



Alternative Energy Report

Wagner Sworn into Office, Senate Shuffles Committee Chairs

Newly elected Senator Scott Wagner (R-York) was sworn into office Wednesday and appointed Majority Chairman of the Intergovernmental Operations Committee. As a result, several other committee chairmanship changes took place, including:

- Sen. Lisa Baker (Luzerne) was named Chair of Labor and Industry, replacing Sen. Gordner who is Senate Republican Majority Caucus Chair;
- Sen. Bob Mensch (Lehigh) was named Chair of Veterans Affairs and Emergency Preparedness, replacing Sen. Baker.
- Sen. Randy Vulakovich (Allegheny) was named Chair of the Aging and Youth Committee, replacing Sen. Mensch; and
- Sen. Scott Hutchinson (Venango) was named Chair of Communications and Technology, replacing Sen. Vulakovich.

Erie Delegation Tours HeroBX Facility

On Thursday members of the Erie County legislative delegation toured the facility of the state's largest biodiesel producer, HeroBX. Situated in Erie, the plant produces more than 50 million gallons of the biofuel annually.

The company has been producing biodiesel since 2007, and currently produces more than 94% of the state's total. Biodiesel significantly reduces exhaust emissions and particulates, and adds to engine life. Biodiesel works in engines and home heating furnaces like petroleum diesel without need for engine modifications. HeroBX President Mike Noble told the legislators that more than 90 percent of the feed stocks used by the company are recycled wastes, primarily used cooking oil.

Energy Events

[AgSTAR 2014
National Workshop](#)
April 7, San Diego,
CA

[Northeast Biomass
Heating Expo](#)
April 9-11, Portland,
Maine

[Urban Wood
Utilization Webcast](#)
April 15, 2014 10am-
12pm EST

[Advanced Energy
2014](#)
April 28-29, Albany,
NY

[Heating the Midwest
Conference & Expo](#)



Erie members Sen. Sean Wiley, Reps. Patrick Harkins, Flo Fabrizio, Michelle Brooks, and Julie Slomski, chief of staff for Rep. Ryan Bizzarro, view the on-site laboratory and control room with Mike Noble, HeroBX President.

Shale Impact Fees Hit Record Levels with \$224.5 Million

The state Public Utility Commission (PUC) announced today that state impact fee revenue for 2013 hit record levels. With a total of 6,489 unconventional wells under development or in production as of December 31, 2013, shale producers contributed a total of \$224.5 million in impact fees for the calendar year. This brings total impact fee revenue to more than \$630 million over the past three years, in addition to the more than \$2.1 billion in state tax revenue generated by the industry since 2008.

Gas Royalty Bills Moving in Legislature

This week, the Senate Appropriations Committee approved two bills dealing with problems facing some landowners who have leased their land for Marcellus Shale gas drilling and have said they've been short-changed in royalty payments. A third bill is already on the calendar.

The package, SB's 1236, 1237 and 1238, sponsored by Sen. Gene Yaw (R-Lycoming), are intended to protect leaseholders from unfair practices by gas companies, and verify post production costs for royalty payments. The House is expected to take action this coming week on Rep. Garth Everett's HB 1685, which would change

April 29-May 1, Green Bay, WI

[North Country Clean Energy Conference 2014](#)

June 4-6, Lake Placid, NY

[International Fuel Ethanol Workshop](#)

June 9-12, Indianapolis, IN

[HydroVision International](#)

July 22-25, Nashville, TN

[National Advanced Biofuels Conference](#)

October 13-15, Minneapolis, MN

Email info@pa-erg.com to submit an event.

News Clips

[Pa. Farm Bureau takes on natural gas drilling companies in royalty disputes](#)

[PUC Chairman Calls out Electricity Supplier](#)

[DEP Releases Annual Natural Gas Drilling Emissions Inventory Data](#)

[PUC rules target variable rates, price spikes](#)

[Allegheny County to](#)

the point of where the value of gas is calculated - currently at the well head - to when it becomes marketable.

The Pennsylvania Farm Bureau focused on the bills during their Capitol Day this week, saying that gas company procedures are keeping funds that should belong to the farmers. They are seeking a guarantee of a minimum of 12.5% of the money gas companies make regardless of post-production costs.

Farmers have objected to gas companies taking out post production costs before royalty payments has cost farmers up to 20% or more.

