



## Alternative Energy Report

February 5, 2009  
Volume 3, Issue  
3

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### Governor Outlines Fiscal Woes in 2009 State Budget Address

On Wednesday, Governor Ed Rendell gave his annual budget address. Compounding the usual budgetary doom and gloom, Rendell started his address by saying that this budget “presents challenges the likes of which we have not seen since the Great Depression.”

Faced with a \$2.3 billion shortfall during this current fiscal year and an estimated \$2.2 billion deficit in 2009-10, Rendell outlined wide program cuts and reductions in government spending. The Governor indicated early that the proposed budget does not recommend a personal, sales or business tax increase and provides for the continued phase out of the Capital Stock and Franchise Tax.

The Governor has proposed meeting the current \$2.3 billion deficit by eliminating more than 2.622 state jobs, and by using funds from the following sources:

- Federal Fiscal Relief . . . . . \$ 1.083 billion
- Current Year Lapses (Including Budgetary Freezes) . . . . . \$ 521 million
- Rainy Day Fund . . . . . \$ 250 million
- Legislative Lapses . . . . . \$ 175 million
- Transfer of Marcellus Shale Revenues . . . . . \$ 174 million
- Prior Year Lapses . . . . . \$ 91 million
- Current Year Lapses (Independent Agencies). . . . . \$ 36 million

It’s unlikely that the four legislative caucuses will be willing to part with all of their lapsed appropriations, as leaders have already said they intend to keep enough in their reserves to insure they can operate for at least three months to prevent a governor from vetoing legislative funding.

While the budget has relatively little to no growth in the energy sector (see excerpts below), the possibility of taxing Marcellus Shale gas extraction is already under fire by House Minority Leader Sam Smith (R-Punxsutawney). Smith said the governor should not penalize one of the few bright spots in Pennsylvania’s economic future.

"The Marcellus gas play is a great opportunity for Pennsylvania. It’s going to create jobs and wealth within Pennsylvania, and we should be viewing it as an emerging industry where we could be providing incentives," Smith said. "Clearly a tax would be the opposite of that and I think it would be the wrong direction to go."

His comments were immediately criticized by Democrats, including House Majority Whip Bill DeWeese (D-Greene), who said that the legislature chose not to tax coal extraction, and had even a nickel a ton been taxed, perhaps there wouldn’t be so much land in Pennsylvania today in need of remediation.

As always, Rendell encouraged House and Senate members to suggest other revenue enhancement options as well as further reductions in spending, including eliminating corporate tax loopholes.

With the budget groundwork laid, the House and Senate Appropriations Committees will hold a series of budget hearings throughout February and early March to solicit input from members, agencies, special interest groups and citizens, with the intent of passing a budget by the end of the fiscal year (June 30). Senate Appropriations Chairs Jake Corman (R-Centre) and Jay Costa (D-Allegheny) have both stated that they are optimistic that a budget can be passed on time, despite the large task at hand.

Of particular interest to AER readers, little was included in Rendell’s proposed budget

for energy. Click [here](#) to view excerpts regarding energy in the Budget Speech and budget brief.

### **Stimulus Provisions Negotiated; PA could gain \$500 million for energy programs**

As the US House, Senate and President Obama continue negotiations on the coming economic stimulus package, as much as \$100 billion may become initiatives for energy development and conservation. Both the House and Senate are looking at a combination of tax cuts, government spending, and funds that will be passed through to state governments. ERG has been told that Pennsylvania could gain as much as \$500 million to fund energy development and efficiency programs from the legislation.

This unanticipated funding could mean a huge jump in the state's ability to support alternative and renewable energy projects - IF combined with the \$500 million energy independence bond issue. But with questions still floating about the ability to sell the state's bonds, some elected state officials have voiced private concerns that the federal stimulus funds may replace all or a portion of the package which became Act 1 of last year's special session.

President Obama is meeting with Republicans and Conservative Democrats, seeking to get the package moved for a vote in the upper chamber. These Senators are considered keys to passage of a Senate bill, and several are working on a compromise that would reduce the spending by as much as \$100 billion in programs that they claim create new government programs, not jobs or economic stimuli.

