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Power Politics
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State Plans “Aggressive” Timetable for Spending Federal Energy Stimulus Funds

For two weeks, the House and Senate Appropriations Committees have been grilling cabinet secretaries about plans for distribution of federal stimulus funds, and voicing concerns over amounts, qualifications, decision making and administration of these programs. (See story below). This Wednesday, Governor Rendell mapped out his plan for oversight and spending of Pennsylvania’s share of American Recovery and Reinvestment Act, and a number of initiatives that he said would maximize the transparency and effectiveness of these dollars.

Many of the programs are expected to be available and open for applications by early April, as the state has 120 days to commit the funds to what are generally being called “shovel ready” projects in transportation, energy, infrastructure and health care.

ERG has been receiving dozens of calls and emails each week about the requirements, applications and dollar amounts of these funding programs. ERG continues to meet with state agencies, the General Assembly, and Congressional offices about the pending energy related funding programs. In response to the state and federal energy program increases, ERG announced this week that we will begin providing grant management and grant writing services at an hourly rate, to help Pennsylvania energy businesses take full advantage of these new sources of funding. For more information on ERG’s grant management programs, contact us by email at info@pa-erg.com.

Governor Rendell said that General Services Secretary Jim Creedon will be the administration’s lead in making sure federal funds are spent quickly and efficiently. He has also created a new independent position known as the Chief Accountability Officer, who will be in charge of ensuring transparency as the stimulus money flows through the state. The governor said he hopes to fill the stimulus-funded position within two weeks, and to have an “unprecedented level of oversight” throughout the spending process.

Senator Mike Brubaker (R-Lancaster), and US Congressman Jim Gerlach (R-Chester) had called for creation of a bipartisan oversight committee. State legislators have also questioned the administration’s ability to change programs and include means tests in qualifications for the program funding.

Rendell shrugged off the oversight committee, and administration officials asserted the Governor’s ability to adapt executive program guidelines without legislative approval. However, Rendell did say he will be asking that each caucus in the state House of Representatives, State Senate, and the state’s Congressional delegation appoint one member to meet with Creedon and the Chief Accountability Officer on a regular basis.

A new website, www.RecoveryPA.gov, has also been created, to provide public information on how the stimulus funds are spent, and to whom.

The governor said about \$472 million in federal funds will be applied for energy efficiency, conservation and energy development from ARRA, with an estimated \$258 million available for weatherization projects and \$214 million for renewable energy investment.

U.S. Senator Robert Casey has also issued a guide detailing the funding Pennsylvania is due to receive under the stimulus package. Click [here](#) to view a copy of the guide.

Obama Addresses Energy Concerns Before Joint Session of US Congress; Asks for Carbon Cap Legislation

During a recent address before a joint session of the US Congress, President Barack Obama further discussed his plans for the country's renewable energy future, including a call upon Congress to develop carbon cap-and-trade legislation.

Obama's budget, announced last week, would fund a great variety of new energy programs, from electric transmission upgrades to carbon sequestration. The budget makes clear the president's determination to take every measure to combat climate change. It would provide the EPA with a \$10.5 billion budget for 2010, a 34% increase over the likely 2009 budget. Nineteen million dollars of that would be used to upgrade greenhouse gas reporting measures. The Interior Department would get \$12 billion for 2010. The agency would use part of the money to assess the availability of alternative energy resources throughout the country.

Funding for these new programs would come from a modified carbon "cap and trade" program, which puts a price on emitting pollution and is the core of Obama's plans. Starting in 2012, the government would sell permits giving businesses the right to emit pollution, generating \$646 billion in revenue through 2019. The number of available permits would gradually decline, over that time frame, forcing businesses to buy increasingly costly "rights" to avoid emissions reductions.

The president is convinced that the rising cost of permits will encourage businesses to invest in clean technologies as a cheaper alternative to meeting pollution mandates, helping to cut greenhouse gas production to 14% below 2005 levels by 2020.

Initial funds would be used to invest in "clean" energy, help finance Obama's tax credit for workers and offset higher energy costs for low- and middle-income households and clean up costs for small businesses.

One thing is certain. The plan will spark a heated debate in Congress and on the airwaves – a debate that will cross party lines and geographic boundaries. Elected officials are already lining up on both sides of the issue. Some argue that a cap and trade tax program will make US businesses less competitive and cost jobs, that it is simply "another tax hike," when the utilities hit with the tax pass these costs on to their customers. Others argue that the tax is really a wealth redistribution program. And Republicans and Democrats alike are split regionally, as lawmakers from rural districts and manufacturing and coal states will be expected to protect their local industries.

Obama has acknowledged it would cause an initial spike in energy costs and is proposing to use \$60 billion a year from the auction of carbon trading permits to help finance his "making work pay" tax credit program for lower-income families.

Click [here](#) for the full text of Obama's speech.

