



Alternative Energy Report

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HB 2200, Electric Regulation - Miles To Go...

On Wednesday, the House and Senate passed an amended energy bill designed to change the way electric utilities buy power and impose new energy conservation regulations. Gov. Ed Rendell has pledged to sign the measure.

The major provisions of HB 2200 include new least-cost and competitive procurement requirements, requirements for PUC reviewed long-term purchasing contracts, demand-side targets of 2.5% reduction in consumption in 5 years, reduction of peak demand by 4.5% by 2013, and provision of smart meters on a voluntary basis, with smart meters required for new construction.

However, the original "driver" behind the urgency for energy legislation – the electric rate hikes expected when the caps on electric rates begin to come off in 2010, remains in limbo. After months of negotiations, the Governor and leaders of both parties in the General Assembly could not get an agreement with the state's utility companies. The utilities have threatened to go to court to fight any unilateral action by the state to moderate the rate hikes without their approval.

On Wednesday, the Governor said the utilities are being "unrealistic," and pledged to make rate cap mitigation one of his top priorities in 2009. The Governor said he would not oppose an extension of rate caps if mitigation legislation were not agreed to.

State Rep. Camille "Bud" George, chair of the House Environmental Resources and Energy Committee, went even further. He said HB 2200 is still catering to a utility industry already doing very well at ratepayers' expense, and that the bulk of the power to be obtained through the broken PJM wholesale market will continue to be purchased using the most expensive bid submitted on the spot market.

"Consumers are being victimized by ravenous utilities and 'ice floe environmentalists' who say outrageous electric rates with no basis in the true costs of producing power are OK as long as it reduces demand," Rep. George said.

State Energy Programs - And Miles, and Miles...

Earlier this summer, the state passed three major pieces of legislation to fund energy development and promote the production and use of biofuels in the Commonwealth, and within hours ERG was getting calls asking about how to qualify for the programs created.

But four months later, Administration officials are still grappling with developing guidelines, regulations and programs. Most significantly, the Alternative Energy Investment Act, which establishes a \$650 million fund for grants, loans, rebates and tax credits, is at least six months from issuing guidelines or receiving applications, according to CFA executive staff.

The ongoing financial/credit situation makes floating a bond a nonstarter. Major investment banks that issued municipal bonds, including Bear Stearns and Lehman Brothers, are out of business. Municipal bond insurers, such as MBIA and Ambac, saw their own credit collapse earlier this year when some of the riskier new investments they had been covering began to implode. In recent weeks, California, Iowa and Maine have been unable to sell bonds. The Wall Street meltdown has the potential to create additional havoc with those and other states which were counting on bond funds for operational expenses.

The state has moved its schedule back because of the economy, and the commonwealth

is reaching out to various industry leaders to get information on the kinds of programs that might make the best use of the funds. The Commonwealth Financing Authority board may not begin public discussions on these programs until January with program guidelines drafted after that. It's unlikely that there would be guidelines and programs approved till March or April, and less likely that any of this will be done publicly until the bonds were sold.

Guidelines for the Alternative Fuels Incentive Grant program have been under discussion at DEP since July, and those initial guidelines are expected to be published this week or next. Special Session Act 2 established a 75 cent/gallon subsidy for some biodiesel producers, but the law requires reporting and certification by biodiesel companies of quality, monthly production and sales exceeding 25,000 gallons for each month of participation in the fund.

Act 78 of 2008, which created a statewide mandate for biodiesel and cellulosic ethanol blends after production triggers are reached, has a series of provisions that require the full regulatory process. These include a quality mandate for biodiesel enforced by the PA Department of Agriculture, reporting requirements for ALL biodiesel producers, and certification by the Department that infrastructure is in place to comply with the requirements of the act. Regulations governing these provisions will take months to a year or more to move through the regulatory process, and ERG has met with the Department is working with the industry to develop realistic regulations. Certification of infrastructure cannot be done until after June 30, 2009. The earliest a mandate could possibly be in place would be January 1, 2010.

Greenhouse Gas Emissions, Offsets Tracker Available to Businesses

The Pennsylvania Climate Change Advisory Committee had recommended that DEP officially designate registries, or systems, that businesses can use to voluntarily collect information about their greenhouse gas emissions and document their successes in reducing or offsetting emissions. DEP has since adopted The Climate Registry as the emissions registry and three different organizations for offset registries.

Pennsylvania joined 30 other states last year in becoming charter members of [The Climate Registry](#), which is a tool that measures, tracks, verifies and publicly reports greenhouse gas emissions accurately, transparently and consistently across borders and industry sectors. DEP has actively worked to create and develop The Climate Registry and its general verification and reporting protocols.

The registry will support voluntary, market-based and regulatory greenhouse gas emissions reporting programs. During the meeting, the committee also recommended the Climate Action Reserve, the Voluntary Carbon Standard, and the Gold Standard as offset registries. This recommendation for a suite of registries will meet Pennsylvania's needs by creating a wide range of offset protocols and accommodating multinational businesses located within the commonwealth.

