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Power Politics

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FEDERAL ENERGY LEGISLATION: US House Set to Vote on Climate Bill

*Cap-and-Trade
Legislation Advances
Despite Resistance*

Democratic leaders in the House have scheduled a Friday vote on a climate change bill that would establish a complex cap-and-trade system to limit the nation's greenhouse gas emissions.

The House Rules Committee unveiled 1,201 page bill on Wednesday. It features new items such as \$7.5 billion in "green bonds" for a new federal financing agency called the Clean Energy Deployment Administration, extra emission allowances for the nation's rural electric cooperatives, greater flexibility for states for mass transit, and new provisions that benefit a wide range of companies, including major petroleum refiners.

House Republicans have attacked what they call "cap and tax" legislation, saying it would sharply raise energy costs for American consumers and ship jobs overseas. The National Republican Congressional Committee tried to tap opposition in a fundraising letter that called cap-and-trade legislation "nothing more than a tax which starts accruing the moment you flip on your light switch." But The Environmental Protection Agency said that energy efficiency measures prompted by the legislation would lower consumer spending on utility bills by roughly 7 percent in 2020.

House Democratic leaders, struggling to cement support for the legislation, made several concessions to Blue Dog Democrats and rural Congressmen. House Agriculture Committee Chairman Collin C. Peterson (D-Minn.), wanted changes in provisions for agricultural offsets, credits farmers could receive for tilling and conservation practices that keep carbon dioxide stored in the soil. Peterson wanted authority for evaluating offset proposals moved from the EPA to the Agriculture Department.

Peterson and House Energy and Commerce Committee Chairman Henry A. Waxman said that they had reached a deal putting the Agriculture Department in charge of running the offset program.

Peterson said that not all of his Democratic members on his panel would vote for the bill, "but the majority will."

The compromise uses the definition of renewable biomass included in the 2008 Farm Bill language for private lands. Major points of the agreement include:

- making USDA responsible for managing the agricultural offset program;
- explicitly identifying agriculture and forestry as sectors that would not be subject to the cap;
- providing protection for "early actors";
- incorporating a list of practices that will be eligible for inclusion in the offset program;
- harmonizing the definition of renewable biomass with the definition negotiated under the 2008 Farm Bill for private lands;
- delaying for five years the requirement that EPA consider indirect land use impacts when calculating the greenhouse gas emissions of biofuels;

- exempting from the greenhouse gas reduction requirements in the statute those biodiesel facilities built before the 2007 Energy Bill was implemented; and
- regulating the trading of derivatives for emission allowances, offset credits and renewable electricity credits through the Commodity Futures trading Commission.

Under the deal, the Environmental Protection Agency is prohibited from using the indirect land use change formula for biofuels for 5 years, while research is conducted to determine the validity of the theory. After five years, the Secretaries of Agriculture and Energy and the EPA Administrator must jointly decide to accept or reject the findings. Congress will then have one year following that decision to act, if it chooses to do so.

[MORE...](#)

STATE UPDATES:

Governor Calls for Income Tax Hike; Rhetoric Still Tops Negotiations

" I wish I could say that we are going to have a budget on time, but I kind of doubt that at this point. "
of the House Keith McCall, at this month Press Club Luncheon.

" – Speaker

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"In my 27 years, this is the worst that I have ever seen a budget," said McCall during the Press Club luncheon while recalling one of the first budgets he was a part of as a House member in 1983. The proposed Personal Income Tax (PIT) increase was only two-tenths of a percent at that time. "I remember how tenuous it was then," he said. "I was a freshman member, and ultimately at the end of the day did not vote for that Personal Income Tax increase."

Despite being a no vote in the '80s, McCall said he favors a 0.5% three year PIT increase proposed by Governor Rendell, in part because senior citizens and almost a million households total are exempt from paying taxes on personal income. McCall's fear is that passing on cuts balancing the deficit will harm people more in the way of increased property taxes.

Earlier this week, following a closed-door joint caucus, Governor Rendell and House and Senate Democratic leaders held a press conference to rally behind the Governor's call for a PIT increase to balance the budget. The Governor noted that, even with the 0.5% increase, PA would have the third lowest PIT in the country. Yet many House Democrats publicly and privately have said they cannot support a PIT increase, facing re-election campaigns in 2010.

