



Alternative Energy Report

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Power Politics
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the official blog of
ERG.

ERG is Moving – New Contact info

ERG is moving its offices to State Street, at the foot of the capitol steps in Harrisburg. Our new contact information is as follows:

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More Budget Woes - Court Sides with Doctors; Transportation Special Session Set

As if revenues trailing projections by \$719 million were not bad enough, Pennsylvania's Commonwealth Court last week ruled the state must return \$560-716 million from the general fund back into an account that was created to provide for physician's malpractice premium costs and help retain health care providers in the state.

The 4-1 decision resulted from a suit filed by the state's hospitals and physicians, who had argued the state should not have been able to divert funds from the state Health Care Provider Retention Account and the MCARE in balancing the 2009-2010 state budget.

Meanwhile, Governor Rendell was writing to the State Congressional delegation seeking passage of federal legislation that would fill an additional \$850 million gap in the state budget for Medicaid programs. Rendell said in his letter, "We will end this year with a deficit and we will need to significantly reduce our revenue expectations for next year. So in essence, this is more than a billion hit on our budget."

The Governor noted that without the FMAP extension in HR 4213, the state would have to address a \$2 billion loss in state and federal revenues, and eliminate public jobs to close the gap and cut public services.

Bringing even more bad financial news to the state, the US Department of Transportation last week ruled against a state proposal to toll I-80 for transportation funding. The state had expected to generate \$472 million for roads, bridges and mass transit annually from the tolls, which leaves a huge gap in the state's transportation budget.

The Governor has called for a transportation special session to deal with the already massive amount of funding needed to repair roads, bridges, and other essential infrastructure projects. The tentative date for the start of that special session is May 4.

[MORE...](#)**Biodiesel Now the Law in PA - Mandate Begins May 1**

Beginning May 1, all terminals, wholesalers, and distributors selling diesel fuel in PA to retailers for use in on-road compression ignition engines must be providing a blend that is at least two percent biodiesel. Retailers who sell this fuel must also comply with the mandate after they have turned over their current inventory.

The mandate puts Pennsylvania in the forefront of states requiring biodiesel blends, and resulted from passage of legislation in 2008. According to Mike Rader, Biodiesel Development Manager for the Ag Department, Pennsylvania has 11 biodiesel producers, at least three of which are annually producing more than 1 million gallons of the biofuel.

This week, the state Agriculture Department held a day long conference for producers, terminals, wholesalers, distributors and retailers in Harrisburg to review the law, pending regulations and legislation, enforcement provisions, quality requirements and the state's infrastructure/distribution system. State Ag Secretary Russ Redding, Deputy USDA Under Secretary Mike Scuse, and US House Agriculture Committee Chairman Colin Peterson (D, Minnesota) spoke with the 300 registrants, in addition to experts involved in the production and distribution processes.

Biodiesel is an alternative fuel, made from domestic, renewable resources such as vegetable oils, waste oils, animal fats and fish oils. While biodiesel has no petroleum content, it can be blended at any ratio with petroleum diesel to create a biodiesel blend for use in diesel engines. Biodiesel is biodegradable, nontoxic, essentially free of sulfur and aromatics, and significantly reduces GHG emissions when burned as a replacement for diesel or fuel oil.

DCNR Says New Forest Leases Must be Cautious, Strategic

State conservation officials are looking at ways to raise the revenue anticipated from state forest leasing while using the fewest new acres of state-owned land. Appearing before the Senate Committee on Environmental Resources & Energy last week, DCNR Secretary John Quigley said that horizontal drilling and other techniques could help the state to minimize the amount of surface land that is used by gas drillers. He said new "large-scale" land offerings "would be problematic," but left open the options for strategic new leases.

The Senate panel's chair, Sen. Mary Jo White (R-Venango), suggested that the department should consider whether more land could be leased to help fill the growing budget gap. The issue of whether to open new acres of state land for gas drilling – and if so, how much land – has prompted much debate in recent and current budget talks. A lease sale in January brought in \$128 million, of which \$60 million was used in the current budget. The remaining \$68 million, plus an additional \$112 million from new leases, is expected to be used to help pay for the next fiscal year's spending plan.

[MORE...](#)**Marcellus Shale Director Seeks to Bust Myths**

Kathryn Klaber, executive director of the Marcellus Shale Coalition told ERG this week that a major effort was simply countering myths that have been spread about the industry. Klaber said among the myths are the idea that the companies are not creating jobs in PA, that the industry is poorly regulated, and that this is a perfect time for a severance tax on gas extraction.

According to Klaber, the coalition's 90 members, which includes 41 producers, is investing billions of dollars in PA on a continuing basis in infrastructure, consulting, engineering, logistics, transportation and other jobs. A 2009 study conducted by the Penn State College of Earth and Mineral Sciences projected that in 2010 the industry will invest \$8.2 billion in the Commonwealth, pay \$871 million in taxes (with another \$129 million for state land leases) and create 107,000

jobs.

She pointed out that hydraulic fracturing ("fracking") has been used for sixty years, and that 99.51% of the fracking fluids are water and sand, and that water use by the gas industry is only ¼ that of mining and only two percent of that used by electric generation facilities in the state. Proposals to regulate fracking under the Safe Drinking Water Act could reduce production, and increase prices for gasoline and natural gas.

[MORE...](#)

ERG Partner Addresses Northeast Rural Development Summit

John Nikoloff, a partner in ERG spoke, last week to the Northeast Rural Economic Development Summit in Burlington, VT, educating delegates from 11 states about the programs and successes of Pennsylvania with biofuels, solar, wind and biomass energy projects.