25x'25 Calls on Obama to Articulate Vision for Nation's Biofuels Future

Recently the National 25x '25 Steering Committee sent a letter to President Obama asking him to reinforce the critical role biofuels will play in securing America's energy future. They also asked for EPA to issue a "substantially similar" ruling which would allow the blend rate for ethanol in gasoline to be increased from 10 to 13 percent. In doing so, EPA would acknowledge that the higher blend rate would have no negative effects. The action would allow for a much needed expansion of the market of domestically produced biofuels.

Sharing the same sense of urgency expressed by the Governors' Biofuels Coalition (GBC) in calling on the Obama administration to articulate a vision for the nation's biofuels future, the 25x'25 Steering Committee shares the governors' conviction in the value of biofuels as a weapon in the fight for energy independence, an improved economy with new jobs, and a cleaner environment. Yet, as the GBC points out, misinformation critical of biofuels from entrenched interests is doing a great disservice to America.

"Our nation's governors, with decades of combined leadership on tough economic development and environmental challenges, offer sage advice on the path forward for the next phase of biofuel development in America," says Bart Ruth, chair of the 25x'25

Policy Committee.

The Steering Committee calls on the Obama administration to deliver a clear and defining message to the American people declaring its support of biofuels and its acknowledgement that biofuels remain a much needed alternative to foreign oil. The United States consumes 25 percent of the world's total oil production, but controls only 3 percent of the world's known oil reserves. The United States is forced to obtain oil from some of the most unstable regions of the world and suffers the costly consequences of that consumption. The nation's dependence on nonrenewable energy sources threatens our security, economy and environment.

The Steering Committee believes that without a clear biofuels policy and active support of that policy from the Obama administration in research, market development policies and education, the future of biofuels - cellulosic, bio-oils, advanced biofuels - will remain threatened by a decline in investor support and an erosion of public confidence in their role in America's clean energy future. "A failure by the administration to counter misinformation critical of biofuels will cost us a valuable market that could help turn around our economy and stem the damages incurred through our dependence on foreign oil," said Ruth.

PUC Chairman Opposes Mandated Electric Rate-Cap Phase-In

Expiration of existing electric rate caps have had legislators pining for solutions for over a year now, but any attempt to extend rate caps may be the wrong way to go according to the PUC.

During a House Appropriations budget hearing last week Pennsylvania Public Utility Commission Chairman James Cawley said he is opposed to requiring utility companies to phase in electricity rate increases after caps on rates expire during the next two years. He also said extending the rate caps would be illegal, based on a U.S. Supreme Court decision involving a utility company in North Carolina.

The rate caps have been in place since 1997, when Pennsylvania transitioned from regulated to unregulated electric utilities. In some parts of the state, the caps have already expired, and the rest will run out by the end of 2011. Cawley said that allowing the caps to expire will encourage competition in the market and conservation by consumers.

"If you're going to have electricity that is continued to be subsidized, there is not going to be much incentive to save. You are going to waste energy," Cawley said. "The legislature has made it very clear that it wants to encourage energy efficiency and conservation."

Proponents of phasing in the rate cap expirations argue that doing so will lessen the burden on consumers, who in other states and parts of Pennsylvania have been hit with huge rate increases when the caps have ended. While opponents to phasing-in rate caps point out that, in the long run, a phase-in would not save consumers money. Instead, consumers would be legally obligated to repay any initial savings, plus interest, in later years to make up for the losses incurred by the utilities during the phase-in.

"I believe that if you let this market work and we just get over this last hump in the next year or two, then the benefits of the electric marketplace will come to fruition," said Cawley.

Budget Hearings: Senate GOP and DEP Secretary at Odds on Many Issues

The recent Appropriations Committee hearings for the DEP demonstrated clear tensions and significant differences between the State Senate and the Rendell Administration on key energy related programs. During the DEP budget hearing, Senate Appropriations Chairman Jake Corman (R-Centre) and other Committee chairs repeatedly raised questions and objections to ongoing and new programs at the agency.

Senate Environmental Resources and Energy Committee Chair Mary Jo White (R-Venango) noted her disappointment that it had been more than eight months since

the legislature appropriated about \$10 million for consumer energy grants and loans, yet none have been issued. Additionally, Senate Republicans noted they had written to the Governor, complaining that draft guidelines offered by DEP several months ago “significantly changed the program,” by “cherry-picking” sections from the law. Secretary Hanger advised the committee that the program would open for applications on March 2nd (See story).

Senator White also said that a preliminary report is due out for public comment on April 9th under Act 70 of 2008 on a state emission reduction strategy. She said the department had advised it did not have the in-house expertise in that area and therefore put the project up for bid. Noting that the contract has yet to be awarded, and only one bid has been made, she asked if the deadlines are unrealistic and should be pushed back. Secretary Hanger confirmed DEP has been working to meet the deadlines, but expects to miss them by a matter of weeks, and said he would advise the committee he will return before the body and let members know if he decides a credible report is not possible in the required timeframe.

Senator White asked for an update on the status of \$25 million in funding to assist small coal-fired power plants, as provided for by the Alternative Energy Investment Act. Acting Secretary Hanger confirmed he would fulfill that request.