While the Governor maintains that a tax increase is necessary even to balance the Senate passed SB 850, Republicans have remained solid as a caucus in opposing tax increases to balance the budget. During an interview on PCN this week, Lt. Governor Joe Scarnati said Rendell's tax proposal and threats of government service shutdowns are "scare tactics" that "up the hype, like a nuclear doomsday is going to happen. " Scarnati emphasized that Republicans in the House and Senate still believe that "we are able to balance this budget with funding sources that we have."

House Republican Leader Sam Smith (R, Jefferson) also disagreed with Rendell's assertion that the budget cannot be balanced without new funding sources, saying the core difference is over how much money the state actually has to spend.

"If you think that we can afford to spend 29 or 30 billion dollars, then you're in the governor's camp," he said. "If you think that we should be spending something less than 28 billion, this current year's budget, in line with our current revenue picture, then you've got to figure out how to trim some things out of the budget and cut the spending back."

AEPS Bill Moving with Several Amendments

The House is preparing to vote on a series of at least 30 amendments to HB 80, sponsored by Rep. Greg Vitali (D, Delaware) next week. The bill amends the Alternative Energy Portfolio Standards (AEPS) Act of 2004 by doubling the percentage of power required to be produced by renewable sources such as wind and solar, to 20 percent by 2026 from the current standard of 8 percent by 2021.

The bill would also require electric distribution companies to get at least 3 percent of their electricity from coal-fired plants that capture and sequester carbon by 2015. A companion bill was also introduced in the State Senate. According to PennFuture, passage of HB 80 would result in doubling the amount of wind power produced in Pennsylvania, reduce carbon dioxide emissions by more than 16 million tons a year, increase the amount of solar power by a factor of six, and lead to the development of 10,000 megawatts of new renewable energy generation.

Amendments filed to date on the bill include proposals to add nuclear uprates into Tier I, changes to the carbon sequestration provisions, increases in solar thermal requirements for Tier I, tax credits for alternative energy produced on brownfields, and expanding use of municipal solid waste and residual waste for electricity production in Tier II.

ENERGY BILLS ON THE MOVE

House Passes Clean & Green Amendments to Encourage Wind Power Development

The State House of Representatives this week unanimously approved HB 984, sponsored by Rep. David Kessler (D, Berks), designed to help farmers forestland owners, while encouraging development of the wind power industry in Pennsylvania.

The legislation modifies the state's Clean and Green Act, and would prevent rollback taxes from being applied to entire farm, forest or open space tracts when the owners are leasing only a portion of the enrolled land for wind energy generation. Under the bill, rollback taxes would apply only to the portion of land leased for the wind power generation system, and the remainder of the tract would remain eligible for preferential assessment. Without this change, farmers would be deterred from participating in alternative energy projects. In some areas of the state, counties had begun to enforce rollback taxes on clean and green properties when the landowner leased a portion of the enrolled land for wind energy development purposes.

The Clean and Green Act provides lower tax assessments on land that is used only for agricultural use or is preserved as open space or forestland. Under current law, a landowner who converts any portion of land enrolled in Clean and Green to some other use must pay rollback taxes on the entire tract of land. Windpower generation may take up only a small portion of a large tract. Kessler's bill would allow properties enrolled in the Clean and Green program to be leased for wind power generation systems, provided the leased land is accessible and not sold or subdivided.

Natural Gas Extraction Tax Bill Passes House Environmental Committee

This week the House Environmental Committee met to consider HB 1489, sponsored by the Committee's Chairman Camille George (D-Clearfield), which institutes a tax on natural gas extractions. The bill was reported with an amendment that, among other items, exempts wells producing less than 60,000 cubic feet and divvies up the revenue among local governments and environmental funds.

The bill requires a driller to apply for a severance tax registration certificate, requires wellhead meters and establishes a reporting period defined as "a calendar month in which natural gas is severed." The tax imposed would be 5% of the gross value of units severed at the wellhead during a reporting period, plus 4.7 cents per unit severed.

Ultimately the bill pass out of committee with a vote of 15 to 11 with all Democrats, except Rep.

Wansacz, voting for the amended bill, and all of the Republicans, except Rep. Ross, voting against the amended bill. Several Republicans raised concern that the new tax will hurt the fledgling industry, particularly given the current economic situation. The bill is now before the House Rules Committee.

House Passes Energy Exploration Bill

The House unanimously passed House Bill 1394, sponsored by Rep. Tom Houghton (D-Chester), that would promote energy exploration and development through Pennsylvania's Clean and Green land preservation program.

