



## Alternative Energy Report

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### **Income Tax Hike "Clearly Dead," Smith Says**

Governor Rendell and Democratic leaders have been urging passage of a temporary personal income tax hike to cover most of the \$1.7 billion needed balance SB 850, passed by the Senate earlier this spring. But this week, dozens of House Democrats joined the virtually unanimous Republican opposition to a general income tax increase.

On Thursday, after several tense days of caucus discussions and negotiations among legislative leadership, House Democratic leaders said they will bring SB 850, which they have been attacking for weeks, to a vote. Speaker Keith McCall said passage of the bill would force a supplemental budget later this year, "when people finally realize how draconian and bad that budget is." House Appropriations Chairman Dwight Evans said cuts will come to the bill, either in the House or via line item vetoes by the Governor.

Thursday evening, House Republican Leader Sam Smith backed by the GOP House membership said, "the PIT (personal income tax) increase is clearly dead." But no agreements have been reached on how to proceed from here.

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### **AEPS Bill Charting Rocky Course**

The state House of Representatives this week amended, re-referred, amended and then moved HB 80 back onto the calendar, in a series of actions that left many Harrisburg veterans scratching their heads in bewilderment at the next turn in the bill's path through the House.

The bill, sponsored by Rep. Greg Vitali (D, Delaware) would require doubling the percentage of power 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 three percent of their electricity from coal-fired plants that capture and sequester carbon by 2015.

Opposition to the bill has come from the utility industry, the coal industry, state business AND labor organizations, who fear that, on top of federal standards now being considered, a mandate for more than doubling the Tier I share of electric generation would drive up consumer prices for electricity, increase the costs of business and manufacturing in the state, and force layoffs in traditional Pennsylvania industries.

Supporters, include PennFuture, PennEnvironment, and other environmental and renewable energy organizations, and some labor unions. DEP Secretary John Hanger, said, "The idea that alternative energy portfolio standards could put Pennsylvania at a competitive disadvantage could not be more wrong. Pennsylvania exports about 30 percent of its generation and has continued to do so since the passage of the law in 2004. "

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**25 x '25 Forum Highlights Farms, Forestry and Energy**

Pennsylvania's 25 x '25 Alliance hosted a public policy forum this week to focus attention on the role of agriculture and forestry in a reduced carbon economy. State agriculture and agribusiness leaders, joined by scientists, environmentalists, government officials and a delegation of German agriculturalists, took part in the four hour session at the Hilton Hotel and Towers in Harrisburg.

"Pennsylvania Agriculture Solutions from the Land," took the next collaborative step in promoting renewable energy policy that can boost the state's economy, contribute to the nation's energy security and improve our soil, air and water.

John Nikoloff, ERG Partner and Pennsylvania Alliance Chairman, said "Pennsylvania's farms and forests can play a much larger role in providing renewable energy, increasing income, generating energy and improving our national security."

He said that emerging technology in the rural sector can produce biomass and turn plant residues, processing byproducts and animal wastes into value-added energy feedstocks and products; generate electricity through wind, solar, biogas and waste to energy projects; and dramatically increase the production of liquid transportation fuels."

Forum speakers included John Hanger, Secretary of the Pa. Department of Environmental Protection and John Quigley, Acting Secretary of the Pa. Department of Conservation and Natural Resources who addressed state initiatives in promoting alternative energy sources and carbon sequestration. Ann Swanson, Executive Director of the Chesapeake Bay Commission addressed research and programs to promote a sustainable biofuels economy in the region.

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### **Biodiesel Mandate News**

The net effect is that, while the state's biodiesel producers have met the trigger point for biodiesel production and mandated B2 blend standards, the implementation date will be pushed back from an expected January 1, 2010 implementation.

Prior to the B2 mandate taking effect, the regulations governing the sampling, testing, blending and distribution of the two percent biodiesel blends across the Commonwealth would have to be approved. Rendell Administration sources have advised ERG and other stakeholders that the lack of enforcement provisions in Act 78 are a concern, and that a legislative remedy will be offered for this issue before regulations are promulgated in the Independent Regulatory Review Commission process.

And after months of research and three statewide hearings, the Pennsylvania Department of Agriculture has delayed certifying that infrastructure is in place to fulfill the requirements of the biodiesel mandate expected under Act 78 of 2008.

