'd like to remind you today, that was laid out for us.
20 Economic revitalization is defined as the tobacco-dependent communities in
21 Virginia as a more stable, diversified, and growing economy that leads to
22 higher living standards. With this step in place, again, the Staff worked
23 toward developing along with Chmura metrics to measure the projects.
24 Based on that definition, we looked at more stable less fluctuations during
25 recessions, as well as expansions in the business cycle. This is going to be

1 measured and put out today in the form of workforce participation and
2 diversity.

3 The second piece to that definition was more diversified.
4 Creating less dependence on volatile industries, or on one or two firms. We
5 are measuring diversity in industries within the tobacco region.

6 The third component is the growing economy and can be
7 measured by increasing employment.

8 The fourth piece of that is higher living standards. Increases in
9 the average annual wages in the tobacco region. Before we move on, I'd like
10 to reiterate that which you heard in July. The challenge of this was to go out
11 and find metrics for which logical and reliable and consistent data could be
12 obtained. Furthermore, we had to think about how we were going to
13 measure our progress, and we needed to establish a benchmark. So we set
14 about a control group to be relative to. In today's report, our control group is
15 considered to be all of Virginia minus the tobacco region plus the five large
16 MSAs through the areas of Northern Virginia, Hampton Roads, Richmond,
17 Roanoke and Charlottesville. This takes out of the equation counties such as
18 Arlington, Fairfax, Roanoke, Albemarle, Stafford, but does include counties
19 similar to us, including Amherst, Giles, Madison, Pulaski, Lynchburg, just to
20 give you a flavor of what we're comparing ourselves to. Within our region
21 we have been tracking separately Southside and Southwest. In today's report
22 we're going to be presenting the region as a whole, but this is because the
23 data will be uploaded to Virginia Performs, for which we can only provide
24 limited information that one number goes into our outcome, and that is a
25 ratio. So the Virginia tobacco region, and then we have our benchmark

1 region, and that area in-between is the ratio for which we will be reporting
2 our data. The very first metric mentioned is focused on measuring stability
3 and growth. That takes the shape and the form of percentage change in
4 employment since 1999. The ratio takes into consideration simply the
5 employment change since the Commission was formed in 1999. The data
6 was obtained from the Virginia Employment Commission, and this provides
7 a consistent yardstick for measuring where we were when we first started
8 off. There has been a change in the percentage from year to year. The bars
9 represent where we were, where we are now, compared to where we were in
10 1999. You can see that in more recent years we had a stable growing
11 percentage change and a positive percentage change, and this has been
12 overcome with challenges that we faced early in 2000, and that we had a
13 recession in 2001 and 2002 and several major layoffs during this time. In
14 2001 we lost 2500 jobs from one company and in 2003 and 2004 saw a lot
15 of layoffs in Danville and Dan River and in 2005 Stevens and other
16 companies. Overall we have had a lot of losses. What I'd like you to take
17 away from this slide today is that we are seeing a positive, stable and
18 consistent growth percentage of change.

19 Next, turning to the civilian workforce, which is defined as
20 individuals 16 years and older that are employed for active work and seeking
21 employment and considered to be part of our workforce. This is divided by
22 the overall population, 16 years and older. These figures are from the
23 Virginia Employment Commission. This provides us with an insight on the
24 health of our region, the ability of our people in the region to work. Higher
25 rates in the region represent less dependence on transfer payments or other

1 programs such as disability insurance and unemployment insurance. We are
2 growing at a slower pace compared to our control group, but in more recent
3 years we have had an upward growth, and we're working to close that gap
4 where our control group is headed.

5 It's also important when looking at this data to take note that
6 our challenge in the tobacco region isn't that we lose population; our
7 population has been growing and moving along. The number of actual
8 active civilian workforce members we hope will grow. Today's factors that
9 the Commission should take into consideration are those facts. The opposite
10 is true for our control group. The workforce participation is going up, and
11 some of the population is going down. So we have a more active workforce.
12 So that's on a positive note. Between 2005 and 2008 the tobacco region did
13 see a growth of three percent in that young age group, 20 to 29 years old,
14 compared to our control group. So, Mr. Chairman, we have to keep our
15 young educated workforce in the region, and we're starting to move towards
16 that goal.

