



## Alternative Energy Report

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### **US Senate Democrats Still Working on Energy Legislation Plans**

Last week, Senate Majority Leader Harry Reid announced that the fate of draft climate legislation by Sens. John Kerry and Joe Lieberman will depend on the outcome of make-or-break meetings – the first of which was held yesterday. Senate Democrats continue to struggle with how to move forward on energy legislation, despite the President's assertion this week that the Gulf oil spill underscores the need to reduce the nation's dependence on fossil fuels.

Yesterday's Senate Democratic caucus heard competing proposals from senators but resulted in no decision on how to move legislation. Another meeting is scheduled for next week, and key Senate leaders will meet Wednesday with Mr. Obama at the White House.

They hope to bring an energy bill to the floor for a vote after the Independence Day break. If the Senate does pass energy legislation this summer, it would set up a conference with the House, which passed its own climate/energy bill last year, and a potential vote after midterm elections. Many Democrats want to avoid a vote before the election that could leave them vulnerable.

The Senate bill will likely include new regulations on the oil industry and higher liability caps, in response to the Gulf of Mexico oil spill, as Republicans have promised to work in a bipartisan effort to address these issues. What remains unknown is how much further leaders can bring the Democratic caucus in terms of climate change, GHG emissions and renewable fuels mandates.

Senators John Kerry and Joe Lieberman explained their cap and trade proposals to the caucus on Thursday, and Sen. Maria Cantwell of Washington outlined her approach to focus on coal mining and oil refining. Sen. Jeff Bingaman of New Mexico also presented his plan for a national renewable energy standard, which requires utilities to produce at least 11 percent of their power from wind, solar, biomass and other renewable energies and another four percent through energy efficiency improvements.

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### **Senate Fails to Pass Employment/Tax Extenders Bill**

The Senate failed tonight to break the impasse over HR 4213, which includes the biodiesel blenders' tax credit through December 31, 2010.

The Senate voted 56 to 40, failing to get cloture on debate, even though Democrats had reduced the cost of the bill to win over Senators worried about deficit spending. Sixty votes were required for the cloture vote. Democrat Ben Nelson of Nebraska and Independent Joe Lieberman of Connecticut joined all the Republicans in voting to continue debate.

Republicans want to fund all the same programs, but insisting on using unspent stimulus funds instead of expanding the deficit to fund them. The Senate earlier in the day had rejected a Republican alternative that would have been paid for by across-the-board spending cuts for non-defense programs and freezing pay for federal workers by a 57-41 vote.

The spending and tax measure has become caught up in the politics of deficit spending, with Republicans and now some Democrats reacting to rising public concerns about adding to federal red ink.

Senate Finance Committee Chairman Max Baucus said everything would be on the table in an effort to try to win support from at least a few Republicans. Republicans have argued that the bill would add billions to an already bloated \$1.4 trillion budget deficit. Democrats have been unwilling to fund the unemployment extension, tax credits and health care fixes in the bill with available stimulus funds.

### **Rendell Warns of Layoffs as Budget Deadline Draws Near**

Already more than half way through the month, Governor Rendell continues to push for the legislature to recognize his \$28.9 billion spending plan, saying any funding figure notably lower than his proposal would lead to "massive layoffs" or a veto, or both.

In a press conference held Wednesday, Rendell detailed the \$1 billion in mandated increases and highlighted the following budget obligations:

- Medical Assistance (FMAP): \$337 million increase state share;
- Pension Costs: \$336 million increase in payments;
- Department of Corrections: \$145 million increase;
- Debt Service: \$109 million payment increase;
- Aging Medical Assistance: \$68 million increase;
- School Employees Social Security: \$22 million increase.

"I have proposed an additional \$600 million in cuts but beyond that \$600 million in cuts given what's mandated here, it is going to be very difficult for there to be further cuts," Rendell said. He requested legislative leaders commit to staying in Harrisburg until a budget is passed when the General Assembly returns on Monday. "No one should go home. The people of Pennsylvania expect that out of us and I think they have every reason to expect that out of us," he said.