The \$819 billion economic recovery package approved by the House last week includes about \$188 billion in tax breaks for families and individuals over the next two years. The Senate package, which has topped \$900 billion, has about \$263 billion in tax breaks for families and individuals, and now includes a tax break of up to \$15,000 for homebuyers to revitalize the housing industry.

[MORE...](#)

### **Alternative Energy, Climate Change Bills Unveiled; Some Environmental Groups Angered**

Last week a bipartisan group of House and Senate members introduced legislation endorsed by Governor Rendell that would increase Alternative Energy Portfolio Standard requirements on electric utilities and provide for the capture and sequestration of carbon.

The proposed legislation, to be introduced as House Bill 80 and Senate Bill 92, (not yet available online) would:

- Increase Tier I requirements by 20 percent from 2021 through 2026. Tier I requirements are the amount of electricity that electric distribution companies must purchase from renewable sources;
- Increase the amount of electricity from solar photovoltaic panels that electric distribution companies must purchase and use to 3 percent by 2026;
- Require that 3 percent of energy purchased by electric distribution companies must come from coal fired power plants that use the latest technology to reduce emissions and can connect to carbon sequestration facilities; and
- Require Pennsylvania to develop, own and operate a carbon dioxide sequestration network to store captured carbon.

At the same time, four major membership-based environmental groups announced their opposition to the legislation because it requires electricity to be generated with expensive technologies – carbon capture and sequestration – which do not yet exist commercially.

Some legislators and DEP have made strong arguments that the state's geological formations make this an ideal place to store carbon underground rather than release it into the environment, environmental groups, including: PennEnvironment, Sierra Club Pennsylvania Chapter, Clean Air Council and Clean Water Action are opposing certain provisions in the new legislation.

Their angst circles around the legislation's focus on carbon capture and sequestration (CCS), as there are uncertainties around the feasibility and cost of CCS. Coal-fired power plants are the top source of global warming pollution in Pennsylvania, and across the country, making the implementation of CCS systems laudable goals; however the groups say that most experts agree that CCS is far from market-ready. The groups are also worried that concentration on CCS will divert resources from proven clean energy solutions like energy efficiency, and wind and solar power. They do favor the increased Tier 1 provisions in the bills.

This is the second major environmental proposal supported or proposed by the Rendell Administration in the last month that has attracted significant opposition from the state's environmental groups. In December the PA Campaign for Clean Water, a coalition of more than 124 groups, opposed plans by DEP to drop individual reviews of erosion and sedimentation and storm water permits on new developments and for oil and gas well production.

### **\$25 Million Available for Pa. Wind and Geothermal Projects**

The Renewable Energy Program makes \$25 million available to support wind and geothermal projects in Pennsylvania and offers incentives for companies helping to manufacture those technologies. This is the second program to be made possible through the Alternative Energy Investment Fund.

Under Commonwealth Financing Authority (CFA) guidelines, geothermal projects may include heat pump systems that use the ground, groundwater and underground mine water as an energy source. Eligible wind energy projects include facilities to produce or distribute wind-generated energy, as well as manufacturing facilities for wind turbines and other wind energy components.

Eligible applicants include: businesses, economic development organizations and political subdivisions, including school districts. The maximum loan amount for a geothermal system or wind energy generation or distribution project shall not exceed \$5 million.

Companies that manufacture components for renewable energy generation equipment may receive 10-year loans of up to \$35,000 for every new job that is expected to be created within three years after approval. Grants of up to \$5,000 are also available for each new job created. CFA is making available guarantees of up to \$5 million in the form of a standby letter of credit.

Applicants must provide evidence of at least \$1 in matching funds for every \$1 of program funds awarded by the commonwealth. For additional information on program guidelines or to apply for funding, visit [www.newpa.com](http://www.newpa.com) and enter keyword: energy.

### **Energy Harvest, AFIG Grant Recipients Announced**

This week the state announced investments in innovative clean energy and biofuels projects through the Energy Harvest and Alternative Fuels Incentive Grants (AFIG) programs.

