



Alternative Energy Report

2014 – What’s in Store for the General Assembly?

Having held its first sessions of 2014 this week, the General Assembly is hoping to make headway in several major issue and policy areas this year. But one key reality is that from now until November 4, state government officials will have one eye on policies and the other on the impact of decisions on the state’s general election. Governor Corbett is running for re-election, and at least eight Democrats are competing in the primary to oppose him this fall. One half of all State Senate seats will be decided, and all 203 State House and 18 Congressional districts will be on the ballot.

Five State Senators, Mike Brubaker, Ted Erickson, Jim Ferlo, Bob Robbins and Mike Waugh, have announced they will not seek re-election. And as of today, ten state House members have announced the same, with more expected. Three House members have said they will run for open State Senate seats, and at least eight House members find themselves pitted against colleagues as a result of legislative reapportionment. In the state Congressional delegation, Congressman Jim Gerlach has announced his plans to retire.

The election calendar reflects the General Assembly Schedule. Candidates can circulate nominating petitions between February 18 and March 11, while the legislature is in recess for Appropriations hearings on the budget. The Primary Election is scheduled for May 20, and the legislature is in recess from May 7 through June 1.

With Republicans controlling the Governor’s Office, House and Senate, the top 2014 priorities have been discussed for months. The single largest issue is finding a way to fill the \$1.4 billion budget gap in crafting a state budget. The

Governor will present his 2014-2015 state budget proposal on February 4, and getting an on-time balanced budget should dominate all other legislative activities through June.

The difficulty of balancing the budget without tax increases or major program cuts in an election year cannot be understated. Any general tax increases appear off the board, and consideration of any tax increases will almost certainly be targeted and impact small segments of the population or user groups. One example is the General Assembly's consideration of legalizing keno as a new source of revenue to help freeze senior citizens' property taxes.

Other priorities already on the table include negotiating a solution to the impasse between House and Senate leaders on reforming and privatizing state liquor sales, working to fix the state pension fund deficit, and legislation that will be needed to react to the state level impacts of implementation of the Affordable Care Act.

House and Senate Democrats have identified increased education funding, closing business tax loopholes, Medicaid expansion, increasing minimum wage and a severance tax for natural gas as their priorities. The recent Supreme Court decision on Act 13, and pending appeals could also generate much public discussion about the future of industry regulation and economic/environmental impacts.

The pension debt has a huge impact on the state's budget, currently at \$47 billion, and growing. If not addressed, the cost of that liability would increase to \$13,000 for each Pennsylvania family by 2019. Without reforms, spending cuts, layoffs for public and school employees and increased taxes are virtually certain.

The Governor has pushed for moving new state employees to a 401 (k) type of pension plan, and legislators have offered several other proposals, all of which will be considered in the next few months.

Privatizing the state liquor system has been a major issue for several years, driven by desires to get the state out of the liquor sales business, increase state revenues and improve consumer options. House and Senate leaders are working behind the scenes to negotiate an agreement on what those reforms and future of the PLCB will be, in the face of serious opposition from diverse groups ranging from Mothers Against Drunk Driving to the unions representing

state store workers and managers.

Issues of transparency, open meetings, open records and ethics will also find their way on the legislative agenda, as good government issues will be positives for members in the election year.

DEP Submits Energy Plan to Governor

The Pennsylvania Department of Environmental Protection (DEP) has submitted its Climate Change Action Plan Update to Governor Corbett and the state legislature highlighting efforts to reduce greenhouse gases and outlining possible strategies for continued lowering of emissions.

"As this plan shows, Pennsylvanians can be proud of the progress we are all making toward improving air quality and addressing climate change," said DEP Secretary Chris Abruzzo, in a statement. "Much of this success can be attributed to expanding the use and availability of renewable and alternative energy sources, higher standards for mobile and stationary sources of emissions and DEP's continued commitment to effective programs."

The Pennsylvania Climate Change Act of 2008 requires the DEP to submit an updated climate change plan to the governor every three years. Click [here](#) to read a draft of the updated Climate Change Action Plan.