Several Senators asked questions about drilling in Marcellus Shale formations – the Governor has proposed a severance tax on these activities as a means to raise funds and balance the state budget. Secretary Hanger said there has been no drilling yet on state park land, but he was not sure if any permits have been issued for drilling on state owned lands. Hanger told the committee that DEP has received permission to hire 37 more people to speed processing of permits for Marcellus Shale natural gas wells and a new office in Williamsport.

In discussing general appropriations, Chairman Corman asserted the state will not reach the anticipated \$107 million in severance tax revenue from Marcellus Shale drilling, “because we’re not going to consider it until we get to that point in the determining process... We’re not there yet, and we’re not close to there yet, of getting this permitting process under control.” He declared “I think this is an industry that could grow for 50 to 100 years, and I’m not looking to run it out in two in trying to get a tax to get us through the next budget.”

Senator John Rafferty (R-Chester) expressed his own concerns with the revenue projected from the severance tax, given that only 50 wells are thus far up and running. He compared the promise of funds from gas drilling to casino’s, noting “The last time I heard any kind of numbers being projected it was going to be all this property tax relief coming to Pennsylvanians from gaming, which hasn’t happened yet because all the casinos aren’t even open.”

Senator White commented that she felt the governor had “jumped the gun” in celebrating the production milestone of 40 million gallons on an annualized basis. She stated production needs to be sustained, but noted it has actually dropped precipitously since last August, despite passage of subsidies for some biodiesel producers. The trigger point of 40 million gallons per year sets in place a series of studies and regulations, which when approved, will require all diesel fuel for on road engine use to contain at least two percent biodiesel.

The Senate also voiced significant concern over Budget Secretary Mary Soderberg’s designation of Secretary Hanger to serve on the Commonwealth Financing Authority, claiming that there is no provision in law for this. It has been suggested that Hanger’s vote creates a potential conflict of interest, as DEP conducts technical reviews and administers programs linked to CFA. Secretary Hanger said that state law does not provide rules stipulating who an appointee may designate. This battle began at the last CFA meeting where progress and votes on funds were blocked by legislative caucuses over Hanger’s participation in the vetting process.

DEP is set to receive about \$340 million in federal economic stimulus funding: \$130 million for energy conservation, efficiency and alternative energy projects, \$219 million for drinking water/wastewater system funding (administered by PennVEST), \$6

million for cleaning up abandoned underground storage tanks and \$1.8 million for conversion to cleaner diesel engines.

Hanger said the Agency has already prepared a list of 500 energy and water infrastructure projects for funding, but members of the General Assembly are calling for open application periods, and consideration of new or expanded projects that have been changed since last spring, rather than simply turning over funds to projects that were not funded last year.

This battle is perhaps more than what appears on the surface, and both sides realize that Pennsylvania's economy will lose if decisions are not made in time to claim and commit the federal funds. ERG will keep you updated on the politics of energy and the stimulus package throughout the year.

New Energy Efficiency Loan Program Unveiled

In an effort to help residential consumers cut their energy bills, the state has announced a new program to expand energy conservation and efficiency measures. The \$17 million Keystone HELP Energy Efficiency Loan and Rebate Program will help homeowners to insulate their homes, seal off drafts, or install things like high-efficiency heating and cooling systems, geothermal heat pumps, and ENERGY STAR-qualified windows and doors.

"By investing in measures that conserve energy, families can save money while being comfortable in their homes and protecting the environment, too. After all, the cheapest, cleanest source of energy is energy that is not used. By giving families and businesses incentives to use energy wisely, Pennsylvania will reduce the need to build expensive new power plants, improve the reliability of our electricity service, and reduce greenhouse gas emissions," said Governor Rendell.

The program, made possible by the \$650 million Alternative Energy Investment Fund legislation signed into law in July, and is an expansion of the Keystone Home Energy Loan Program, or Keystone HELP, that was created in 2006 by the Pennsylvania Treasury Department to offer affordable energy efficiency financing options.

Applications and program guidelines are available at www.keystonehelp.com. The deadline for applications is June 30.

EVENTS

[The Solar Marketplace](#), March 6, 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

[12th Annual Southeast PA EAC Conference](#), Philadelphia, March 14

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

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

[GreenSense Conference](#), Philadelphia, March 30-31

[Solar Now](#), Philadelphia, April 1

[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

[PA Environmental Professionals Annual Conference](#), May 13-15

[Alternative Energy; Building Efficiency Conference](#). 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

[PA PUC: PUC establishes standard application forms, fees for customer-generators interconnecting to electric grid](#)

[Subcommittee to hear testimony on carbon sequestration bill](#)

[EPA's guide to green infrastructure funding under the Federal Stimulus Act](#)

[Rendell announces resignation of DCNR Secretary](#)

[Philadelphia among top 25 U.S. cities with the most energy star buildings](#)

[DOE to expedite disbursement of funds received via Stimulus Act](#)

[City of Philadelphia: Hundreds of workers to be trained for green jobs](#)

[At Penn State, seeking energy locked in wood](#)

[Lehighton OKs hydroelectric plant planning work](#)

[Borough saves thousands on LED traffic lights](#)

[Incentives create 'golden moment' for buying green](#)

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