



Alternative Energy Report

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Keep Net Metering on a Level Playing Field

Pennsylvania Energy Resources Group has serious concerns about some PUC staff suggestions relating to revisions to the state's Alternative Energy Portfolio Standards legislation passed in July (Act 35 of 2007). The staff suggestions could reverse the legislative intent of the act, and actually work to stifle incentives for developing on site customer electric generation projects using manure, digesters, solar and wind for on site generation.

Act 35 was designed to help and expand the state's capabilities for on site power generation by encouraging these forms of production and permitting sales of excess electricity back to the grid. It included language requiring that customer-generators be compensated for excess generation on an annual basis "at the full retail value for all energy produced." The concept is that small generators would receive payment on a level playing field with what the electric utilities charge.

In the October 20 PA Bulletin, (<http://www.pabulletin.com/secure/data/vol37/37-42/1898.html>) the Public Utility Commission request for comments included the suggestion that "full retail value" may not apply to the fully bundled retail rate for generation, transmission, distribution and transition charges, and that it might be limited to the generation component of the electric retail rate. Such an interpretation by the PUC would limit payments for generation to about 40 percent of the total retail value, and be advantageous for the electric utilities.

Today, if you are being charged seven cents per hour for electricity the utility sells you, you could get a credit of seven cents for the electricity you are selling them. But under this interpretation, instead of getting seven cents, your return for the electricity you sell the utility would be less than three cents. As Mike McCaskey of EnergyWorks PA noted this week, "Anyone producing power under the net metering concept should expect the same return compensation as payment made to the utility for the same amount of power."

Such a ruling by regulation could cripple the economic viability of many projects, make funding more difficult, and work against expansion of customer generation capabilities across the state.

Many companies and organizations with a stake in on-site customer generation and clean energy - including ERG, the Governor's Agricultural Renewable Energy Council, PennFuture, DEP and PDA - are concerned that the PUC staff interpretations could stifle incentives for development of these relatively small energy generation projects.

If you support keeping the playing field level for customer generators, ERG suggests you contact the PUC with written comments, which must be received by November 16. Comments must include an original and 15 copies, referencing Docket numbers M-00051865, L-00050174 and L-0050175, and be submitted to the Pennsylvania Public Utility Commission, Attn: Secretary, PO Box 3265, Harrisburg, PA 17105.

Pa Joins California EPA Lawsuit; Governor Urges Regulating GHGs From Cars

The Pennsylvania Department of Environmental Protection has joined California and 12 other states as an intervener in a lawsuit to force the EPA to act on California's waiver request for better regulating greenhouse gas emissions from automobiles. Governor Rendell said, "the EPA's inaction is stalling Pennsylvania's efforts to reduce climate-changing pollutants. I am calling on the EPA to fulfill its obligations and promptly grant California's waiver request to allow it to implement its greenhouse gas regulations for automobiles."

On Dec. 21, 2005, California requested a waiver from EPA to implement its greenhouse gas regulation. Now, almost two years later, EPA has yet to act on the request. Pennsylvania and other states cannot enforce these regulations under the Clean Air Act until the EPA grants a waiver to California's greenhouse gas regulation.

Arguing that the EPA has "unlawfully withheld and unreasonably delayed" action on its waiver request, California filed two legal actions seeking to order the federal agency to act on the waiver petition by Dec. 31.

Pennsylvania has adopted the stricter California emission rules, but cannot enforce them until California is permitted to enforce that portion of its clean vehicle program. Brand-new cars and light trucks starting with model year 2008 sold, titled and registered in Pennsylvania would have to be certified by the California Air Resources Board.

The federal Clean Air Act gives California the unique authority to set its own more stringent air pollutant regulations for cars and allows other states like Pennsylvania to adopt those regulations rather than those of the federal government. But the federal act requires that EPA provide California with a waiver before these state regulations can be enforced by other states.

DEP Secretary Katherine McGinty said, "With about 25 percent of greenhouse gases in the state attributed to transportation, we are urging the EPA to grant California its waiver as soon as possible so that automakers can get on with the job, as they always have, of providing the technology to make our transportation system as clean as possible."

