



## Alternative Energy Report

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### Renewable Energy Has Confusing, But Promising Week in Congress

#### House Extends \$1 per Gallon Biodiesel Incentive

The U.S. House of Representatives this week passed H.R. 6049, the Energy and Tax Extenders Act of 2008. The bill includes an extension of the national biodiesel tax incentive, and contains other key biodiesel provisions.

H.R. 6049 extends for one year a variety of renewable energy tax provisions and includes the following specific measures:

- Extends the biodiesel tax incentive for 1 year through Dec. 31, 2009.
- Provides a \$1 per gallon incentive for all biodiesel regardless of feedstock.
- Closes the "splash and dash" loophole that has been allowing foreign produced fuel to enter the U.S, claim the biodiesel tax incentive, and be shipped to a third country for use.
- Clarifies the tax benefits that are available to co-processed renewable diesel.

Biodiesel supports more than twenty thousand jobs, and added more than \$4 billion to the U.S. economy last year. In 2007, U.S. biodiesel production displaced 20 million barrels of petroleum. Biodiesel is also a cleaner burning fuel that reduces carbon lifecycle emissions by 78 percent, the equivalent of removing 700,000 cars from the nation's roadways.

The measure also proposes through 2015 a \$1.01 per gallon tax credit for cellulosic biofuels an extension of three years on the Farm Bill Provisions. The bill also provides \$2 billion in Clean Renewable Energy Bonds (CREBs) to help government and not-for-profit power companies and cooperatives finance clean renewable energy projects.

Specifically, the measure provides:

- A six-year extension of the investment tax credit (ITC) for solar energy
- Three-year extensions of the production tax credit (PTC) for energy derived from biomass, geothermal, hydropower, landfill gas and solid waste
- A one-year extension of the PTC for energy derived from wind
- Tax incentives for coal electricity plants that capture and sequester carbon dioxide.
- Incentives for the production of renewable fuels such as biodiesel and renewable diesel and cellulosic biofuels
- Incentives to encourage energy efficient products, such as plug-in hybrids cars, and incentives for energy conservation in both commercial buildings and residential structures
- Tax credit bonds providing State and local government with funds to make energy conservation investments in public infrastructure and invest in research

## **Farm Bill Veto Override Voted After Blunder**

The Farm Bill and its energy provisions were in limbo Thursday after a Congressional SNAFU led to President Bush vetoing a “bill” that Congress never passed. President Bush followed up on his veto threat on the bill sent to him by the Congress this week, claiming the bill didn’t do enough to control subsidy payments, especially to wealthy farmers. The House, within hours, voted to override that veto (316-108), before it was discovered that Congress had left out a 34 page section of the bill dealing with trade and international food aid programs in sending the bill to the President.

The Senate, with an overwhelming 82 to 13 vote, the Senate completed the override of President Bush's veto of the Farm Bill on Thursday, shrugging off Republican concerns that Democrats had violated the Constitution by pressing forward with the veto override after they discovered the embarrassing omission from the version vetoed Wednesday.

Democratic leaders said they had court precedent and constitutional scholars on their side. But Administration attorneys said they had not found any precedent for what the White House called “a blunder of this magnitude.”

As reported previously by ERG, the final \$300 billion Farm Bill Conference Report includes new incentives for the development of cellulosic biofuels including a new, temporary production tax credit for up to \$1.01 per gallon, available through December 31, 2012, with an estimated cost of \$403 million.

The bill also include loan guarantees to assist the construction of commercial biorefineries for production of advanced biofuels, creates a Biomass Crop Assistance Program to help farmers transition to growing cellulosic energy crops for biorefineries, and it continues funding research and development into making advanced, low-carbon biofuels cost-competitive for consumers.

## **Food vs. Fuel Debate – USDA Officials Weigh In**

Earlier this week, USDA Secretary Ed Schafer was joined by Deputy Secretary Chuck Conner; Joe Glauber, USDA’s chief economist; Tom Dorr under secretary for Rural Development; and Dr. Gale Buchanan, the under secretary for Research, Education and Economics at a press conference to discuss ethanol and made their case for “food and fuel.”

