



Alternative Energy Report

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Internal Power Struggles Slow Passage of Additional Energy Bills

Energy, health care, funding highway improvements, budget shortfalls...and the list of large items the legislature needs to address in the very near future goes on. But a month before a key election, with few work days left on the legislative calendar, questions remain about what can get done, and what really are the best options for Pennsylvania's taxpayers.

The Governor has called for legislation to mitigate electric utility rates, electric conservation and efficiency legislation to pass this fall. HB 2200 passed the House last spring, and was designed to create demand side response (DSR) and energy efficiency programs through electric utilities. It could also be a vehicle for action to mitigate expected rate hikes when electric caps come off for most of Pennsylvania.

Both the Governor and Acting DEP Secretary, John Hanger, long a proponent of DSR and smart meters, see this as a top priority. But as is often the case, what started off as a noble quest to wean Pennsylvania off of foreign fuels, improve the environment, save consumers money and create jobs, may have turned into another battle of trading and holding bills hostage.

Passed by the House in February, HB 2200 is intended to reduce the state's demand for electricity by up to 2.5 percent by 2013, in part by implementing conservation techniques. Recent newspaper articles and special interest groups have hailed this piece of legislation as having great potential to save consumers money on energy costs. The Governor has even predicted economic doom if it is not passed this fall. And virtually all of the affected parties have agreed to the vast majority of provisions in the bill.

Negotiations are ongoing between the Senate Republican leadership and the Governor's Office, and ERG has been told that they are "very close" to agreement for the last two weeks. But despite a watered down version of the bill and desire on all parts to get something done before the election, agreement remains just out of reach.

Earlier this week, an amendment sponsored by Sen. Lisa Boscola (D, Northampton) replaced the original language of the bill with language focusing on two elements: procurement and conservation. The bill requires the PUC to develop a program to provide for the implementation of cost-effective programs that reduce energy demand and consumption.

The amendment puts local electricity companies in charge of developing programs to help consumers save. If the PUC deems a utility's program has failed after five years, the company will pay a \$5 million fine.

Another portion of the plan is the installation of smart meters, which homeowners must actively choose to use in order to reap any benefits. The issue of who pays for the costs associated with smart meters remains unresolved, which will undoubtedly become a larger issue if the bill is passed because through direct billing or inflated costs, the consumers will undoubtedly pay for the device in the end.

Environmental groups this week said the Boscola amendment inflicted heavy damage to the bill. They suggested that electric companies, faced with a choice between a \$5 million fine and \$110 million in costs, will gladly take the fine. The bill has been re-referred to Committee and is not scheduled for a vote.

Meanwhile, consumers are increasingly concerned about the looming rate caps expiration, which were addressed in a separate bill that could not pass the House in the spring. Key Senators and House members have told ERG that if the bill goes to the

floor for a vote, they will offer amendments to extend the rate caps, an action opposed by not only the electric utilities, but the Governor.

The Governor said during a committee hearing earlier this month that he would sign a rate cap extensions bill only as a last resort once other options are exhausted. But political pressure – ironically created by the Administration’s “sky is falling” message over huge consumer costs when the caps come off – may lead to a vote that few legislators can oppose in the waning days of their re-election campaigns.

Technically, the legislature has one more year in which to deal with rate caps and in the current put-off-today-what-you-can-do-tomorrow attitude, it is possible but unlikely that caps will be dealt with prior to the close of this year’s Session.

Special Session Senate Bill 25 – A Lesson in Real Politics

As the behind-the-scenes negotiations continue over passage of possible electric rate mitigation, demand side response and energy efficiency measures, a bill caught up in the process can serve as a study for someone’s doctoral thesis of “how a bill becomes a law.”

SB 25, sponsored by Sen. Mike Waugh (R, York) was originally drafted to help the state’s pulp and paper industry, create jobs and increase electrical generation capacity. The bill would expand the state’s Alternative Energy Portfolio Standards to include use of byproducts from the wood pulping process as a Tier One energy source along with other qualifying cellulosic waste materials such as waste pallets, orchard trimmings and other crop byproducts. This was seen as a sensible move that would increase ability to use waste to manufacture electricity, while creating jobs for the state’s few remaining paper mills. In the Senate, the bill was amended to include small hydropower facilities that are owned by municipalities or energy cooperatives, another provision with limited application, but capability of job creation. The Senate agreed to increase the Tier One total percentage requirements under the act by an amount equal to the new generation totals to satisfy the environmental lobby.

