



Alternative Energy Report

July 18, 2008
Volume 2, Issue
14

Energy Legislation signed - and Now the Real Work Begins

Last week, Governor Ed Rendell signed three acts which will provide a total of \$665.9 million for development of alternative and renewable energy projects in Pennsylvania. The passage of Special Session Acts 1 and 2, and Act 78 of 2008, have generated hundreds of phone calls and inquiries to ERG, DEP, the Department of Community and Economic Development and the Governor's Office. The entire alternative/renewable energy sector is excited at the prospect of funding and tax credits to support the growth of this sector of the economy and apparently, there will be serious competition for the limited funding available.

But passage of a bill and distribution of funds are two separate items entirely. Governor Rendell's signature does not automatically make these dollars available for immediate distribution.

While the law itself outlines potential uses for funds, it does not provide specifics of programs, nor does it allocate monies specifically for matching funds, grants, or loan programs. Now that legislative language and intent have been set, it's up to the responsible state agencies to develop programs, guidelines and in some cases, regulations to administer the package. And you can be sure that legislators, companies and interested parties are all doing what they can to influence development of these new programs.

As Act 1 was passed, the Department of Community and Economic Development, through the Commonwealth Financing Authority, and the Department of Environmental Protection will oversee \$428.4 million more to spur the development of alternative energy resources, and \$237.5 million specifically targeted toward helping consumers conserve electricity and manage higher energy prices. Another \$15.9 million will be available through the Alternative Fuels Investment Fund program.

Leadership and staff at DCED and DEP have told ERG that they anticipate program announcements late this summer. As more information becomes available on the programs, their requirements, and the application periods for the various grants, low interest and guaranteed loans, rebates and tax credits, ERG will provide this information both through Alternative Energy Reports, and on its website at www.pa-erg.com.

In addition to the program development, the provisions of Act 78 require DEP and PennDOT to certify that infrastructure is in place before any biofuels mandate can be enforced. ERG has consistently told the General Assembly and Rendell Administration that major work needs done before that infrastructure is capable of handling statewide distribution of B2 (two percent biodiesel, 98 percent diesel) blends, let alone the higher percentage blends required as production scales up in the Commonwealth. ERG will be working with the industry to help identify specific needs and opportunities in this area.

Under Act 78, the Pennsylvania Department of Agriculture will have responsibility to

ensure biodiesel sold in the commonwealth meets all ASTM standards for biodiesel and biodiesel blends.

Rendell to Focus on Infrastructure Investment

Meanwhile, Governor Rendell became the chairman of the National Governors Association this week, and announced that the organization's annual "Chair's Initiative" will focus on strengthening infrastructure investment.

"It is an honor to serve as NGA's chair," Governor Rendell said during the NGA's Centennial meeting. "Out-going chair, Minnesota Governor Tim Pawlenty, deserves a tremendous amount of credit for moving America closer to clean energy. Just last week I signed legislation to invest more than \$650 million in Pennsylvania's alternative energy sector. Tim's leadership has inspired every governor in the nation and once again states are taking the lead on this critical issue.

"Another significant challenge facing our nation is the rebuilding of its infrastructure," Governor Rendell said. "If America is to continue competing in the global economic marketplace, we need an efficient and sound infrastructure. For the past two decades, state and local governments have been picking up more of the tab for infrastructure repair, but we can't keep it up," he said, noting the American Society of Civil Engineers estimates national infrastructure needs of more than \$1.6 trillion dollars over the next five years. "We need the commitment of greater federal resources to help states meet these pressing needs.

"Infrastructure funding — making sure our roads, bridges, schools, airports, trains, ports, and water systems are safe — is an issue about which I am very passionate," said Governor Rendell. "I see that our nation's aging infrastructure is hurting our economic stability and hampering future growth. Businesses and communities can't survive if they can't get their products to market, educate their students and access safe water supplies.

