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Energy Tax Credits, Other Provisions Provided in Federal Stimulus Package

“What does it mean for me?” is the big question for many alternative and renewable energy companies in the wake of President Obama’s signing of the \$787 billion American Recovery and Reinvestment Act (the stimulus bill). ERG’s phones and email accounts have been busy this week, as midAtlantic companies work through the 1,071 page bill, and the 420 page “executive summary.”

The act specifies that 34% of the package is to be devoted to tax cuts of \$286 billion, and a further \$120 billion will be used to fund infrastructure projects. About \$41 billion is dedicated to energy projects. More information on the projections of where your money will go, broken down by state, is available on the web at a White House site, www.Recovery.gov.

In signing the bill, the President called it “an investment that will double the amount of renewable energy produced over the next three years.” He noted that “Today... does mark the beginning of the end – the beginning of what we need to do to create jobs for Americans...and to set our economy on a firmer foundation, paving the way to long-term growth and prosperity.” Click [here](#) to view the full text of Obama’s statement.

The act creates a series of tax credits for businesses and residential consumers, for energy production, conservation and energy efficiency. The package also carves out money for state energy programs, research and development and alternative fuels. There’s where things get murky. Time frames for spending the funds have been compressed, and Acting DEP Secretary John Hanger told ERG that the state expects the first wave of funding within 30 days, and the strings on the funding call for the money to be committed within 120 days.

According to Sen. Robert P. Casey’s office, Pennsylvania stands to receive \$258.8 million dollars in weatherization assistance funding, \$100.8 million through the State Energy Programs, and \$114.6 million in Energy Efficiency and Conservation Block Grants. Another \$343.7 million in funds will go for transit programs, \$61.6 million for Community Development Block Grants, and PA’s share of the Earned Income Tax Credits will be increased by more than \$160 million dollars. Provisions in the energy portion of the bill allow ITCs to be converted to grants. Click [here](#) to view a more detailed breakdown of the stimulus package.

ERG is working closely with state government to monitor these programs and funds, and can provide additional information. As state programs are defined, we will provide information and links on our website at <http://www.pa-erg.com>.

State Economic Outlook Grim, Administration Optimistic With Stimulus Funding

Despite optimism regarding the newly enacted ARRA, and the estimated \$348 million in state stabilization funds over the next two years Pennsylvania will receive from it, the state legislature still has a tough budget season ahead of them, especially since the recovery package offers more than \$1 billion less than Governor Rendell expected when unveiling the budget two weeks ago.

Even with public support from ARRA, the state still faces a \$2.3 billion deficit. In this climate, there are only two means to close the gap – cut spending, which would result in lost jobs and decreased programs; or find new sources of revenue.

The state House Appropriations Committee held its first budget hearing for the upcoming fiscal year, this week, with testimony from Mohammed Iqbal of Global Insight, an economic analysis group, and Ron Snell of the National Conference of State Legislatures (NCSL).

“In a recession, legislators and governors find themselves in a pair of pinches because if you do what has to be done to balance the state budget, then you’re either spending less or raising more revenue,” Snell said. “The state balanced budget requirements do put you in an extremely difficult policy position as policymakers during a recession.”

The budget proposed by Gov. Ed Rendell totals \$29 billion, a \$700 million increase over last year’s expenditures. Rendell has said this does not represent a hike in the budget because the extra money would come from federal funds.

Many Republicans have already questioned the Governor’s intent to increase state expenditures during a recession, and may be difficult to convince. The committee Minority Chairman Rep. Mario Civera (R-Delaware) questioned if the average household needs to be on a restricted budget in tough times, why not the state?

Mohammed Iqbal said that during periods of recession are when the government should intervene in the private sector by increasing regulation of industry and providing tax relief like the plan included in the stimulus act. Economists estimate that Pennsylvania should start to see relief from the recession in about 10 to 16 months. Iqbal said that he expects the state’s economic hardship to last through the first quarter of 2010 and slowly return to a normal economy sometime during 2011. To put things in perspective, Snell said that during the recession of 2000 that state balances did not hit their low points for 18 months after the 2001 recession had ended, with impacts carrying over until 2004.

House Appropriations Committee Hears Budget Testimony from DCED

Newly appointed State Department of Community and Economic Development Secretary George Cornelius testified this week before the House Appropriations Committee regarding the department’s investment strategy.

Cornelius opened by explaining that the Department’s investment strategy has resulted in the investment of \$3.2 billion since 2003, which in turn has leveraged over \$8.5 billion in private investment and added over 200,000 jobs. “Although we suffered dramatic job losses in 2008, the state’s unemployment rate was still below the national average in 70 of the last 72 months,” stressed Cornelius. The secretary added that during the Rendell administration, the state’s gross state product has increased by 20%, exports have nearly doubled from \$15.8 billion to \$30 billion and venture capital investments have increased from \$455 million to \$693 million.