17 The next slide indicates working toward but for the Tobacco
18 Commission. In this chart we're looking at the annual average wages as
19 reported from the Employment Commission. The Tobacco Commission has
20 consistently maintained an edge over our control group, and this is despite
21 the recession on job losses, as I said earlier. This is suggesting that perhaps
22 the job losses have been replaced with higher paying jobs. Looking at the
23 diversity of the region compared to our control group, the number of
24 employees in the top three industries of the localities, and adding them up
25 and dividing it by the overall employment from the Virginia Employment

1 Commission, the Tobacco Commission is diversifying faster or at a faster
2 rate than our control group. It's interesting to note that the three industries
3 that were the top three industries in the Tobacco Commission in 2000 and
4 2001 are still the same top three that are there today in 2008, those being
5 retail trade, manufacturing and healthcare. Also important to note those are
6 the growing top three that we're seeing growth in, construction services,
7 public administration and educational services. Which is perhaps saying a
8 lot of the work the Tobacco Commission does in the education, higher
9 education, and scholarships is really worthwhile, perhaps the scholarships
10 for students in the area, and that figure must represent how the industry is
11 growing in our region. Within the benchmark group they have the same
12 three industries, construction services, education services, also a
13 combination.

14 The last metrics that we studied was taxable assets, which is
15 defined as the tangible personal property, machinery and tools, capital from
16 the Department of Taxation, divided by the overall total population of the
17 region provided by Weldon Cooper. The tobacco economy is growing at a
18 slower pace, but recent years show growth. It's important to keep in mind
19 the Tobacco Commission investments take years to implement, as well as
20 years to actually create an impact. For example, of the 889 grants, not
21 including the TROF Program, that were awarded between grant years 2000
22 and 2009, only 173 of those have been completed that are over five years.
23 Four hundred thirty-nine have been completed within the last two years, and
24 we still have 520 that are recently completed in the last year. So those
25 projects do take time to actually carry out their mission to provide impact to

1 take place in the economy. We have to be very patient. Again, employment
2 while diversity and assets are the metrics the Commission uses to measure
3 these projects overall, and this data will be uploaded to Virginia Performs
4 and made available for everyone to see.

5 I would encourage you to look at your status report in the
6 Board's package on pages 15 to 22 of the various committee reports, and
7 you'll see that several of the 2003 and 2004 and 2005 projects are wrapping
8 up and moving off the charts in the last publication, so we're really honing in
9 on those projects, and that might answer a lot of your questions.

10 SENATOR HAWKINS: Thank you, Britt, for that
11 report. When you start looking at the tobacco region compared to our
12 neighboring counties it's almost impossible, because they have not gone
13 through the trauma that we have gone through, with entire industries
14 disappearing overnight. Taking that into consideration, I think our figures
15 actually show a much more progressive scale than that reflected by the other
16 counties. Remember the Dan River Mill was the second largest private
17 employer in Virginia, which was 13,000 people at one time. There was a
18 time, and I believe I'm correct in this, Martinsville was the richest city in the
19 United States per capita than any place in the country, and all that is gone
20 now. We've had to start from almost scratch, like textiles, furniture, tobacco
21 were our mainstays, and that's the three things that were destroyed because
22 of our openness to this marketplace. Furniture and textile and tobacco is
23 gone, so we've really started from zero. I want to thank you for your work
24 on this, and it reflects the progress being made in this area, but we certainly
25 have a lot of work to do. Thank you for that.

1 MR. STEPHENSON: Mr. Chairman --

2 SENATOR HAWKINS: -- I think we need to get
3 this out in the news and get this information about the total number of jobs
4 we have created since the Commission has been in place and give somebody
5 an idea of what we've been able to do and accomplish. I keep hearing
6 negative things that the economy has not improved although all the money
7 we have spent, but I think we need to get that out and we can defend that.