"From outmoded ports to crumbling bridges to underinvestment in public transit, we must begin a new era of investment in the systems that support our prosperity and our quality of life," he said. "State and local governments now fund 75 percent of all infrastructure work. We will need the federal government to step up significantly if we are to fully meet this challenge. I will continue to work with my fellow governors to give these issues the attention they deserve."

Earlier this year, the Governor joined California Governor Arnold Schwarzenegger and New York Mayor Michael Bloomberg to announce development of a national coalition to meet this need. As NGA chairman, Governor Rendell will work with other states to design and implement strategies for smarter, more cost-effective infrastructure investment at the state level. In addition, Rendell said states will be challenged to align their infrastructure investments with the new realities of climate change, and to design strategies around this emerging new reality.

Regional Interests Impact Governors' Agreement on National Energy Policies

The National Governors' Association met last weekend in Philadelphia, with Minnesota Governor Tim Pawlenty's year long "Securing a Clean Energy Future Initiative (SCEF Initiative)" serving as the focus of the meeting.

The meeting started with Pawlenty saying, "The nation's attention has becoming

increasingly focused on the growing energy challenges that face us. I'm proud of what we've accomplished as part of the Securing a Clean Energy Future Initiative, but our work is just beginning. It will take continued effort and renewed dedication to ensure that our country has an energy future that is safe, secure and clean."

Governor Ed Rendell told the Governors, "There is no silver bullet available to solve this nation's energy challenges. This will be an all-hands-on-deck, all-technologies-available effort."

But by Monday afternoon, while the NGA did manage to agree that Congress should extend tax credits that encourage more wind and solar electric generation, and promote design and construction of energy-efficient buildings, the Governors in attendance could not agree on reductions of greenhouse gases or other major issues.

In this case, as is often the case in Harrisburg, the differences were not between Republicans and Democrats, but between regions, and local economic needs, a factor seen in Congressional debates over renewable energy resources and programs and a possible precursor of similar debates coming when the next Administration in Washington seeks to put its stamp on a federal energy policy.

[MORE...](#)

Public Hearing Scheduled on Electric Rate Cap Issues

The House Environmental Resources and Energy Committee recently scheduled a public hearing to address the massive electric-generation rate increases that most Pennsylvanian's will soon be experiencing if they haven't been un-capped in their area already.

According to the committee's Majority Chairman Camille "Bud" George (D-Clearfield), the committee hopes to forge polices to protect Pennsylvania's citizens from sticker shock. Many areas of the state face increases upwards of 70 percent.

"Pennsylvania's electric deregulation scheme of 1996 has proven to be a hoax on consumers," said Rep. George, one of only 28 House members to vote against deregulation. "States that did not deregulate are enjoying cheaper power prices, and many states that were snookered into deregulation are now back-pedaling furiously."

The hearing is scheduled for 1 pm in Monroeville on July 22. Among those expected to testify include a PUC Commissioner and representatives from AARP, Electric Power Generation Association, Citizen power and the Carnegie Mellon Electricity Center.

George has been a proponent of rate cap extensions, especially since "utility profits are surging," however, many representatives from electric companies have condemned a rate cap extension, arguing that it would only delay the inevitable and make later increases even more unbearable.

Pennsylvania utilities, representing more than 80 percent of the state's electric customers, their scheduled rate-cap expirations, and their projected rate increases are:

- Allegheny Energy, Dec. 31, 2010, 63 percent;
- PPL, Dec. 31, 2009, 37 percent;
- FirstEnergy/Penelec, Dec. 31, 2010, 50 percent;
- FirstEnergy/Met-Ed, Dec. 31, 2010, 54 percent;
- PECO, Dec. 31, 2010, 8 percent.

George is the prime sponsor of Special Session House Bill 54, which would extend electric-generation rate caps for at least two more years. He said he is requesting subpoena power for additional hearings to be scheduled across the state.

Meanwhile the House Republican Policy Committee scheduled its own hearing on rate caps and conservation for 11 a.m. July 30 at the Pottstown Campus, Montgomery County Community College.