In a notice distributed July 2, John Dillabaugh, Director of the Bureau of Ride and Measurement Standards, said "In terms of timing, Act 78 simply requires that the Department's Infrastructure report be issued at least six months prior to any volume standard's effective date. If in fact, sufficient infrastructure is determined to exist within the Commonwealth, we certainly intend to honor that timetable set forth in the statute.

On a related issue, Senate Bill 901, authored by Senator Joe Scarnati (R-Jefferson) was referred to the House Agriculture and Rural Affairs Committee. The bill as passed unanimously by the Senate, would provide a one-year extension for compliance for small Pennsylvania refiners who produce diesel fuel from 100% Pennsylvania grade crude oil. ERG has learned that the bill is being held in the Ag Committee with the expectation that amendments may be offered to clear up the Department of Agriculture's enforcement powers under Act 78.

## **Kinder Morgan Makes First Commercial Shipment of Biodiesel Blend Through Pipeline**

Kinder Morgan Energy Partners LP this week became the first U.S. company to make a commercial shipment of a biodiesel blend through a pipeline. The company said it will move the fuel to and from southern states along the Plantation duct.

Kinder Morgan sent a 15,000-barrel batch of B5 -- fuel that was 5 percent biodiesel and 95 percent diesel -- from Collins, Mississippi, to Athens, Georgia, and Roanoke, Virginia. The product passed quality tests.

Demand for the fuel has risen as federal mandates call for increasing levels of biofuels like biodiesel to be blended into petroleum fuels over time.

## **Quigley Nomination as DCNR Secretary Withdrawn and Resubmitted**

After a contentious confirmation hearing and appearance before the Senate Republican caucus, and facing threats of voting down the nomination, John Quigley's nomination for Secretary of the Department of Conservation and Natural Resources was recalled by the Governor and resubmitted by the Governor this week. Executive Nominations in the Senate must be acted on within 25 legislative days, and the Quigley nomination had reached that point.

Quigley, Acting Secretary since March, 2009, previously was chief of staff, Director of Legislation and Strategic Initiatives, and Director of Operations at the Department. He had previously served eight years as Mayor of Hazleton, and as Government Relations Manager for PennFuture.

## **DEP Climate Change Committee Releases Assessment Report**

This week, the Department of Environmental Protection released a report identifying impacts of climate change. According to DEP, the report presents an assessment of how climate change could potentially affect such things as human health, wildlife, recreation, agriculture, tourism and the economy in Pennsylvania for the rest of the 21st Century.

The report, "Pennsylvania Climate Impact Assessment," was required by Act 70 of 2008 and compiled for DEP by Penn State University's Environment and Natural Resources Institute is based on readily available data, scientific literature and quantitative analyses.

DEP Secretary John Hanger said the report states temperatures and precipitation are likely to increase in the decades to come. Those conditions could lead to longer growing seasons, which could increase the yield of crops like corn and soybeans. But those same conditions could also lead to a decrease in the yield of cool-temperature adapted fruits and vegetables like apples and potatoes.

Act 70 established the Climate Change Advisory Committee which is developing a climate change action plan that will include an inventory and forecast of greenhouse gas emissions in Pennsylvania and develop a series of strategies to reduce those emissions.

Click [here](#) to download and view a copy of the report.

## **House Narrowly Passes Climate Bill, Industry Reacts**

The House narrowly passed landmark climate change legislation (H.R. 2454) with a 219-212 vote. The cap-and-trade bill, called the American Clean Energy and Security Act, which mandates reductions in carbon dioxide emissions and sets a national standard for renewable electricity, now heads to the Senate, where its prospects are uncertain.

One potential problem is a provision that would impose tariffs on goods imported from countries that don't match U.S. carbon-dioxide restrictions, which some say could provoke a trade war with

China and India, reports the Wall Street Journal Online.

Some opponents to the bill have said that they believe putting caps on carbon dioxide will raise energy prices and force more manufacturing to China and other nations that do not limit greenhouse gases while doing little to limit global warming.

The cap-and-trade bill creates a market for trading pollution permits as a way to curb the emissions, and calls for the U.S. to reduce its greenhouse gas emissions by 17 percent from 2005 levels by 2020.