Related News: [Pennsylvania Continues Successful Efforts to Reduce Greenhouse Gas Emissions](#)

State Supreme Court Strikes Down Portion of Act 13

In a 4 to 2 decision, the state Supreme Court has struck down a portion of Act 13, the natural gas extraction tax law. Among several things, the law required municipalities to permit oil and gas drilling in all zoning districts, including those designated exclusively for residential use. The court determined that Act 13, which prohibited cities and towns from banning fracking projects within their borders, was

Energy Events

[Willow for Energy Field Day Harvest Demonstration](#)

January
28, Hughesville,
PA

[5th annual Marcellus-Utica Midstream Conference & Expo](#)

January 28-30,
2014
Pittsburgh, PA

[National Ethanol Conference](#)

February 17-19,
2014
Orlando, FL

[International Biomass Conference & Expo](#)

March 24-26,
2014
Orlando, FL

unconstitutional.

The Corbett administration has asked the court to reconsider its ruling. In a news release, the administration's top lawyer said the high court had overstepped its authority.

"In announcing a never-before-employed balancing test against which the constitutional validity of the law is to be judged, the Pennsylvania Supreme Court made its own sweeping factual findings regarding the impact of Act 13, none of which finds any support in the sparse and uneven factual record that was made before Commonwealth Court," Corbett's General Counsel James D. Schultz said in a statement.

Passed in 2012, the law was intended to modernize Pennsylvania's drilling laws and capitalize on the current fracking boom in the state. The suit was initiated by seven municipalities and number of environmental groups soon after Governor Tom Corbett signed Act 13 into law. That same year, a Commonwealth Court ruled the law was unconstitutional, because it violated Pennsylvanians' substantive due process rights. The state appealed the ruling.

The Supreme Court found Act 13 violated the Environmental Rights Amendment of the commonwealth's constitution, which guarantees state citizens the right to a healthy environment. Writing on behalf of the majority, Chief Justice Ronald D. Castille concluded that the law represented "a direct and harmful degradation of the environmental quality of life in communities and zoning districts." The decision also invalidated portions of the law that regulated where new wells could be drilled as well.

The court's decision did not strike down the entire law. The impact fee remains in place as well as the mandate for the industry to disclose the chemicals it uses in the fracking process.

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[Fuel Ethanol](#)

[Workshop &](#)

[Expo](#)

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Chapter 78: A Guide to the Proposed Oil and Gas Regulations

Meanwhile, state environmental regulators are gathering public comment on a proposed overhaul of Pennsylvania's oil and gas regulations that will change the way the industry operates above ground.

The wide-ranging revision will update Chapter 78 of the Pennsylvania Code, the section of the state's rulebook that guides the construction and operation of oil and gas wells. The proposals focus on surface activities on and off well sites: waste handling, spill prevention, pipelines, pits and the protection of public resources.

Some of the revisions were required by the passage of Act 13 in 2012, the state's updated oil and gas law that also initiated the impact fee and spurred a legal fight over municipal rights to set limits on drilling. Other revisions reflect the Department of Environmental Protection's effort to adapt its rules to the modern practices of a quickly evolving industry. Still others give legal strength to policies that are already in place by elevating them to the status of a regulation. [More...](#)

Farm Show Energy

"Farm Show weather" came to central PA with a vengeance this year, threatening the grid with excess energy needs from below zero temperatures. While the state and public utilities were calling for energy conservation outside, inside the complex on North Cameron Street, various forms of energy production and conservation were on display – and in one case, a Farm Show tradition was about to help handle a farm's electric needs.

The PA DEP continued its exhibit at the Farm Show, featuring a garage to showcase vehicles that run on alternative fuels. DEP had useable pumps and plugs for compressed natural gas and electric vehicles (EV) to give

['biggest push'](#)
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visitors the experience of fueling alternative fuel vehicles (AFV).

DEP partnered with Nissan North America to bring a Nissan Leaf all-electric vehicle to their Farm Show exhibit. The Leaf sat in the driveway of DEP's exhibit, where visitors could use the EV charger to "power" the vehicle and sit at the wheel to envision driving the car. DEP's AFV Rebate Program provides rebates to PA residents that purchase certain types of alternative fuel vehicles like the Leaf. DEP Secretary Abruzzo announced plans to put an additional \$1 million into the rebate fund in 2014.