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### **House Dems Lack Votes for Tax-Hike, Severance Tax Issues Continue**

For the third time in less than two weeks, House Democrats yesterday failed to get enough support for the proposed new revenue bill. After calling HB 325 up for a floor vote, House Appropriations Chair Dwight Evans, had to request the bill be re-referred to the Appropriations Committee. The bill as written would have added \$281.78 million to the general fund, which is acknowledged to be at least \$1.4 billion in the red.

House and Senate leaders met Wednesday morning and cancelled a meeting sought by the Governor for late Wednesday afternoon. Sam Smith, the House Republican Leader and Jake Corman, Senate Appropriations Chair both said

pulling the bill off the floor after actually debating the tax hikes for an hour is pretty clear proof that the majority of House members don't want to put up these tax votes.

Rendell said during a press conference after the vote that it became clear there was enough disagreement about the component parts that they didn't have the votes at this point anyway, even though the overall will to pass each of the components was there. He said those advocating a "cut-only" approach should put together a list of their proposed cuts, and what the consequences of those cuts would be.

While House Bill 325 has been at least temporarily halted, other bills dealing with severance taxes may be going forward. House Environmental Resources & Energy Committee Chair Bud George is continuing to push his extraction tax bill. House Bill 1418 is set for an off-the-floor meeting later today, and has scheduled HB 1489 for consideration in his committee next Tuesday.

### **Governor Praises IRRC Vote on Drilling Wastewater**

The Independent Regulatory Review Commission (IRRC) approved new rules Thursday to limit total dissolved solids (TDS) in rivers and streams in Pennsylvania to the safe drinking water standard of 500 milligrams per liter. The rules also grandfather existing discharges and allow businesses to use a stream's ability to absorb those discharges while not exceeding drinking water standards.

The regulations now await review from the Environmental Resources and Energy Committees in the State House and Senate.

Governor Rendell yesterday praised the IRRC votes that he said will protect Pennsylvania's streams and drinking water supplies against total dissolved solids pollution from Marcellus Shale drilling wells and other sources from stormwater runoff.

DEP Secretary John Hanger said the volume of wastewater returned to our streams could increase exponentially with expansion of Marcellus Shale drilling. "The only way to protect our water resources is to implement new wastewater treatment standards for the drilling industry," he said.

Hanger noted that drilling wastewater contains very high levels of total dissolved solids – chlorides and sulfides – that must be removed before discharging into surface waters. Hanger said high TDS levels have damaged industrial equipment, caused drinking water companies to issue drinking water advisories and even led to a massive fish kill on Dunkard Creek. Some of Pennsylvania's rivers are near their capacity to absorb and dilute additional levels of TDS.

The proposed regulations will require drillers to treat drilling wastewater to 500 mg/l or to drinking water quality at the discharge pipe if they choose to return drilling wastewater to rivers and streams. Drillers have several options to dispose of wastewater in Pennsylvania, including: reuse or recycling; disposal in deep caverns when permitted by the U.S. Environmental Protection Agency; or full treatment to the 500 mg/l for TDS standard.

The last option will only work if polluted water is properly treated to reduce high TDS levels. Several states, including Texas, Oklahoma, New York, Iowa, Virginia, Arkansas and Tennessee, prohibit returning any drilling wastewater to

streams.

## **Marcellus Shale Continues to Receive Priority Attention**

In addition to severance tax legislation and the new regulations, at least four Marcellus-related Senate bills and at least 17 House bills are pending further action.

The Senate Environmental Resources & Energy committee met this week to discuss public safety and other potential regulations for the industry in response to growth in drilling in the Marcellus Shale field and the recent EOG well blowout in Clearfield County.

Bob Kassoway, director of the House Finance Committee for the Democratic Caucus, said any severance tax bill will likely be passed as part of the 2010-11 state budget, and it's likely that little if any other Marcellus-related legislation will be passed until that happens.

## **AEPS Bill Approved by House Committee**

The House Environmental Resources and Energy Committee last week approved House Bill 2405, the alternative energy portfolio standards bill similar in form to House Bill 80. However, questions remain as to whether the House can get the 102 votes necessary to pass the bill in that chamber.