Solobay Introduces Bill to Study Impact of Alternative Energy Portfolio Standards

Rep. Tim Solobay (D-Washington) recently introduced House Bill 2014 to ensure that Pennsylvania's efforts to help the environment are not hurting the economy. The bill would provide for a study of how the Alternative Energy Portfolio Standards Act of 2004 is impacting the Commonwealth's manufacturing economy, energy prices, energy production and consumption and personal income.

House Bill 2014 would examine whether mandated reductions in Pennsylvania's emissions would actually lead to a real reduction in national greenhouse gasses. The legislation would also examine both the economic impact and emission reduction potentially achieved by Pennsylvania's participation in the Northeast Regional Greenhouse Gas Initiative. Enacted in November 2004 and amended earlier this year, AEPS requires that by 2020 at least 18 percent of electric energy sold by a distribution company or generation supplier to a retail customer in the Commonwealth must be from alternative energy sources.

Wayne/Pike Farm Bureaus Look to Build Ethanol Plant in Texas Twp.

The Wayne/Pike Farm Bureau recently staked a claim to 90 acres in Texas Township for a \$161 million ethanol plant that the group hopes could be operational 18 months after breaking ground.

In prior news reports, project administrator Dave Williams, said the bureau's \$1,000 donation to the project secured an "outright option" on the 90 acres until July 15. If the required testing on the land comes back positive, a private development group, Indian Orchard Energy Corp. LLC, could then purchase the land for \$850,000.

The plant is expected to create 420 new jobs – 45 at the plant and 375 in the local economy – by 2017; add \$140 million – in 2007 dollars – annually to the Wayne/Pike economy over 10 years; and add an additional \$24 million in 2007 dollars to county households over 10 years, according to the company that conducted the plant's feasibility study.

The study also found that the plant will be "cost-effective" for the community, with its proximity to ethanol markets and "co-product" markets, like health care and industrial manufacturing; access to highways and railways; and availability of biomass like hardwood to convert into cellulose, which can be used for ethanol production. Some predict it will replace corn as the raw material of choice.

Richard to Head Penn State Institutes of Energy and the Environment

Effective January 1, Thomas L. Richard, associate professor of agricultural and biological engineering and director of the Biomass Energy Center, will become the new director of the Penn State Institutes of Energy and the Environment.

Penn State Institutes of Energy and the Environment aims to expand the University's capacity to pursue the

newest frontiers in energy and environmental research by encouraging cooperation across academic disciplines and the participation of local, state, federal, and international stakeholders. PSIEE brings together eight Penn State academic colleges and several University research institutes and centers.

Richard received his master of science in agricultural engineering and doctoral degree in biological engineering from Cornell University in 1987 and 1997 respectively, and his bachelor of science in political economy of natural resources from UC-Berkeley in 1978. In 2004 he came to Penn State as an associate professor in the Department of Agricultural and Biological Engineering, and in 2006 became director of the Biomass Energy Center, a university-wide center fostering interdisciplinary and stakeholder collaborations on production, processing and utilization of sustainable bioenergy systems.

Richard's research interests lie in the application of bioprocess engineering to agricultural and environmental problems, including microbial conversion of biomass, agricultural byproducts and manures for nutrient, energy, and organic matter recovery and value-added manufacturing; design and analysis of composting processes; and nutrient, carbon, and energy flows in agricultural ecosystems.

State Announces \$366,000 Investment to Help Businesses Increase Use of Composted Materials

Pennsylvania is seeking creative and profitable ways to reduce the amount of organic waste going to landfills, while encouraging businesses to increase the use of composted organic materials in finished products as it announced nearly \$366,000 in strategic state investments to six organizations across the state.

The Compost Infrastructure Development Grant Program helps for-profit businesses and nonprofit organizations incorporate organic materials into manufactured products. It also increases the amount of organic material processed at composting facilities. The grants, which range to \$100,000 for each project, are leveraged to attract additional investment from private entities and community organizations. This year's recipients will invest more than \$91,000 additionally to support these projects.