DCNR Announces Competitive Bid for Natural Gas Leases on State Forest Lands

Department of Conservation and Natural Resources (DCNR) has recently announced that it will hold a lease sale for subsurface oil and gas rights on 18 tracts totaling 74,023 acres in the Loyalsock, Tiadaghton and Tioga state forests in Tioga and Lycoming counties.

The Department's Secretary Michael DiBerardinis said that the lease sale is part of the policy announced earlier this year to focus on medium and deep gas drilling to limit the impact on the surface and on other uses of the forest. He went on to say that "given the enormity of the nation's energy demand, making less than an additional 4 percent of our state forest available for drilling is a reasonable decision that protects our forest ecosystem and helps meet energy demands."

DCNR said that the specified tracts of land were chosen after "extensive environmental reviews to protect the health of the forest now and in the future."

DCNR will receive sealed bids for leases on each of the 18 tracts from pre-qualified bidders until 2 p.m. on Sept. 3. A list of bidders and the award decisions will be posted on DCNR's Web site within 24 hours.

A lease is awarded to the highest bidder based on the amount of the first year's land rental. A lease covers annual land rental amounts and possible royalties to be paid based on the volume of gas extracted. Only a small portion of the total acreage will be used for well site location. There are portions of the tracts that cannot be developed on the surface to protect wild or natural areas, ecosystems, water bodies, recreational opportunities, or visual impacts from vistas and trails.

The primary term of the lease is a 10-year period, which may be extended by production from the lease. A gas well may produce for several decades or more. The lease document, environmental review and maps are available at www.dcnr.state.pa.us (select Forestry, then Oil and Gas on State Forest Lands).

Revenues generated from a lease sale go to the Oil and Gas Lease Fund, which by law must be used for conservation and recreation programs. The fund has been used to obtain the mineral rights to parts of the state forest where DCNR did not own them, to purchase the acreage for eight state parks and to expand 31 other state parks.

New study from Ag Economists at Iowa State Suggests Cellulosic Ethanol Not Likely to be Viable

A study by a mainstream economist at Iowa State suggests that the cellulosic ethanol that is supposed to be three to five years away from viability may be a decade out or more.

Last fall, a researcher from the USDA said that while cellulosic has "some long-term

promise", we shouldn't expect it to contribute significantly to fuel supplies before 2013.

The USDA is not the one skeptical about cellulosic ethanol. In January, Colin Peterson, chair of the House Ag Committee, said "I'm not sure cellulosic ethanol will ever get off the ground." He also mentioned something about "a lot bigger problem to overcome here than people realize in terms of the feedstocks."

The latest news for cellulosic ethanol now comes from a new study from ag economists at Iowa State University, based on two different scenarios – with or without the Renewable Fuel Standard of the 2007 Energy Act, which mandates certain levels of ethanol and biodiesel production.

Under the no RFS scenario, the report says: "The corn ethanol sector expands until total production exceeds 18 billion gallons per year. Biodiesel and cellulosic ethanol from switchgrass are not viable in this scenario. Cellulosic ethanol never expands, and the biodiesel sector contracts so that there are no biodiesel plants operating in the long run."

But the Act did pass and under the RFS there are mandates that demand 36 billion gallons of biofuel by 2022, of which 15 billion comes from corn, and the other 21 billion gallons comes from cellulosic (and to a much less extent biodiesel).

When the Act's mandate is taken into consideration, the economists seriously doubt the cellulosic target can even come close to being met. The study suggests that in order for "rational" farmers and investors to make 4.5 billion gallons of cellulosic ethanol by 2022 the federal tax credit awarded would need to be increased from 51 cents to \$1.55.

Contact ERG at info@pa-erg.com for a copy of the study.

Mass Megawatts Launches Manufacturing Facility in Pennsylvania

Mass Megawatts Wind Power, Inc. announced last week that the company has recently opened a manufacturing facility in Pennsylvania. The new facility will be located near numerous planned projects in Pennsylvania and New York where several hundred megawatts (MW) of wind power projects have already been developed in the recent years.