8 MR. STEPHENSON: Mr. Chairman, if I may just
9 for the moment. Britt, please come here, would you? It's with some degree
10 of sorrow that I tell you that in two weeks Britt Nelson will be leaving the
11 Virginia Tobacco Commission for work elsewhere. On behalf of the Staff
12 and the Commission, Britt, I want to thank you for the quality work you've
13 done for the Commission. We will sincerely miss you. Thank you.

14 MS. NELSON: I'd like to add, Mr. Chairman, it's
15 probably the most difficult decision I've ever had to make to leave the
16 Commission and the wonderful work that it does. I'm going to miss a lot of
17 the people in this room. It's been a real pleasure to work here.

18 SENATOR HAWKINS: We thank you for all the
19 work you've done in Southside and in your position now, and we wish you
20 the best of luck in the future.

21 Now, getting on with the agenda. Senator Puckett.

22 SENATOR PUCKETT: Thank you, Mr.
23 Chairman. The Research & Development Committee met yesterday
24 afternoon, and we did some house cleaning things to clarify the application
25 process and how the Committee felt that should work. We also gave the

1 Staff some guidelines to put in place, and that would be to help applicants
2 know what we're looking for and what the process will be as we move on
3 through that. We also have an important date coming up that I'm sure most
4 of you are aware of. Our first batch of applications will be due November
5 9th, and shortly after that the Committee will be very active in taking a look
6 at those recommendations coming from the Staff, and our final product will
7 be sometime after that. It will come directly to this Commission for final
8 approval on any of the projects and grants that we have looked at.

9 Mr. Chairman, that completes our report. We took no votes or
10 anything of that nature. We do look forward to seeing these applications, the
11 first batch, shortly after November 9th.

12 SENATOR HAWKINS: Sounds like a good job,
13 and we have a lot of decisions to make. Thank you very much.

14 Senator Ruff.

15 SENATOR RUFF: Thank you, Mr. Chairman.
16 The Education Committee met earlier in the month, and there were a couple
17 of things that we indeed did take action on. First, the scholarship rules, and
18 you can find those on page 26. There are two changes we're recommending.
19 The first one deals with the Southside area only. When we first began the
20 Scholarship Program it started with just teachers and we expanded it to
21 nurses, and then in later years we expanded it to any professions. What this
22 change would do is that as of January 10th everybody would be under the
23 same rules for the forgivable loans to avoid so much confusion and the Staff
24 trying to juggle these. That will help them.

25 The other change puts the graduate scholarships in both

1 Southside and Southwest after the undergraduates.

2 Mr. Chairman, with those two changes I would move that we
3 continue the Scholarship Program in the amount of 4.75 million next year.

4 SENATOR HAWKINS: Is that a motion?

5 SENATOR RUFF: Yes, it is.

6 SENATOR HAWKINS: Is there a second? There
7 is a second. Any discussion? Does everyone understand the motion? All in
8 favor say aye? (Ayes.) Opposed? (No response.) The motion carries.

9 SENATOR RUFF: Mr. Chairman, at our meeting
10 earlier we had 31 proposals and a request of \$11 million, and we only had
11 3.8 million, so we approved 16 of those grants, and they begin on page 27
12 and 28. At this time I would move those in as one.

13 SENATOR HAWKINS: I take that as a motion?

14 SENATOR RUFF: It is.

15 SENATOR HAWKINS: Is there a second? It's
16 seconded. It's been moved and seconded. Any discussion? Does everyone
17 understand the motion? All those in favor say aye? (Ayes.) Opposed? (No
18 response.) The motion carries.

