



## Alternative Energy Report

ERG Partners urges you to vote next Tuesday in Pennsylvania's Primary Election! Look for special Election coverage from ERG on May 21. AER will next be published on June 5. Look for the same great content, with a new layout!

### **Democratic Candidates on Energy and the Environment**

The Democratic candidates for Governor and Lt. Governor will finally hear voters' verdict on their campaigns at the close of the polls on Tuesday. While there is much more similarity than difference among the candidates, with all featuring support for renewable energy, a severance tax on Marcellus Shale gas production, and expanded environmental controls, the candidates have varying degrees of involvement, position papers and proposals for the Commonwealth's clean energy future.

ERG here provides some links to the candidates' websites and positions on energy and the environment, and we encourage you to compare and contrast for yourself the positions of the candidates before voting next Tuesday.

#### ***Candidates for Governor***

[Tom Wolf](#)

[Rob McCord](#)

[Katie McGinty](#)

[Allyson Schwartz](#)

#### ***Candidates for Lt. Governor***

[Mike Stack](#)

[Mark Critz](#)

[Mark Smith](#)

[Brandon Neuman](#)

[Brad Koplinski](#)

#### **Corbett: Climate Change is 'A Subject of Debate'**

*State Impact PA, May 13, 2014*

Two new scientific studies published this week warn that a large portion of the West Antarctica ice sheet has begun melting at a pace that appears to be unstoppable.

#### **Energy Events**

[ACORE](#)

[Meeting/Webinar](#),

The Price of  
Success: U.S.

Treasure Litigation

It's the latest round of bad news about climate change.

Meanwhile a United Nations panel on climate change has been issuing a series of alarming reports over the past six months—urging governments around the world to act more quickly to cut greenhouse gas emissions in order to avert serious risks, including sea level rise, species extinction, and food insecurity.

When Pennsylvania voters go to the polls in November they will have a stark choice. All the Democratic candidates believe man-made climate change is real and poses significant risks, while Governor Corbett believes the issue is still a subject of debate within the scientific community.

“I think some people believe that it is clearly evident and it's coming very, very quickly,” he said in a recent interview with StateImpact Pennsylvania. “I think there are others who are equally qualified that disagree with that. It's a subject of debate.”

When asked whether he is aware that 97 percent of peer-reviewed studies reflect the scientific consensus that humans are causing climate change, Corbett said he is aware. “I understand that,” he said. “But I also understand that we are only a portion of the issue here in the United States, compared to the entire world. And we have to get the entire world on with us.” [More...](#)

### **Energy Legislation Slated for Movement in House, Senate**

The House has scheduled three energy related bills for consideration when the legislature returns to Harrisburg next month. House Bill 1699, sponsored by Rep. Chris Ross (R-Chester), provides for the regulation of air emissions from backup generators; House Bill 2104, sponsored by Rep. Robert Godshall (R-Montgomery), further provides for consumer protections in variable rate electric supplier contracts; and House Resolution 249, sponsored by Rep. RoseMarie Swanger (R-Lebanon), supports increased development and delivery of oil from North American oil reserves.

The Senate will consider House Bill 1672, sponsored by Rep. Ron Miller (R-York), which provides for the testing

on the Section 1603 Grants and tax Credit Valuation, May 21.

[AFC First: Financing 101 for Contractors: Making Energy Efficiency Improvements Affordable for Your Customers](#), June 20, Reading, PA

[Penn State Extension Schedules Marcellus Shale Webinars thru August](#)

[2014 Pellet Fuels Institute Annual Conference](#), July 27-29, Orlando, FL

Email [info@pa-erg.com](mailto:info@pa-erg.com) to submit an event.

### **News Clips**

[More oil-by-rail heads to region's refineries](#)

[DEP Announces \\$21 Million Available in Growing Greener Grants](#)

[Pennsylvania won't defend Chesapeake Bay cleanup plan in court, but 'actively supports it'](#)

[PennFuture Questionnaire: Gubernatorial Candidates' Responses](#)

[Gas well jeopardizes tax-exempt status of Westmoreland authority land in Fayette](#)

of new energy efficient technologies.

