



Alternative Energy Report

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Rate Caps, Energy Debate Reignited as Legislature Returns

The legislature returns to Harrisburg this week for what is shaping up to be a short Fall Session, but energy remains a hot topic. The Senate leadership and Governor Rendell are hoping to find enough common ground to pass legislation on demand side response and energy efficiency in the nine day fall session.

Much uncertainty surrounds the coming legislative session. The major question is whether enough time remains to reach agreement and pass legislation to resolve these policy issues. Other major issues such as expanding health care, preventing loss of physicians, and solving the medical malpractice crisis are also front and center. The House is slated to take up consideration of a major overhaul of the state's Dog Laws this coming week. Last week, tolling of I-80 was rejected by the federal government, leaving a \$450 million hole in the 2010 state budget projections.

Revenues have been behind projections in the first quarter of 2008-2009, putting more pressure on the General Assembly to be very careful of any new spending. And the overall morale of the General Assembly and staff are flagging, partly due to anticipation of further indictments from statewide grand jury over political use of state funds to further political campaigns.

ERG will continue to meet with key staff and leaders to apprise you of actions that may or may not occur on the energy front.

When asked if he would sign a rate cap extension bill, the Governor said "If no such accord is reached I will have no choice but to sign a bill that is drafted in such a manner to withstand legal challenge and extends the current rate caps. This would not be a good result for the Commonwealth but it may be only alternative if the clock runs out."

In testimony Tuesday before the House Environmental Resources and Energy Committee in Philadelphia, Gov. Ed Rendell said incredible economic hardships face families and businesses if lawmakers fail to correct inadequate energy policies.

"There is not much any of us here can do about the price of gasoline, but the price utility companies charge for electricity is currently set by the state. These controls are about to expire, but we have the power to keep prices in check if we choose to. But only if we choose to," Rendell said.

For months the Rendell Administration has endorsed House Bills 2200 and 2201. HB 2200 was passed by the House in February but has yet to see action in the state Senate. Rendell estimated it would save consumers \$1.3 billion on energy bills by 2012 through conservation and controls on electricity costs during peak load times. House Bill 2201 would require utilities to buy power through a mix of short- and long-term contracts and spot market purchases to assure that customers get power at the lowest reasonable rate. That bill remains in the House Consumer Affairs Committee.

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Chesapeake Bay Commission releases Next Generation Biofuels Report

Representatives of six states in the Chesapeake Bay watershed met in Harrisburg to hear a series of recommendations for state and regional action to make the Bay watershed the national leader in developing advanced and cellulosic biofuels.

For two years, the Commission has been studying the prospects for combining the

environmental and economic opportunities presented by biofuels production in the region. PA Energy Resources Group has actively participated in the process, making several recommendations which were included in the final package.

The report, Next Generation Biofuels: Taking the Policy Lead for the Nation, is intended to help ensure that the region's states work in concert, and strategically, to maximize the economic and environmental benefits alternative fuels like cellulosic ethanol can yield.

The premise of the study was that traditional corn ethanol was not a viable option in the Bay region. While that might be argued in the case of destination plants, the Commission moved forward toward a cellulosic ethanol future, while noting the potential for other biofuels including biodiesel from alternative crops.

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Climate Change Advisory Committee Holds First Meeting

Earlier this month the state's 21-member Climate Change Advisory Committee held its first meeting. Established under Act 70 signed in July, the committee is tasked with addressing the challenges and opportunities of climate change.

The energy policies passed earlier this summer in enacting the \$650 million Alternative Energy Investment Fund and the Biofuels Development Act, and the existing Alternative Energy Portfolio Standards Act, are designed to set a new direction for Pennsylvania energy use and development.

But the state hopes to build on these programs, and to identify new ideas to reduce Pennsylvania's greenhouse gas emissions. Two examples are carbon capture and sequestration—an issue on which the Department of Conservation and Natural Resources has led—and the tremendous benefits of energy efficiency and conservation, according to Acting DEP Secretary John Hanger.

The committee is charged with advising DEP on implementing the law, creating a report on potential climate change impacts and economic opportunities for the commonwealth, and developing an action plan to implement cost-effective strategies to reduce or offset the state's greenhouse gas emissions.

The state action plan will be renewed every three years. The committee will also help DEP compile an annual inventory of the sources and amounts of global-warming pollution generated within the state.

The PA Climate Change Act also will provide a means by which businesses and industries can voluntarily track greenhouse gas emissions, emissions reductions and offsets through a registry. The registry may provide economic benefits should emissions credit-trading protocols be implemented.

Energy Company Seeks to Utilize Eminent Domain Process to Acquire Natural Gas Storage Rights

Steckman Ridge Group, a Texas-based energy company, has filed suit in the United States District Court for the Western District of Pennsylvania to acquire subsurface natural gas storage rights in Bedford County through the use of eminent domain.