The Marcellus Shale Coalition set up a production wellhead as part of a larger, two acre exhibit called the modern farm. The goal of their exhibit was to demonstrate how small a disturbance natural gas development will have on a farm, the equipment being used and the production life-cycle of the well.

Once again this year, the Farm Show featured a butter sculpture, carved from 1,000 pounds of Land O'Lakes butter, honored 60 years of milk shakes at the Farm Show food court. And the butter will serve to help operate a Juniata County dairy farm at the close of the show.

The butter will be melted and added to a other products in a methane digester, which will produce three days of electricity for the farm. In the past, the Farm Show butter sculpture has been put into digesters, and used to make biodiesel.

PUC Releases Standards for Participation of Demand Side Management Resources as part of the state Alternative Energy

The Pennsylvania Public Utility Commission has adopted the 2014 version of the Energy-Efficiency and Demand Side Management Rules for Pennsylvania's Alternative Energy Portfolio Standard, Technical Reference Manual. A copy of the order, the Technical Reference Manual and its

appendices can be found on the Commissions website by follow the following links:

- The order may be found at <http://www.puc.pa.gov/pcdocs/1262306.docx>;
- The TRM may be found at <http://www.puc.pa.gov/pcdocs/1262256.docx>;
- Appendix C may be found at <http://www.puc.pa.gov/pcdocs/1262298.xls>;
- Appendix D may be found at <http://www.puc.pa.gov/pcdocs/1262280.xls>;
- Appendix E may be found at <http://www.puc.pa.gov/pcdocs/1262248.xlsx>.

Chinese-Owned Coal Company to Invest \$90M in Marcellus

The biggest coal company in the world, China's state-owned Shenhua Energy Co. Ltd., is making a big commitment to drilling for natural gas in southwestern Pennsylvania. Shenhua is making a \$90 million investment in a joint venture with Energy Corporation of America to drill for natural gas in Greene County. [More...](#)

Fish-Friendly Turbines Installed At Holtwood Hydroelectric Plant

Voith Hydro of York recently celebrated the completed expansion of PPL Generation's Holtwood Hydroelectric facility on the Susquehanna River in Lancaster County. Voith supplied the turbines, generators, and automation components for the project, which more than doubled the century-old plant's electricity generating capacity. The \$440 million expansion will provide power to approximately 100,000 households. The project has been noted for its environmental enhancements, including improving both upstream and downstream fish passage.

Regional & Federal News

Congress Returns to Numerous Issues, Including Renewable Energy

Congress returned to Washington this week, and with

fewer than 60 laws passed in 2013, their “must do list” is spilling over. A number of issues critical to the renewable energy sector are expected to be on the congressional agenda, including the energy title of a new farm bill, production tax credits that expired with the end of 2013, and possible legislative changes to the federal Renewable Fuel Standard.

Tax provisions that boost development of wind, solar, advanced biofuel, biomass and other renewable energy projects were among numerous Production Tax Credits (PTC) that expired Dec. 31. Also expiring was a 30 percent investment tax credit (ITC) for renewable energy projects that could be used in lieu of production tax credits to take advantage of more readily available funding. The wind and solar industries, along with other renewable energy technology sectors, have urged Congress to extend the PTCs retroactively, citing the potential impact the lack of the credits would have on project development, investment funding and jobs.

The Farm Bill framework is expected to be offered in January, and include an energy title that authorizes programs such as the Rural Energy for America Program (REAP), the Biomass Crop Assistance Program (BCAP) and the Biorefinery Assistance Program. Both the Senate and House have passed independent versions of the Farm Bill, which are vastly different. The final bill may carry an energy title that combines provisions from both the House and Senate proposals.

