



## Alternative Energy Report

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13

### **Budget, Energy, Infrastructure Top Priorities**

As the state's fiscal year winds to a close, the negotiations over the budget, a state infrastructure package and an energy security package have heated up. House, Senate and Rendell Administration staff have been holding ongoing meetings in an effort to develop a set of legislation that will accomplish each's goals for the commonwealth.

Earlier this week, Governor Rendell suggested an agreement could be reached on the energy package by the end of this week, and that a broad plan for economic stimulus including extension and expansion of the Keystone Opportunity Zone Program along with funding for state infrastructure.

By this morning, it appeared that while much progress is being made on negotiations, a final energy agreement will be pushed back into next week, the final week before the state's constitutional deadline of budget passage on June 30.

Senate Republicans have made rate mitigation a priority in their negotiations on the energy package, to address concerns over the expected rate hikes which will kick in when rate caps begin to expire in 2010. Earlier this week, the Governor said that might have to wait till the fall.

From discussions ERG has held with all sides, a combination of energy funding, conservation legislation, rate mitigation and the PennSecurity Fuels Initiative are all "on the table" in discussions.

On Thursday, Rendell said he also expected the budget package to include a broad economic stimulus plan that provides additional funding for water and sewer projects, bridges, dams, flood mitigation efforts, airports and railroads. And he said the KOZ legislation could be enacted next week. The Governor had proposed a \$260 million per year infrastructure investment program in February, and the Senate had passed its own version of a program including funding for water, sewer and other infrastructure projects in SB 2.

Speaking with capitol news media, Rendell suggested that the end result would be a package that compromises between his original request and the Senate version, but said he thought it would be a "very good, sound package." Staff of both House and Senate have confirmed with ERG for more than a month that the budget package would include infrastructure investment funds.

### **Infrastructure Support Critical to Biofuels Industry**

Sometimes lost amid the debate over mandates and incentives for the biofuels industry is the fact that the state does not have the infrastructure in place to accommodate blending, distribution and sales of these products.

Even with many small biodiesel producers temporarily out of business, the state is producing on a pace for between 45 and 50 million gallons of biodiesel in 2008. But producers like Lake Erie Biofuels, who are manufacturing 125,000 gallons per day,

have been unable to get its product into the mass consumer market in the state because the terminal, storage and blending system is not currently capable of meeting the market needs. Today, product from Lake Erie is being sold in half the state's counties, but on a limited basis – oil trucks for companies wanting to sell biodiesel blends are now driving as much as 350 miles from southeast Pennsylvania to Erie to load up with 6,500 gallons and return to their home region for distribution.

Click [here](#) to view more on ERG's Blog, Power Politics

### **DEP Deputy Secretary for Energy & Technology Development Retires**

Daniel Desmond, DEP's Deputy Secretary and "energy guru" has retired, effective today, after 17 years with the Commonwealth. Desmond is properly credited for helping guide the growth of Pennsylvania's burgeoning renewable energy industry.

Today DEP announced Desmond's replacement, Dan Griffiths, who had previously served as director of DEP's Bureau of Energy, Innovations and Technology Development. Click [here](#) to view a copy of the announcement.

ERG adds its best wishes to Dan, a man who has for 25 years been in the forefront of Pennsylvania efforts to promote, develop and commercialize alternative and renewable energy and technology. Desmond has been a combination of administrator, researcher, program manager, developer, consultant and visionary in his roles with state government, and his knowledge base and counsel will be missed.

Desmond joined the Pennsylvania Energy Office in 1983 and served as its executive director until its merger with DEP in 1995. From April 1995 until his appointment as deputy secretary in May 2003, he chaired the Pennsylvania Energy Resources Center, an advocacy and public education project involved in renewable energy in the aftermath of utility deregulation. He was also president of Sustainable Systems Research, a Lancaster-based firm specializing in the development of environmentally beneficial technology.

"Dan Desmond has been a visionary when it comes to developing a cleaner, greener, more sustainable Pennsylvania," said DEP Secretary Katherine McGinty. "He has a passion for energy issues and his breadth of knowledge on the subject, which is apparent if you've spent any length of time with him, has been incredibly valuable.

"Dan has been an extraordinary public servant, an exceptional leader in making clean technology a reality instead of a pipedream, and more importantly, he has been a cherished friend. All of us at DEP will miss him dearly."

McGinty credited Desmond with playing a leading role in crafting Pennsylvania's ambitious Alternative Energy Portfolio Standard Act, which requires that at least 18 percent of all retail electricity sold in the state by 2021 be derived from advanced energy sources. Desmond's work was also integral to establishing the Energy Harvest program and expanding the Alternative Fuel Incentive Grant program in DEP.

