



Alternative Energy Report

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Power Politics
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Season's Greetings!

Happy Holidays to you all! This has been a busy year for Energy Resources Group. We have had the opportunity to expand our relationships with many of you, and have enjoyed working with companies across all facets of the energy sector. 2009 has been a successful year for the alternative and renewable energy sector in Pennsylvania, and we're laying the groundwork now for many future advances. ERG is looking forward to the New Year, with significant opportunities for renewable and alternative energy in Pennsylvania, the Midatlantic region and throughout the nation. Our thanks to all, and wishes for an energized New Year!

Winter Session Schedule

Both the House and Senate have retired for the remainder of this year. However, the Senate plans to return earlier than previously noted, and will convene in voting Session on January 5. The House will also return to January 5. To date, the House has scheduled January 5, 6 and 7 as voting Session days, in anticipation of agreements on the state's gambling legislation. The governor said January 8 is a drop dead date for passage of this legislation to avoid layoffs of 1,000 state employees and closings of state parks, museums and other venues. The current state budget depends on the legislation to produce \$200 million in license fees and revenues, and \$50 million in fund transfers.

Senate Confirms Redding as New Ag Department Secretary

Last week, the Senate confirmed Russell C. Redding as Secretary of the Department of Agriculture (PDA). During the public hearing to consider Redding's nomination, his work in agriculture, particularly his accomplishments in agriculture marketing initiatives and farm show, and his hands-on experience as a dairy farm owner in Adams County, were discussed. His accomplishments under the administration over the past seven years were also noted, including access to financing for farmers, conserving natural resources, creating a landmark dog law and the structuring of farm policy.

During a Senate Ag Committee hearing on Redding's nomination, Senator Mike Waugh (R, York) said that as a member of the Chesapeake Bay Commission, he feels as though the state is in a unique position to explore biofuels and be on the cutting edge, particularly in determining how under-utilized land can be used to reduce the reliance on petroleum reliance.

Redding said that Governor Rendell and the commission realized early in the administration that crop biofuels could be an asset to Pennsylvania. He said they must look at production goals for this type of fuel and the parameters. While Redding said he likes the strides the commission has taken to reaching this goal, he noted that issues like evasive species must also be brought into the conversation. Senator Waugh stated that the state has an opportunity to focus on "niche" or part time farming as well, and asked that the PDA look to supplement their operations in addition to looking at large scale producers.

Biodiesel Tax Credit Set to Expire Causing Issues

If the U.S. Senate does not pass the biodiesel tax credit extension in a major tax extender package before it adjourns, the earliest the industry could see a possible vote is January 19. US Senate sources tell ERG that the tax credit will likely be passed in late January and will have

retroactive benefits for gallons blended between January 1 and the time when the extension takes effect. The US House passed the package earlier this month, but the Senate's single-minded effort to pass health care legislation has pushed other important agenda items out of consideration.

The biodiesel blenders' tax credit is critical to the industry, allowing biodiesel to remain competitive with petroleum fuels in the marketplace. Loss of the tax credit could virtually shut down the US biodiesel industry.

EIA: Biofuels Production to Grow Significantly, But Short of RFS Mandates

The U.S. Energy Information Administration released its Annual Energy Outlook 2010 (AEO2010) which projects that existing policies, together with higher energy prices will shift the US energy mix toward renewable fuels, EIA Administrator Richard Newell said. "However, assuming no new policies, fossil fuels would still provide about 78 percent of all the energy used in 2035.

The AEO2010 estimates that U.S. consumption of liquid fuels will grow from 19 million barrels per day in 2008 to 22 million barrels per day in 2035. However, the EIA also expects that biofuels will account for all of the growth in liquid fuels, with consumption of petroleum-based liquid fuels remaining flat. As a result, reliance on imported oil is expected to decline significantly over the next 25 years.

While U.S. biofuels consumption is projected to grow, the nation is still expected to fall short of the 36 billion gallon renewable fuels standard (RFS) target in 2022. However, the RFS targets are projected to be exceeded by 2035.

