



## Alternative Energy Report

May 6, 2010  
Volume 4, Issue 10

**Power Politics**  
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ERG.

### **State Budget Gap Could Reach \$1.5 Billion. Transportation Special Session Begins**

Governor Rendell this week outlined the next steps for this year's budget, following news that April revenues for the state were \$390 million or 11.8 percent less than expected. These latest figures put Pennsylvania down roughly a billion dollars, or nearly five percent, below expected revenues for the year so far. Corporate tax revenues were \$147 million off and personal income tax revenue was \$129 million below estimates.

While some revenue areas fared better than expected, the Governor pointed out roughly \$100 million of the April shortfall is due to a timing issue relative to table games licenses. He said ultimately there will have to be more cuts, further reduced spending and likely layoffs in addition to a series of one-time fund transfers and revenue enhancements to bridge the gap.

Rendell, during a press conference, discussed new possibilities for raising revenues, such as a severance tax on Marcellus Shale and taxes on smokeless tobacco. These proposed sources were originally discussed by the Governor last year.

Senate Appropriations Chairman, Jake Corman, has estimated the deficit could hit \$1.5 billion by June 30. Corman publicly called on the Governor to make at least \$1 billion in cuts to his budget proposal for fiscal 2010-11, and the Governor suggested Corman decide which employees to lay off rather than passing a few new taxes.

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### **House GOP Unveils Cost Saving Initiatives**

The House GOP held a press conference this week to unveiled several cost savings initiatives along with a simple message: "no taxes necessary."

Reps. John Bear (Lancaster) and Sheryl Delozier (Cumberland), spearheaded the cost-savings projects, working with government officials, financial executives, business leaders and consultants to develop new or enhanced non-tax revenues for General Fund use. Their findings have the potential to generate between \$550 million and \$1.6 billion in additional revenues and savings for the Commonwealth - without any additional or new taxes.

"It is no longer good enough to focus merely on what we are going to cut or to burden Pennsylvanians with additional taxes," Bear said. "Instead, we need do to things differently by looking for opportunities to make government more accountable and efficient in its operations, while getting state spending under control."

Bear and Delozier drew on their respective experiences with the IMPACCT Commission, which was created in 1995 by the General Assembly and comprised of 250 members from the public and private sectors. The Commission analyzed areas of state government and ultimately developed 450 reform recommendations.

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### **House Appropriations Moves Revenue Bills**

The House Appropriations Committee reported out three bills this week - House Bills 2303, 2424,

and 2425 which included new taxes. HB 2425 amends the Tax Reform Code with respect to the sales and use tax vendor discount, corporate net income tax combined reporting, tobacco products tax and oil/gas severance taxes.

The legislation was reported as committed with all Republican members voting in the negative; Minority Chairman Bill Adolph (R-Delaware) stated that "the new taxes are going to be spent to balance out of control spending." At this point in time, no tax or budget-related bill appears to be balanced, leaving the General Assembly much work to do before June 30.

## **B2 Mandate Arrives in PA**

Pennsylvania entered a new era in fuels with little fanfare last Saturday, as the state's mandate that all diesel fuel sold for on road use contain at least two percent biodiesel took effect. HERO BX, the largest biodiesel producer in the Eastern United States, hailed the biodiesel mandate for its impact on the environment and the economy.

Mike Noble, president of HERO BX, located in Erie, Pennsylvania, said "while there was little public attention given to the changeover, this is a significant action by Pennsylvania, benefiting us all by replacing foreign oil, reducing emissions, and creating additional jobs in the state's agriculture, transportation and distribution industries. We are proud that we could help make this happen."

Consumers should know that biodiesel is non-toxic, biodegradable, and reduces greenhouse gas emissions by 78% over petro diesel. Biodiesel has gone through almost 20 years of research, testing, and regulatory reviews, and is the only alternative fuel to have fully completed the health effects testing requirements of the Clean Air Act.

Use of biodiesel has been shown to increase engine performance engine life. And unlike some other alternative fuels, biodiesel produces 3.5 times more energy than is used in its production. Biodiesel can be made from soy, canola, camelina and other vegetable oils, waste oils, and animal fats and tallow. HERO BX is unique in the state, and is able to make biodiesel from blends of these various feedstocks.

Under the state's biodiesel mandate, an increase of biodiesel production to 100 million gallons or more will trigger an increase in the volume of biodiesel blends in diesel fuel to five percent. The 11 existing biodiesel producers now have the capacity to reach that production level.

## **DePasquale Leads New Charge for AEPS amendments**

Last week Rep. Gene DePasquale (D-York) introduced HB 2405, which would amend the Alternative Energy Portfolio Standards Act by adjusting the minimum percentage of electric energy required to be sold to retail electric consumers from Tier One alternative energy sources.

AEPS currently mandates that eight percent of energy sold come from renewable sources by 2010. The new bill increases the Tier 1 requirement to 15% by 2024 and increases the solar share of the AEPS from the current 0.5 percent to three percent. HB 80 initially proposed setting Tier 1 requirements at 20%.

DePasquale said his bill was not a replacement for House Bill 80, "but a continuing of the negotiations." Nevertheless, HB 2405 has a number of provisions nearly identical to House Bill 80.

Meanwhile, the PA Chamber of Business and Industry, which opposes the AEPS amendments, unveiled its own alternative, with a goal to create markets for clean energy options without government mandates.

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## **House Passes Temporary Moratorium on State Land Drilling Leases**

This week the House approved a measure that would create a three-year ban on new leases of

state forestland for natural gas-drilling in order to give the Department of Conservation and Natural Resources enough time to fully study the impact of drilling on state owned lands.