Pre-Primary Election Update

With six week to go before the state's Primary Election, Franklin & Marshall College released a new poll this week, detailing the views of registered voters and their candidates for governor.

Among those polled, 46 percent of likely Democratic voters are still undecided. Another 33 percent support businessman Tom Wolf, seven percent are for Congressman Allyson Schwartz, six percent are for State Treasurer Rob McCord, and four percent support former DEP Secretary Katy McGinty. Polling numbers have only varied slightly from F&M's March poll.

The poll showed that Wolf's robust television advertising campaign has gotten him in front of more viewers than any other candidate, boosting his name recognition beyond York, his home county.

While odds look good for Wolf, with a majority percent of likely voters still undecided, this race is far from a lock.

In other election news, Jay Paterno formally withdrew from the Democratic Lieutenant Governor's race because of petition issues, and had his name removed from the May 20 ballot. A series of lawsuits are being hashed out in the courts over petitions and ethics/financial filings by House and Senate candidates. Of some significance, former State Representative Babette Josephs was removed from the ballot by a Commonwealth Court Judge after a petition challenge by Rep. Brian Sims (D-

[offer incentives to quit using woodstoves, wood-fired boilers](#)

[Americans Still Favor Energy Conservation over Production](#)

[Greens groups: Court ruling opens door for polluters](#)

Phila.) who defeated her in 2012.

Senator Pushes Bill to Scrutinize Coal Plants Closures

Senator Tim Solobay (D-Washington) has authored a bill that would create the Coal-Fired Electric Generation Deactivation Commission in order to more closely review and investigate any potential adverse effects from the deactivate coal-fired power plants.

The legislation is in response to electric reliability issues in southwestern Pennsylvania this winter. Two coal-fired plants were deactivated in favor of natural gas-to-electric generation. However, the operator encountered difficulty supplying natural-gas power plants during the extreme cold weather.

PJM had oversight of the coal plant deactivation process, but it was limited to the preservation of grid reliability, leaving many critical issues are not fully vetted or addressed prior to deactivation. According to Solobay, there is no local, state or federal government agency assigned to assess the fiscal, environmental, economic, and community impacts associated with the closure of coal plants operating in this Commonwealth.

Hutchinson Offers Bill to Protect, Promote Conventional Oil Production

In response to natural gas drilling regulations, Sen. Scott Hutchinson (R-Venango) has introduced legislation to establish the Penn Grade Crude Development Advisory Council. The panel would study existing regulations and assist the DEP in making changes that better address the differences between conventional and unconventional oil and gas production.

“Recent technological advances that have allowed for the development of previously inaccessible formations have necessitated updates and revisions to Pennsylvania’s laws and regulations governing this new unconventional ‘shale gas’ industry,” said Hutchinson, but he noted these changes don’t recognize the differences between new technology and conventional oil and gas development. ERG Partners supports the legislation, and Hutchinson’s efforts to promote the industry.

The Penn Grade Crude Development Advisory Council would be charged with promoting Pennsylvania's historic conventional oil and gas industry and advocating its future development, and be modeled after the successful public-partnership model used by the Pa Hardwoods Development Council.

Senators Question Pipeline Plans

Two southeast Pennsylvania State Senators have written the Public Utility Commission over exemptions requested by Sunoco Pipeline L.P. in building a natural gas pipeline across the state to a Marcus Hook refinery.

Sunoco had filed an application with the PUC to build pump and valve control stations in 31 municipalities crossed by the pipeline, arguing that it is a "public utility corporation," and could be exempted from local zoning if the buildings were determined to be "reasonably necessary for the convenience or welfare of the public."

Sens. John Rafferty Jr. (R-Montgomery) and Andy Dinniman (D-Chester) argued that the exemptions would conflict with the Pennsylvania Supreme Court's decision in December upholding local zoning rights over oil and gas activity.

"At the very least, we urge you to hold a public hearing in Chester County before any decision is made," they wrote.

Sunoco Pipeline wants to build 18 pumping stations and 17 valve control stations to move propane and ethane to Marcus Hook, where the Sunoco has an export facility. PUC agreement would spare Sunoco from the need for zoning approval in 31 towns along the pipeline route.

Sunoco has asked the PUC for an expedited decision. Formal protests and petitions to intervene are due by April 21.