In its draft regulatory impact assessment of the Renewable Fuel Standards (RFS2), the EPA recently projected significant increases in some ethanol production and advanced biofuels, but relatively flat progress and consolidation in the biodiesel industry. EPA's assessment suggested that by 2023, only 35 biodiesel plants (today 176 exist) will be operating, with total production of just over 1.15 billion gallons per year.

DOE Issues Final Rule on Loan Guarantees

DOE issued a final rule amending regulations for its Loan Guarantee Program earlier this month. Under the rule change, the Loan Guarantee Program will be able to consider financing projects together with other lenders and will be able to provide loan guarantees to projects with multiple participants. Export credit agencies and other financial institutions will now be able to provide financing to complement the loans guaranteed by DOE. For more information, click [here](#) to view the Loan Guarantee web site.

Analysis of Biofuels Job Creation Completed

Biofuels Digest has concluded that an analysis of biofuels studies and announced projects show that an average of 0.57 jobs are created for every \$1 million invested in bioprocessing capacity, and that 15.80 jobs are created for every 1 million gallons of biofuels capacity. The Digest also found that studies and projects predicted an average of 4.7 indirect jobs, for every direct job created, and an investment average of \$2.95 million for every 1 million gallons of capacity.

The Digest reviewed a selection of 34 projects and studies published over the past 30 months - including first generation ethanol and biodiesel, advanced biofuels and advanced feedstocks such as algae and jatropha. The analysis concluded that the RFS2 mandates - which increase installed capacity from today's 13 billion gallons to 36 billion gallons by 2022, would require an additional \$67.85 billion in capital, and would result in 363,400 new direct jobs and 1.707 million indirect jobs. The job numbers increase substantially if feedstock production workers are included, in addition to employees at a bioprocessing facility.

CFA Meets, Approves Additional Solar, Energy Efficient Building Projects

The Commonwealth Financing Authority met last week and approved new projects for solar pV, solar thermal and high energy efficiency buildings. Ten solar projects were approved for grants totaling \$10 million, with the lowest cost per kW among the approved projects at 70¢/watt. Knouse Foods received a \$3.5 million grant to construct a 3.155 MW solar pV generating facility to supply electricity to its Peach Glen fruit processing plant. Click [here](#) for a full list of funded projects.

PEDA Board Approves Six Energy Projects in SW PA

The Pennsylvania Energy Development Authority approved funding for six projects in the Duquesne Light Service Area. The grants totaled \$1.2 million, in the second round of funding from PEDA this year. PEDA received 17 applications for the funds totaling \$4 million in requests. Six received funding including three energy efficiency projects, one battery/electric vehicle charging project, and two geothermal projects. Thar Geothermal received funding through two of the grants totaling \$500,000, for a 20 ton geothermal project using supercritical fluids at a City of Pittsburgh police station and a similar 100 ton project at an Allegheny County nursing home. Click [here](#) to view a full list of approved projects.

The PEDA Board will next meet in the spring after guidelines and scoring metrics are revised. In 2010, PEDA expects to have approximately \$11.5 million for grants, including \$10 million from the Growing Greener bond fund and \$1.5 million from the last year of the Duquesne Light settlement. 2010 may be the last year of state funding for the program unless the legislature extends funding through Growing Greener or some other vehicle.

DEP Secretary John Hanger said that DEP in 2009 has funded more than \$64 million in 150 projects which generated \$185 million in matching private funds.

DEP Releases Final PA Climate Change Action Plan

The state's Climate Change Action Plan was formally presented to Governor Rendell last week, including 52 recommendations that the report claims could reduce GHG emissions in PA by more than 40%. The final report is available on the [PA Climate Change web page](#).

Rate Caps and Customer Choice

The end of 2009 also marks the end of rate caps in the PPL Electric Utilities (PPL) territory. The state legislature tried to bring about legislation to stall the expiration of rate caps, but since that was not completed prior to the end of this year's session, many customers are left wondering about now only what rate caps are, but how much their bills will increase, and what they can do to "shop" for better prices.