The landowners object to the establishment of the storage field because it will limit their ability to profit from gas drilling into the Marcellus Shale formation and have filed a motion for reconsideration. If Steckman wins, the landowners will be entitled to just compensation for their subsurface storage rights in an amount to be determined by the court; however, this case could set a major precedent in how natural gas rights of property owners are established and upheld in Pennsylvania in respect to eminent domain rights.

Coalition Proposes \$100 Billion Clean-Energy Program

A coalition of environmental and labor groups has proposed a national, \$100 billion public and private investment program to jump-start a clean energy-based economic surge and create 2 million new jobs over two years.

The proposal is based on a report, released this week by the Green Jobs for America Campaign, that says a combination of tax credits, loan guarantees to small businesses and direct public investment spending would accelerate a clean energy transition, greatly expanding jobs in civil, environmental, electrical and chemical engineering, steel and metal working, heating and air conditioning, the construction trades, and contracting fields.

In Pennsylvania, the report projects a \$4 billion investment that could produce more than 85,000 jobs and reduce unemployment to 4 percent. Last month, the state unemployment rate rose to 5.1 percent, and the national unemployment rate was 6.1 last month, a five-year high.

The proposal, which the coalition hopes will be considered next year by a new Congress and a new administration, is less than the \$168 billion economic stimulus package carried out by the Bush administration and Congress this spring, and would create hundreds of thousands more jobs.

The report by the Political Economy Research Institute at the University of Massachusetts-Amherst and the Center for American Progress examines the benefits of a "green economic recovery program" that invests in retrofitting buildings, expanding mass transit and freight rail lines, and expanding production of wind power, solar power and advanced biofuels.

It proposes \$50 billion in tax credits to assist private businesses and homeowners in retrofitting commercial and residential properties and to spur investments in renewable energy. Another \$46 billion in direct government spending would be used to support public building retrofits, the expansion of mass transit systems, freight rail improvements and improvements to the electrical grid infrastructure. Federal loan guarantees totaling \$4 billion would underwrite private credit extended to finance building retrofits and investments in renewable energy.

FEDERAL NEWS

“Drill, Baby, Drill” or “Tax, Baby, Tax”

Congressional Action - too many cooks, not enough cooking time?

On Saturday, President Bush used his weekly radio address to chastise the Democrat-controlled Congress for not allowing a vote on expanding domestic oil exploration, calling the next two weeks their “final chance before the election to take action.” Colorado Sen. Ken Salazar used the Democratic weekly radio address to promote a bill that expands offshore drilling, but also funnels more money into renewable energy. Salazar said the U-S needs to replace the oil it imports with alternative energy sources that are produced domestically including biofuels, wind, solar, hydrogen and clean coal. The Senate will consider at least three energy proposals this week.

The US Senate Committee on Energy and Natural Resources held an energy summit Friday on Capitol Hill, but despite the summit’s purpose- to “facilitate the development of comprehensive legislation to address America’s many energy challenges” - it appears more unlikely every day that a serious energy bill can be agreed to and become law this fall. To date, all attempts to get broad bipartisan level of support for a comprehensive package have failed in the arena of partisan politics. Congress has set an adjournment date of September 26, the equivalent of a two minute drill with the ball on your own 35 yard line.

But Hurricane Ike, and fears over loss of offshore oil platforms, have driven gas prices up 12 cents nationwide in the last week, again instilling a sense of urgency in the debate. Output at Gulf Coast refineries, which produce nearly 25% of the nation’s gasoline, could be affected if it takes weeks or months to restore full power to the region. The uncertainty has resulted in projections ranging from just below \$4 to a

national spike to more than \$5 per gallon. The Department of Energy is releasing oil from the strategic petroleum reserve to ease any shortages.

Offshore drilling is a major point of contention in both the House and Senate. Republican energy policy is focused on increasing supply and use of existing natural resources (oil, gas and coal) and nuclear power generation, while the Democratic leadership are focusing on energy conservation, environment and increasing taxes on "big oil." It's become a battle of "Drill, baby Drill" vs. "Tax, baby, Tax," according to one energy analyst for the Oppenheimer Funds.

House Speaker Nancy Pelosi (D-Calif.) said this week that she is now willing to compromise, by supporting a bill to allow some offshore drilling, but said the bill she would propose "will protect consumers and taxpayers with strong action to lower the price at the pump and end taxpayer giveaways to Big Oil."

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EVENTS

[Pennsylvania Green Growth Partnership Forum](#), September 15-16, State College, PA
A unique networking event designed to connect industries, investors, universities and non-profit interested in capitalizing on the growing market demand for green products, energy efficient technology, research and educational opportunities.

[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.

[Energy Innovation Forum](#), October 23, State College, PA
This forum will allow Pennsylvania companies to present their energy technologies, products and core competencies to national and international corporate leaders

NEWS CLIPS

[New wind energy initiative puts Pa. in forefront](#)

[Pa. high court to hear natural gas drilling case](#)

[Mexico to invest \\$83M in planting of biofuels crops](#)

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