### **Corbett Approves Changes to Summer Fuel Standards, Still Needs Nod from EPA**

Gov. Corbett this week signed into law Senate Bill 1037, which would end more stringent gasoline regulations during summer months. Sen. Elder Vogel (R-Beaver) introduced the legislation in an effort to save customers in the region from having to pay more for the more expensive “summer gas,” which is now only required in southwest Pennsylvania and a few counties in Maine. Gasoline prices in the seven-county region last summer ranged as much as 18.87 cents more per gallon because of the EPA mandate.

While the legislature was successful in its efforts, the U.S. Environmental Protection Agency has the final say on implementation of the new law.

Environmental and health organizations have been critical of the law stating that ending the summer blend program would be “entirely irrational” and would go against efforts to cleaner air thereby harming area residents.

A DEP spokesman has said that “with the proper corresponding tradeoffs the Department feels that it could work.”

The tradeoffs could mean lowering RVP value at other areas in the state to compensate. In 2011 the EPA granted a temporary waiver from low RVP requirements in southwestern PA due to issues with gasoline supply disruptions.

### **Corbett Administration Says Oil and Gas Industry Taxed Enough**

While Democratic candidates for governor continue to campaign on the promise of increased oil and gas taxes, specifically through use of severance tax, this week the Corbett administration took an opportunity to challenge that position.

Lieutenant Gov. Jim Cawley, stepping for Corbett as keynote speaker at the PIOGA’s Eastern Oil & Gas conference and trade show, told the crowd, “When

[East Lycoming school officials accept energy efficiency award](#)

[64 groups ask for gas industry emission restrictions](#)

[Overall, Bay region exceeded 2012-13 nutrient, sediment reduction goals](#)

[Penn State Hazleton Graduates First Class of Engineers in Alternative Energy and Power Generation](#)

[Clean Energy Collective's Goal: Bring Mass Financing To Solar. One Panel At A Time](#)

[Senator Defends New Provision in Bill Freezing Renewable Energy Standards](#)

anyone looks at one particular industry and says, 'ah, we should tax them because they're successful and they create jobs... the true meaning of what it is they're saying is you should be penalized for being successful. And that's wrong."

Cawley went onto say that the "industry is paying a great many taxes already. What a lot of folks in Harrisburg don't like is that the vast majority of (impact fee) money stays where the impacts are felt. Don't be deceived. They simply want the money in Harrisburg so they can spend it."

During his speech, Cawley also addressed the expected announcement for more non-surface oil and gas development in state forests, and alluded to possible legislation that would address some of the Act 13 provisions that the state Supreme Court found to be unconstitutional.

***Related News:***

- The House Democratic Policy Committee is scheduled to hold a hearing on the proposal to expand gas drilling leasing on state lands on June 2.
- [Royalty concerns waver in the Legislature](#)
- [Ohio drilling tax hike clears panel; House to vote](#)

**DEP Releases First-Ever Oil and Gas Annual Report**

The Department of Environmental Protection has released the first Oil and Gas Annual Report, along with a video highlighting the work and of the dedicated members of DEP's Oil and Gas Program staff.

"This report illustrates the great progress we have made in protecting our environment through increased inspections, tougher regulations and improved oversight of this industry," said Secretary Christopher Abruzzo.

The Department head said that "the 2013 Oil and Gas Annual Report was created to provide information and insight into how DEP's Oil and Gas Program is fulfilling the department's mission to protect Pennsylvania's air, land and water from pollution and to provide for the health and safety of Pennsylvania citizens." Highlighted in the report is information on program structure and

processes, permitting, inspections, compliance and enforcement, regulatory and policy developments, and program innovations.

In 2011, the agency was required to adequately regulate and monitor the growing industry. Staffing was also significantly increased, with the program currently employing 202 individuals, 80 percent of whom are involved in engineering, scientific, permitting or inspection-related work. DEP has also released video featuring unscripted clips of program staff sharing their personal experiences conducting the important work of the Oil and Gas Program across the state. Additional information can be viewed on the [DEP website](#).

### **PUC Warns Electric Customers that Most Rates to Increase June 1**

The Pennsylvania Public Utility Commission (PUC) is alerting consumers who receive their electric generation supply from their utility that many of those prices are estimated to increase on June 1.