As the bill approached final passage in the House, the realities of electoral politics kicked in.

The bill was passed and has been in the House since last December, and, was slated for a vote as part of the energy package in June as passed by the Senate. But in the process of moving the bill for a certain approval, the environmental lobby succeeded in amending the bill on a close vote in the House Environmental Resources and Energy Committee. The amendment requires a doubling of the solar share of Tier one from 0.5% to 1.0%, which was not part of the agreement on passage. As a result the bill did not move, jobs were not created, and it was thrown into the mix for consideration this fall. At the time, the leadership of the legislature and the Governor agreed to move the bill as passed by the Senate in July.

When the General Assembly returned, Governor Rendell let it be known that he would not sign SB 25 unless the Senate gave him what he wanted on the DSR/Energy Efficiency and caps legislation. And over the summer, a number of additional amendments were filed to the bill, each with both strong support and significant opposition, none with overall support by the House OR the Senate, but each with potential political impact a month before the fall elections.

As a result, SB 25 may not get a chance for passage this fall. Negotiations on the two now-packaged energy bills are approaching brinksmanship again. Until recently, all four legislative caucuses and the Administration would have been in the room seeking solutions, but negotiations now focus on just the Governor’s Office and the Senate Republican leadership. Negotiations reached the point where the parties are arguing over which of the two bills should be considered first, as the Senate controls the fate of HB 2200 and the House has SB 25 in the Appropriations Committee.

With control of the House in the balance in November, each wants an agreement that gives their party the upper hand. And each is unsure of how a vote may play out in the House, with its bare Democratic majority, but no real working majority. The Senate

and House are only scheduled for 2-3 more days of session the first week in October, and IF an agreement is reached by the negotiators, any amendments voted into the bill by those not included in the “deal” could kill prospects for the bill’s final passage.

The amendments now waiting for a possible vote include one that would qualify all waste to energy facilities in compliance with environmental standards as Tier One sources – the original legislation in 2004 grandfathered existing WtE facilities, but banned new or expanded ones using more modern control technologies from qualifying (the amendment is supported by utilities, many local governments, and much common sense, and opposed by some environmental groups); one would strip the solar share increase out of the bill (supported by electric utilities and opposed by environmental groups); one would add processing of waste material with a certain percentage of organic content and a high BtU value as a Tier Two source (opposed by environmental groups and regional legislators opposed to a specific project for other reasons); and one to include new coal generation and oil extraction projects using carbon sequestration processes to qualify as Tier Two sources (supported by the project developers and key leaders, but as written, opposed by the Senate, House Republicans and some environmental groups).

As one legislator told ERG this week, “we’re in a squeeze. Unless this is agreed to, the bill and every one of these amendments will make us enemies right now, and too many of us can’t afford to make more enemies in a close election year.”

What remains to be seen is whether the Administration and Senate can reach such an agreement, and whether legislative leadership can keep the rank and file members in line to support whatever agreement is reached.

Ultimately, we can only hope that the “common wealth” becomes the winner in these discussions, and not the more nearsighted goals of control, power and prestige.

Ethanol Continues to Become More Viable

Whether it is dispelling the food versus food myth or recent research that suggests the energy balance of ethanol is much higher than originally thought, ethanol continues to become a more viable piece of the energy independence puzzle.

Recent research conducted by the University of Nebraska shows that estimates for the energy balances of corn-based ethanol are two to three times more favorable than previously estimated. According to Director of the Nebraska Center for Energy Sciences Research Ken Cassmen, ethanol has a substantial net positive direct energy balance – 1.5-1.6 more units of energy are derived from ethanol than are used to produce it. The research estimates that 13 gallons of ethanol are produced for every gallon of petroleum used in the production life cycle for corn ethanol.

Alan Tiemann, a member of the Nebraska Corn Board, has also said that greenhouse gas emission reductions are also more favorable than previous estimates when compared directly to corn and ethanol production.