The pipeline project, called Mariner East, was announced in 2010 as a means of transporting propane and ethane from the Marcellus Shale region in Western Pennsylvania to the Delaware River, where the materials can be exported. The pipeline project would require about 45 miles of new pipeline, but Sunoco's efforts to acquire rights of way have found difficulty at the local level.

Sunoco's Pennsylvania Pipeline, another project, would need new rights of way. At question is whether Sunoco Pipeline, L.P. is a "public utility corporation."

Federal News

Energy Tax Credits Included in Extenders Package

The Senate Finance Committee by a voice vote Thursday passed its tax extenders package, which would extend several key tax credits that expired at the end of 2013, or earlier.

"This will be the last tax extenders bill the committee takes up as long as I'm chairman," Sen. Ron Wyden (D, Ore.) said as he opened the committee mark-up. "That's why the bill is called the EXPIRE Act. It is meant to expire." ERG agrees. More than a dozen of these provisions have been up for renewal since as long ago as 1986. Hopefully, 2014 will be the year that serious long term tax reform gets consideration in Congress. Wyden, who became Chairman when Max Baucus resigned to become US Ambassador to China, has said this is his top priority for his term as the Chair.

Several of the key renewable and alternative energy tax credits have been hotly debated. The Production Tax Credit for wind energy was not in the original draft, but Wyden restored the credit, winning praise from wind energy advocates and Senators from states with expansive wind energy industries.

Energy provisions survived an attempt by Pennsylvania Senator Pat Toomey to strip the bill of all alternative energy provisions. Toomey used the "winners and losers" argument, saying, "I don't think we should force taxpayers to subsidize inefficient, uncompetitive forms of energy."

Toomey's amendment was rejected on an 18-6 vote; Toomey also offered another amendment that failed which would have protected bald eagles from wind turbines.

The legislation includes two-year extensions for:

- A \$1 per gallon tax credit for biodiesel, as well as

the small agro-biodiesel producer credit of 10 cents per gallon. The cost is estimated to be \$2.6 billion over 10 years.

- A 30 percent investment tax credit for alternative vehicle refueling property, which includes fuel pumps for ethanol, biodiesel, liquefied hydrogen, and compressed or liquefied natural gas. The extension is estimated to cost \$8 million over 10 years.
- A production tax credit for cellulosic biofuel production facilities, allowing claims of a \$1.01 per gallon production tax credit. The cost is estimated at \$55 million over 10 years.
- An extension of the bonus depreciation for facilities producing cellulosic biofuel to expense 50 percent of their eligible capital costs in the first year for facilities placed in service by the end of 2013. The bill would extend this bonus depreciation for two additional years for facilities placed in service before the end of 2015. The cost is estimated to be \$1 million over 10 years.
- An extension of the 50 cents per gallon alternative fuel tax credit and alternative fuel mixture tax credit. This extension is estimated to cost \$90 million over 10 years.
- An extension of tax incentives for charitable contributions of conservation easements.

Other tax credits include: plug-in electric vehicles; fuel cell motor vehicles; residential energy efficiency credits; construction of new energy-efficient homes; the research and development tax credit; Section 179 expensing; bonus depreciation; coal production on American Indian land; and railroad track maintenance.

On the individual side, the bill would include the deduction for state and local taxes, a provision to exclude the forgiveness of mortgage indebtedness from tax, the IRA charitable rollover that lets seniors take tax-free IRA distributions to give to charity, the \$4,000 tuition deduction, and an enhanced break of up to \$250 a month for transit commuters.

The bill will next go to the full Senate for consideration. The House Ways and Means Committee is expected to vote on its own extenders package next week.

EPA Amendment Adds Various Forms of Biomass to Fuels List

The EPA has issued its Non-Hazardous Secondary Materials (NHSM) proposed rule, expanding the list of materials that are recognized as “non-waste fuels” to include processed construction and demolition (C&D) wood, paper recycling residuals and creosote-treated railroad ties.

ERG is pleased to see the additions, which could boost the efforts to expand alternative energy production in the Commonwealth.

The American Forest & Paper Association (AF&PA) and the American Wood Council (AWC) released a statement which says that with the listing of paper and wood products manufacturing facilities are one step closer to having the needed assurance that the fuels can be used in industrial boilers rather than having them disposed of through incineration or landfill.

