



## Alternative Energy Report

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**Power Politics**  
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### Energy, Environmental Legislation Expected to Get Spring Attention

Several pieces of alternative and renewable energy legislation are expected to get consideration by the General Assembly when they return to session in March. Governor Rendell has placed a priority on passage of HB 80, legislation that would significantly increase the required renewable energy share of electric generation in Pennsylvania. To date, the Administration and sponsors have been unable to secure a majority of the House willing to support the bill as drafted. A significant number of amendments are expected, on subjects ranging from inclusion of nuclear power and residual waste/ municipal waste to energy projects to amendments dealing with dual fuel generation, energy conservation and coal fired systems.

Legislation amending the Department of Agriculture for the Biofuel Development and In-State Production Incentive Act of 2008 has passed the Senate and is in the House Appropriations Committee. With the May 1 inception of a B2 biodiesel blend mandate coming quickly, there is pressure to get this legislation passed to provide enforcement by the PA Department of Agriculture. Amendments to mandate diesel for off road use and home heating fuels contain at least 5% biodiesel in 2011 and 10% in 2013, require all home heating oil to contain no more than 15 ppm of sulfur (Ultra Low Sulfur Diesel), and permit PDA to assess fees for all companies regulated to cover expenses of enforcement are expected in the House.

Governor Rendell has now said he supports legislation to limit electric rate increases as caps come off in 2010 and 2011. House Speaker Keith McCall's HB 20 would allow consumers and small businesses to get phase-ins of such rate hikes, and pressure is rising from areas where caps come off next year to protect consumers against increases of 20-50%. The Public Utility Commission has said such legislation is unnecessary (see story below).

The Senate Environmental Resources and Energy Committee has scheduled a hearing March 9 to consider a series of bills that would further regulate gas drilling and coal mining. We expect much activity in these areas during the 2010 session, as the Governor's proposal for a severance tax on natural gas extraction puts additional importance on this industry.

House Environmental Resources and Energy Chair Bud George continues to push for full House consideration of HB 1909, which would create an office of Commonwealth Energy Advocate, a Pennsylvania State Power Authority which could grant and loan funds for electric generation and sign PPAs on behalf of companies/the Commonwealth.

### Energy Provisions in Latest Jobs Bill

On Monday, Senate Finance Committee Chairman Max Baucus (D - Mont.) and Senate Majority Leader Harry Reid (D - Nev.) introduced a substitute amendment to HR 4213, the American Workers, State and Business Relief Act. The "jobs and tax credits" bill will provide a series of energy and business tax cut extensions, including tax credits for research and development, incentives for the use of biodiesel and renewable energy, and tax credits for energy efficiency in new homes.

The bill would also remove credits for pulp and paper manufacturers' use of black liquor as a cellulosic biofuel, a provision that raised many eyebrows when it landed in the 2008 Farm Bill, giving a windfall to paper manufacturers.

The amendment is among a dozen now being considered by the full Senate, and Reid's office has

told ERG it hopes to have the bill passed either late this week or early next week. Dozens of programs are extended in the bill. A list is available [here](#).

### **Casey, Others Upset with Stimulus Wind Funding - Propose "Buy America" Provision**

US Senators Bob Casey of Pennsylvania, Chuck Schumer of New York, Sherrod Brown of Ohio and Jon Tester of Montana announced Wednesday a new initiative to require the "Buy America" provision of the stimulus to be applied to all programs under the jurisdiction of the legislation, not just the government ones, arguing that too much of the money spent so far has gone to create jobs overseas.

A study done by the Investigative Reporting Workshop found that 79 percent of the \$2 billion in clean-energy grants allocated since Sept. 1, 2009, has gone to foreign wind companies.

"We are demanding the Obama administration suspend this program immediately ... [and] indefinitely," Schumer said. "We are sending a letter to Secretary Geithner asking him to halt all payouts for this program until we in Congress can go back and fix this law."

The senators' efforts garnered praise from several union leaders. "Energy is critical to America's future, and we should ensure that domestic manufacturers help fuel the future development of this sector," said United Steelworkers President Leo W. Gerard.

The Obama administration and wind-energy advocates strongly disputed the criticism by Casey and the other Democrats, saying that most of the jobs under the Energy Department program have been created in the United States, despite the dominance of foreign manufacturers in the green-technology sector.

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### **EPA Delays Regulating GHGs of Stationary Sources**

Facing widespread opposition and several lawsuits over the endangerment finding that greenhouse gases endanger human health, the Environmental Protection Agency's (EPA) top official announced that any regulation of greenhouse gases would be phased in gradually, reports the New York Times.

In a letter to lawmakers, EPA Administrator Lisa P. Jackson provided a timetable for regulating greenhouse gas emissions, including plans to start targeting large facilities in early 2011, medium-sized emitters by the second half of 2011 and smaller emitters by 2016, reports the Washington Post. Jackson also made it clear that the Obama administration will move ahead with reducing GHG emissions under the Clean Air Act as required under a 2007 Supreme Court decision.

Jackson issued the letter in response to a letter sent to her on Feb. 19 by eight U.S. Senators asking about the agency's plans for 2010.

The eight Democratic senators, led by John D. Rockefeller IV of West Virginia, asked Jackson to suspend any EPA regulations of stationary sources including coal-burning power plants and large industrial facilities while Congress considers comprehensive energy and climate change legislation, reports the New York Times.

Jackson also wrote that an effort led by Sen. Lisa Murkowski (R-Alaska) to prevent the EPA from regulating greenhouse gases would significantly impact a deal struck last year between the auto industry, the administration and several states to limit greenhouse gases from cars and light trucks, reports the Washington Post.