19 SENATOR RUFF: Mr. Chairman, that completes
20 the Education Committee.

21 SENATOR HAWKINS: Thank you, sir. That's
22 one of the best investments we've made.

23 Mr. Owens, Southside Economic Development Committee.

24 MR. OWENS: The Southside Economic
25 Development Committee met, and we're recommending approval of 16

1 grants totaling \$14.4 million, which is on page 39 of your packet. Without
2 any questions I would move that we accept these as a block.

3 SENATOR HAWKINS: We have a motion. Do
4 we have a second? All right, there's a motion and a second. You have
5 before you the recommended Southside projects, and it's been moved to
6 have those in and seconded as a block. Any discussion? Does everyone
7 understand the motion? All those in favor say aye? (Ayes.) Opposed? (No
8 response.) The motion carries.

9 MR. OWENS: In an effort to consolidate all of the
10 grants and recommendations that we made, we recommended a change from
11 Virginia Tech to Halifax IDA for the remaining balance of \$454,136.36,
12 which is project 1553, for the Modeling and Simulation Center.

13 MR. NOYES: Mr. Chairman, in addition to 1553,
14 which Mr. Owens referred to, awards were made of Special Projects, and
15 that is 1667 and from the R&D Committee, grant number 1824. R&D, at its
16 meeting yesterday, affirmed to ship those funds to Halifax County IDA. We
17 have received correspondence from the Educational Foundation saying this
18 is their desire. We need a single motion that will cover 1553, 1667, and
19 1824; three different committees are moving all their assets to the Halifax
20 Industrial Development Authority to continue the Modeling and Simulation
21 program.

22 SENATOR RUFF: I'll make that motion.

23 SENATOR HAWKINS: Motion has been made
24 and seconded. That motion is seconded by Mr. Owens. 1553, 1667 and
25 1824, those funds will be transferred. Does everyone understand the

1 motion? Any discussion on the motion? All those in favor say aye? (Ayes.)
2 Opposed? (No response.) Motion carries.

3 Does that complete your report?

4 MR. OWENS: Yes.

5 SENATOR HAWKINS: Executive Committee.
6 The Honorable Terry G. Kilgore.

7 DELEGATE KILGORE: Mr. Chairman, thank
8 you. The Executive Committee had a couple of meetings, and we met
9 yesterday. If you will turn to page 70. The Executive Committee voted this
10 year to have a 15 percent corpus invasion, and that would allow us to do
11 some things, like R&D, and to increase, \$46.7 million reserves in Southwest,
12 excuse me, \$25 million. We did vote on that, Mr. Chairman, and the
13 Resolution we have to adopt, and it has to be by roll call vote, and it's on
14 page 70. I don't know if that has to be voted on or read into the record.

15 MR. STEPHENSON: I would suggest, Mr. Vice
16 Chairman, that the "Now, therefore," section be read into the record.

17 DELEGATE KILGORE: "Now, therefore, it is
18 resolved that the Commission hereby requests that for the fiscal year ending
19 June 30, 2010, the Treasury Board of Virginia pay from the Endowment to
20 the Fund a sum equal to fifteen percent (15%) of the Endowment corpus as
21 of February 28, 2010, and that the said payment be made not later than June
22 30, 2010, and

23 It is further resolved that the Commission hereby (i) requests
24 that the portion of the amount so paid that is subject to Restrictions shall be
25 \$50,000,000 and (ii) acknowledges that this sum is, and remains, subject to

1 the terms of a certain *Tax Certificate and Agreement* dated May 16, 2005 by
2 and among the Commission, et als, and will be invested in accordance with
3 the provisions of said *Tax Certificate and Agreement*, and will be kept
4 separate and apart from other monies credited to the Fund.

5 Adopted October 29, 2009 by the Tobacco Indemnification and
6 Community Revitalization Commission in Wytheville, Virginia."

7 I so move.

8 MR. OWENS: Second.

9 SENATOR HAWKINS: It's been moved and
10 seconded that this transfer take place. Does everyone understand the motion
11 and what we're doing? Any discussion? Call roll.