Governor Rendell has said the state's support for these 49 projects will leverage nearly four times as much in private investment, create jobs, clean the environment, and save consumers tens of millions of dollars a year in energy costs.

"We want to be sure Pennsylvania is doing everything it can to encourage energy conservation and efficiency, as well as the increased use of alternatives and renewables. Making this kind of investment today is even more crucial now if we're to continue developing clean energy resources and growing the Keystone State's green energy manufacturing industry. That way, we're positioned to capitalize on increased demand once the economy improves," Rendell said.

The grants, which include \$7.2 million through the Energy Harvest program and \$6.5 million through the Alternative Fuels Incentive Grant program, will support projects in

at least 25 counties and will leverage more than \$53.1 million in private investments. The projects are also expected to create at least 77 jobs.

Combined, the projects will reduce consumers' energy costs by nearly \$46 million each year by saving:

- 25.1 million kilowatt hours of electricity or generating it from clean technologies, which is enough to power more than 2,500 homes in Pennsylvania;
- 250.1 million gallons of diesel or #2 heating oil; and
- 37,564 million British thermal units of natural gas.

The projects will also improve air quality by eliminating 239 tons of sulfur dioxide and 24,000 tons of nitrogen oxides—both precursors of smog and ground-level ozone—and reducing the greenhouse gas carbon dioxide emissions by 2.5 million tons.

Click [here](#) for a full list of Energy Harvest Grant recipients.

Click [here](#) for a full list of AFIG recipients.

## GRANTS

### **Small Business Energy Efficiency Grant Program Now Open**

DEP recently announced the opening of the new Small Business Energy Efficiency Grant Program, which provides a 25 percent match, up to \$25,000, for equipment or processes that significantly improve energy efficiency. The program is the first available through the Alternative Energy Investment Fund.

Grants will apply to energy efficiency improvements on systems such as lighting, heating, cooling, refrigeration and process machinery, as well as building insulation and weatherization improvement projects.

An eligible applicant must be an independent, for-profit business with 100 employees or fewer, located in Pennsylvania. The project must save at least 20 percent annually in energy-related expenses, with a minimum savings of \$1,000 per year. Examples of eligible small businesses include manufacturers, retailers, service providers, mining businesses and agricultural operations.

The grant application and guidelines are available online at [www.depweb.state.pa.us](http://www.depweb.state.pa.us), keyword: Small Business Energy Efficiency Grant.

### **DOE and USDA Announce Funding for Biomass Research and Development Initiative**

On January 30, the U.S. Departments of Agriculture (USDA) and Energy (DOE) announced up to \$25 million (subject to appropriations) in funding for research and development of technologies and processes to produce biofuels, bioenergy, and high-value biobased products. Projects eligible for this joint Funding Opportunity Announcement (FOA) will aim to increase the availability of alternative renewable fuels and biobased products, and create a diverse group of economically and environmentally sustainable sources of renewable biomass. Advanced biofuels produced from biomass sources must reduce greenhouse gas emissions by at least 50 percent.

The FOA funds are reserved for projects in three areas specified in the Food, Conservation, and Energy Act (FCEA) of 2008: Feedstock development; Biofuels development analysis; and Biofuels and biobased products development.

Award amounts range from \$1 million up to \$5 million, with project periods lasting up to four years. Eligible applicants include institutions of higher education, national laboratories, federal and state research agencies, private sector entities, non-profit organizations. There is a required minimum cost share of at least 20 percent of total project cost for research and development projects and 50 percent of total project cost for demonstration projects.

Pre-applications must be submitted electronically by March 6, 2009. The FOA

is available online at [www.grants.gov](http://www.grants.gov).

### **Conservation Innovation Grants**

The USDA Natural Resources Conservation Service (NRCS) has announced the availability of funding for Conservation Innovation Grants (CIG). Funds for single- or multi-year projects, not to exceed three years, will be awarded through a nationwide competitive grants process with applications accepted from all eligible non-federal government or non-government organizations or individuals.