Patrick Henderson, executive director of the Senate Environmental Resources and Energy Committee said that the House first needs to demonstrate that it can pass the AEPS expansion bill before the Senate would chart a course of action. While there was bipartisan support for the 2004 AEPS law, Sen. White and many other members are concerned that, as the three largest utility areas come out of generation rate caps, the General Assembly is considering expanding a mandate to purchase the most expensive electricity on the market. All costs of this bill are fully recoverable by utilities from ratepayers. Other opposition to the bill comes from elected officials in counties with sizable coal production.

## **House Creates Coal Caucus as Study Underscores Industry Economic Contributions**

Sixty-eight bipartisan members of the state House have joined together to form the Coal Caucus in order to recognize and support the coal industry for its major economic contributions to the Commonwealth. This comes after an economic study was released by the Pennsylvania Economy League of Southwestern Pennsylvania. The study shows that the coal industry annually contributes more than \$7.5 billion and 41,500 jobs to the Commonwealth.

"The League's study underscores how important the coal industry is to the economic vitality of Pennsylvania," said Jeanine Rainone, manager of Families Organized to Represent the Coal Economy (F.O.R.C.E.). "It clearly demonstrates the contribution to jobs, exports, competitive electric rates, taxes and other revenues, which all are especially critical in this period of economic uncertainty."

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## **Senate Confirms PUC Commissioners**

The state Senate this week confirmed James H. Cawley of Mechanicsburg to a second consecutive five-term on the Pennsylvania Public Utility Commission, and confirmed John F. Coleman Jr. of Port Matilda to finish the term of the departed commissioner, Kim Pizzingrilli, which expires in 2012. Cawley is chairman of the panel.

### **Senate Committee to Review Energy Bills**

The Senate Environmental Resources & Energy committee has set a meeting for next week in order to discuss three pieces of energy-related legislation.

- House Bill 786, sponsored by Rep. Bud George, would establish a State Energy Office in DEP.
- House Bill 444, sponsored by Rep. Matt Smith (D-Allegheny), and Senate Bill 728, sponsored by Sen. John Rafferty (R-Chester) would require the design, construction and renovation of state and local government buildings and buildings receiving state funds to comply with specific energy and environmental building standards.

### **USDA Offers Producers Help with On-Farm Energy Audits**

USDA's Natural Resources Conservation Service (NRCS) will be funding opportunities for farmers to assess and ultimately lower their energy costs through the Environmental Quality Incentives Program (EQIP). Producers interested in obtaining energy audits through this EQIP special initiative should apply by Friday, June 18th to be considered for the 2010 funding cycle.

The energy audits will be individually tailored to ensure coverage of each farm's primary energy uses such as milk cooling, irrigation pumping, heating and cooling of livestock production facilities, manure collection and transfer, grain drying, and similar common on-farm activities. An Agricultural Energy Management Plan will be developed to identify what techniques or equipment can be used to reduce energy use and save money. The plan will be designed by a Technical Service Provider (certified by NRCS and placed on an approved list) who will provide technical assistance for specific conservation programs administered by USDA.

Through EQIP, NRCS will pay up to 75 percent of the average cost of an Agricultural Energy Management Plan based on the number of animal units or acres of cropland. Payment rates can be viewed at [www.pa.nrcs.usda.gov/technical/Energy/whats\\_new.html](http://www.pa.nrcs.usda.gov/technical/Energy/whats_new.html).

Producers signing up after June 18th, a free on-line assessment is available at [www.nrcs.usda.gov/technical/energy/index.html](http://www.nrcs.usda.gov/technical/energy/index.html).

### **NEWS CLIPS**

[EPA Analysis Says Senate Climate Bill Would Cost Households Less than 40 Cents a Day](#)

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**Energy Resources Group**

223 State Street | Harrisburg, PA 17101

Phone: 717-233-8606

E-Mail: [info@pa-erg.com](mailto:info@pa-erg.com)