House Bill 2235 originally proposed a five-year ban was shortened to a three-year time frame, and mandates additional studies on the impacts of gas drilling. While the bill garnered bipartisan support, passing the House by a margin of Y: 157 / N: 33, it may not be destined to become law, as Senate leadership has opposed efforts to prohibit new state land leases.

Much of the House floor debate circled around whether a temporary ban on offering new state land for drilling could lead to a permanent ban. Opponents said discouraging gas drilling would cost the state jobs and an opportunity to offer lower-priced energy to consumers. While supporters argued that with 700,000 acres of state land already leased to gas companies, officials should step back and examine how those wells and surrounding infrastructure will change the state forest.

Rep. David Levdansky (D-Allegheny) offered successful amendments to the bill, including a proposal for a study on local socio-economic impacts came from discussions with Rep. Garth Everett (R-Lycoming). Everett said his district includes state land that was included in recent leases for gas drilling, and that the region "already has seen some impacts."

While most of the Republican opposition focused on the possible hindrance of job creation, Rep. Tony DeLuca (D-Allegheny) made a valid point for being cautious:

"We're talking about jobs, jobs jobs. BP was talking about jobs, jobs, jobs, and now we've lost jobs and we're talking about whether we're going to drill at all," he said referring to the ongoing Gulf Coast oil lead caused from offshore drilling rig. "We never thought we'd have the problems that we have today with the coast line ... this is the right way to go, to make sure we do the right thing for future generations."

### **HERO BX Earns US Export Achievement Award**

Congresswoman Kathy Dahlkemper (PA-03) was on hand Monday as HERO BX of Erie received the U.S. Commercial Service's Export Achievement Award. The event took place at HERO BX's facilities in Erie, PA. HERO BX is the largest biodiesel producer in the East, with a capacity of 47.5 million gallons annually.

The Export Achievement Award recognizes U.S. companies that have either made their first export sale or expanded their sales into overseas markets with the assistance from the U.S. Commercial Service as a global player in the biodiesel marketplace.

HERO BX knows all too well about the importance of exporting. "Although HERO BX was created partially to help America replace some foreign oil with a domestically produced green alternative, it became evident soon after beginning production that our company needed to look outside of the U.S. to sell some of our product as the domestic market just has not developed as quickly as we had hoped" said Michael Noble, President of HERO BX. "We are looking forward now to providing the biodiesel that fulfills the state's new B2 mandate."

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### **DOE Approves "Electrofuels" Grants, Penn State Among Recipients**

The US DOE has announced that it will award \$106 million in ARAP-E funding for 37 research projects that produce advanced biofuels more efficiently from renewable electricity instead of sunlight; design completely new types of batteries to make electric vehicles more affordable; and remove the carbon pollution from coal-fired power plants in a more cost-effective way.

Thirteen of the grants are for "Electrofuels" or biofuels from electricity. This differs from today's technology of making biofuels from photosynthesis. Electrofuels approaches will use organisms able to extract energy from other sources, such as solar-derived electricity or hydrogen or earth-

abundant metal ions. Theoretically, such an approach could be more than 10 times more efficient than current biomass approaches.

Penn State was one of the universities selected to receive \$1.5 million. The university will study Electron Source - Solar Hydrogen: Hydrogen-consuming bacteria that usually derive energy from residual light and organic waste at the bottom of ponds will be "rewired" to use electricity. The organism will be able to convert hydrogen and carbon dioxide into a bio-oil that can be refined into gasoline.

## **Grants / Funding Opportunities**

### **PEDA Now Accepting Applications for Clean Energy Projects to Stimulate the Economy, Create Jobs**

More than \$16 million is available to help develop clean energy projects that will save energy and money for those who develop them, create jobs and improve the environment, through the Pennsylvania Energy Development Authority. Click [here](#), key work PEDA, to learn more.

### **USDA to Provide Details on Advanced Biofuel Funding**

USDA has announced that it is planning to accept applications for the Biorefinery Assistance Program, Repowering Assistance Program and the Bioenergy Program for Advanced Biofuels. Details on how to apply will be released later this week in the Federal Register.

USDA's Biorefinery Assistance Program provides guaranteed loans to develop and construct commercial-scale biorefineries or to retrofit existing facilities using eligible technology for the development of advanced biofuels. The amount of a loan guaranteed for a project under this program cannot exceed 80 percent of total eligible project costs.

The Repowering Assistance Program is designed to encourage the use of renewable biomass as a replacement fuel source for fossil fuels used to provide process heat or power in the operation of eligible biorefineries (those biorefineries in existence on June 18, 2008—the date the 2008 Farm Bill was enacted).

### **Rural Energy for America Program (REAP) Applications Now Open**

USDA is accepting applications for grants and loan guarantees in the Rural Energy for America Program (REAP) until June 30, 2010. More information on how to apply for funding is available in the April 26, 2010 Federal Register. The Rural Energy for America Program provides funds to agricultural producers and rural small businesses to purchase and install renewable energy systems and make energy efficiency improvements.

Eligible projects include installing renewable energy systems such as wind turbines, solar, geothermal, biomass, anaerobic digesters, hydroelectric, and ocean or hydrogen systems. Funding may also be used to purchase energy-efficient equipment, add insulation, and improve heating and cooling systems. In fiscal year 2009, this program helped fund 1,485 REAP projects in 50 states, the commonwealth of Puerto Rico and the Western Pacific Islands.

One rural company that used REAP funds to reduce energy costs is Energex American, Inc., a Mifflintown, Pa, based pellet manufacturing firm. In 2009, the company received a \$476,685 grant to help fund the installation of an industrial dryer powered by woody biomass. The company reduced its annual demand for propane by 150,000 gallons and realized energy savings of nearly 98 percent.

## **Events**

Click [here](#) to view a list of upcoming energy-related events.

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