



Alternative Energy Report

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Power Politics

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Rendell, Leaders May Agree to \$1 Billion Spending Hike in Coming Budget

During a conference call with reporters, Gov. Rendell said that he and legislative leaders agreed to a spending increase of over \$1 billion in considering the 2010-11 budget.

"We've agreed with the Legislature we will try to hold spending growth to about 4 percent." He said that uncontrollable costs like corrections, welfare, pensions and employee contracts would require at least that high a state spending increase and that legislative leaders had agreed to it.

After freezing \$161 million in current-year spending and rededicating \$50 million from prior-year programs, Rendell said the next budget's increase may now be 3.5 to 4 percent when he proposes it on Feb. 9.

State Senate Minority Appropriations Committee Chairman Jay Costa (D-Allegheny), agreed with Rendell, saying during the "two-year budget agreement we negotiated last fall, we anticipated \$1.2 billion in increased spending" for the budget year that starts July 1, 2010, Rendell's final budget. "That is what we believed we would have to spend to meet the needs of the state, because we were talking about a 24-month budget," covering the current state fiscal year and the forthcoming fiscal year.

But Although a gentleman's agreement may have been struck during budget negotiations, there are still a lot of votes to wrangle before the projected 3.5 to 4 percent increase would become part of this year's budget.

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Marcellus Shale Gas-Drilling Tax Plan to be Revisited

First announcing his intent to tax natural gas extraction in his budget address last winter, Rendell later had to drop the plan amid difficult budget negotiations last year. Now, with the state receiving higher-than-expected bids for land leases this week (see article below), the Governor is expected to revive the tax plan as part of his annual budget address on Feb. 9.

Many legislators and industry leaders were opposed to a gas extraction tax, believing that it would kill the fledgling industry, but after Exxon Mobil Corp. paid billions for a drilling company active in the Commonwealth, coupled with outstanding bidding numbers from several companies, this may be the evidence legislators need to feel comfortable moving ahead with a new tax.

Rendell has said that he will begin meeting with industry leaders as soon as next week to establish a fair tax rate. If the tax comes to fruition, it may help the state avoid another 100-day budget passage delay, as the state will once again be struggling to find necessary resources to balance the budget without further cutting programs.

On Tuesday, the state offered leasing rights to 32,000 acres of state forest land, generating \$128.5 million - twice the projected revenue - roughly half of which would go toward next year's state budget.

According to recent reports, after the success of this week's leasing efforts, Senate lawmakers in Harrisburg say they already have an agreement in place to raise \$180 million next year from additional gas leasing.

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State Land Leases to Bring in Double Budget Expectations

According to the state Department of Conservation and Natural Resources, five companies bid more than \$128 million on six separate tracts of land that total just less than 32,000 acres. Revenues in this year's state budget were counting on \$60 million from the leases to support programs and services in the General Fund. That brings expected revenues from the bids to more than double original estimates.

The state land is located in Susquehannock State Forest in Potter County, Tioga County's Tioga State Forest, Clearfield County's Moshannon State Forest, Elk State Forest in Cameron County, and Clinton County's Sproul State Forest. Those regions are within the Marcellus Shale deposit, a gas-rich formation that lies beneath two-thirds of the state and has caused the state's drilling industry to grow substantially.

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Mass. Senate Race to Impact US Energy Policy?

*By John Nikoloff,
President of ERG*

The Massachusetts Senatorial election on Tuesday may have major impacts on much more than the Obama administration's plans for health care reform. On the energy front, Senator-elect Scott Brown will not be an automatic yes vote for caps on GHGs, and his election is already being touted as a warning to moderate Senators and Representatives who are already nervous about cap and trade issues with elections facing them this fall.

While the Massachusetts campaign did not focus debate or discussion on global warming, some energy issues did come to the forefront. Senator-elect Brown had been vocal in his opposition to the Cape Wind project, but his opposition appears to have been driven more by the economic costs to local residents and an increased state tax burden than the concept itself. And while he voted to support the Regional Greenhouse Gas Initiative in Massachusetts, he sought to distance himself from that effort in the campaign, saying RGGI was not working.

Senator-elect Brown talked about energy and environment only briefly: "I support common-sense environment policy that will help to reduce pollution and preserve our precious open spaces," his website said. "I realize that without action now, future generations will be left to clean up the mess we leave. In order to reduce our dependence on foreign oil, I support reasonable and appropriate development of alternative energy sources such as wind, solar, nuclear, geothermal and improved hydroelectric facilities." Brown did voice his opposition to a national cap and trade program because of the higher costs that families and businesses would incur, and most recently questioned the science behind anthropomorphic climate change.

Where a 41st Republican Senator creates major issues for health care reform legislation, the climate change bills were always going to need bipartisan support for Senate passage. Many Democrats' have stated opposition to cap and trade policies and GHG limitations because of issues ranging from support for local industries like coal and manufacturing, to fears of additional financial burdens on constituents during a recession.

While a multitude of explanations have been posited for Brown's election, these explanations remain educated guesses. If it is perceived that the election marked a repudiation of the current federal "big-government agenda," sponsors of cap-and-trade legislation will have a hard time convincing moderates in the US House and Senate that now is the time to be working on this issue.

To read more, click [here](#) to visit ERG's blog, Power Politics...

Speaker McCall to Retire from House

After dealing with a caucus in crisis, an economy on a slow path back to recovery, and the longest budget hold-up in Pennsylvania history, Speaker of the House, Keith McCall (D-Carbon), has decided to end his 28-year career as a legislature in order to spend more time with his family.