Secretary Cornelius added that due to the global economic crisis, however, the department’s budget had to be cut, with some programs being eliminated. He assured the committee that none of these cuts or eliminations would undermine the department’s ability to meet its core mission. To this end, he related how the approval of \$800 million for the H2O PA program and \$650 million for the Alternative Energy Investment Act will enable the Department to invest in major infrastructure and job creation projects.

Chairman Dwight Evans (D-Philadelphia) asked how DCED will be able to use money from the economic stimulus bill to create and retain jobs. Cornelius replied that the Department expects to receive \$400 million, including funding for Community Services Block Grants, Weatherization Assistance, Homeless Prevention, and Community Development Block Grants. A significant portion of the funds for the Block Grants will go directly to the local government level.

Rep. Ron Miller (R-York) questioned the Secretary regarding a 2007 audit and the department’s apparent lack of site visits, monitoring money delivered through selected grant programs and job creation numbers. Rep. Miller said that since 1996, \$49 million in outstanding money has been forgiven when companies didn’t meet their job creation goals.

Cornelius told the members that DCED is now conducting assessments annually and doing onsite visits, as the situation requires. He told the committee that while onsite visits for every grantee are not feasible, more timely and careful assessments should lead to more accurate job creation numbers.

As part of the 2008-09 budget, several programs dependent on the sale of bonds were approved, including additional infrastructure money for water and sewer projects. Cornelius explained that demand is far exceeding the supply of capital for these projects. He added that the immediate issue is that a legislative fix needs to be implemented to the statute to allow for the bond to be taken to market. He said guidelines must be addressed as well. When asked about the price of bonds, Cornelius predicted that rates should be better when the state is ready to go to market.

The Governor's proposed 21 percent funding cut for the Ben Franklin Partnership, which assists with energy projects across the state was questioned. Cornelius said the Bens are a very successful program, and that he would work to see how their funding will be dispersed.

Click [here](#) to view a recent study by the Pennsylvania Economy League that shows how investments by Ben Franklin Technology have grown the Pennsylvania economy by \$9.3 Billion.

Consumer Affairs Committee Probes PUC

Last week the House Consumer Affairs Committee held a public hearing with the five Public Utility Commission (PUC) commissioners to learn about the PUC's operations and oversight. Chairman Joe Preston (D-Allegheny) explained this hearing is one in a series of five hearings to acquaint the members with the various industries that the committee oversees.

During his "State of the Commission" presentation, PUC Chairman Jim Cawley discussed the expiration of electric rate caps, broadband deployment across the state and competition within the natural gas market, among other utility issues. Click [here](#) to view a copy of the presentation.

Cawley extensively discussed electricity price mitigation, noting that rate caps have already expired in the Duquesne Light and Penn Power service territories and the remaining caps will expire by the end of 2010. The commission has begun to plan for the transition in advance and in 2007 issued a final order providing for energy efficiency, demand side response, default service supply procurement, rate mitigation programs (including prepayment and a phase in of increases), updated low-income programs, removal of barriers to retail choice and consumer education.

In addition, the commission has initiated a review of the wholesale electricity markets, even though the commission does not have jurisdiction, to better advocate for consumers before the Federal Energy Regulatory Commission (FERC) and to improve discussions with PJM.

Cawley also addressed the PUC's obligations under Act 129 of 2008 (House Bill 2200) and the Alternative Energy Portfolio Standards (AEPS). On mitigating the impact of rate caps coming off the cost of electricity in 2010, Cawley pointed out that before electric competition, Pennsylvania's electricity rates were about 15 percent higher than the national average and now with competition they are about 13-14 percent lower than the national average.

Minority Chairman Godshall noted the requirement in AEPS for 20% alternative energy by 2020 and asked if transmission is being addressed to move this new power to where it is needed. Godshall said that it would take more than 4,500 windmills to create the same amount of power as a nuclear plant. Commissioner Robert Powelson said President Obama has been clear that he wants to increase renewable energy, and that the federal government has the authority "to let us know when we step out" with "NIMBY-ism". He agreed transmission is a key component and noted there is potential for new nuclear plants in Pennsylvania, which will require transmission.

Commissioner Tyrone Christy added that Pennsylvania is required to allow out of state resources to qualify for AEPS, but he would like to see that requirement amended to require other states to accept PA's resources. He explained PA is acquiring power from Illinois, but Illinois prohibits the acquisition of power from other states.

Cawley listed the 2009 legislative priorities of the PUC:

- The PUC's jurisdiction over gas pipeline safety needs to be clarified, especially in light of the Marcellus Shale drilling
- Fair recovery of assessments from electric and natural gas suppliers
- Wastewater system improvements through a collection system improvement charge (also referred to as a distribution system improvement charge, or DSIC)
- Address the issue of waste water from Marcellus Shale drilling
- Clarification of the PUC's jurisdiction over the allocation of rail/ highway crossing costs
- Ensure that the PUC's enforcement officers and State Police have enforcement authority over non-certified carriers to secure payment in order to ensure that PA is able to collect its full revenue entitlement under the US Unified Carrier Registration System Plan and Agreement

When asked which legislative priority is the more important, Cawley stated the clarification of the commission's jurisdiction over gas pipeline safety is the most important, followed by the implementation of DSICs for wastewater and natural gas.