PUC Commissioners Direct Implementation of House Bill 2200, Energy Hearing Scheduled

The ink is not yet dry on the paper, but yesterday the Pennsylvania Public Utility Commission (PUC) unanimously approved a Motion to begin implementation of House Bill 2200, which expands the PUC's oversight responsibilities and imposes new requirements on the Electric Distribution Companies (EDCs), with the overall goal of enhancing procurement; reducing energy demand and consumption; and expanding alternative energy sources.

Under the Commissioners' Motion, as soon as the Governor signs House Bill 2200 into law, the PUC Director of Operations will convene a working group to develop an implementation plan.

In addition to this working group, last month the PUC announced it would hold a special public hearing on Thursday, Nov. 13, on alternative energy resources, energy conservation and efficiency, and demand side response (DSR) tools and programs to assist consumers.

The hearing will solicit comments from parties on specific topics. Interested parties have until Oct. 15 to notify the Commission if they wish to testify or provide comments at the hearing. Click [here](#) for more information.

PA Becomes National Leader in Use of Landfill Methane

With the addition of data from 2007, it is now clear that Pennsylvania has secured itself as a leader in the beneficial use of landfill gas, ranking third nationally.

According to the DEP, the database includes 32 active and 14 developing projects annually provide more than 140 megawatts of electricity, more than 2 trillion British thermal units for industrial applications, and nearly 2 trillion Btu of pipeline quality methane. Use of the 43 billion cubic feet of landfill gas collected annually conserves about 19 trillion Btu of commercial fuels such as natural gas, oil and coal.

Landfill gas, or methane, is an air pollutant that can be captured to fuel energy production, used for industrial heating or to produce pipeline-quality methane. Methane from the decomposition of organic waste is a greenhouse gas 21 times more harmful than carbon dioxide. Municipal waste landfills are the third largest source of methane emissions in the United States at 28 percent of the total.

Capturing landfill methane for energy has only emerged as of the late 1990's, prior to which time it was mostly collected and burnt in flares to control odor. Using the gas in a responsible manner helps the environment and provides inexpensive, indigenous source of fuel for businesses. DEP estimates that the annual benefit from capturing and using landfill methane in Pennsylvania is similar to eliminating emissions from 1.9 million cars, or planting 2.7 million acres of forests, or offsetting the use of 23 million barrels of oil, or heating over 600,000 homes.

USDA and DOE Release National Biofuels Action Plan

Earlier this week, Department of Agriculture (USDA) Secretary Ed Schafer and Department of Energy (DOE) Secretary Samuel Bodman released the National Biofuels Action Plan (NBAP), which details what collaborate efforts the Federal agencies can take to accelerate the development of a sustainable biofuels industry.

The NBAP was developed in response to President Bush 's plans to change the way America fuels its transportation fleets in the 2007 State of the Union Address. The President's "Twenty In Ten" goal calls for cutting U.S. gasoline consumption by 20 percent by 2022 by investing in renewable and alternative fuel sources, increasing vehicle efficiency and developing alternative fuel vehicles.

The President's ambitious alternative fuels production target was later followed by the Energy Independence and Security Act of 2007 (EISA) and the Food, Conservation, and Energy Act (FCEA) of 2008, which responded to the President's "Twenty in Ten" challenge with mandatory funding of more than \$1 billion for such energy activities as loan guarantees for cellulosic ethanol projects as well as other renewable energy and energy-efficiency-related programs.

To enhance the impact of federal biofuels investments and enable attainment of the Renewable Fuel Standard (RFS), the NBAP outlines interagency actions and accelerated federally supported research efforts in seven areas including: sustainability, feedstock production and logistics, distribution infrastructure, blending, conversation science and technology, environment and health and safety.

Click [here](#) to view the NBAP report.

GRANTS

DEP Accepting Applications for 2009 Environmental Education Grant Program

Applications are now available for the Department of Environmental Protection's 2009 environmental education grants, which support projects and programs that increase

environmental awareness and understanding in Pennsylvania's communities.

Schools, universities, intermediate units, non-profit groups and county conservation districts are eligible and encouraged to apply. Grants will go to projects that promote understanding of important environmental topics, such as:

Sustainable energy sources, like solar, wind, biomass, geothermal and alternative transportation fuels, as well as energy efficiency and conservation practices;
Air quality, with a focus on lowering emissions from transportation vehicles and electric-generation to reduce ground-level ozone, or smog; and
Watersheds and wetlands, focusing on abating acid mine drainage and reducing non-point source pollution.

Grants will range from \$3,000 to \$20,000 and support programs that promote environmental education in Pennsylvania.

The deadline to submit a pre-application form for the grants is Dec. 12. Beginning Jan. 16, DEP will notify approved pre-applicants to prepare a full application to submit to the department by March 6.

EVENTS

[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.

[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.

NEWS CLIPS

[Maryland asks PJM to hold a summit on capacity shortage](#)

[Utility rate cuts stall](#)

[Alternative energy outlook clouds up](#)

[Candidates Endorse of Nuclear Power, but Sharp Differences on Details](#)

[Fuel Cells Promise New U.S. Jobs](#)

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