



Alternative Energy Report

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Elections – the General Assembly

The Democrats went into the election holding a 102-101 majority in the House of Representatives, and hoped to pick up 5-6 seats. It appears with several still contested races, that next year's House of Representatives will have a 104-99 Democratic edge. Seven races have a margin of less than 1,000 votes at this time.

It appears that neither party will have a working majority in the House, and each caucus will play a major role in crafting solutions to a multitude of financial and economic problems soon to surface with great intensity. The House Republicans will reorganize November 12 and Democrats will hold their reorganization on Tuesday, November 18.

In the Senate, Republicans actually appear to have picked up one seat for a 29-20 majority. Republican Elder Vogel won a big victory in Beaver County for the seat vacated by Democratic Appropriations Committee Chair Jerry LaValle with 57 percent of the votes in a race that shifted when Rep. Sean Ramaley, who had won the Democratic primary, was indicted as part of the "Bonusgate" probe and eventually replaced on the ballot.

All Senate incumbents won their reelection bids, including the late Sen. James Rhoades, the Schuylkill County Republican who was tragically killed in an automobile accident less than two weeks ago. Rhoades' election will force a special election to fill the vacant seat. That election will be scheduled after the election results are certified in January.

House Notes

Democratic leader Bill DeWeese of Greene County won a close re-election, but remains under fire by many members of his caucus. It appears certain there will be a new Speaker, and other challenges are expected for leadership posts in both caucuses, something that will be closely watched for signals as to how each will proceed in the coming session.

Four sitting House members were defeated on Tuesday:

- Democrat Matt Bradford defeated Rep. Jay Moyer in Chester County
- Republican Jim Christiana defeated Rep. Vince Biancucci of Beaver County
- Republican Matt Gabler surprised incumbent Dan Surra of Elk County
- Republican Frank Farry upset incumbent Chris King of Bucks County

Twenty-two open seats were up for election in the House due to retirements, nine held by Democrats and 13 by Republicans. The following appear to have changed party hands in the elections:

- Republican Tim Krieger won retiring Rep. Tom Tangretti's seat in Westmoreland County
- Democrat Richard Mirabito picked up Rep. Steve Cappelli's House seat in Lycoming County. Cappelli had lost his election bid for a state senate seat during the Primary
- Democrat Brendan Boyle picked up retiring Rep. George Kenney's House seat in Philadelphia
- Democrat Tom Houghton has a 200 vote lead over John Lawrence, narrowly winning retiring Rep. Art Hershey's seat in Chester County
- Democrat Steve Santersiero was elected in Bucks County to fill retiring Rep. David Steil's seat
- Democrat Paul Drucker leads former Senate Staffer Guy Chiarocchi by a few

hundred votes for retiring Rep. Carole Rubley's seat in Chester and Montgomery Counties

Senate Notes

In open seat races, Democrat Larry Farnese maintained Sen. Vince Fumo's seat in Philadelphia; Republican Lloyd Smucker won Sen. Gib Armstrong's seat in Lancaster County; Democrat Daylin Leach won Sen. Connie Williams' seat in Montgomery County; Republican Gene Yaw won Roger Madigan's seat in Bradford County; Republican Rich Alloway won Terry Punt's seat in Franklin County; Republican Kim Ward won a closely contested race for John Regola's seat in Westmoreland County.

Election History Made in Pennsylvania and in U.S.

By Phillip D. McFarren, ERG Partner

We have witnessed a historic political moment which many of us may never witness again. The voters of Pennsylvania joined a broad band of states in America's rural and industrial heartland to send a clear message—Don't count us out. Change your ways government so that we have economic security at home.

During the past six weeks I have traveled through much of this part of the United States meeting public officials, meeting companies and industrialists who have and are continuing the fight for energy independence. They are the investors, the proud workers, government partners and the rural America that some politicians seem to forget in their lust for power and publicity. They responded with vigor and vitality yesterday by electing one of their own as the 44th President of the United States. During these past few weeks you could feel the tempo growing not for partisan reasons but for economic reasons.

Last week we toured the new processes being developed in partnership with agriculture and industry to greatly enhance the food chain while creating a more competitive product needed to achieve energy independence. We toured the leading manufacturing plant of the needed equipment and we discussed with other companies the most likely technology to be utilized in the future of manufacturing the next generation of biofuels. Political leaders should well consider the same experience, for they too will see American entrepreneurship at its best.

Click [here](#) to view the rest of McFarren's article on ERG's Power Politics blog.

Federal Energy Policy – Next steps?

President-elect Barack Obama and John McCain often sparred on energy issues during this fall's campaign, and in the process, put themselves on record on many key energy related issues. The following notes from Energy Business Daily attempts to summarize some areas on which we can expect further action from both the Executive and Congressional levels during the Obama administration in lucid terms.

OIL CONSUMPTION - Obama has called for lowering our oil usage by at least 35 per cent or 10 million barrels per day by 2030, to reduce the reliance on OPEC nations.

OFFSHORE DRILLING - Initially Obama was against lifting the congressional moratorium on drilling in federal lands off U.S. coasts. Recently, however, he has switched to supporting limited expanded offshore drilling as a part of broader legislation to help solve America's energy problems.

STRATEGIC PETROLEUM RESERVE - Obama has recently supported releasing 70 million barrels of light sweet crude, later to be compensated by heavier crude.