Mass Megawatts has chosen to locate a production facility in Pennsylvania because of the state's dedication and leadership in the field of renewable energy, including wind power. Pennsylvania has enough wind power potential to provide electricity for nearly 5 million homes according to Pennsylvania Governor Edward G. Rendell. Pennsylvania's green power purchase is 28% of the state government's annual electricity consumption.

In addition to Pennsylvania, other states including Massachusetts, Texas and Michigan have recently created similar favorable incentives for wind energy development including major plans to increase transmission facilities for over 12,000 MW of new wind energy capacity in Texas. Mass Megawatts plans to review the incentives and opportunities of other states in planning the company's expansion and other production facilities.

GRANTS

Pollution Prevention, Energy Efficiency Grants Available From DEP

The DEP this week announced it is now accepting applications for the Small Business Advantage Grant Program for pollution prevention and energy efficiency projects.

Small Business Advantage provides up to 50 percent matching grants, to a maximum of \$7,500, to enable a small business in this Commonwealth to adopt or acquire equipment or processes that result in energy efficiency or pollution prevention. An eligible applicant must be a for-profit small business owner whose business or facility is located within this Commonwealth. Most small businesses are eligible, including manufacturers, retailers, service providers, mining businesses and agricultural concerns.

Eligible projects must save the business at least 15 percent annually in energy or pollution related expenses.

Application submissions open on July 21 and close on August 29.

For more information, visit the [DEP Small Business Advantage Grant Program online](#) or contact Dave Barnes at 717-783-8411.

EVENTS

DEP to Hold Training on Submitting Air Quality Requests for Determinations Online

DEP will hold two free workshops on its Internet-based “Request for Determination” application system, or RFD Online, for industrial representatives, consultants and other interested participants.

The workshops will be held on:

- July 29 - DEP Southwest Regional Office, Waterfront Conference Room, 400 Waterfront Drive, Pittsburgh from 11:00 a.m. to 3:00 p.m.; and
- July 30 - DEP Southeast Regional Office, Delaware and Schuylkill Conference Rooms, 2 East Main Street, Norristown. From 10:00 a.m. to 2:00 p.m.

The RFD Online system allows the owners and operators of companies to apply for air quality plan approval and operating permit requests for determination via the Internet.

The RFD Online workshop will include presentations on entering data into the system, automatic data validation and error checking, document attachment and note capabilities, online help, user manual and the submission process.

For more information, contact Jeanette Van Skik at jvanskike@state.pa.us or call 717-787-4325

[Ag Progress Days](#), August 19-21, Rock Springs, PA (near State College)
Ag Progress Days is Pennsylvania's largest outdoor agricultural exposition.

[PSU's Northeast Renewable Energy Conference and Trade Show](#), August 27-28, State College, PA

The event is to be held at the Penn State Conference Center and will showcase renewable energy and energy efficiency research, demonstration and university-industry-government partnerships for sustainable economic development.

[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

[DOE Commits \\$850,000 to Support NGA Energy Initiatives](#)

[Governor Announces Resignation of DEP Secretary McGinty](#)

[Governors Talk Of Moving Beyond Corn-based Ethanol](#)

[TBP sets out to lasso the wind — for a boondoggle-size bag of our money](#)

[EPA Delays Rule on Carbon Emissions](#)

[EIA Says Global Energy Demand to Grow 50 Percent over Next Two Decades](#)

[DOE to Guarantee \\$10 Billion in Loans for Efficiency, Renewables](#)

**COPYRIGHT © PENNSYLVANIA ENERGY RESOURCES GROUP, LLC.
ALL RIGHTS RESERVED**

We're on the Web!

See us at:

www.pa-erg.com

Energy Resources Group

200 North Third St. | Suite 1100 | Harrisburg, PA 17101

Phone: 717-233-8070 | Fax: 717-233-8665

E-Mail: info@pa-erg.com

[Click Here](#) to be removed from this list