



Alternative Energy Report

November 21,
2007
Volume 1, Issue
20

Energy Independence – Waiting Game?

Despite ever-rising utility and gasoline/diesel prices, and the fast approach of the Holidays, the Special Session on Energy is grinding its way into a third month with little significant action in either the House or Senate. Several bills have been moved out of committee, and several more are slated for consideration next week, but with less than ten legislative days left, passage of an energy package without a negotiated deal among the House, Senate and Governor's Office appear slim.

Adding to the difficulties of getting legislative approval, much time the past week has been taken up by senior staff resignations, an investigation by State Attorney General Tom Corbett, a full non-energy agenda and legislation all undercutting time needed to deal with the urgent needs for immediate action on energy. The combined forces of these actions may have effectively derailed hopes of passing an energy security package in the eight or nine legislative days scheduled before Christmas, unless legislative leadership and the Governor can quickly come to some fundamental agreements.

The House Democratic leadership last week accepted the resignations of seven senior employees, including Mike Manzo, Chief of Staff to Majority Leader Bill DeWeese and the Democratic directors for their offices of staffing, administration, personnel, information technology and member services – a previously unheard of action. The seven who left are reportedly involved in an investigation by Attorney General Tom Corbett as part of the investigation of political activity on state time and distribution of legislative bonuses. At the same time, former state Representative Frank LaGrotta was indicted on two felony counts of conflict of interest related to the hiring of relatives, and reports were that LaGrotta is cooperating with the Attorney General's probe. It appears certain that the ability of the Democrats to continue functioning as a bloc is in some jeopardy with internal struggles over the AG's investigation.

Governor Rendell went to the Democratic caucus as part of a two day push to get support for urgent consideration of the energy independence strategy, but while several members agreed to help move the package, it may be too little too late for the fall legislative session for final action on the package. This week, too, the Governor held a press conference aimed at impressing the media with the urgent need to pass the legislation, but Rendell answered a question by saying, "There's a better way to do it than extending rate caps, but if the legislature sent me a bill with reasonable rate caps, I would sign it."

State Senator Lisa Boscola has drafted legislation that would extend the caps for another five years. From PA-ERG's perspective, any legislative action to extend the rate caps would undercut the urgency that the Governor and others are trying to project, and would further delay action on the economic development pieces of the energy package. The legislative agenda already includes efforts to pass a state open records law and grapple with property tax relief, as well as other gubernatorial initiatives including gun control and health care reform.

Finally, the Senate Special Session Committee held a public hearing to discuss SB 1 and a variety of issues involved with an energy security/energy independence package. The clear message we have received from the Senate caucuses is that they plan to develop a statewide comprehensive energy package of policies and incentives in carefully measured steps. The Committee has scheduled several bills for consideration Nov. 27. PA-ERG will continue to work with all parties to push for legislation to help Pennsylvania compete with other states who have established new energy incentive and development programs.

Bill to Study Climate Change Impacts Passes Senate

This week, the Senate passed SB 266, a bill that would provide for a report on potential climate change impacts and economic opportunities passed the Senate (Y:47 / N:3). The bill is now before the House Environmental Resources and Energy Committee for consideration. Under Senate Bill 266, sponsored by Senator Edwin Erickson (R-Delaware), the state Department of Environmental Protection would publish a report on the potential impact of climate change in Pennsylvania. The bill would also establish the Climate Change Advisory Committee, and produce a greenhouse gas emissions registry and climate change action plan. Similar climate change legislation, HB 110, sponsored by Rep. Greg Vitali (D, Delaware) passed the House by a 182-15 vote October 31 and is in the Senate Environmental Resources and Energy Committee.

Energy Bills Moved by House Environmental Resources and Energy Committee

Three Special Session bills were moved out of the House Environmental Resources and Energy Committee this week. Special Session House Bill 2, 12 and 33 are now slated on the House Calendar.

House Bill 2, the Clean Fuels and Energy Independence Act, sponsored by Representative Mike Gerber (D-Montgomery), establish mandates for renewable content in on-road transportation fuels sold at retailers in Pennsylvania. It also seeks to improve air and water quality and reduce production of greenhouse gases and other harmful emissions, thereby promoting energy independence and stimulating the state's economy.

The bill passed out of committee by a vote of 21-7, but not before an amendment that would have substituted "renewable diesel" for biodiesel was proposed and later withdrawn.