In the ever evolving and highly politically charged world of renewable energy, lines have been drawn between industries such as big oil and the grocery industry, to a wide spread campaign against ethanol, using the food versus fuel to scare consumers and policy makers into backing away from mandates and support of increased ethanol production.

Recently, the Illinois Corn Growers Association made news themselves by publishing on their website an internal memorandum which claimed that the Grocery Manufacturers Association and API, the trade association for the petroleum industry were financing a national public relations campaign of more than \$15 million to further the public perception that it’s one or the other.

USDA seized this opportunity to make the argument that despite a vigorous anti-ethanol marketing campaign on the part of those opposing the industry, USDA’s data shows that ethanol is not the root cause of food price increases and if done

responsibly, the U.S. can produce enough food crops and energy crops.

In recent months, ERG, along with state officials like Agriculture Secretary Dennis Wolff have testified that the US agriculture industry is fully capable of producing enough food and energy crops for the American public, and that the cost of oil is the largest driver in food price increases.

[MORE...](#)

### **Rate Caps on Electricity Need to Expire**

*This opinion piece by former PUC Commissioner Terrance Fitzpatrick first appeared in the Patriot News on May 16 and is reprinted in ERG's Alternative Energy Report with the permission of the author.*

Caps on the prices that utilities can charge customers for electricity – agreed to when the state first allowed customers to shop for electricity over a decade ago – are set to expire in the next few years. Now some lawmakers want to extend the caps. But putting off the move to market prices will only make the inevitable transition more difficult.

It is not surprising that electricity prices will rise when the caps expire. Adjusting the capped prices for inflation since 1997, when the caps took effect, would result in a 40 percent increase. But the costs that drive electricity prices – fuels used to generate electricity and materials used to build infrastructure – have increased much faster than the rate of inflation due to surging worldwide demand led by developing countries such as China and India.

Coal and natural gas costs have increased by 56 percent and 200 percent, respectively, since 2000. The cost of steel has gone up 60 percent in the past six months alone, contributing to a 130 percent increase in the cost of building new power plants since 2000. These higher costs will continue to increase the retail price of electricity in both states that allow electricity competition and those that do not.

For the past decade, customers have saved money due to the caps. But as the California energy debacle of several years ago demonstrated, price controls always lead to other problems. The caps on utility prices have stymied development of retail competition, depriving customers of a choice of suppliers. In fact, meaningful competition has only developed in the few areas of the state where the caps have already expired.

Also, extending the life of the caps will discourage investment in capital-intensive new plants that can provide electricity around the clock. While most plants built years ago are now operating very efficiently because of competition, these plants will not last forever.

Last but not least, artificially low, capped prices are encouraging over-consumption of electricity. This is bad for the economy and the electric grid, because it requires additional, expensive infrastructure to serve this demand. It is also bad for the environment, because more usage means more emissions from power plants. Anyone who believes that climate change is a problem should support ending the price caps.

Despite these drawbacks, some lawmakers in Pennsylvania have proposed legislation to extend the caps. This legislation would be illegal, because states may not bar utilities from recovering federally-regulated wholesale electricity prices. But more important, this move is poor public policy for the reasons stated above.

The transition to market prices after a prolonged period of capped prices will be challenging, but it can be managed by educating customers and giving them options to conserve electricity and phase-in higher prices over a number of years. Delaying the transition will just make it harder, because the forces pushing prices higher show no sign of abating.

– Terrance J. Fitzpatrick, was a member of the Pennsylvania Public Utility Commission and the Pennsylvania Environmental Hearing Board, and now serves as counsel to the Electric Power Generation Association.

### **Rendell To Allow Half Gallon Pricing at Some Gas Stations**

Due to some technical difficulties, Governor Rendell will allow certain gas stations to price gas by the half gallon. Some older, non-digital fuel dispensers cannot compute prices exceeding \$3.99, making it necessary to allow half-gallon pricing until upgrades can be made. Signs advertising fuel prices must still advertise the price for a full gallon of gas or diesel, but the price displayed on the pump will be half the per-gallon price.

Fewer than 500 fuel dispensers are estimated to be affected by half gallon pricing, which is approximately 0.4 percent of gas pumps in Pennsylvania. In 2007, there were more than 108,000 retail fuel dispensers in Pennsylvania.