According to their research, compared to just five years ago, ethanol plants produce 15 percent more ethanol from a bushel of corn and use about 20 percent less energy in the process. At the same time, corn growers are more efficient, producing more corn per acre and using less energy to do so.

In addition, energy aficionados, researchers and even the USDA have been stepping up efforts to ensure the public that corn-based ethanol is not taking away from the nation’s food supply, nor is it the main driver for increasing food costs.

During a recent webinar sponsored by Clean Fuels Development Coalition and the Ethanol Across America Education Campaign, titled “The Impact of Ethanol Production on Food, Feed and Fuel”, Todd Sneller, administrator of the Nebraska Ethanol Board detailed how the food versus feed debate stretches back over 10 decades and is mostly a contrived conflict which is really about public policy.

In the past decade, petroleum prices have increased over 500 percent. Corn prices,

which have increased at a much slower rate, have recently been dropping. However, shelf prices for food continue to rise. This is a disturbing trend that further illustrates that energy and transportation costs are the main drivers in cost increases across the board, not ethanol production, Sneller said.

On a more positive note, as petroleum demand continues to lower and biofuels production continues to increase, the consumer should eventually feel some relief. In addition, Sneller felt confident that cellulosic ethanol would further serve to mitigate fears regarding the food versus fuel.

Longhorned Asian Beetles, Nanotechnology and Green Roofs - Penn State's Energy Research Far-Reaching

ERG participated this week in a research tour at Penn State, joining more than 20 legislators and legislative staff and the Penn State Ag Council this week to get a glimpse of the state's possible energy future in places one might not normally look. The College of Ag Sciences highlighted energy research during the campus tour, including biological nanotechnology, chemical ecology, green roofs and natural gas issues.

John Nikoloff, ERG partner noted that the legislative attendees were extremely interested in research with the Asian longhorned beetle, a plant pest that provides both concerns and opportunities for the cellulosic ethanol industry. The pair are conducting research in not only controlling these beetles, which pose a threat to stands of fast growing poplars, but also using microbes from the guts of the beetles that can be used to break down cellulose more easily for cellulosic ethanol production.

The University also offered a glimpse at its research into nanotechnology in cellulosic materials, for synthesis, composites and coatings, and various products, including use of nanotechnology to modify the shape, consistency and uses of forest products. This research includes extraction of cellulose for use in chemically powered microfluid devices and ethanol production.

"Our universities are demonstrating that the future for energy development is relatively unbounded," Nikoloff said. "This tour clearly showed that the agricultural sciences have much more to contribute to our energy future than use of crops for biofuels production. But even in that area, Penn State's efforts with crops from camelina and canola to fast growing poplars and even jatropha, are providing cues for the future that defuses the food vs. fuel myth."

Green roofs are nothing new to European cities, as any visitor to the continent can attest. Penn State is using the green roof concept in much of its flat roof construction as part of its effort to make every new building LEED certified, and encouraging its use in new construction across the commonwealth. Attendees got a close up look at a green roof on the Forest Resources Building, where studies have shown that the four inch thick roof system of soil and plants can significantly improve energy efficiency, reduce nutrient and storm water runoff by as much as 80 percent, and increase habitat and pollination capacity.

Other sessions during the tour focused on the Marcellus Shale deposit and Penn State's work with the range of issues involved in exploring and developing this new energy source, ongoing efforts with water resources and agriculture, and the latest in odor research.

EPA Creates Maps Showing Contaminated Sites Ready for Renewable Energy

In an effort to return land to productive use, EPA has identified thousands of properties that could potentially host solar, wind or biomass energy production facilities. EPA pinpointed these energy assets using Google Earth and has listed each property's attributes for energy redevelopment. This new interactive map and website is designed to encourage states and energy companies to put previously contaminated properties back to work.

EPA worked with the Department of Energy's National Renewable Energy Laboratory to collect information on renewable energy availability across the country, and merged

it with EPA's data from several land cleanup programs. In addition, EPA applied screening criteria including distance from power lines, closeness to roads, and site acreage to identify sites that are good candidates for hosting renewable energy production facilities.