Several new energy-related bills were introduced in regular and special session this week. These bills cover a variety of issues, including Title 66 amendments regarding duties of electric distribution companies, biodiesel production incentives, green work force training tax credits, the adoption of procedures to encourage energy efficiency by electric distribution companies, changes to AEPS Tier qualifications, and an act providing for the study and mandated content of biodiesel fuel.

State Approves Air Quality Plan for Ethanol Plant in Lackawanna County

The state Department of Environmental Protection on Friday approved an air quality plan for Northeast Ethanol's proposed 60-million-gallon-per-year plant in Mayfield, Lackawanna County.

The plan restricts emissions of a list of pollutants, including 53.19 tons of carbon monoxide, 54.04 tons of nitrogen oxides and 35.05 tons of volatile organic compounds per year. The permit requires "best available technology" for emission control.

The plant, however, has received vocal objection from residents, who mounted a successful write-in campaign during this month's election to oust borough council members in favor of the plant. Despite objections, the plants engineers and partners proved that their plant could achieve the required standards. A news release from DEP's northwest regional director said that "In issuing this plan approval, we gave careful consideration to the concerns expressed by the public at the meeting we held in September."

The 100-acre site needs a few more permits, including one for water discharge, but the project is on schedule.

After construction, DEP will return to require a "stack test," however; a DEP spokesman has said that the plant is not considered a "major source" of pollution.

PUC Commissioner Christy says Electric Rates Expected to Soar; Differing Opinions on Rate Cap Extensions

The electricity deregulation law traded power plant regulation for artificially low rates, but once those rates come off, the sky is the limit when it comes to electricity costs, according to PUC Commissioner Tyrone Christy. This spells big trouble for consumers and businesses that are being hit with skyrocketing energy prices from all angles.

"Within the next three years, electricity rate caps will come off about 85 percent of all Pennsylvanians," said Tyrone J. Christy in a recent interview. "What happens once the caps expire is one of the biggest issues we face."

This week, the PUC Commissioners testified before the Senate Consumer Protection and Professional Licensure Committee hearing regarding Senate Bill 1134. The bill, sponsored by Senator Robert Tomlinson (R-Bucks) would provide for rate change mitigation, energy efficiency and demand-response measures and amend the methods for procurement of electric power.

The Commissioners said that rate cap extensions should be a last resort and that pieces of key legislation should be passed in the very near future so the PUC and energy industry will have time to react prior to 2010. With the possibility of rate cap extension on the table, and a slow-moving energy special session, clean-energy enthusiasts are crossing their fingers that the possibility of cap extensions will not hinder the passage of solid, clean-energy laws and regulations.

County Commissioners Okay Windmills

Lycoming County Commissioners unanimously approved an amendment to the county zoning ordinance that will allow electricity-generating wind turbines by right in resource protection, countryside and agricultural zoning districts. The amendment goes into effect immediately.

The zoning ordinance previously allowed wind turbines in countyside and agricultural districts by right, and in resource protection districts by special exception permit granted by the county Zoning Hearing Board. The amendment was proposed last spring by county Planning Commission staff in the wake of a Zoning Hearing Board hearing lasting nearly a year-and-a-half involving a wind energy project proposed on a seven-mile section of the Laurel Hill Ridge in northern Lycoming County. Vermont-based Laurel Hill Wind Energy Co. requested the board approve a special

exception to build the turbines on land zoned mostly for resource protection.

The board denied the permit by a vote of 3 to 2 and the wind company appealed the decision in county court. When county Judge Nancy Butts upheld the board's decision, the company appealed the ruling in Commonwealth Court, where it remains. The commission's executive director estimated that the hearing and appeals process cost the county more than \$100,000 and that an amendment would clarify the zoning ordinance and help streamline the process of approving or denying wind energy projects.

Commissioner Rebecca A. Burke said the county is obliged by law to provide for all types of uses in its zoning ordinance. The amendment will provide comprehensive guidelines for wind development that did not previously exist in the zoning ordinance.

Penn State Gets DOE Funding for Next Generation Solar Energy Projects

Penn State was among 24 companies and universities selected by the U.S. Department of Energy (DOE) to receive funding as part of this year's \$21.7 million in next generation photovoltaic (PV) technology grants to help accelerate the widespread use of advanced solar power.