House Bill 1394 would permit landowners enrolled in Clean and Green to allow energy exploration and extraction of oil and gas on their lands with a smaller tax rollback penalty. The legislation would also allow the development of related facilities and construction of wind and solar power generation systems. The bill would also restrict rollback taxes only to the portion of land where energy exploration and development takes place rather than applying rollback taxes to the entire tract of land.

State Energy Office Bill Passes House by Slim Margin

By a vote of 111-83, House Bill 786 passed the House this week. The bill, sponsored by Rep. Camille George (D-Clearfield), would create a State Energy Office that would oversee energy matters affecting the Commonwealth.

Under House Bill 786, the secretary of the state Department of Environmental Protection would appoint an executive director of the State Energy Office while the governor would appoint an advisory council representing business and transportation interests and the public.

Biofuels Bill Unanimously Passes Senate

Senate Bill 901, authored by Senator Joe Scarnati (R-Jefferson) unanimously passed the Senate this week. The bill amends the Biofuel Development and In-State Production Incentive Act by providing a one-year extension for compliance for small Pennsylvania refiners who produce diesel fuel from 100% Pennsylvania grade crude oil.

Quigley Nomination as DCNR Secretary Moved to a Senate Vote

More than an hour of often-heated questions over department operations, state parks and carbon sequestration preceded a unanimous vote by the Senate Environmental Resources and Energy Committee to send Department of Conservation and Natural Resources Acting Secretary John Quigley's nomination to the Senate floor on Thursday.

DCNR has stated that the Senate-passed budget (SB 850) would force closing of 35-40 state parks, and might result in cutbacks or closings at another 50 parks. Senators questioned the veracity of these pronouncements, and Sen. Scarnati bluntly said "The governor cut the budget for DCNR in his own budget 4.5 percent, we cut it a little bit more," Scarnati continued. "When we cut it more, all of a sudden nuclear winter was going to come, services are being cut. ... In your budget, there has to be room to keep our state parks open, there has to be the ability to move dollars around."

The committee members also questioned Quigley about DCNR's carbon capture sequestration program. Quigley said the technology - which aims to capture, purify and store carbon dioxide - could reduce GHG emissions and create thousands of jobs.

Sen. Don White, R-Indiana, noted that he is skeptical of the program, and raised the issue of location, asking why he was not informed that the program might be set up in his district.

Quigley told White that because the program is in its earliest planning, much of the work done to date has been securing geological information from various regions around the state, and that no

final decision had been made on location. Quigley said a risk assessment report on the proposal will be completed by November 1, and that cost estimates on setting up a program could be available by the end of the summer.

The acting secretary's confirmation will now go to the full Senate for a vote.

25x'25 to Host Agriculture Tour with German Farmers

Pennsylvania's 25x'25 Alliance, in cooperation with the Environmental Defense Fund (EDF) and the Ecological Institute, is hosting an exchange in July with a group of farm leaders from Germany. The exchange is designed to develop relations between the U.S. and German agricultural communities with a focus on the link between agriculture, forestry and climate change policy.

During the three days the exchange group is in Pennsylvania, they will tour Lake Erie Biofuels, Ernst Conservation Seeds, the Bowman Tree Farm, and Mason Dixon Farms' methane digester operation. They will also receive presentations on prospective Pennsylvania cellulosic ethanol production, use of cheese byproducts to develop energy, and other issues relating to agriculture and forestry's role in a carbon based economy.

As part of the three day event, Pennsylvania's 25 by '25 alliance will host a discussion forum beginning at 8 a.m. July 9 in the Hilton Hotel and Towers in Harrisburg. Limited public participation is available for this discussion. The agenda for the session includes:

A review of PA Climate Change Initiatives; review of the Chesapeake Bay Biofuels Initiative; Presentation of the 25 x '215 Report: Ag and Forestry in a Reduced Carbon Economy; Carbon Trading Opportunities for Pennsylvania Agriculture; and a Report on Penn State's Institute of Energy and the Environment Work in Renewable Fuels.

Limited seating is available to the public for the July 9 sessions. If you are interested in attending or for more information on the program, topics or 25 x '25, please contact Melissa Britcher at Melissa@pa-erg.com or by calling 717-233-8606.

GRANTS

FEDERAL RECOVERY ACT ANNOUNCEMENTS

This month DOE announced several new energy programs to receive funding from the American Recover and Reinvestment Act as well as DOE appropriations. Eligible projects include carbon capture, solar energy, high efficiency vehicles, and energy efficiency for the economy.

Click [here](#) to see a full list of new ARRA grant programs.