Pennsylvanians recycled a record 4.86 million tons of municipal waste in 2005, saving consumers and industries nearly \$263 million in waste disposal costs and providing businesses with materials valued at \$577 million. Pennsylvania's recycling and reuse industry leads northeastern states in employment, payroll and sales.

Grant recipients include:

Tait Farm Foods Inc., Centre County - \$55,560.

Dickinson College, Cumberland County - \$93,000.

Quiet Creek Herb Farm & School of Country Living Inc., Jefferson County - \$17,662

Two Particular Acres, Montgomery County - \$91,893.

Red Earth Farm, Schuylkill County - \$20,533.

Keystone North Inc., Tioga County - \$87,289.

Governor Announces \$10 million to Develop Homegrown Fuels, Replace Foreign Oil

The Governor recently announced \$10 million in grants through the Alternative Fuels Incentive Grant (AFIG) program that will leverage another \$108 million in private investment to expand the production and use of homegrown biofuels. The investments will support research into new potential fuel sources that will help the state meet its energy demands using domestic alternatives.

Click [here](#) to view a full list of grant recipients.

PEDA Approves \$11.2 Million for 24 Projects

The state recently announced an investment of more than \$11 million in 24 innovative, alternative and renewable energy projects that are designed to attract nearly \$122 million in new, private economic growth; create more than 730 permanent jobs and 1,200 temporary positions.

The 24 projects were approved by the Pennsylvania Energy Development Authority (PEDA) and involve hydrogen fuel cell production, biofuels, manure to energy projects, carbon sequestration, green building

technologies, and energy efficiency projects.

According to DEP, Pennsylvania's environment would also benefit. Combined, the projects will eliminate 2.7 million tons of carbon dioxide annually, reduce emissions of smog-producing pollutants like sulfur dioxide by more than 15,000 tons, and nitrogen oxide by 4,300 tons. Additionally, some of the projects approved today will help meet the state's electricity needs, generating 3.2 billion kilowatt hours (kWh) of electricity annually — enough to power 320,000 homes.

Click [here](#) for a full list of grant recipients.

FEDERAL NEWS

Bankers, Farm Credit Battle Over Biofuels Lending

The Farm Credit System and state/national Bankers Associations have taken a battle over lending rights to the Senate floor during discussion on the 2007 Farm Bill. At stake is the issue of who will be able to provide loans to rural businesses which while not farmer owned, may be critical to farm economic health.

Senator Saxby Chambliss (R, Georgia) is planning to offer an amendment to the Senate version of the Farm Bill that would enable Farm Credit to help agriculture reduce energy reliance on other companies by financing biofuels facilities. The amendment is being called a compromise proposal by its proponents.

The Farm Credit System's mission is to "provide sound and dependable credit for agricultural producers, cooperatives, and certain farm related businesses." FCS is a Government-sponsored enterprise created by Congress in 1916 to provide the U.S. agricultural sector with a permanent, farmer-owned source of credit at competitive rates of interest. And that's where the work gloves have come off.

Earlier this year, the Farm Credit System proposed expansion of its mission to include a variety of farm business lending, particularly to biofuels plants and to cellulosic ethanol facilities in the future. The FCS argued that it has decades of experience in biofuels lending, and that community banks don't have the lending capacity, expertise or the willingness to take risks on loans needed to finance a commercial ethanol or biodiesel manufacturing facility.

The reaction from the Banks' Associations was not long in coming. The national, state and community banks associations prompted an amendment that would have prevented FCS from moving into more commercial and consumer lending.

The banks are concerned that any expansion would use FCS' tax advantages and lending ability to dilute farmer ownership in the system and become a general purpose lender. The Independent Community Bankers of America has called the FCS request "an effort to drive community banks out of rural America."

Meanwhile Farm Credit has kept up the pressure, citing biofuels plants as its major reason for requesting the change. Farm Credit notes that "community banks don't have the lending capacity, the expertise or the willingness to take the risk on the loans required to build a renewable fuels plant."

