



Alternative Energy Report

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Budget Passed, Waiting Game Continues

Governor Rendell signed the 2010-11 state budget in ceremonies on Tuesday and Wednesday around the state. But several shoes are yet to fall before this year's financial picture is complete.

The US Congress has still not found a way or the votes to pass legislation that would provide up to \$850 million in federal medical assistance funds to the state – money assumed in crafting the “balanced” budget signed this week. ERG's conversations with Congressional offices suggests that IF the legislation is finally passed, the state's share will more likely be in the \$500-550 million range, leaving a \$300-400 million hole in the budget. Last weekend, White House spokesmen suggested that states should not count on any additional federal revenues.

Even before the package was passed last Saturday, eyebrows were raised over the \$600 million increase the state's debt load for economic development projects. One of those two bills included Rendell's choices for recipients of about half that new borrowing, while the other half - to be chosen by the General Assembly - won't be finalized until the fall in a separate bill. Auditor General Jack Wagner has publicly mused that it might be time to audit the RACP program funding and how that package was put together.

Passage of the budget did not resolve the critical issues that remain for transportation funding. The Governor had asked the House and Senate to return for a Special Session to address this on July 20, but neither chamber is expected to return this month. In 2010-2011 alone, the state is now short at least \$472 million in funding, a shortage that will actually compound in future years. It is highly unlikely that in the months prior to this fall's election, the General Assembly will become a profile in courage and approve any comprehensive solution to the problem which involves higher fees or taxes.

The Governor continues to maintain that he will aggressively pursue his agenda until the day he leaves office, but with passage of the budget deal this summer, his status as a lame duck governor have become more of a reality, despite the beliefs of his inner circle. He has called passage of additional energy legislation (HB 2405), addressing transportation funding needs, passage of a Marcellus shale severance tax, and resolving the federal FMAP funding are his top priorities.

PUC Sets Hearings on FirstEnergy's Acquisition of Allegheny Energy

The Public Utility Commission will hold hearings in the Greensburg area in August on FirstEnergy Inc.'s proposed \$8.5 billion acquisition of Allegheny Energy Inc. An administrative law judge will conduct the public hearing as part of the merger proceedings before the commission and make recommendations for a decision.

The new company would be the largest energy provider in Pennsylvania. Public officials are calling on the PUC to ensure that there are proper checks and balances in place to protect ratepayers.

Allegheny Power, the power distribution unit of parent Allegheny Energy, serves about 700,000 customers in most of Southwest Pennsylvania.

CFA Approves \$18 Million to Support Solar Projects, Energy Efficiency

Last week, the Commonwealth Financing Authority announced approval of \$18 million for 37 solar and energy efficiency projects across the Commonwealth. The projects are expected to leverage nearly \$88 million in private investments.

The solar projects will have an installed capacity of more than 24 megawatts and will generate at least 26,600 megawatt hours of electricity annually, or enough to power approximately 2,700 Pennsylvania homes. In addition to generating 26,600 solar renewable energy credits a year, the systems will annually save \$5.2 million during each of the next 20 years.

Click [here](#) to see the full list of recipients.

Clearfield Ethanol Plant Says Purchase Deal Violated

The Centre Daily Times, reported this week that BioEnergy International LLC, which built the Bionol Clearfield ethanol plant in Clearfield County, claims that Getty Petroleum Marketing, a subsidiary of the Russian company OAO Lukoil, is not following up on its promises for purchase of the end product ethanol.

Getty was to purchase the corn-based fuel produced at the plant according to a formula established in a five-year contract between the two entities. The company used that offtake agreement to finance and build the \$270 million facility. Bionol hired 65 workers at the site, and began making ethanol in January.

According to BioEnergy Senior Vice President Sam McConnell, Getty hasn't lived up to its part of the bargain. "They substituted their own revised formula, picking up the ethanol but paying a lower price," said McConnell. State Rep. Camille "Bud" George called Getty's attempt to renege on its agreement "reprehensible."

That means the 9 million gallons produced by Bionol isn't recovering as much money as the company had planned in financing the facility. "We are still producing 100 percent. The plant continues to run at full capacity. All we can do is accrue the numbers and seek recovery," said McConnell.