Meanwhile there have been serious disagreements regarding the Renewable Fuels Standard. An ad hoc panel appointed by House Energy Committee Chairman Fred Upton (R-MI) looked at possible changes to RFS. Oil and car industries are concerned over hitting the “blend wall”, which applies only to ethanol, not biodiesel. However, any legislative proposals will be on hold while the EPA continues to take public comment on its proposal to reduce the 2014 biofuel blending requirements.

Two related energy measures that could see votes early in the year include a broad energy efficiency measure and a revision to the tax code that extends Master Limited Partnership status that offers tax reporting benefits to renewable energy projects.

Energy Department Announces \$3 Million for Clean Energy Businesses and Entrepreneurs

The Energy Department today announced \$3 million to support clean energy business incubators that provide critical services to entrepreneurs and small businesses and accelerate the commercialization of clean energy technologies.

The National Incubator Initiative for Clean Energy will support incubators across the country to help unleash the creative potential of America's entrepreneurs. Through these incubators, small businesses and entrepreneurs can receive important services to help successfully develop and commercialize clean energy technologies, including mentorship, business development, capital access, and manufacturing support.

The newly-established initiative announced today will support a strong national network of clean energy incubators and early-stage companies that are developing clean energy technologies by funding two components:

- **National Organization:** The Energy Department will fund a national organization to support the coordination of American clean energy-focused business incubators. This organization will serve as a central source of information about incubators, enable entrepreneurs to have easier access to clean energy incubators and incubation services, and connect industry with innovative clean energy start-up companies.
- **Clean Energy Incubators:** The Energy Department will fund up to five incubators to identify, develop, and implement best practices for top-performing,

clean energy-focused incubators. These organizations will support early-stage companies as they scale to production and enhance our clean energy sector and manufacturing competitiveness.

More information, application requirements, and instructions can be found on the [EERE Funding Opportunity Exchange](#) website.

NY Creates \$1 Billion Green Bank for Clean Energy Development

New York has committed \$210 million in initial funding for the \$1 billion NY Green Bank initiative. First introduced by N.Y. Gov. Andrew Cuomo in his 2013 state of the state address a year ago, the bank is expected to open for business early in 2014. The new market-oriented approach is to accelerate clean energy deployment, create jobs and help make communities more resilient and sustainable. The initial funding combines \$165 million redirected from other programs that was approved by the state Public Service Commission on Dec. 19. Another \$45 million is coming from the Region Greenhouse Gas Initiative.

The NY Green Bank will partner with private sector institutions by providing financial products such as credit enhancement, loan loss reserves and loan bundling to support securitization and build secondary markets. These products will support economically viable clean energy projects that cannot currently access financing due to market barriers, such as federal policy uncertainty, insufficient performance data and the lack of publicly traded capital markets for clean energy. [More...](#)

EPA Releases Proposed Update to Residential Wood Heater Standards

The U.S. EPA has released its New Source Performance Standards proposal for new woodstoves and heaters, which go into effect in 2015.

EPA said the proposal, which marks the first time that the

standards have been updated since 1988, will make the next generation of stoves and heaters an estimated 80 percent cleaner than those manufactured today, affecting certain wood heaters manufactured beginning in 2015 and not affecting heaters and stoves already in use in homes or currently for sale today. [More...](#)

Some States Confirm Water Pollution from Drilling

The Associated Press – In at least four states that have nurtured the nation's energy boom, hundreds of complaints have been made about well-water contamination from oil or gas drilling, and pollution was confirmed in a number of them, according to a review that casts doubt on industry suggestions that such problems rarely happen.

The Associated Press requested data on drilling-related complaints in Pennsylvania, Ohio, West Virginia and Texas and found major differences in how the states report such problems. Texas provided the most detail, while the other states provided only general outlines. And while the confirmed problems represent only a tiny portion of the thousands of oil and gas wells drilled each year in the U.S., the lack of detail in some state reports could help fuel public confusion and mistrust.

The AP found that Pennsylvania received 398 complaints in 2013 alleging that oil or natural gas drilling polluted or otherwise affected private water wells, compared with 499 in 2012. The Pennsylvania complaints can include allegations of short-term diminished water flow, as well as pollution from stray gas or other substances. More than 100 cases of pollution were confirmed over the past five years. [More...](#)

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