



Alternative Energy Report

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US House Committee Delays Tax Extender Package

Ways and Means Chairman Sander Levin (D-Mich.) said this week that tax extender legislation incorporation many energy related provisions will not be voted on in the House until after the Easter recess.

"We'll be working on it through the recess and possibly when we come back," he said. The bill, H. R. 4213, recently passed the Senate.

The Senate-passed bill extends several business tax breaks that expired last year. It also provided pension relief that allows companies to delay funding requirements. Republicans have been pushing for more immediate consideration of the bill, noting that without the tax relief included in the bill, companies will be forced to shed jobs.

State Budget Bill Poised for March 22nd Vote in House

House Appropriations Chairman Dwight Evans (D-Philadelphia) told ERG this week that he expects the House version of the Governor's proposed \$29 billion state budget (HB 2279) to be debated, amended and voted on during the week of March 22.

The bill was sent to the full House during Monday's Appropriations Committee meeting, by a party-line 21-14 vote. Evans said the bill - almost identical to Governor Rendell's proposed budget - did not raise taxes, and contains only a modest spending increase.

Evans said the bill raises spending only \$426 million, but House GOP Appropriations Chair Bill Adolph (R-Delaware), argued that the increase is \$1.2 billion, and he said the House Republicans will oppose the spending plan.

The Committee voted to strip \$180 million in funding from projected leases of state forestland for natural gas drilling from the budget bill. Evans said he didn't know if leasing would even be part of the budget discussion. But the Governor's Press Secretary and Senate Appropriations Chair Jake Corman (R-Centre) argued that the leasing revenues were already agreed to, as part of last year's budget deal.

The committee also approved legislation (HB 2290) that would allow the state to borrow \$800 million for the state's Redevelopment Assistance Capital Program (RACP - pronounced R-CAP.) The borrowing limit would increase from the current \$3.45 billion to \$4.25 billion. Evans said this was funding the governor and many members had sought for state stimulus projects.

Rockefeller Proposes Moratorium on EPA's GHG Regulations

Senator Jay Rockefeller (D, WV) last week introduced legislation to impose a two-year moratorium on the Environmental Protection Agency's ability to regulate greenhouse gases from power plants and other stationary emitters.

"This legislation will issue a two year suspension on EPA regulation of greenhouse gases from stationary sources - giving Congress the time it needs to address an issue as complicated and expansive as our energy future, " Rockefeller said. "Congress, not the EPA, must be the ideal decision-maker on such a challenging issue."

Congressman Nick Rahall, another West Virginia Democrat, is introducing companion legislation in the House of Representatives with Democratic Congressmen Alan Mollohan of West Virginia and Rick Boucher of Virginia as original cosponsors.

In April 2007, the Supreme Court ruled in *Massachusetts v. EPA* that the EPA must make a determination regarding greenhouse gases when it comes to regulating motor vehicle emissions. The Supreme Court ruling gave the EPA the authority to regulate greenhouse gases under the Clean Air Act. On December 15, 2009, EPA published its final rule in the Federal Register, stating that greenhouse gases may "endanger public health and to endanger public welfare."

The Rockefeller bill has the support of Republican Senator Lisa Murkowski of Alaska, who said, "Given the overwhelming opposition to these (EPA) actions, I'm hopeful that this bill will draw additional support and advance quickly." Murkowski said that her resolution, disapproving the EPA's endangerment finding (S.J.Res.26) would receive consideration if the Rockefeller bill did not move.

DePasquale to Introduce New AEPS Legislation

Rep. Eugene DePasquale (D-York) announced he will be introducing legislation to amend the Alternative Energy Portfolio Standards Act to provide for increases in Tier I and solar share requirements, provide a Tier II carve out for advanced coal combustion with limited carbon dioxide emissions and create a permitting process for facilities that capture and sequester carbon dioxide.

This new bill is expected to replace House Bill 80 as the principal Clean Energy bill in the state House. Sponsors and environmental groups hope the bill will have broader support from labor and environmental groups which split over provisions in HB 80.

DePasquale said in a memo to members that the legislation would increase Tier I requirements to 15% by 2024. The solar carve-out in Tier I will be increased to a total of 3% by 2024.

DePasquale said extending these deadlines is important to provide those wishing to invest in alternative energy the time needed to plan, develop and build facilities and then operate them long enough to recover their investments.

The bill will carve out a Tier II niche for advanced coal combustion electricity production. Utilities will be asked, beginning in 2020, to secure 3% of their production from sources that can capture and sequester carbon. The Tier II shares required will be increased to accommodate this carve-out.

DePasquale noted the legislation also establishes a permitting process for carbon sequestration facilities and requires these facilities to accept rights, title and liability of the carbon dioxide. As part of the permitting process, facilities would be required to pay fees to DEP, which would be placed in the Carbon Dioxide Indemnification Fund.

To address concerns about the cost passed onto ratepayers, he said his bill would require the Public Utility Commission (PUC) to declare force majeure if it determines the price of alternative energy credits exceeds the cost of alternative energy compliance payments.

The alternative compliance payment for the solar alternative share would be set at \$450 per megawatt hour per year beginning on January 1, 2011 and then reduced by 3% each year thereafter. Finally, this legislation would require the PUC to provide a ratepayer notification summary on an annual basis regarding the cost of AEPS compliance compared to the related benefits of AEPS compliance.

Erie Legislators Introduce Offshore Wind Legislation

The five Erie County members of the state House of Representatives this week introduced legislation that would permit the state to lease submerged lands in Lake Erie for the development

of utility scale wind generation facilities.