The danger is that the loss of revenues could jeopardize the repayment of \$65 million in tax-exempt bonds the state made available to BioEnergy. Gov. Rendell has urged Getty to work with the company to find a solution in the arbitration process.

Plans for a Beet Ethanol Plant in Lancaster Co. Survives Court Challenge

A Lancaster County Court judge has dismissed a lawsuit by four businesses who own land near the proposed site of a \$93 million beet ethanol plant. The businesses had asked the court to throw out the township supervisors' approval

of the plant.

The proposed plant would use an "energy beet" not meant for human consumption to produce ethanol, and would process electricity to powering the plant.

The next step will be land development approvals, followed by construction. The owners are challenging one of 98 conditions set by the township in the plant's approval that would require them to pay an estimated annual \$200,000 to the township for emergency response services and water system upgrades.

DEP Discusses Clearfield County Well Blowout – Cause & Consequences

DEP this week announced the results of an independent investigation of the Clearfield County gas well blowout in June. The investigation concluded that the blowout was the result of poor practices by the well operator and was preventable.

DEP Secretary John Hanger said the blowout, which occurred during the completion state and allowed natural gas and wastewater to escape from the well uncontrollably for 16 hours, "was caused by [operator] EOG Resources and its failure to have proper barriers in place. This incident was preventable and should never have occurred."

Hanger said that DEP will be stepping up its efforts to ensure well operators are following proper procedures. The agency has also issued a letter detailing new safety requirements.

[MORE...](#)

Delaware River Basin Commission to Hold Hearings on Gas Drilling Moratorium

The Delaware River Basin Commission agreed Wednesday to hold hearings in northeast Pennsylvania on whether to strengthen or weaken its moratorium on natural gas drilling deep below the river basin.

Last year, the DRBC declared a moratorium on water withdrawals for drilling in the Delaware River basin while it works on regulations, and extended the moratorium in May to cover exploratory drilling. But this week, DRBC approved two new exploratory wells in Wayne County. The commission said it expects to have draft regulations later this summer and a final vote by the end of the year. Pennsylvania has permitted natural gas drilling, but New York has declared a moratorium while it adopts its own state regulations.

Hundreds of landowners attended the DRBC meeting, taking opposite positions: that drilling is needed to produce relatively clean energy and create jobs in economically devastated communities; or that the process threatens groundwater and surface water and could deplete streams and aquifers.

The DEP and industry officials say they know of no examples of fracking chemicals poisoning underground drinking water sources in Pennsylvania. But environmental advocates contend not enough research has been done to come to that conclusion. This week, Range Resources disclosed the chemicals it uses in fracking, saying it wants to defuse the growing controversy about the

industry's secrecy over the chemicals.

The DRBC is a compact representing the federal government and the states of Delaware, New York, New Jersey and Pennsylvania, has legal authority for water quality and quantity issues in the Delaware River basin.

DEP Investigates Natural Gas Well Fire

The DEP is now investigating a fire that occurred Tuesday night at a natural gas well in Susquehanna County operated by Chesapeake Energy. The fire apparently did not cause any significant contamination to the environment, and no one was hurt.

The fire happened when a valve failed, leaked natural gas and ignited, DEP said. The leak was the result of "erosion wear," Brian Grove, a Chesapeake Energy senior director, said in a statement. Chesapeake Energy shut down both wells on site when the fire started and called state regulators. DEP Secretary John Hanger praised the response of the company and the Rush Volunteer Fire Department. The Chesapeake Energy site will be closed until repairs are made and regulators finish their investigation, according to DEP.

NATIONAL AND REGIONAL NEWS

Reid: Senate to Consider Energy Legislation in Two Weeks

ERG's Washington sources tell us that the President and Senate Democrats are looking at ways to scale back an energy bill that will put limits on carbon pollution by power plants but not by other industries, and to expand provisions for use of natural gas as a transportation fuel.

Senate Majority Leader Harry Reid said he expects to bring energy legislation to the Senate in two weeks, with a modification of the "cap and trade" program that passed the US House. But he said the Senate bill is "not all green stuff, you know, Sierra Club stuff."