### **PUC Says Legislation Not Needed in Transition from Rate Caps**

The state's public utility commissioners told the State Senate that removal of electric rate caps has been a success, and said the current competition will benefit consumers more than any legislative proposals.

Electricity rate caps, which were put in place in 1997, have been removed for seven Pennsylvania regional utilities. Those companies account for about 40 percent of state electric customers - the largest being PPL Electric Utilities, Inc., which removed its caps at the beginning of the year - and the remaining rate caps will expire at the end of 2010.

The original purpose of the law removing the electric rate caps, said Sen. Michael Stack (D-Philadelphia), was to provide lower rates and better service for consumers, in part through the option to select a competing electricity generator. Stack asked, "Has this aim been successful?"

PUC Commission Chair Jim Cawley responded that "it's been a great success," noting that "of course" there would be rate increases since electric rates had been the same since 1997. He also said consumers have saved money compared to an alternative system where utility companies would have received smaller, regular increases during the last 13 years.

Commissioner Wayne Gardner said he expects additional companies to provide competition in Pennsylvania. "With rate caps off on PPL, the companies got a much clearer direction that Pennsylvania was not turning back."

Several senators, citing concerns from constituents and community groups, asked about options to extend or phase-in the higher costs. The rate cap removal so far has increased electric bills by an average of 30 percent.

"We did provide for phase-in of rates in the PPL service area," said Cawley, regarding a voluntary prepayment plan where customers paid extra in the months leading up to the rate cap removal. "Frankly, you're better off shopping."

### **State Senate Probes DEP Budget, Climate Change Recommendations, Energy Plans**

Despite a \$61 million budget cut from last fiscal year to the current budget, Department of Environmental Protection Secretary John Hanger said the state "is meeting our oversight responsibilities" regarding environmental health risks.

Hanger noted the state budget for his department was \$157 million, but that it also received \$390 million from the federal government, a federal funding level that "is unusually high because of the federal stimulus program." Hanger said after the hearing that this year's stimulus-increased funding is increased by about \$200 million a year in the past. Fees from several sources, including recycling and hazardous sites fees add another \$289 million.

About two-thirds of the \$61 million in budget cuts came from programs not directly related to health and environmental oversight, such as a \$15 million program to help consumers reduce energy usage and bills, Hanger said.

While there is still much work to be done in finalizing the Department's budget, two major environmental proposals also came under fire during the hearing - House Bill 80 and the state's Climate Change Advisory Committee recommendations.

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### **ASTM Considering Biodiesel Grade for Extreme Cold**

As the industry becomes more sophisticated and as new variations of ultra low sulfur diesel are introduced, technical experts monitor and evaluate isolated performance variations. The ASTM process is designed to allow for specifications to be refined as new considerations arise.

ASTM is currently discussing ballots for changes to the biodiesel specification, D6751. These changes are in response to isolated instances of filter clogging above the cloud point, primarily with above ground tank dispenser filters (not vehicles) with some blends of biodiesel and types of petro diesel in very cold weather. The group will determine if changes are needed within the biodiesel specification, D6751, and if so whether they should be made to all biodiesel, or whether

the changes should be made to a new separate grade of biodiesel. A potential new biodiesel grade would be intended to be used in extremely cold weather, similar to the #1 and #2 grades for petro diesel.

The exact form of the ballot and its limits will be determined through consensus negotiations of the members of the ASTM Filter Clogging Work Group and the ASTM Biodiesel Task Force. The ballot will most likely be presented and voted on by Subcommittee E this spring, with adjudication of the results at the June ASTM meeting. Changes could make their way to a final D02 Main Committee vote in the fall of 2010.

### **House Consumer Affairs Committee Explores Municipal Electricity Aggregation**

The State House Consumer Affairs Committee this week held a public hearing to discuss draft legislation that would allow for municipal electricity aggregation in Pennsylvania. Chairman Joe Preston (D-Allegheny) explained the idea would be to allow municipalities or groups of municipalities to contract with electricity suppliers on behalf of residents, on an opt-out basis.

In principle it would mean lower rates for many more individuals, and a lower cost of customer acquisition for energy providers. PUC Chairman Jim Cawley was among several to express support for municipal aggregation, and various electricity suppliers, the state consumer advocate, and the boroughs association offered suggestions for refining the idea.

### **Ben Franklin Partners Offers Matching Grants to Spur Energy Research**

Research institutions and nonprofit organizations engaged in research related to energy, alternative energy or clean technologies can apply for a matching grant to Ben Franklin Technology Partners of Central and Northern PA.

Awards will be made on a competitive basis and applicants must be located within the 32 counties served by the program. Grants typically run between \$25,000 and \$100,000. In 2009 28 applications were received and eight awards made, totaling nearly \$600,000.

The goal is to fund and assist commercially applied research that will impact energy production, use and conservation in Pennsylvania. The grant program strongly encourages applicants to partner with commercial or industrial entities.

Preliminary applications for this year's project submissions are due April 5 and full proposals are due on May 17. For more information contact Brian Krier, Energy Programs Coordinator, at 814-569-1116 or at [Dbk131@psu.edu](mailto:Dbk131@psu.edu).

### **NEWS CLIPS**

[CFA Announces New Solar Investment Projects](#)

[Democrats take agency to task on clean-energy plan](#)

[Administration Officials, Elected Officials, Business and Community Leaders Discuss Clean Energy Economy Goals at White House Forum](#)

[Obama to spell out rebates for energy efficiency](#)

[EPA, climate change challenged in Senate hearing](#)

[Big 3 Automakers Show Support for B20](#)

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