12 MR. NOYES: Delegate Abbitt --

13 MR. FERGUSON: -- Mr. Chairman, I think to
14 maintain the record, I think it's sufficient as Ned said to read that portion in
15 the Minutes: and however, just to make it clear for the record, the Resolution
16 that must now be voted on appears on page 70 of the Commission materials
17 for the meeting held this day, October 29, 2009 and the entire Resolution
18 and the item that's being voted on, if passed, will be adopted.

19 SENATOR HAWKINS: Thank you, Counsel. I
20 appreciate the clarification. Call roll.

21 MR. NOYES: Delegate Abbitt?

22 DELEGATE ABBITT: Aye.

23 MR. NOYES: Mr. Banner?

24 MR. BANNER: Aye.

25 MR. NOYES: Mr. Barnard?

1 MR. BARNARD: Aye.
2 MR. NOYES: Mr. Dickinson?
3 DEPUTY SECRETARY DICKINSON: Aye.
4 MR. NOYES: Secretary Brown?
5 SECRETARY BROWN: (No response.)
6 MR. NOYES: Mr. Bryant?
7 MR. BRYANT: (No response.)
8 MR. NOYES: Delegate Byron?
9 DELEGATE BYRON: Aye.
10 MR. NOYES: Mr. Day?
11 MR. DAY: Aye.
12 MR. NOYES: Ms. DiYorio?
13 MS. DIYORIO: Aye.
14 MR. NOYES: Mr. Fields?
15 MR. FIELDS: (No response.)
16 MR. NOYES: Deputy Secretary Hammond?
17 DEPUTY SECRETARY HAMMOND: Aye.
18 MR. NOYES: Mr. Harwood?
19 MR. HARWOOD: Aye.
20 MR. NOYES: Chairman Hawkins?
21 CHAIRMAN HAWKINS: Aye.
22 MR. NOYES: Mr. Hite?
23 MR. HITE: (No response.)
24 MR. NOYES: Mr. Jenkins?
25 MR. JENKINS: Aye.

1 MR. NOYES: Delegate Johnson?
2 DELEGATE JOHNSON: Aye.
3 MR. NOYES: Delegate Kilgore?
4 DELEGATE KILGORE: Aye.
5 MR. NOYES: Delegate Marshall?
6 DELEGATE MARSHALL: Aye.
7 MR. NOYES: Mr. Mayhew?
8 MR. MAYHEW: Aye.
9 MR. NOYES: Mr. Moody?
10 MR. MOODY: Aye.
11 MR. NOYES: Ms. Nyholm?
12 MS. NYHOLM: Aye.
13 MR. NOYES: Mr. Owens?
14 MR. OWENS: Aye.
15 MR. NOYES: Senator Puckett?
16 SENATOR PUCKETT: Aye.
17 MR. NOYES: Mr. Redwine?
18 MR. REDWINE: Aye.
19 MR. NOYES: Mr. Kenneth Reynolds?
20 MR. REYNOLDS: Aye.
21 MR. NOYES: Senator Reynolds?
22 SENATOR REYNOLDS: Aye.
23 MR. NOYES: Senator Ruff?
24 SENATOR RUFF: Aye.
25 MR. NOYES: Mr. Stith?

1 MR. STITH: (No response.)

2 MR. NOYES: Mr. Thompson?

3 MR. THOMPSON: Aye.

4 MR. NOYES: Senator Wampler?

5 SENATOR WAMPLER: Aye.

6 MR. NOYES: Delegate Wright?

7 DELEGATE WRIGHT: (No response.)

8 MR. NOYES: Mr. Chairman, the motion carries.

9 SENATOR HAWKINS: Thank you. The monies
10 transferred cannot be spent until we vote on them, and they collect interest
11 until the money is spent.

12 DELEGATE KILGORE: Continuing with
13 the Executive Committee report. I gave you the reason for the corpus
14 invasion, and now I'll make a motion that we increase the Southwest budget
15 by \$20 million, increase the R&D budget to \$46.7 million, and that the
16 balance of the invasion, whatever that is, will be going to the Reserve; and I
17 so move.