The Senator outlined four main elements to a bill, including a response to the Gulf of Mexico oil spill, promoting energy efficiency, developing more clean/renewable energy and curbing power plant emissions.

The natural gas plan, being pushed by T. Boone Pickens, would provide tax breaks for natural-gas-powered vehicles and fueling stations.

Reality suggests that even a limited version of an energy bill would face difficulties, as many Republicans, and Democrats representing coal states will oppose the cap and trade provisions. GOP leaders have said any effort to put a price on carbon would be considered a national energy tax.

Biofuels producers are working with Senators and staff to include extension of blenders and producers credits in the eventual energy package.

Bill Introduced in US Senate to Boost Hydropower Generation

Two pieces of legislation aimed at increasing the production of electricity from renewable hydropower and creating jobs in America's energy sector have been introduced. The "Hydropower Improvement Act" and the "Hydropower Renewable Energy Development Act" would boost federal support for hydropower projects.

The Hydropower Improvement Act, sponsored by Sen. Lisa Murkowski (R, Alaska), and co-sponsored by Sens. Patty Murray (D, Wash); Maria Cantwell (D, Wash); and Mike Crapo (R, Idaho), aims to increase the capacity of our nation's hydropower sources to generate clean, renewable electricity by up to 75,000 megawatts.

"Hydropower is one of our greatest untapped resources for generating clean, renewable electricity," Murkowski said.

The legislation establishes a competitive grants program and directs the Department of Energy to produce and implement a plan for the research, development and demonstration of increased hydropower capacity. The bill also gives the Federal Energy Regulatory Commission (FERC) authority to streamline the permitting and review process for hydropower projects, and calls for studies on pumped-storage sites and the potential for development at Bureau of Reclamation facilities.

[MORE...](#)

Massachusetts – New Emission Requirements, Suspending Biodiesel Mandate

Massachusetts has proposed draft regulations that will require biomass fuels to achieve at least 50% reductions in greenhouse gas emissions compared to an equivalent natural gas power station. The regulations would also require fuel used in biomass power projects to generate power using combined heat and power (CHP) or equivalent technology. Biomass fuel would have to be converted to energy at a 60% efficiency per unit of useful energy, with the possibility of increasing the threshold to 80% efficiency by 2020.

Massachusetts officials will limit on wood waste and timber industry residues as biomass power plant feedstocks. The draft regulations should allow the timber industry to recover just 50% of treetops and branches, and 15% by weight of sawtimber for every acre of harvested wood. This requirement aims to address claims within the study that taking too much timber industry waste from woodland could damage the soil quality.

The state is working on a method for calculating GHG emissions, and under the proposed policies, dedicated energy crops will not be counted as "carbon neutral" unless more vegetation is grown than if the land was used for other purposes. Anaerobic digestion of farm waste or sewage sludge would be exempt from the regulations, but construction and demolition waste – or fuels made from it – will not be eligible for Renewable Energy Certificates.

Massachusetts Suspends Mandate for Wider Use of Biofuels

Massachusetts energy officials have suspended a state requirement that oil retailers blend biofuel into the diesel and home heating oil they sell. State officials said they ran into too many complications as they tried to write regulations for blending biofuel, a petroleum alternative made from plant waste and other substances, and they decided that initiating the regulations now would be too costly for businesses and consumers.

Suspending the rule "was the best way to go, unfortunately," said Philip Giudice, commissioner of the Massachusetts Department of Energy Resources, who said the quota for using biofuel will be voluntary until the state can figure out how to

make the program work. State officials said they ran into too many complications trying to write regulations for blending, had concerns over costs and availability of biodiesel. The expiration of the federal biodiesel tax credit was a factor in the state's decision. That, Guidice said, put biofuels "at a real disadvantage."