“Our Bureau of Weights and Measures regularly inspects gas stations to ensure the accuracy of fuel pumps,” said Agriculture Secretary Dennis Wolff. “Consumers can continue to feel confident in the amount of gas they receive when they pay their bill.”

### **House Republicans Introduce Energy Package**

Earlier this week members of the House Republican Caucus, led by Rep. Scott Hutchinson (R-Venango/Butler), minority chairman of the House Environmental Resources and Energy Committee introduced a package a bills that focus on using Pennsylvania resources such as coal and natural gas.

Special Session House Bill 32 would require the Pennsylvania Department of Conservation and Natural Resources (DCNR) to conduct a competitive public auction for the exploration and development of natural gas reserves. This legislation would also require DCNR to allow pipeline and gathering line right-of-way across state lands to ensure that the natural gas developed on adjacent lands can be delivered to the market in a cost-effective manner. Under this bill, half of the state's proceeds from this new drilling will be used to finance weatherization programs so that low-income families and senior citizens.

Special Session House Bill 37 would authorize a \$3 per ton tax credit for coal mined within the Commonwealth. To qualify for the tax credit, the coal must be delivered to coal-fired electric generation units in Pennsylvania that has installed proper pollution equipment to control emissions. This bill only offers tax credits to coal facilities that meet federal and state emissions requirements.

Special Session House Bill 55 would promote the planting of switchgrass and other bioenergy crops on reclaimed coal mine sites. A final piece would provide grant funding for the Fuels for Schools and Beyond Program. This new program would allow schools to convert their traditional heating systems to utilize proven biomass heating technologies.

## **DEP Grants Available to Help Local Governments Reduce Greenhouse Gas Emissions**

To help local governments play a role in combating climate change, the commonwealth is making \$300,000 available through a new grant program for municipalities to reduce greenhouse gas emissions, conserve energy, and lower operating expenses.

Under the Local Government Greenhouse Gas Pilot Grant Program, municipalities or regional partnerships can apply for grants to hire technical service providers who can help establish greenhouse gas emissions inventories and then develop plans to reduce emissions.

Individual municipalities can qualify for up to \$20,000. A regional application, with multiple municipalities, can request greater amounts, but not more than \$20,000 per participating municipality. Grant funding will be awarded on an upfront basis.

Applicants are encouraged, but not required, to provide either a financial match or in-kind contributions. The deadline for submitting applications is Aug. 29.

For more information or to download an application, visit [DEP's web site](#) or contact ERG at [info@pa-erg.com](mailto:info@pa-erg.com)

## **Smart Cars Come to Pa; Hybrids Starting to Add Up**

This week JobCircle.com announced that they have acquired the first officially legal Smart car in Pennsylvania. It is estimated that only 50 to 70 legally converted Smart cars have been sold in the U.S.

The Smart car is the most fuel-efficient gas powered car on the road today, and is the third-most fuel efficient vehicle in the U.S, with hybrid vehicles holding the first two spots. The smart car gets an estimated 40 - 50 miles per gallon, and is powered by a 3-cylinder gas engine. The gas tank holds 8.67 gallons, and the vehicle possesses both an automatic or manual mode of operation. At only 8.2 feet long, and weighing in at just 1,588 pounds.

While Smart cars can be difficult to come across, several major car manufacturers have their own lines of hybrid vehicles. But with so many emerging choices, it can be difficult to gauge which hybrid is a match for your needs and which ones actually make financial sense.

To view a side-by-side analysis of several hybrids on the market, click [here](#).

## **GRANTS**

### **DEP Energy Grants Open**

The following Department of Environmental Protection energy-related grants are now open.

Program Summaries and Deadlines:

- Alternative Fuels Incentive Grant (AFIG). Deadline for submittal of applications is June 15, 2008.
- Energy Harvest. Deadline for submittal of applications is June 13, 2008.
- Pennsylvania Energy Development Authority (PEDA). Deadline for submittal of applications is June 20, 2008.

For more information on these programs, including eligibility requirements, applications, or assistance in developing applications, contact Energy Resources Group at 717-233-8606 or [info@pa-erg.com](mailto:info@pa-erg.com).