18 SENATOR HAWKINS: Is there a second?

19 SENATOR WAMPLER: Second.

20 SENATOR HAWKINS: Does everyone
21 understand the motion? Any discussion? All those in favor say aye?
22 (Ayes.) Opposed? (No response.) The motion carries.

23 DELEGATE KILGORE: The Southwest
24 Economic Development Committee, and if you'll turn to page 57 of your
25 packet. The first 16 grants are shown on pages 57 and 58. We had some

1 amendments this morning. Bristol Virginia Utilities, 1811, \$3.5 million,
2 Mount Rogers Planning District, 1903, \$276,600; the Town of Pennington
3 Gap, 1874, and we had a requested match, and after the discussion we
4 removed the match requirement, and the IDA of Wythe County, \$2.5
5 million. Then finally King College \$25 million, and we approved that. The
6 grant should be funded with Restricted dollars, and our \$25 million would
7 only be used for construction of the medical school. That the grant be
8 disbursed only to the extent of one-half of the documented construction
9 costs, so we're only in for one-half, and that prior to disbursement that the
10 grant would be refunded in the event that it ceases to be used for the medical
11 school. We need to have a protected position and so that we'd be in a very
12 sound legal position to recover our pro rata share in case the school ceased
13 to be used as a medical school. That brings the total number of grant awards
14 to 19, for a total of 33.4 million for Southwest. Needless to say, at the
15 September 23rd meeting, we were going to have a second round, but I don't
16 think we'll have a second round this year, now.

17 SENATOR HAWKINS: I take it this is a motion?

18 DELEGATE KILGORE: That's the motion.

19 SENATOR HAWKINS: The motion is seconded.

20 We have four motions. So we have a motion from Southwest Economic
21 Development on pages 57 and 58, with amendments to 1811, 1913, 1874
22 and 1958.

23 MR. NOYES: Mr. Chairman and members of
24 the Commission, Mr. Thompson abstained during the Committee vote
25 on three of the Southwest projects, and I simply want to note that for

1 the record. We're now voting on the block.

2 SENATOR HAWKINS: Let the record reflect
3 that Mr. Thompson abstained on those. We have before us a motion
4 that includes all the mentioned amendments on pages 57 and 58 that
5 were submitted before the Commission. Any discussion? All those
6 in favor say aye? (Ayes.) Opposed? (No response.) Motion carries.

7 MR. NOYES: One matter having to do with
8 the Education program, the loan forgiveness program in Southside.
9 For the first time this year the program was oversubscribed, and people
10 eligible to have received financing from the Commission were not able
11 to do that. Throughout the course of the year we received refunds into
12 that program. After talking to the Chairman and other members of the
13 Commission, I believe it is appropriate to go forward and provide this
14 important financial aid to students recovering that money one way or
15 the other, probably from monies that are returned, but it will mean
16 providing financing and taking care of it in arrears. I will report back
17 to the Commission at the end of the year, and we will fully fund it from
18 different sources. This is an informational matter.

19 SENATOR HAWKINS: The next Commission
20 meeting date will be January 12th in Richmond.

21 Now, does anyone from the public wish to speak? Public
22 comments going once, going twice. We're adjourned.

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PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional

CRANE-SNEAD & ASSOCIATES, INC.

1 Reporter and Notary Public for the State of Virginia at large, do hereby
2 certify that I was the court reporter who took down and transcribed the
3 proceedings of the **Virginia Tobacco Indemnification and Community**
4 **Revitalization Commission Full Commission Meeting when held on**
5 **Thursday, October 29, 2009 at 10:00 a.m. at the Wytheville Meeting**
6 **Center, Wytheville, Virginia.**

7 I further certify this is a true and accurate transcript to the best
8 of my ability to hear and understand the proceedings.

9 Given under my hand this day of November,
10 2009.

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20 My Commission Expires: October 31, 2010.

21 Notary Registration Number: 224566