EPA Transport Rule Sets Fast-Track for Compliance

In a proposal aimed at cutting emissions from power plants in 31 states and the District of Columbia, the U.S. Environmental Protection Agency Transport Rule announced on July 6 calls for reductions in sulfur dioxide (SO₂) and nitrogen oxide (NO_x) emissions that drift across state lines. Emissions reductions would come into force by 2012, just one year after the rule is finalized. By 2014, the rule, along with other state and EPA actions, is expected to reduce power plant SO₂ emissions by 71 percent over 2005 emissions. Power plant NO_x emissions would drop by 52 percent over 2005, according to EPA.

The proposed rule would replace EPA's 2005 Clean Air Interstate Rule (CAIR), which was thrown out by a federal court in 2008. EPA will take public comment on the proposed new rule for 60 days following publication in the Federal Register.

GRANTS

USDA Offering Grants to Assist Rural Cooperatives and Businesses to Spur Job Creation

The U.S. Department of Agriculture (USDA) is accepting grant applications to assist rural businesses and create job opportunities through cooperative development centers. Grants of up to \$225,000 may be awarded to colleges, universities, and non-profit groups to create and operate centers that help individuals or groups establish, expand or operate rural businesses, especially cooperatives.

USDA may award up to \$7.9 million in grants through this notice of funding availability. Grants may finance up to 75 percent of the cost of establishing and operating the cooperative centers. Recipients must match 25 percent of the total project cost.

Applications are due August 9, 2010. Click [here](#) to view the application guidelines.

DEP Accepting Applications for Nitrogen Tire Inflation Grants

Automotive service providers can now apply for financial assistance to purchase and install systems that will help their customers get better gas mileage and increase the life of their tires by inflating them with nitrogen.

Under the Pennsylvania's Nitrogen Tire Inflation System Grant Program, service providers are eligible for up to \$5,000 in reimbursement costs. Applicants must provide a 50-percent match of the equipment's total cost. The equipment must deliver at least 95 percent nitrogen according to manufacturer specifications and it must have been installed after July 1, 2010. A total of \$100,000 is available for reimbursements.

Funding is limited and applications will be accepted on a first-come, first-served basis. The program will remain open until funds have been exhausted or until

June 30, 2011. For more information and applications, visit www.depweb.state.pa.us, keyword "Alternative Fuels," call 717-783-8411 or e-mail epafinfo@state.pa.us.

EVENTS

[Biomass Energy Seminar](#), July 15

The Capital Branch of the Green Building Association of Central Pennsylvania is offering a seminar titled "Greening Industrial Manufacturing and Commercial Building Operations with Biomass Energy" on July 15 from 6:00pm – 8:00pm at the Energy Center at Enginuity Energy in Mechanicsburg, PA. Presenters will discuss modern biomass technology, the advancement of biomass energy in the industrial and commercial applications, the results of a national survey in the architectural and engineering communities and common misconceptions often held by public opinion and the media. The registration fee is \$20 for GBACPA members and \$30 for non-members.

[Northeast Biomass Conference](#), Aug 4-6, Boston

[Ag Progress Days](#), August 17-19, Rock Springs, Centre County

Click [here](#) to view a more extensive list of upcoming energy-related events.

NEWS CLIPS

Commonwealth Foundation Questions PennFuture Tactics – PennFuture Responds

The Commonwealth Foundation recently released a report on the activities of PennFuture, questioning that organization's advocacy practices. The report says PennFuture "claimed to the IRS they spent no money on grassroots lobbying on four of its last five tax returns," and claims that PennFuture has received over \$1 million in taxpayer-funded grants which it then improperly used to lobby public officials for additional taxpayer money.

PennFuture's attorney has asked the Commonwealth Foundation for immediate corrective action, outlining specific factual errors in the Commonwealth Foundation's "Report." The letter asks that the Commonwealth Foundation remove all of the erroneous material from the online versions of the "report" and press releases, destroy all hard copies, insert information in the revised publications indicating it contained errors which were removed and the date of the removal, and distribution of the corrected documents to all who received the original documents.

The report, "PennFuture's Lobbying: Hypocritical, Unethical, and Possibly Illegal" is available [here](#). A copy of PennFuture's response letter is available online at <http://www.pennfuture.org/userfiles10/LtrToBrouilletteChesser7-14-10.pdf>

[Natural gas replacing coal fired plants](#)

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