Penn State will seek to apply lessons learned from success with lithium ion batteries to develop dye-based sensitized solar cells with improved electrodes and electrolytes. DOE will provide up to \$882,103 for the \$1.1 million project. Penn State was also selected for a second project, in which researchers will create PV devices from nanowires grown on inexpensive substrates like glass. DOE will provide up to \$900,000 for the \$1.1 million project.

Energy Secretary Samuel W. Bodman said "These projects help create a pipeline for the development of next generation solar technology, " Secretary Bodman said. "Our goal is to make solar power a more mainstream source of energy - to increase energy security and maintain America's competitive edge. With a continued commitment from this Administration to develop and deploy clean, cutting-edge technologies, the Department is helping change the landscape for how this Nation utilizes its resources and produces energy."

The 25 projects were selected competitively from a large and diverse pool of applicants, demonstrating the growing enthusiasm for PV technology. The projects will be implemented at 15 universities and 6 companies; each award averages \$900,000 from DOE over three years (Fiscal Years 2008 – 2010). DOE will provide up to \$21.7 million in funding, subject to final project negotiations and Congressional appropriations. With cost-sharing, the total investment in research will be up to \$30.3 million.

ERG Asked to Testify Before Senate Special Session Energy Policy Committee

Last week, ERG was asked to testify before the State Senate's Special Session Energy Policies Committee. During the hearing, ERG urged the committee to support programs and incentives that would establish a solid footing for the expansion of biofuels production and use in the Commonwealth.

John Nikoloff, a partner in the Pennsylvania Energy Resources Group (ERG), told the committee, "State action is needed now to prevent an additional drain of consumers' dollars and tax revenues to imports, whether those come from OPEC or from biofuels plants in Virginia, Indiana and Iowa."

Twenty four states have established incentive programs for ethanol or biodiesel production and consumption, and these actions have resulted in market advantages for their product. "Other states are taking aggressive action to provide incentives for ethanol and biodiesel production," he said. "Pennsylvania must take significant action now to level the playing field so that our ethanol and biodiesel companies can continue to compete. Federal Renewable Fuels Standards and the proposed statewide mandates will require use of hundreds of millions of gallons of these biofuels. It makes no economic sense to allow these mandates to be met by products manufactured by out of state companies. The result would be lost opportunity, lost jobs, lost revenues and higher costs to consumers. "

For a copy of ERG's testimony, please contact us at info@pa-erg.com.

AWEA Hikes Wind Power Projections to 4,000 MW for 2007

The American Wind Energy Association (AWEA) says wind power capacity expected to be installed this year will reach 4,000 megawatts, an increase of one-third over the association's August projections for the year. AWEA's third quarter market report concludes that the wind industry added more than 2,300 megawatts of wind power in the first three quarters of 2007, while more than 5,000 megawatts of wind power are currently under construction. "The U.S wind energy industry is going to exceed what was already a record projection for installations this year, " said AWEA Executive Director Randall Swisher. "This is great news because it means that new, readily available, clean generation is reaching consumers at a time when electricity demand and global warming concerns are both on the rise."

According to AWEA's numbers, nearly 14,000 megawatts of wind power capacity are now installed in the United States. The association says that in the third quarter alone, more than 1,250 megawatts of wind power were installed throughout the country, including 600 megawatts in Texas, sustaining that state's leadership in wind power capacity. Another 264 MW of wind power were built in Colorado, which is now ranked sixth among states with installed wind power capacity. In Washington State, 140 MW of wind power were installed, pushing that state into fourth place, while the first utility-scale wind power facility was completed in Missouri.

Energy Harvest Grants Announced

Last week, Governor Rendell announced support for 28 innovative projects through the Energy Harvest Grant program that will generate clean and renewable energy, reduce pollution, conserve natural resources, and educate the public on the benefits of renewable energy technologies.

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

Upcoming Committee Meetings

The Senate Special Session Energy Committee is scheduled to meet on November 27 to discuss several Senate bills, including:

- SB 4 – Amends the Tax Reform Code further providing for limitation on research and development tax credits
- SB 6 – Amends the Tax Reform Code authorizing a solar energy tax credit.
- SB 8 – Amends the Tax Reform Code further providing for exclusions from the sales and use tax.