CIG enables NRCS to work with other public and private entities to accelerate technology transfer and adoption of promising technologies and approaches to address pressing natural resource concerns. Examples of target areas for this year's funding that are applicable to anaerobic digestion include:

- Improved On-Farm Energy Efficiency (e.g., biobased energy opportunities; methane recovery)
- Water Resources (e.g., innovative animal manure management systems)

Funding for CIG is made available through the Environmental Quality Incentives Program (EQIP). All proposed CIG projects must involve EQIP-eligible producers. CIG is not a research program, but rather a tool to stimulate the adoption of conservation approaches or technologies that have been studied sufficiently to indicate a high likelihood of success.

The federal contribution for a single project cannot exceed \$2 million. At least 50 percent of the total cost of the project must come from non-federal matching funds (cash and in-kind contributions) provided by the grantee. Applications must be received in the NRCS National Headquarters by close of business March 2, 2009. Click [here](#) for more information.

### **EVENTS**

#### **Chester and Delaware County Legislators to Host Energy Expo**

ERG has been invited to participate at an Energy Expo hosted by Sen. Dominic Pileggi and Rep. Stephen Barrar of Chester and Delaware counties. The expo will take place on Thursday, Feb. 26, from 7 p.m. to 9 p.m. at the Aston Community Center, located at 257 Concord Road in Aston.

The event will feature agencies, organizations and businesses that will discuss reducing peak-time energy consumption, home weatherization, smart meters, solar power, geothermal power, and other ways to cut energy consumption and energy costs. Additionally, representatives from the state will be on hand to talk about the Keystone Home Energy Loan Program (HELP). This program helps Pennsylvania homeowners improve the energy efficiency of their homes by providing loans of up to \$35,000 for home energy improvements.

For more information about the event, contact Barrar's office at (610) 485-7606 or Pileggi's Glen Mills office at (610) 358-5183.

[Go Green Expo](#), March 13-15, Pennsylvania Convention Center, Philadelphia  
Go Green Expo, a premier eco-friendly tradeshow, aims to bring both eco-minded businesses and consumers together to further drive the green economy. In addition to the eclectic blend of products featured at the show, Go Green Expo will also host a variety of panels with leaders in green industry, local politics, and community organizations advocating on behalf of the environment. Panels will discuss subjects including innovations in transportation, emerging energy sources, conservation, eco-entrepreneurialism & much more.

[National Facilities Management & Technology Conference & Expo](#), March 10 - 12, 2009, Baltimore Convention Center

[24th International Conference on Solid Waste Technology and Management](#), March 15-18, Philadelphia, Pa.

[Lehigh Valley Green Builders Forum](#). March 20-22, Bethlehem, Pa.

[GLOBALCON 2009 Trade Show/Exhibition](#). Apr. 1-2, Atlantic City, NJ

[Fueling the School: Pennsylvania's First Intercollegiate Biodiesel Conference](#). April 3-4, Dickinson College in Carlisle, Pa.

[Alternative Fuels & Vehicles National Conference & Expo](#). April 19-22, Orlando, FL

[International Biomass Exposition](#), April 28-30, 2009, Oregon Convention Center, Portland, Oregon

[Organic Photovoltaics 2009 Conference/Seminar](#). April 27-29, Philadelphia, Pa.

[International Biomass Exposition](#), April 28–30, Portland, Oregon

[Alternative Energy & Building Efficiency Conference & Expo](#). May 18-20, Boston, MA

[United We Stand: Building a Sustainable Economy Conference and Trade Show](#). August 18-19, Washington, D.C.

[2009 World Green Energy Symposium](#). Sept. 13-15,

The MidAtlantic Renewable Energy Association Presents: [Pennsylvania Renewable Energy and Sustainable Living Festival](#). Sept. 18-20

#### NEWS CLIPS

[Petri proposal would fund energy, roads with local bank bond sales](#)

[PJM study assesses possible impact of climate control legislation](#)

[Wind energy grows by record 8,300 MW in 2008](#)

[Climate change advisory committee seeks recommendations](#)

[Obama tightens auto emissions standards](#)

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