In addition, the bill mandates that 15 percent of the nation's electricity come from renewable sources such as wind and solar power by 2020, potentially expanding the market and profit potential for companies in those sectors.

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### **DEP Names Acting Deputies, Regional Director**

Department of Environmental Protection Secretary John Hanger made several appointments to fill vacancies due to retiring employees:

- Barbara Sexton will serve as Acting Executive Deputy, replacing Joe Powers;
- Ken Reisinger will serve as Acting Deputy Secretary for Waste, Air and Radiation Management, replacing Tom Fidler; and
- Ron Schwartz will serve as Acting Director for the Southwest Regional Office, replacing Ken Bowman.

These individuals will serve in these positions on an interim basis until decisions are made on permanent replacements.

### **GRANTS**

#### **Treasury, Energy Departments: More than \$3 Billion in Grants Available in Lieu of Tax Credits for Renewable Energy Projects**

The U.S. Department of the Treasury and the U.S. Department of Energy have announced that an estimated \$3 billion is available for the development of renewable energy projects around the country. On Thursday, Treasury made available the guidance businesses will need to submit a successful application. The program will provide direct payments in lieu of tax credits to support of an estimated 5,000 biomass, solar, wind, and other types of renewable energy production facilities.

"The renewable energy program will provide additional stimulus to economies in urban and rural America by helping to develop domestic sources of clean energy, said Treasury Secretary Tim Geithner. This will enable large companies and small businesses to invest in our long-term energy needs, protect our environment, and revitalize our nation's economy."

The Recovery Act authorized Treasury to make direct payments to companies that create and place in service renewable energy facilities beginning January 1, 2009. Previously, these companies could file for a tax credit to cover a portion of the renewable energy project's cost; under the new program, applicants would agree to forgo tax credits down the line in favor of an immediate reimbursement of a portion of the property expense. This direct payment program allows for an immediate stimulus in local economies.

In 2006, approximately \$550 million in tax credits were provided to 450 businesses. The rate of new renewable energy installations has fallen since the economic and financial downturns began, as projects had a harder time obtaining financing. The departments of treasury and energy

expect a fast acceleration of businesses applying for the energy funds in lieu of the tax credit.

To expedite implementation of the program, Treasury and Energy are making available the terms and conditions, guidance, and a sample application on the Treasury Department Web site, so that companies can prepare successful applications in advance of the launch of the Web-based application in the coming weeks.

### **DOE Announces Solicitation for RD&D on Combined Heat and Power System**

The U.S. Department of Energy (DOE) has announced the issuance of a Funding Opportunity Announcement (FOA) for up to \$40 million in research, development and demonstration of combined heat and power (CHP) systems, based on annual appropriations. Advancing CHP as an efficient energy solution supports the Obama Administration's strategy of revitalizing the American economy, enhancing the nation's energy security, and combating climate change. Click [here](#) for more information.

### **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](mailto:pasunshine@state.pa.us) before submitting an application.

## **EVENTS**

[BioEnergy Bridge](#), Inaugural Meeting, July 15-16, State College

The BioEnergy Bridge is a university-industry-public partnership designed to address the critical need for integrated research and technology in the area of biomass fuels and power research. Our goal is to address the full spectrum of challenges to our national priority of reducing

dependence on foreign oil as well as decreasing environmental impact of fossil fuels. For more information, contact Bob Wallace at [rtw103@psu.edu](mailto:rtw103@psu.edu) or visit [BioEnergy Bridge](#) online.

[Geothermal and Solar Heating](#), July 16, State College

Join Chris Lehman as he discusses strategic heating and structure designs focused on geothermal heat pumps and solar thermal systems. Current alternative heating options can reduce operating costs and conserve energy while providing comfortable living and work environments. To conclude the session, Mr. Lehman will share information on available financial incentives for such technologies, including loans, grants, and tax credits, which help reduce the cost of implementing new or retrofit heating measures.

[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

[Duke Energy plans wind farms in Colo., Pa.](#)

[Marcellus Shale brings more energy companies to Pittsburgh area](#)

[Pickens Scales Back Ambitious Wind Farm](#)

[Obama nominates heads of mining agencies](#)

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