Manufacturing facilities rely on the NHSM listing to determine whether they are regulated under EPA’s boiler maximum achievable control technology rule or under the agency’s commercial and industrial solid waste incinerators rule. AF&PA and AWC will carefully review the details of the proposal and provide additional information during the comment period to support and potentially expand the proposed listings. Click [here](#) to view the EPA proposed rule amendment.

Ryan Budget Cuts Energy Programs, Seeks to Undo Obama’s Climate Plans

Chairman of the House Budget Committee Paul Ryan (R-Wis.) on Tuesday released what is likely his last fiscal proposal. The proposal seeks to solidify the GOP’s platform heading into midterm elections by cutting funding to the Affordable Care Act, as well as targeting other Democrat initiatives such as renewable energy programs and initiatives to stall climate change.

All in all, the Ryan budget would slash roughly \$5.1 trillion from estimated spending during the coming decade.

Ryan's proposal targets DOE science and research loan guarantee programs, contending that "all energy sources should be developed without undue government interference." However, his budget does not proposal eliminating all subsidies or assistance for the oil, gas, and other more traditional energy sources. As with past budgets, it continues to push for more oil and gas exploration both on- and offshore.

The proposal also attacks the EPA for its carbon emissions limits on new and existing coal-fired power plants.

President Obama on Wednesday said, "If they tried to sell this sandwich..., they'd have to call it the Stinkburger, or the Meanwich."

Meanwhile, the House has begun reviewing President Obama's 2014 budget. This week Environmental Protection Agency chief Gina McCarthy testified before a House Energy and Commerce subpanel and Department of Energy secretary Ernest Moniz before a House Appropriations subcommittee on Obama's budget proposal for their respective agencies.

House Panel Questions Ag Chief on Farm Bill Implementation, Regulations

This week the House Agriculture Committee held a hearing with U.S. Department of Agriculture (USDA) Secretary Tom Vilsack to review the state of the rural economy. With the recent enactment of the Agricultural Act of 2014, progress on implementing the law was the primary topic of discussion with members asking Secretary Vilsack for an update on his team's efforts. Click [here](#) for more information, including the witness testimony and archived webcast.

In coordination with his testimony, Vilsack this week announced progress on 2014 Farm Bill implementation, noting significant actions that have been taken on all bill titles in the first eight weeks since enactment. USDA has launched a [website](#) that provides details on Farm Bill implementation in one convenient location and the Economic Research Service launched a [website](#) highlighting some of the economic implications of the new programs and provisions.

EXXON: Oil, Gas Reserves Not Endangered from Future Climate Rules

ExxonMobil says it is 'confident' that its oil and gas reserves will never become 'stranded' by global efforts to curb carbon emissions. The oil and gas giant promised a group of investors in March it would disclose how it calculates the risks climate change and subsequent mitigation efforts pose to its assets. In two separate reports, the company argues that while it "takes the risk of climate change seriously," there is no need to worry about its fossil fuel assets. Any move to seriously cut carbon emissions would take time and bring significant impacts on economic development - and even then, fossil fuels will still be needed to meet growing energy demands, Exxon argues.


Pew Report Finds Policy Uncertainty Stalled U.S. Clean Energy Sector in 2013

According to "Who's Winning the Clean Energy Race? 2013," a recent report from the Pew Charitable Trust, investment in the U.S. clean energy sector is lagging. According to Pew, clean energy investment in 2013 was down 9 percent, to \$36.7 billion, from 2012. Steep declines in wind installation overshadowed a record annual deployment of 4.4 gigs of solar.

"Lower technology prices have made the small-distributed solar market very competitive, and the United States has been a leader in developing innovative financing models that are spurring steadily increasing deployment," said Phyllis Cuttino, director of Pew's clean energy program.

According to Pew, the U.S. also remains "a world leader in venture capital, biofuels, and energy-smart technologies, like smart meters and LED lighting." Wind, however, has struggled, being caught in the uncertainty of whether or not congress will continue the production tax credit (see above). "As Congress debates tax extenders, it should aim to level the playing field, accelerate clean energy deployment, and provide long-term certainty to investors," Cuttinio said.

China remained the leading regional and global market, attracting \$54.2 billion, with the U.S. in second place.



Japan was third with \$28.6 billion. Globally, clean energy investment fell 11 percent, to \$254 billion, and renewable power generating capacity additions declined by 1 percent in 2013. Overall, installed clean energy capacity reached 735 GW. Click [here](#) to read the full report.

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