### **DOE Offers Up to \$4 Million for Biomass to Biofuel Research**

DOE is offering up to \$4 million for university research into cost-effective, environmentally friendly ways to convert biomass into biofuel. Twelve U.S. universities will be selected for funding, and each of them will contribute a minimum of 20% of the cost share, resulting in about \$4.8 million being invested in these projects. The Funding Opportunity Announcement (FOA) seeks projects that improve the conversion of biomass to advanced biofuels through biochemical, thermochemical, and chemical processes and is focused on lowering production costs and increasing yields and productivity. While the FOA is mainly focused on conventional biomass sources, it also includes the enhanced production of oils from algae. Applications are due on June 2. Click [here](#) for more information.

### **National Clean Diesel Finance Program**

The U.S. Environmental Protection Agency requests proposals for the SmartWay Clean Diesel Finance Program. Through this program, EPA will support the establishment of innovative nationally-focused financial programs to fund diesel emissions reductions. Proposed innovative financing may include, but are not limited to: Issuance of loan guarantees, equity investments that leverage additional funds, revolving loan funds, or issuance of tax exempt or taxable bonds for low cost loan programs. \$3 million expected to be available, up to 4 awards anticipated. Responses due June 9. Click [here](#) for more information.

### **Renewable Energy and Energy Efficiency Grants and Loans**

The U.S. Department of Agriculture requests proposals for Renewable Energy Systems and Energy Efficiency Improvements Grants and Guaranteed Loans. This initiative supports the purchase of renewable energy systems and energy efficiency improvements for agriculture producers and rural small businesses in eligible rural areas. \$15 million expected to be available, 250 awards anticipated. Grant-only proposals due 4/15/08 and 6/16/08. Guaranteed loan applications due 6/16/08. Combination grant-loan packages due 6/16/08. Click [here](#) for more information.

### **DOE Offers \$60 Million for Concentrating Solar Power Research**

DOE announced last week that it will provide up to \$60 million for concentrating solar power (CSP) projects that focus on advanced thermal energy storage or heat transfer fluids. The DOE funding will go toward both new research and development projects and demonstrations of technologies already under development. DOE anticipates that 10 to 25 industries or academic institutions will be selected to receive this funding, which will be distributed over the next 5 years. With a mandatory private industry cost share of 20% for research and development, and a 50% cost share for demonstrations, more than \$75 million could be invested in these projects. Applications are due by July 10. Click [here](#) to view more information.

### **DOE Offers \$7.5 Million for Advanced Water Power Technologies**

DOE announced on Monday that it will make up to \$7.5 million available to U.S. industries and universities to support the research and development of advanced water power systems, including systems that draw on free-flowing water; ocean waves, tides, or currents; and other water-based resources. Technologies that generate power from free-flowing water are often referred to as "hydrokinetic" technologies. Funding is available for industry-led projects involving in-water testing, development, and

deployment of advanced water power technologies. Applications are due on June 16. Click [here](#) for more information.

## EVENTS

[8th Annual Clean Energy Conference](#), May 28 - 29, Camp Hill, PA  
PennFuture's Clean Energy Conference has become a key venue for government officials, public interest organizations and the energy industry to network and learn about the most up-to-date clean energy markets and policies in Pennsylvania.

[Penn State Cellulosic Biofuels Short Course](#), June 8-10, Philadelphia, Pa.  
The Penn State Cellulosic Biofuels Short Course: Feedstock, Conversion, and System Integration, is designed to provide an in-depth technical overview for the rapidly increasing number of professionals that need greater familiarity with the biomass area, or that want to expand knowledge beyond their specialty. The focus will be on the use of lignocellulosic biomass to produce ethanol and other products in next generation biorefineries.

[Energy from Biomass and Waste](#), October 14-16, Pittsburgh, PA.  
Energy from biomass and waste can make a significant contribution to oil-independence and climate protection. The technology opens up new earning potentials and markets for the waste management and power generation industry as well as for the agriculture sector.

## NEWS CLIPS

[PUC finalizes rulemaking process to revise net metering and interconnection regulations re: AEPS](#)

[Windmill lawsuit dominates meeting](#)

[Energy, transportation systems will require fundamental change](#)

[Bike sales increase as fuel costs rise](#)

[Gas prices fuel concerns](#)

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