ERG was invited to speak at the event because of its role in promoting and developing these projects. Several speakers referred to the Commonwealth as an example for others, and Nikoloff outlined the legislation, funding and technical support programs the state has created which have led to PA being a national leader in the field.

"Of all Northeastern states, Pennsylvania has developed the best mix of technical support, grants, loans and incentives across the board for developing energy related businesses, advanced energy technology, and support for small businesses and consumers," Nikoloff said. "The state has taken and maintained a leadership role in expansion of biofuels production, wind, solar and biomass facilities, taking advantage of our resources, our location, and the strengths of our rural community. We expect further successes in the coming years, especially in biomass, biofuels and solar generation projects."

State Makes Latest Round of Solar Investments

The state has announced support for nine projects that are helping Pennsylvania become a national leader in this sector. The state investments of \$5.7 million will help businesses and schools across Pennsylvania save more than a half-million dollars each year by installing 3.6 megawatts of new, clean electricity generation capacity.

"Pennsylvania is on track to become one of the top five states in the nation for solar energy by the end of the year because of good projects like these," said Governor Rendell. "When I took office, there was less than one megawatt of solar energy installed statewide. Now, thanks to our aggressive efforts to invest in and expand this industry, we now have more than 11 megawatts operating, with another 80 megawatts in the works. That's a substantial increase and these projects are helping to drive down the cost of solar technology and make it more affordable for more people."

The Commonwealth Financing Authority approved the projects. CFA administers Pennsylvania's economic stimulus programs, including portions of the \$650 million Alternative Energy Investment Fund that Governor Rendell signed into law in 2008.

Click [here](#) to view a full list of recipients.

Senate Confirms DCNR, Revenue Secretaries

Last week the State Senate confirmed Gov. Rendell's nominations of John Quigley as secretary of the Department of Conservation and Natural Resources, and C. Daniel Hassell as secretary of the Department of Revenue. Quigley had previously been nominated, but the full Senate did not bring him up for a vote and Rendell pulled the nomination.

Chiavetta Named Secretary of the PUC

Rosemary Chiavetta was appointed as Secretary of the PA Public Utility Commission last week, replacing James J. McNulty. Chiavetta has been owner of Chiavetta Consulting. Previously, Chiavetta served as Director of Legislative Affairs for the PUC and as general legal counsel to former PUC Chairman John M. Quain.

FEDERAL NEWS

Obama Prepares to Shift Focus to Energy, Climate; Senators to Unveil Climate Bill on April 26

President Barack Obama has said that his administration would shift its focus to climate and energy legislation after finishing financial regulatory reform, which he said would take a few more weeks. "This is one of these foundational priorities from my perspective that has to be done soon," Obama said, referring to energy legislation

Sens. John Kerry (D-Mass.), Lindsey O. Graham (R-S.C.) and Joseph I. Lieberman (D-Conn.) plan to roll out their compromise climate proposal April 26. The White House has said that it is working with the Senator to craft a bill able of garnering bipartisan support.

Ten Democratic senators led by Sherrod Brown (Ohio) outlined what they want in the climate bill to aid the manufacturing sector. While the list may be long, it is still an encouraging sign, especially since the letter was signed by Sen. Evan Bayh (Ind.), who has long been considered a holdout on climate legislation. The letter comes just after White House Chief of Staff Rahm Emanuel met with environmental and Democratic leaders to discuss climate legislation.

Click [here](#) to view the full text of the letter.

US House Committee Holds Hearings to Consider Energy Tax Policies

Last week the US House Committee on Ways and Means began holding hearings to examine the effectiveness of current energy tax policy and to identify additional steps that the committee can take to ensure continued job growth. The committee will also look at advancing national energy policy, with a discussion of current and proposed energy tax incentives.

Ways and Means Committee Chairman Sander M. Levin (D-Mich.) said the U.S. is lagging behind other countries when it comes to renewable energy advancements.

He noted that Chinese developers have indicated that most or all of the renewable energy equipment installed in China will be made in China. This will be achieved, according to the paper, through laws, regulations and other measures.

While citing advances through the American Recovery and Reinvestment Act, Levin said more could and should be done to incentivize alternative power sources in the US, and that his hearings would focus on how the government can accomplish this.

[MORE...](#)

US House Hopes to Pass Biodiesel Tax Credit Bill by Memorial Day

While the \$1-a-gallon tax credit for blending biodiesel expired at the end of 2009, House and Senate negotiators are still working on a final version of a tax bill that would include an extension of the provision.

Ways and Means Committee Chairman Sander Levin told reporters this week that his goal is to have the final bill done by Memorial Day.

Rep. Earl Pomeroy (D-N.D.) said it was "shameful" that Congress allowed the biodiesel credit to lapse. He said the hang-up now is that lawmakers have to pay for the bill rather than adding the

cost to the budget deficit.

NEWS CLIPS

[DEP: Applications now accepted for home heating equipment rebates](#)

[DOE Announces \\$28 Million to Support State Efforts to Increase Building Energy Retrofits and Develop State Energy Savings Goals](#)

[U.S. Fish and Wildlife Service Offers Wind Turbine Siting Guidelines](#)

[New clean energy bill, same opposition](#)

[Obama administration to announces new energy efficiency effort as part of Earth Day events](#)

[DEP announces winners of 2010 environmental excellence awards](#)

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