Ontario, New York and Ohio are all moving forward with wind projects in Lake Erie, and this legislation would allow Pennsylvania to not only develop a new renewable energy source, but to compete and benefit from the thousands of jobs in shipbuilding, construction, manufacturing and supply chain industries created by wind farms in the Lake. Erie's Port, one of three major ports on the Lake, is central to access on the Lake.

Rep. John Hornaman (D-Erie) said recently, "We've lost so much old industry in Erie. This is the new industry coming in, and I think it's going to be fantastic down the road."

Rep. Hornaman was joined by Democratic Reps. Flo Fabrizio, Patrick Harkins, and Republican Reps. Curt Sonney and John Evans in sponsoring the legislation, which is required in Pennsylvania for leases of submerged lands of more than 25 acres. Ontario and the other states along Lake Erie can enter into similar leases without legislative action.

The bill would require any company leasing land to not only demonstrate the expertise and capability to develop wind energy conversion projects and who have a high likelihood of community and public acceptance in Erie County.

Offshore wind has become a major factor in renewable energy development in Europe, and the Department of the Interior has recently taken action to support offshore wind projects in the Atlantic Ocean. The legislation is only an early step in the process, but it is crucial to completion of logistics, feasibility, engineering and environmental studies.

Hanger Expects Permitting Complaints to Continue

The Senate Republican Policy Committee this week held a hearing on delays in permitting of many projects by DEP officials. At the hearing, DEP Secretary John Hanger told the Committee that there will always be complaints about the department's permitting process.

Representatives from several businesses and agencies that regularly seek departmental permits then offered their concerns to the committee, as well as recommendations on how to make the permitting process better.

"They [permits] never, ever are going to be perfect because of the volume and the types of permits, and because no matter how you write an English word, when it comes to two different people with two different agendas they tend to be able to interpret the word in a different way," Hanger said.

Andrew Hilt, executive vice president of the American Council of Engineering Companies in Pennsylvania, told the committee his members "have long been frustrated by the length of time that it takes the department to issue environmental permits." This has become a major concern due to tight timelines for completing projects and securing funding.

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George to Retire as PA AFL-CIO President

Pennsylvania AFL-CIO President Bill George officially announced his plans to retire as President of the Pennsylvania AFL-CIO at the conclusion of his term in May of 2010 after serving for 20 years as the top union leader in Pennsylvania. George has been a strong leader for the unions, and has been very helpful to ERG in working on energy and other projects that create jobs in the Commonwealth. He will remain active in union and political affairs.

Joint Senate Hearing Receives Update on Federal Chesapeake Bay Requirements

This week the Senate Environmental Resources and Energy & Agriculture and Rural Affairs committees received an update from the EPA and the state Departments of Environmental

Protection and Agriculture on the implications of the new Chesapeake Bay Total Maximum Daily Load (TMDL),

The federally regulated TMDL is designed to reduce nitrogen, phosphorous and sediment pollution in the bay. John Capacasa, Director of the EPA's Water Protection Division, along with Robert Koroncai, the Chesapeake Bay TMDL Manager, noted full controls on the three pollutants are due by 2025, giving Pennsylvania and the other bay states 15 years to comply, with milestones to be reviewed by the EPA every two years.

PUC to Define Its Role in Marcellus Pipeline Regulation

The state Public Utility Commission (PUC) said that regulations written decades ago must be revised in the face of Marcellus drilling, therefore, the PUC, along with other state and federal agencies, need to define their roles in regulating natural- gas collection and gathering pipelines in the Marcellus Shale region.

The commission will hold a hearing Thursday, April 22, to solicit comments from invited representatives from special-interest groups and the industry. As part of the formal hearing process, commissioners may question the speakers.

Interstate natural gas pipelines are regulated by the Federal Energy Regulatory Commission. The state commission's role over intrastate pipelines can be ambiguous.

In a statement, the commission cited the cultural and economic impact of shale exploration.

"This development will unleash billions of dollars of natural gas production and will have untold impact on our economy, " the statement said. "However, this development creates numerous issues and unanswered questions, many of which impact this commission's core functions. We believe that these issues need to be examined and these questions answered sooner rather than later."

Recently, FERC and the U.S. Department of Transportation changed the way it regulates certain intrastate pipelines. The state Department of Environmental Conservation has been working to updating its regulations. The changes prompted concern among the PUC commissioners over a regulatory gap and they said they want to update and clarify their role.

PUC will consider authority to regulate rates intrastate pipelines operators charge other companies to move gas. Also, the state currently has no open access or non-discrimination regulations to give well producers a right to move their gas through existing pipelines. The state always regulated the once-modest natural gas industry. Now as well and pipelines are built around the state, the commission is concerned over safety.

Congress Sends Jobs Bill to President

This week the Senate cleared an \$18 billion jobs bill for President Obama's signature. The measure passed 68 to 29, with 11 Republicans joining all but one Democrat present, in support. The bill had passed the Senate once, but the House tweaked it, requiring the second Senate vote before it could go to the White House. Obama plans to sign the measure this week, according to an administration official.

Although relatively small compared to last year's economic stimulus package, the measure represents the first clear legislative shot in months aimed squarely at persistent unemployment. The measure also includes a one-year extension of the law governing federal transportation funding and would transfer \$20 billion into the highway trust fund.

Some critics have questioned whether the legislation is big enough to make a dent in the nation's persistent unemployment problem, arguing that the new payroll tax break is unlikely to spur much new hiring that wouldn't have occurred otherwise.

Separately, many Republicans suggest the bill uses accounting sleight of hand to make the

measure appear budget-neutral.

Democrats counter that the measure will give employers a tangible and immediate incentive to add workers, citing studies suggesting that a payroll tax break could encourage the creation of hundreds of thousands of jobs.

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