It's nice to have folks fighting over you, right biofuels companies?

Redesigned Web Sites Highlight Alternative Fuels Options

The U. S. Department of Energy has redesigned its Alternative Fuels & Advanced Vehicles Data Center (<http://www.eere.energy.gov/afdc/>) and the Clean Cities Program (<http://www.eere.energy.gov/cleancities>) Web sites to provide new tools that can assist fleet managers and communities in making informed choices among strategies for reducing petroleum use. The web sites provide a one-stop resource for valuable information about alternative fuels and vehicles, hybrid vehicles, idle reduction, and other strategies. They include on-line tools that find fueling stations for ethanol, biodiesel and other alternative fuels anywhere in the country; identify incentives and laws for alternative fuels and vehicles in any state, find and compare alternative fuels and hybrid vehicles, and obtain information from fleets that have used alternative fuels.

CAST Analyzes Biomass Production for Biofuels

Significant, immediate national investments are needed, along with changes in policy, to address challenges limiting the sustainable production and efficient use of cellulosic biomass as a fuel feedstock to meet anticipated U.S. demand, says a new study from the Council for Agricultural Science and Technology. CAST officials say *Convergence of Agriculture and Energy: II. Producing Cellulosic Biomass for Biofuels* provides a scientific assessment of the production potential and regional impacts of large-scale cellulosic ethanol production.

The report covers several critical questions, including: What issues should be evaluated in a realistic appraisal of current and future feedstock supplies? What production methods should be used to maximize agronomic systems? What characteristics should distinguish crops developed specifically for production of biomass? What improvements in the feedstock supply system will most likely lead to enhanced conversion, and in turn, create revenue? And, what areas should be emphasized in educating the public on the comprehensive principles of biomass-to-ethanol production? CAST is a coalition of scientific organizations and is based at Iowa State University.

For a copy of the report, please contact our office.

EVENTS

Philadelphia, BBI Biofuels Workshop, Nov. 28-30. Focuses on near-term development of commercial-scale ethanol and biodiesel production, and provides information and expertise that specifically targets regional challenges and opportunities for further development of the biofuels industry. Click [here](#) for more information.

American Council On Renewable Energy's Phase II Policy Conference, Washington, D.C., Nov. 28-29, 2007. The American Council On Renewable Energy (ACORE), in conjunction with the renewable energy caucuses of the U.S. House of Representatives and U.S. Senate, and with the participation of many Supporting Organizations, will hold its annual national policy conference, Phase II of Renewable Energy in America: A Global Outlook. Click [here](#) for more information.

The Alternative Energy Investment Symposium, New York City, November 27-28. At The Alternative Energy Investment Symposium, capital users will learn about types of financing and capital sources that are available to this important business today, while investors and capital-arrangers will learn about investment and financing opportunities-both public and private-in this space and what makes each work. Click [here](#) for more information.

Future Fuels 2007, Washington, D.C., December 3-5. Future Fuels 2007: The Strategic Challenges Of Successfully Bringing Biofuels To Full Commercialization will discuss the experiences and achievements of the last twelve months, debate how to address current challenges and seek to pave the way for further development in this dynamic industry. Click [here](#) for more information.

Business in the Wilderness: Shaping your Carbon Choices, Washington, D.C., December 5-6. The National Hydrogen Association. Efforts to limit greenhouse gas emissions are beginning to dramatically change the economics of doing business. Whether directly or indirectly, carbon is found in every product and service, every link of the supply chain. Producers, buyers, and sellers of goods and services may all be affected by carbon limits. Click [here](#) for more information.

The National Biodiesel Board's 2008 National Biodiesel Conference (NBC), February 3-6, Orlando, FL. Click [here](#) for more information.

BBI International Biomass '08 Conference and Trade Show, April 15-17, Minneapolis Convention Center. For more information, click [here](#).

NEWS CLIPS

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[Coal-to-oil project takes big step](#)

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[S.D. Company Looks for Fuel in Corn Cobs](#)

[Group quizzes ethanol expert on corn, impact](#)

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