As part of the restructured electricity market created by the Act, customers have the right to choose who supplies the generation portion of their bill. Under the law, your current electric company is required to maintain the transmission and distribution (or the wires) part of your electric service, even if you choose a different supplier for your generation. Once rate caps expire, customers can shop around for a better deal.

Rate caps and your electric bill

In 1996, Pennsylvania's electric rates were 15 percent higher than the national average. To help address the high cost of electricity, Pennsylvania's "Electricity Generation Customer Choice and Competition Act" (Competition Act) was signed into law on December 3, 1996. The Competition Act ended electric utility monopolies and capped generation rates at 1996 levels.

While certain increases were allowed, generation rates generally have remained stable for more than 10 years. Today, Pennsylvania electric customers are paying 5 percent below the national average. When your rate caps expire, it is only this generation portion of your bill that will increase to reflect the current wholesale market price of power.

How to Shop for Better Rates

Once rate caps expire in your service territory, rates will reflect the current wholesale cost of supplying generation, which allows other suppliers to enter the market and offer competitive pricing.

If your rate caps have expired and you are interested in switching to a competitive supplier, the first step is to compare pricing. To aid customers in shopping for the best deal, the industry has created a standard "Price to Compare." If a competitive supplier's price is lower than the one offered by your utility, you can save money by switching to that supplier. It really is as simple as picking up the phone and asking to make the switch. The competitive supplier will even contact the utility for you and take care of the switch. Your current utility will continue to provide the transmission and distribution portion of your electric service and those rates will still be regulated by the Public Utility Commission (PUC).

Prices can be compared at the Pennsylvania Office of Consumer Advocate's (OCA) Web site. The OCA frequently updates its Residential Electric Shopping Guide, which shows the "Price to Compare" for utilities and for competitive suppliers. The guide also provides sample pricing and phone numbers to make the switch as easy as possible. The OCA can also be reached by calling 800-684-6560. You can also obtain your "Price to Compare" from your current utility.

The PUC maintains a list of licensed competitive generation suppliers in Pennsylvania. To date, there are 64 companies approved to offer generation supply in the state. Further information on competitive suppliers broken down by utility service territory and customer rate class can be found on [Pennsylvania Utility Choice Program's Web](#) site or by calling 888-PUC-FACT (888-782-3228).

Look for more information to come on ERG's web site.

EVENTS

Advanced Biofuels Workshop Opens Call for Speaker Abstracts

Abstracts are now being accepted for the 2010 Advanced Biofuels Workshop to be held June 14, 2010, in St. Louis. The one-day event, now in its third year, will be co-located with the Fuel Ethanol Workshop & Expo.

The revised renewable fuel standard (RFS2) calls for 21 billion gallons of advanced biofuels to be blended into the nation's fuel supplies by 2022, 16 billion of which is specified as cellulosic ethanol. The remaining 5 billion gallons will be a mix of undifferentiated advanced biofuel that meets a 50 percent life-cycle greenhouse gas emissions reduction from the petroleum baseline, and will include a mix of methyl ester biodiesel and other forms of biomass-based diesel, cellulosic ethanol, green gasoline, pyrolysis oil, biobutanol, bio-dimethyl ether, and more.

Conference organizer BBI International expects more than 400 people dedicated to the advanced renewable fuels industries to attend. Speaker abstracts on any advanced biofuel, in addition to algae and next-generation feedstock development, advanced process technology, markets, policy, finance and more, will be considered. To submit an abstract via the 2010 [Advanced Biofuels Workshop Web site](#), click here. Abstracts must be submitted by Jan. 11, 2010.

Click [here](#) to view additional upcoming events.

NEWS CLIPS

[Pa. Uses Waste Material to Generate Power For 80,000 Homes](#)



[PSU Researchers Evaluate Biomass Handling Solutions](#)

[Anaerobic Digesters to Help Cut Dairy Emissions by 25% by 2020](#)

[Obama Says Disappointment Over Climate Change Summit Is 'Justified'](#)

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