- SB 22 – Amends the Alternative Fuels Incentive Act, further providing for the Alternative Fuels Incentive Fund
- SB 25 – Amends the Alternative Energy Portfolio Standards Act, further defining "alternative energy sources" and "Tier II alternative energy source."
- SB 26 – Amends the Administrative Code further providing for special power relating to State vehicles
- SB 31 – Amends the Alternative Energy Portfolio Standards Act further providing for definitions.
- SB 36 – An act providing for the study and mandated content of biodiesel fuel

FEDERAL LEGISLATION

Farm Bill Stalled in Senate

This week, the Senate failed to cut off debate by a 55-42 vote, after 11 days of deliberations as leaders of both parties failed to agree on amendments. The House version of the bill includes several extensions to the 2002 Farm Bill Energy Title and new energy and energy efficiency programs including loan guarantees for biorefineries; grants for internships in bioenergy, woody-biomass energy research and demonstration; and several other biomass and renewable energy-related programs.

The Senate Agriculture, Nutrition, and Forestry Committee reported out of committee (on a voice vote) The Food and Energy Security Act (S.2302) on October 25. The \$1.1 billion Energy Title in this bill also includes extensions to the existing Renewable Energy Systems and Energy Efficiency Improvements Program (Sec. 9006), renamed Rural Energy for America Program. Furthermore, this bill included a new program called Bioenergy Crop Transition Assistance; this program will help mitigate the risk for farmers interested in transitioning into perennial feedstocks for power, fuels and biobased products.

Just over a month to go in the 2007 calendar, few of the 12 appropriations bills have been passed or signed by the president, a huge energy bill is still pending conference, and the White House is threatening vetoes for almost every bill under consideration, and party politics seem to have taken over.

With the introduction of amendments that could take up a lot of time on the floor, such as immigration, the estate tax, the alternative minimum tax and a renewable fuel standard, the majority leader decided to limit debate to relevant amendments to the farm bill only by filing a request for "unanimous consent" to do so. Ranking Republican Member Saxby Chambliss of Georgia objected. As it only takes one Senator to object to a 'unanimous consent request' to prevent the legislation from moving forward Reid had to try another procedure called 'filling the amendment tree.' This parliamentary tactic, which any Senator can do and which has been done many times before, blocks all other amendments from being considered unless a "limb" of the tree comes open.

The farm bill has faced a tight budget year, a very short time for debate, procedural gridlock, an expected difficult conference committee, and the threat of a presidential veto. Given all this, our Washington sources suggest the bill may not be brought back up on the Senate floor this year. Because the authorization of the current farm bill expired on September 3, some members of Congress are discussing the possibility of simply moving a one or two year extension of the 2002 bill. A one year extension would likely face similar problems because next year is an election year, and

presidential and Congressional election politics will play a part in all discussions.

GRANTS

DOE Issues Hydrogen Education Development Funding Opportunity

The Hydrogen, Fuel Cells and Infrastructure Technologies (HFCIT) Education Subprogram seeks to facilitate near-term market transformation and future commercialization of hydrogen and fuel cells by providing technically accurate and objective information to key target audiences. In support of these efforts, the Education subprogram has issued a funding opportunity announcement for the following topic areas:

- State and Local Government Outreach: "Hydrogen 101," state and local government partnership building
- Early Deployment and Education
- University Programs

Total estimated funding available is \$4.5M pending Congressional Appropriations, with an expectation of up to 13 selected projects and an individual award ceiling of \$2.75M.

DEP: Applications Available for 2008 Environmental Education Grants

The Department of Environmental Protection said applications are now available for the 2008 Environmental Education Grants Program. The grants support projects and programs that increase environmental awareness, understanding and stewardship. Any school, university, non-profit group or county conservation district in the commonwealth may apply. For more information, visit www.depweb.state.pa.us.

Fuel Cell Technologies

US Department of Energy Golden Field Office

Request for Information and Notice of Pre-Solicitation

Workshop: Planned Funding Opportunity Announcement for Research, Development, and Demonstration of Fuel Cell Technologies for Automotive, Stationary, Portable Power, and Early Market Applications Grant.

DOE is seeking information regarding potential topic areas for research, development, and demonstration of fuel cell technologies for purposes of issuing a planned FOA in the future. More information is available by emailing Stephanie Carabajal at stephanie.carabajal@go.doe.gov

PennVEST Infrastructure Loans/Grants Deadline for January 22 Meeting is November 27. More information is available at (717) 787-8138 or by email to lbuffingto@state.pa.us.