Governor's Ag Renewable Energy Council Meets

The Governor's Agricultural Renewable Energy Council met last week to review existing state programs that affect production of energy from agricultural and renewable sources.

The Council heard presentations on the state's 2008 energy legislation and actions being taken by the Rendell Administration to move these programs forward. DEP Deputy Secretary Dan Griffiths told the council that programs established under Special Session Act 1 of 2008 were now open, and Mike Rader of the Pennsylvania Department of Agriculture outlined the progress with assessments and regulations to enable the kickoff of the state's B2 biodiesel mandate.

David Althoff, Director of the Office of Energy and Technology Programs outlined expected federal energy funding from the ARRA. In response to a question, Acting DEP Secretary Hanger said that the state was considering applying these new funds to applications already in the pipeline for programs that were not sufficiently funded in 2008. Hanger and Agriculture Secretary Dennis Wolff told the Council that they were confident they could meet the requirements of these new acts and technological review of applications under the federal stimulus package with existing staff.

Council members requested that a stakeholders group be formed to work with the state as plans are considered for grant and loan programs that apply to rural Pennsylvania and the agricultural sector.

DCNR Accepting Bids to Collect Data, Study Possibility of Storing Carbon Underground

The state Department of Conservation and Natural Resources (DCNR) announced that the department is requesting bids on a package of four contracts that will examine geologic information to determine whether any suitable areas in the state exist to store carbon dioxide underground.

Act 129 of 2008 directs DCNR to work toward possible geologic sequestration network, and to complete a site assessment, risk assessment and a cost study to possibly develop a state geologic sequestration network this year. These bids will be part of that directive, by helping to reduce the amount of climate-changing greenhouse gases that reach the atmosphere.

The carbon dioxide would be captured and collected from coal-fired electricity generating plants and other industrial sources, a process known as geologic carbon sequestration.

The contracts are for highly specialized remote sensing and engineering expertise, including:

- Aeromagnetic data survey - an airborne technique that measures the total intensity of the Earth's magnetic field in a defined area. The technique is useful for mapping deeply buried igneous rocks, and can help outline locations of buried faults and the thickness of sedimentary rocks;
- Reservoir modeling - mathematical models and numerical simulation tools that help evaluate whether it is feasible to store carbon dioxide in subsurface reservoirs, such as brine aquifers, oil and gas reservoirs and coalbeds;
- Geophysical logging of existing bore holes - various tools that collect data on the physical and mineralogical characteristics of the in-place rock strata, using holes previously drilled for oil and natural gas exploration and production;
- Seismic data collection - collecting data that describes the physical characteristics of the rock, including extent, thickness, structure and other facets which are specific to the area.

Bids are due by Feb 20. The work to identify specific sites in the state where these evaluations will be done should be completed in March. DCNR is currently evaluating available geologic data, most of which covers the western half of Pennsylvania.

An academic advisory committee will be created by DCNR so that the reports produced can undergo scrutiny by experts. Additional public outreach efforts will be developed as the project proceeds.

EVENTS

DEP to Host Efficiency Grant Workshop

DEP will host workshops for Northwestern Pennsylvania in Meadville on Feb. 24. The agency will also reach out to grant applicants through a series of online seminars about the program, offered in cooperation with the federal Energy Star program, through early April.

Funded through the state's new Alternative Energy Investment Fund, Small Business Energy Efficiency Grants cover up to 25 percent of the costs of energy conservation measures up to a maximum grant of \$25,000. They are applicable to a wide range of small businesses, including manufacturers, retail and service businesses, and agricultural and mining operations. And they apply to energy efficiencies that improve the operations of lighting, heating, cooling, and refrigeration systems, as well as process machinery, building insulation, and weatherization projects.

The Meadville workshops will take place at DEP Regional Office, 2:30 Chestnut St., 9 a.m. to 10:30 a.m. and 1 p.m. to 2:30 p.m.

Resources for the grant applications, as well as registration information for the online seminars, can be found at the [DEP's Energy Independence Web site](#). Applications will be accepted until May 1 or the \$3-million fund is exhausted.

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.

[The Solar Marketplace](#) to be held March 6th, from 7:30 to 9:30 a.m. at the Country Cupboard Restaurant in Lewisburg, PA. This seminar is one in a series presented by SEDA-COG's Energy Resource Center.

[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.

[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

[DCNR says Presque Isle wind turbine poses little threat to birds, bat life](#)

[Products carbon capture technology for power plants wins recognition](#)

[Independent Oil and Gas Association of Pennsylvania urges caution on proposed severance tax](#)

[Proposed permit fee increases for Marcellus Shale drilling open for public comment](#)

[\\$500 million Pennsylvania waste to energy plant delayed](#)

[Communities urged to participate in Earth Hour to promote energy savings](#)



[Pittsburgh announces world's first solar-powered trolley](#)

[EPA to revisit approval process for coal-fired plants](#)

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