DOE Issues Grant Solicitation for Wind Energy Consortia between Universities and Industry

DOE has issued a funding opportunity, "Recovery Act: Wind Energy Consortia between Institutions of Higher Learning and Industry."

This \$24 million program initiative will fund consortia between institutions of higher learning and industry that will perform focused research on critical wind energy challenges. DOE intends to award 2-3 grants, with the maximum award range of \$8-12 million. Applicants must provide at least a 10% cost share of total project costs including at least 20% for R&D.

Applicants need to address two complementary areas: Partnerships for Wind Research and Turbine Reliability and Wind Energy Research & Development. Letters of intent are due by June 16 and FOA applications are due by July 30. Click [here](#) for additional information.

USDA Renewable Energy Systems and Energy Efficiency Improvement Grants

USDA Rural Development Energy Programs has applications available for Renewable Energy

Systems and Energy Efficiency Improvements Grants and Guaranteed Loans and Renewable Energy Feasibility Studies Grants under the Rural Energy for America Program.

This notice announces that Rural Business-Cooperative Service is accepting applications for fiscal year (FY) 2009 to purchase renewable energy systems and make energy efficiency improvements and to conduct feasibility studies for renewable energy systems for agriculture producers and rural small businesses in eligible rural areas.

The deadline for applications is July 31. Click [here](#) for more information.

DEP Now Accepting Applications for Solar Photovoltaic, Hot Water System Rebates

DEP is now accepting applications for the PA Sunshine Program which will provide \$100 million in rebates to homeowners and small businesses installing solar photovoltaic and hot water systems.

Rebates are available for state residents and small businesses. For specific guidelines and eligibility requirements, visit [DEPs' website](#) or contact Rebecca Campbell, Office of Energy and Technology Deployment at 717-772-8911 or send email to: pasunshine@state.pa.us before submitting an application.

DEP to Accept Applications for New Energy Use Reduction Grant Program

DEP is now accepting comments on a new grant program made possible through the American Recovery and Reinvestment Act to help local governments and non-profit entities make shovel-ready, energy efficient or conservation projects a reality.

Following the review of public comments and recommendations, the department anticipates accepting new applications for the program beginning June 15. Click [here](#) to learn more.

Keystone HELP Energy Conservation Program Expanded

The state has unveiled an expanded \$17 million Keystone HELP energy conservation loan and Energy Star rebate program. The deadline to apply is June 30. For more information, visit the [Keystone HELP website](#).

EVENTS

[Energy Program Management: Procuring and Working with an Energy Service Company \(ESCO\)](#),

June 24, Bucknell University, Lewisburg, PA

Who should attend? Financial and facility managers of manufacturing firms, schools, local governments, municipal authorities, hospitals and consulting engineers.

To view the flyer and full description for this event, click [here](#).

[Best Practices in Greening Manufacturing](#), June 30, Lewisburg

Brian Dworkin will describe the economic incentive to greening manufacturing, conserving energy and preventing the creation of pollution. Mr. Dworkin will provide details of his cost-saving activities. A panel of representatives from local manufacturers will also discuss their cost-saving strategies. At least one of these projects has saved over \$2 million dollars.

Each attendee will receive assistance in considering cost-reducing greening practices most appropriate and feasible for their company during an hour long brainstorming session concluding the event. To learn more or register, click [here](#).

[ARIPPA's 19th Annual Technical Symposium](#), August 25-27, Hershey

ARIPPA is a not-for-profit trade association comprising fourteen independent power producers in Pennsylvania that generate approximately 1400 megawatts of electricity by using environmentally-friendly Circulating Fluidized Bed (CFB) boiler technology to burn coal mining refuse. They will be hosting their 19th Annual Technical Symposium. Click [here](#) to view a list of presenters.

[World Green Energy Symposium and Exposition](#), September 13-15, Wilkes-Barre

The 2009 World Green Energy Symposium will showcase new, alternative, sustainable and

innovative product development and green energy opportunities for businesses and the consumer at large. The Symposium's focus will include current policy information, new policy ideas and world policy views. It will focus on green technology options available and already succeeding as well as opportunities for networking, learning, exchanging, exhibiting and investing in the future of the new energy and green technology.

[Pennsylvania Renewable Energy Festival](#), Sept. 18-20, Kempton

Annual three-day September festival for renewable energy, green building, sustainable agriculture.

NEWS CLIPS

[U.S. gives go-ahead for offshore towers to study wind](#)

[Global Climate Change Report issued by White House](#)

[US increases investment in GHG mitigation](#)

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