EVENTS

Duke Short Course Promotes Wood As a Carbon Neutral Fuel

The Duke Environmental Leadership program is hosting a six day short-course on Affordable Energy, Forest Health and Community Sustainability January 7-12. The course reflects the fact that a synergy exists which has allowed people in many advanced countries to build markets for poor quality trees and waste wood as a carbon neutral renewable fuel, providing money to fund forest improvement and restoration

practices.

According to John Karakash of Suez Energy and Duke, the linkage, generally overlooked in the United States, deserves consideration as policy whose implementation seems to offer value because climate change, declining forest diversity and expensive fuel imports are all seen as serious issues, and it appears that this one, available group of technologies can contribute to solving each of them, while permanently offering honorable resource based employment in the process.

This course will allow responsible officials and business administrators an opportunity to collaboratively evaluate which methods they observe could fit their needs. And it will demonstrate how money is generated to support outdoor work needed today, such as reducing risk of forest wildfire and improving vigor of trees within urban greenways or rural woodlots, and restoring previously mismanaged forest ground. Karakash notes that jobs will grow within the energy field, notably as conversions are made from fossil to renewable systems. Conversions require design, installation ongoing maintenance to assure efficiency and environmental compliance. A key improvement is that money is retained in the communities.

Individual course segments will include forest structure and challenges to sustainability, energy use in America and renewable source opportunities, wastewood in urban America and barriers to use, a study of Austrian forestry and energy planning and implementation, collaborative approaches to forestry and energy projects, the impact of biomass energy system projects from the community viewpoint and factors in energy system design, construction management and permitting.

The short course should be beneficial to those on the energy using side for heating and cooling. Completion of the course will include a certificate that can be used by energy and HVAC design professionals needing Professional Development Hours for their licensing or registrations in most states. CFE credits for foresters and SFI credits for timber harvesting operations have also been applied for. More information is available by contacting the Duke Environmental Leadership Program at del@duke.edu or (919) 613-8082.

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.

December 1 - Jessup, Maryland, Go Green, Save Green Seminar, Funded in part by a project grant from Columbia Foundation. More information available by calling

443-733-1234 or emailing info@greenbuildinginstitute.org.

December 3-4, Tyson's Corner, VA - 2007 DOE Opportunity Forum showcases small advanced technology firms with viable advanced technology solutions and will also provide an opportunity for those involved with larger programmatic solutions offered by the Department of Energy to brief the audience and provide relevant information. There will be panels representing Freedom Car, Alternative Energies, and Investing in Advanced Energy Solutions. Fee: \$450. Click [here](#) for more information.

December 3-5, JW Marriott Hotel Pennsylvania Avenue, Washington DC
Washington, DC - Future Fuels 2007 Addressing The Strategic Challenges Of
Successfully Bringing Biofuels To Full Commercialization. Fee: \$1595. Click [here](#) for more information on the conference program, the Cellulosic Ethanol Seminar Day and Project Financing Workshop and to register.

December 5-6, Washington, DC, Business in the Wilderness: Shaping your Carbon Choices. Learn about efforts to limit greenhouse gas emissions are beginning to dramatically change the economics of doing business. Click [here](#) for more information.

December 6, New York City, 2007 Energy Conference - Reducing Carbon Dioxide Emissions: Short-Term and Long-Term Strategies. Click [here](#) for more information.

December 8, Jessup MD, Indoor Air Quality. Click [here](#) for more information.

NEWS CLIPS

[Allegheny Power to offer wind energy](#)

[Keep on greening Pittsburgh](#)

[Economy and environment will suffer if nothing is done to reduce manmade carbon emissions](#)

[Don't solve one toxic issue by creating a brand new one](#)

[Windmill hearing goes up in smoke](#)

[China the Focus in Clean Cars Race](#)

[Gasoline prices rise, and so does everything else](#)

[Rendell backs 'reasonable' extended rate caps](#)

[DEP, environmentalists pledge cooperation on coal ash](#)

We're on the Web!

See us at:

www.pa-erg.com

Energy Resources Group

200 North Third St. | Suite 1100 | Harrisburg, PA 17101

Phone: 717-233-8070 | Fax: 717-233-8665

E-Mail: info@pa-erg.com

[Click Here](#) to be removed from this list