After being speaker for just over a year, McCall will retire and embark on a second career at just 51 years of age. At the end of this year, he will be the first Speaker of the last eight to leave the job on his own terms and at a time of his own choosing.

With just under a year left in the current Session, House Democrats are already planning their future leadership strategy.

Battle Heats Up for House Republican Appropriations Committee Chairmanship

House Minority Appropriations Committee Chairman Mario Civera is expected to step down from his leadership post in the very near future, but remain in the House for several months, according to GOP colleagues.

As previously reported, the Delaware County Republican won a county council seat after promising to step down from his House seat if his county run was successful. Civera is expected to remain in the House until sometime in March, avoiding a Primary Day special election, which GOP leaders feel would benefit Democrats in what they expect to be a close and expensive election.

Several members have announced their intention to seek election by the GOP caucus for the Appropriations Chairmanship, including Rep. Bill Adolph (R-Delaware), who is backed by Civera and House Majority Leader Sam Smith (R-Punxsutawney), and Rep. Stan Saylor (R-York), backed by House Minority Whip Mike Turzai (R-Allegheny).

Rep. Doug Reichley (R-Lehigh) is also running for the post.

House Democrats, and Governor Rendell, said they did not think Civera's departure or any of his likely replacements would cause even a modest House GOP policy direction change.

Committee Holds Hearing on Power Authority, Energy Advocate; Rate Cap Expiration

The House Environmental Resources and Energy Committee held a hearing Wednesday to discuss House Bill 1909, sponsored by the committee's chairman Rep. Bud George (D-Clearfield). The legislation would create a sea-change in how the state handles generation, financing, and retail pricing of electricity.

HB 1909 would create a new Commonwealth Energy Procurement and Development Agency authorized to develop electricity procurement plans at the lowest total cost over time; produce and procure power supply and other related products for Pennsylvania consumers; enter into power purchase agreements (PPAs) with new and existing Pennsylvania-based power plants; enter into long-term PPAs to facilitate the financing of new Pennsylvania-based power plants, including acquiring ownership interests in existing and new facilities; distribute the agency's default service power supply, at cost, among Commonwealth electric distribution companies on an equitable basis; and manage default service acquisition for Commonwealth electric distribution companies under a least-cost portfolio approach over time.

It would also create an office of Commonwealth Energy Advocate would be responsible for monitoring and advocating for PA electric customers the activities of the Federal Energy Regulatory Commission, Congress and other Federal agencies.

Chairman George said he introduced the bill when the General Assembly failed to delay electric rate cap expiration. More hearings and much debate are expected on the controversial legislation in the weeks ahead.

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DEP Announces ARRA Funding for Eight Solar Projects

Eight solar projects in Pennsylvania received a substantial boost from \$9.5 million in American Recovery and Reinvestment Act funding announced Wednesday.

"This investment is critically important to strengthening Pennsylvania's economy not only because of the private capital it will attract and the jobs it will create, but because of the great economic potential the renewable energy industry holds for our state," said Governor Rendell.

According to Rendell, Pennsylvania is now on track to be one of the top five states for producing solar energy by the end of 2010.

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DOE Releases Eastern Wind Integration and Transmission Study

The U.S. Department of Energy's National Renewable Energy Laboratory has released a major study of the technical, operational, and economic issues facing the integration of large amounts of wind energy into the power system.

The Eastern Wind Integration and Transmission Study (EWITS), the largest study of its kind conducted in the United States to date, evaluates the future operational and integration impacts of up to 30% wind energy penetration into the power system in the study year 2024. The study encompasses the majority of the utilities in the Eastern Interconnection. The study also includes a high-level analysis of transmission needed to deliver the wind energy to load centers and a cursory analysis of carbon pricing impacts.

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US Eyes New Nuke Plants in Climate Battle

The Obama administration wants to help the nuclear industry build a power plant for the first time in years to help diversify U.S. energy supplies and fight climate change, the White House said on Monday. Congress authorized \$18.5 billion for nuclear loan guarantees in 2005, hoping to revive development of the carbon-free source of energy. Investment in nuclear power has dried up amid soaring costs after the 1979 accident at Three Mile Island, but last year the U.S. Energy Department signaled it was eager to help the industry. The United States now has 104 operating reactors. Nuclear power provides almost 20 percent of the U.S. electricity supply. The White House has been looking at ways to boost the role of nuclear energy in a climate change bill currently stalled in the Senate to attract support from opposition lawmakers, such as former presidential candidate John McCain. The bill is critical to the U.S. position in international talks to forge a binding global agreement to curb carbon emissions.

EVENTS

Click [here](#) to view a list of upcoming energy-related events.

[Pittsburgh Energy and Environment Week](#)

Of the 16 billion US dollars allocated to renewables and energy efficiency by the American Recovery and Reinvestment Act some 450 million dollars will be spent on projects in the Keystone State. Pennsylvania hosts the "Energy and Environment Week" (EEW), held on April 12 – 16, 2010 in Pittsburgh. EEW will bring together stakeholders from North American and Europe to talk

business and new ventures.

EEW means five days of site tours, conference sessions, interactive workshops and exhibits. The focus is on energy and materials recovery from waste and biomass, the commercialization of hydrogen and fuel cells, and the potential of energy efficiency technologies for climate protection and cost cutting. One highlight of the event is the alternative fuel vehicle ride and drive. EEW co-locates with two established events, "Energy from Biomass and Waste" and "Hydrogen Expo", both of which have become leading industry gatherings. Organizer Freesen & Partner GmbH is a specialist in connecting people in growth markets.

More than 150 exhibitors and 2,000 delegates are expected to attend EEW 2010. Exhibiting companies can contribute to the conference program with a presentation on their technologies and projects.

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