In producing the interactive state maps, EPA used information on properties from several land cleanup programs, including abandoned mine lands and lands under EPA's Superfund, Brownfields, and Resource Conservation and Recovery Act programs.

Click [here](#) for more information about renewable energy development potential on contaminated lands.

FEDERAL LEGISLATION

Energy Tax Credit Package Still Under Debate

Energy issues continue to plague officials at the state and federal levels. Earlier this year, the U.S. House of Representatives passed H.R. 6049, which is an overall tax credit extension bill that includes the extension of Renewable Energy and Energy Efficiency Production Tax Credits (PTC). This week, the Senate voted overwhelmingly for the renewable energy tax credit extensions, with an amended version of H.R. 6049 that had bipartisan support in the Senate. Now, despite its earlier actions, the House has offered a counter proposal broken up into three separate bills.

The Senate-passed bill includes a one-year PTC extension for wind, two-year extensions for solar, marine, biomass and other technologies, as well as extensions of investment tax credits for renewable energy, new Clean Renewable Energy Bonds, and energy efficiency tax incentives. The bills also include a biodiesel Production Tax Credit, and establishment of tax incentives for cellulosic biofuels property.

While both chambers have come very close to an agreement on the contents of the renewable energy PTC/ITC package and have each found ways to pay for it, there are still many volatile issues being discussed and included such as clean coal technologies and the expansion of oil drilling, as well as several other tax related issues.

At this time, one of the main differences in thinking between the two chambers is that the Senate wants to pay for a portion of the tax credits by eliminating some deductions on the oil and gas industries and the House wants all tax credits be fully funded, primarily by significantly increasing the taxes on oil and gas companies.

However, as pressing an issue as the country's energy future is, with Congress and the Administration battling over details of a Wall Street/Economic package worth up to \$1 trillion, it is difficult to make assumptions about next steps in these tax extension packages. As negotiations continue, ERG will continue to provide updates on the web at www.pa-erg.com.

EVENTS

[Green Buildings Open House](#), Oct. 4

Sponsored by the Northeast Sustainable Energy Association, with open houses in Lancaster County and the Lehigh Valley region. Feature homeowners and building managers on-site to describe green building features and answer questions about energy efficiency, design techniques and affordability.

[Sustainable Energy Field Day/Homeowner's How-To Reduce Energy Costs Workshop](#), Oct. 16, Greensburg

Hosted by the Westmoreland (County) Conservation District, event will include a variety of workshops from 9 a.m. to 2 p.m., followed by an open house at buildings featuring a working solar array, wind turbine, geothermal heating and cooling and a green roof. Workshop topics include home energy audits, insulation and weatherization, alternative energy sources, energy-efficient appliances and more. Visitors can choose four workshops for the \$20 fee, which includes lunch. The open house is free.

[Energy Coordinating Agency's Annual Energy Services Conference](#), Oct. 24, Philadelphia

"Conservation is Survival" is the theme of the annual Energy Services Conference. Highlights include a discussion of the new statewide energy conservation programs for all homeowners, interactive demonstrations of energy audit equipment and a look at how the end of electricity rate caps will affect homeowners. The \$30 fee includes breakfast.

[2008 National Solar Tour](#), Oct 4

For those home and business owners interested in solar technology, the 13th Annual National Solar Tour on Oct. 4 will provide the opportunity for a glimpse of solar projects generating zero-emissions energy in four communities across the state.

The nonprofit American Solar Energy Society (ASES) is bringing together more than 5,000 homeowners, public agencies and business people across the U.S. to introduce tens of thousands of citizens to money-saving solar technologies, the largest grassroots solar event in the history of the U.S.

The National Solar Tour includes four self-guided tours in Pennsylvania: Chester County, Lehigh Valley, Pittsburgh, and Lancaster and York counties.

The National Solar Tour features property-owners who open their doors to neighbors to share how they are using the latest solar technologies to 1) drastically reduce monthly energy bills, 2) reduce harmful carbon emissions, and 3) enjoy tax credits and cash incentives as they improve their property values.

CLIPS

[PA Home Energy and EPA partner to bring home performance workshop to PA](#)

[DEP issues more drilling permits for Marcellus Shale](#)

[Biden sending mixed signals on coal position](#)

[First US auction of carbon allowances](#)

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