WINDFALL PROFITS TAX - Obama supports a tax cut for middle and lower middle classes, paid for with a five-year windfall tax on profits of large scale oil companies. The burden of high energy prices will thus be compensated by the tax from large oil companies themselves. The middle and lower middle classes therefore can enjoy the benefits of a \$1,000 tax rebate under the Obama presidency.

ALTERNATIVE ENERGY - Senator Obama has called for producing 25 percent of our electricity needs from renewable sources by 2025.

He wants to give an impetus to alternative fuel usage by means of a \$7,000 tax credit for people who buy “advanced” automobiles. He wants over a million plug-in hybrid cars on the go by 2015.

Obama also wishes to raise the Renewable Fuel Standard to at least 60 billion gallons of highly developed biofuels like cellulosic ethanol by 2030; create a proper ethanol distribution infrastructure, direct that all new vehicles be “flexfuel” by the time his first term in office ends. He wishes to ensure the production of 2 billion gallons of “cellulosic” ethanol from non-corn sources like switchgrass by 2013.

Obama called for spending \$150 billion over 10 years on low-carbon energy sources, doubling R&D expenditure on biomass, solar and wind resources; speeding up commercialization of plug-in hybrids, encouraging low-emissions coal plants.

SPECULATION ON FUTURES MARKETS - Obama has advised government control on trading and regulated exchange. He wants proper information on markets especially on index funds and other similar ventures. He supports legalized sanction and directives issued to the Commodity Futures Exchange Commission to look up proposals which suggest increasing margin requirements in the market; he backs closing up the Enron Loophole.

NUCLEAR POWER - Obama backs the usage of nuclear power, but feels that nuclear waste disposition and proliferation is an important concern that must be addressed. He is against the Yucca Mountain plan.

CLIMATE CHANGE - Obama wants to reduce carbon dioxide emissions to 80 percent below 1990 levels by 2050; and to reduce CO2 emissions to 1990 levels by 2020 (a reduction of 10 percent).

VEHICLE FUEL ECONOMY - Obama wants to double fuel economy standards in 18 years; encourage auto makers by giving them tax incentives for making new engines and lightweight materials.

ELECTRICITY - Obama called for ensuring that renewable energy is used by U.S utilities for at least 25 percent of their work by 2025. He has supported cap and trade legislation.

AFIG Applications Now Available, New Regulations Announced

Applications for the Alternative Fuels Incentive Grant program through DEP are now available. In July, Governor Rendell signed legislation to further encourage the growth of the biofuels industry in Pennsylvania, including mandates for biodiesel and ethanol.

The Biofuel Development and In-State Production Act requires that every gallon of gasoline and diesel fuel sold include increasing percentages of biofuels—a maximum of 20 percent biodiesel for diesel fuel and 10 percent ethanol for gasoline—as in-state production reaches certain benchmarks.

Under the act, the Alternative Fuels Incentive Grant Program will award 75 cents per gallon to eligible applicants, with no single producer to receive more than \$1.9 million annually. Up to \$5.3 million annually will be available under the program through fiscal year 2010-2011. To be eligible for the monthly alternative fuels production incentives, applicants must produce and sell 25,000 gallons or more per month of qualified biomass-based diesel in Pennsylvania for transportation or home heating purposes.

Production incentive applications are now available from DEP and will initially cover reimbursement requests for biodiesel produced and sold in Pennsylvania from July 1 through Sept. 30. Applications must be postmarked or received by Nov. 14.

Once applications are accepted for the initial period, DEP will begin accepting applications for reimbursement on a monthly basis. Requests shall be submitted for the previous month’s production and must be postmarked or received by the last day of the month.

PUC Announces Change in Date for Special Hearing on Alternative Energy Resources, Conservation, Efficiency and Demand Side Response

Last week the Pennsylvania Public Utility Commission (PUC) announced a change in date for a special public hearing on alternative energy resources, energy conservation and efficiency, and demand side response (DSR) tools and programs to assist consumers. The previously announced en banc hearing will now be held on Wednesday, Nov. 19, 2008, at 9:30 a.m. in Hearing Room 1 of the Commonwealth Keystone Building in Harrisburg. The hearing was originally scheduled for Thursday, Nov. 13, 2008.

Due to the overwhelming response from experts who have already wished to testify on these important topics and the effects of Act 129 of 2008 (House Bill 2200) on these issues, the Commission has set aside a full day for the hearing, which allow the Commission to increase the number of interested parties who can provide testimony and ensure that the Commission gathers as much information as possible prior to acting on pending staff recommendations on these complex issues.

Click [here](#) for more information on testifying the proposed implementation of Act 129.

GRANTS

[Pennsylvania Wind Energy Symposium](#), Nov. 17-18, State College
Economic development professionals, industry representatives, business owners, research and community groups can learn more about the business case for wind-energy industry; key technical and development challenges in harnessing wind energy; the supply chain needs of the industry; workforce required; the role of renewable energy sources in addressing the need to reduce greenhouse gas emissions and more.

NEWS CLIPS

[Rate Cap Extension Costlier in the Long Run, Electric Generators Say - Urge Governor Rendell, Legislature to Support Competition](#)

[Economy has energy companies spooked; election could help instill confidence](#)

Everything Obama: Biofuels Digest compiled a series of articles that anticipate how Obama's policies as President will impact the biofuels and renewable energy industry:

[Obama candidates for Energy, Agriculture, EPA, Interior and climate czar](#)
[Obama will declare CO2 a pollutant, regulate under Clean Air Act, EPA, says top energy adviser](#)

[Obama endorses cap-and-trade](#)

[LA Times publishes analysis of impact of Obama energy policy on new energy companies](#)

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