### **Senate Advances Scaled-Back Budget**

The State Senate sent a scaled-back budget bill to the House of Representatives on a party-line vote. The Senate GOP-crafted \$27.9 billion plan would increase spending in 2008-09 by more than \$749 million, or 2.8 percent. The Governor's proposal would spend \$28.3 billion, \$1.1 billion more than the current fiscal year, a 4.2 percent increase. The House is slated to take up the budget in the coming week.

House Appropriations Committee Chairman Dwight Evans, D-Philadelphia, amended a House budget bill last week in committee, restoring millions of dollars in legislative-favored spending cut by the governor and upping total spending by \$147.6 million over what Rendell proposed.

Evans' amendment would put spending at \$28.5 billion, a 4.8 percent increase from the current fiscal year. That plan could be amended and debated by the full House next week.

Senate Majority Leader Dominic Pileggi (R, Delaware) said of the Senate plan, "These changes are necessary in large part because we have a disappearing projected surplus in this current 2007-2008 fiscal year and declining revenues for the next fiscal year."

Rendell said the end-of-year surplus would likely come in around \$300 million, although he later said it could be anywhere between \$200 million and \$350 million. All agree it will be less than the \$400 million surplus the administration projected in February to start the new fiscal year. May figures should be available this week and may dictate terms of the new budget.

Pileggi said the Senate GOP budget bill added \$41.5 million in program funding not included by the governor, while cutting elsewhere in the budget by \$457 million. The largest chunk of the increases in program funding, \$33.4 million, would go toward a 1-percent cost-of-living boost for MH-MR and childcare providers.

### **State Energy Grant Programs Window Closed**

Today marks the close of this year's energy-oriented grant programs through the state Department of Environmental Protection. The Alternative Fuels Incentive Grant (AFIG), Pennsylvania Energy Development Authority (PEDA) and Energy Harvest grant programs are now closed, and funding decisions are expected to be made this fall.

### **New Energy Special Session Bills Introduced**

Two new Special Session bills were introduced this week:

- Rep. Eugene DePasquale (D-York) introduced Special Session House Bill 62, which would amend the state's Alternative Energy Portfolio Standards by accepting advanced coal gasification as a Tier 2 resource, and creating a Carbon Dioxide Sequestration Program. The potentials for carbon sequestration in Pennsylvania was discussed at length this week during a House Environmental Resources & Energy Committee meeting where DCNR presented findings that carbon could be properly stored below ground in rock formations in the state, as well as used in the oil recovery process to spur the state's oil industry.
- Rep. Kathy Rapp (R-Warren) introduced Special Session House Bill 63, which would create the Fuels for School and Beyond program under DEP to help schools purchase biomass heating systems, by paying for 50 percent of the cost of a system up to \$300,000.

### **FEDERAL NEWS**

#### **Congress Overrides Second Farm Bill Veto**

On Wednesday, Congress passed the \$300 billion Farm Bill a second time, overriding a

presidential veto, after a clerical error in the first bill threatened delivery of U.S. food aid abroad.

By an 80-14 vote in the Senate and a 317-109 vote in the House, Congress overrode President Bush's second veto of the bill. Most of the bill was enacted in May, when both the House and Senate overrode the President's first veto. But through a clerical error, 34 pages of the bill extending foreign aid programs were missing from the parchment copy Congress sent to the White House, so that section did not become law.

To prevent future legal challenges and ensure the food aid programs would continue, Congress and the President again passed, vetoed and had an override vote to enact the entire bill. The mistake delayed shipments of food to Ethiopia, Myanmar and Somalia, according to the U.S. Agency for International Development.

Bush still contends the legislation is too expensive and too generous with subsidies for farmers. "For a year and a half, I have consistently asked that the Congress pass a good farm bill that I can sign," Bush said after he vetoed the bill for the second time. "Regrettably, the Congress has failed to do so. At a time of high food prices and record farm income, this bill lacks program reform and fiscal discipline."

As reported previously by ERG, the Farm Bill includes new incentives for the development of cellulosic biofuels including a 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 includes 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.

## **GRANTS**

### **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.

## **EVENTS**

[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**

[Big win for biodiesel: ASTM approves new biodiesel blend specifications](#)



[McCain Urges End To Ban On Offshore Drilling](#)

[Obama criticizes McCain on offshore drilling](#)

[‘Dump the Pump Day’, Promotes Alternate Transportation, Hybrid Investment](#)

[Rendell Announces PUC Nominees](#)

[Senate Committee Explores Electronic Waste Recycling](#)

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