“If you have not chosen a competitive supplier, now may be a good time to do so because the price of electricity from the utilities is estimated to increase by as much as 50 percent for some customers,” said PUC Chairman Robert F. Powelson. “Before the heat of summer brings increased electric usage, now is the time for customers to again take stock of their electric bills, review their generation rate and shop for a better price or price stability.”

More than 3.5 million receive their electric generation from their local electric utility, while more than 2.1 million customers are using a competitive electric supplier, according to information compiled by the PUC. Consumers can use the “price to compare” (PTC) to evaluate prices from the competitive suppliers at [www.PAPowerSwitch.com](http://www.PAPowerSwitch.com).

### **ERG Attends BIO’s World Congress on Industrial Biotechnology**

John Nikoloff of ERG Partners joined more than 1,000 delegates from around the globe at the Biotechnology Industry Organization’s (BIO) World Congress on Industrial Biotechnology this week in Philadelphia.

During the conference, plenary sessions, eight tracks on specific issues, and hundreds of one-on-one meetings were scheduled for attendees. The five plenary sessions highlighted cutting edge technologies in next gen biorefineries, renewable chemicals, biology and genetics, biofuels, and sustainable biobased industries.

Nikoloff met with BIO's CEO, former Pennsylvania Congressman Jim Greenwood while at the World Congress. "We're at the pivotal point, these are no longer fiction fuels – there is steel in the ground, and it's projected that there will be an \$84 billion market in renewable chemicals within five years. But our industry will never be for the risk adverse. You take on the special interests every day," Greenwood said.

Several issues were hot topics at the Congress for biofuels and biorefineries. These included the need for policy stability, technology and feedstock supply stability, and the role major players have in these technologies. Much discussion focused on how those major players are responding to advances, and whether they are waiting to simply pick up new technologies cheaply.

Delegates at the World Congress were extremely interested in feedstock developments, research, public private partnerships, innovative oil platforms, biogenetic modifications for industrial uses, issues in navigating government regulatory processes and issues regarding public perception of emerging technologies.

"Biotechnology means much more than pharmaceuticals," Nikoloff said. The World Congress underscored the potential for biotechnology to assume an even larger role in a broad variety of fields including manufacturing, clothing, plastics, food and energy.

### **Waste-to-Energy Facility in Lehigh Valley Receives Air Quality Plan Approval, Waste Management Permit**

The DEP has issued an air quality plan approval and waste management permit to Delta Thermo Energy, Inc. to construct and operate an energy production facility in Allentown. According to DEP, the 48,000-square foot facility on Kline Island will use municipal solid waste and sludge from the city of Allentown's Wastewater Treatment Plant as feedstock to produce a fuel to generate four

gross megawatts of electricity for internal use and sale. The proposed facility will be built on 3.1 acres of land next to the city's wastewater treatment plant along the Little Lehigh Creek.

### **PSU Students Win National Wind Energy Contest**

A team from Penn State University has won the U.S. Department of Energy's Collegiate Wind Competition, a national contest for designing and building the best small wind turbine. More than 150 students from 10 universities took part in the three-day competition held in Las Vegas. The Penn State team was comprised of engineering and business students, and was also honored for best business pitch during the event.

### **How 'Big Corn' Lost the Ethanol Battle to Philadelphia Refiners**

*Reuters, May 12, 2014* – Six months ago the U.S. oil industry scored a surprise win against farm groups when the Obama administration proposed slashing the amount of ethanol refiners must blend into gasoline, a move that could save them billions of dollars.

Stunned by the reversal, producers of the corn-based biofuel and their supporters are now fighting back ahead of a June deadline for the Environmental Protection Agency (EPA) to make a final decision on the cut.

The clash has been portrayed as a battle between "Big Oil" and "Big Corn," two powerful and deep-pocketed lobbies. But a Reuters review of public records and interviews with lawmakers, lobbyists and executives reveals a more complex picture. [More...](#)

### **Federal News**

#### **Energy Efficiency Bill Falls to Partisan Maneuvering**

The Senate officially presided over the demise of bipartisan energy efficiency legislation Monday – and the chance to put the Keystone XL pipeline up for a vote ahead of the midterm elections.

The Senate voted 55 to 36 on a procedural motion needed to move ahead on the innocuous and popular efficiency bill that had been caught in the headwinds of debates over the Keystone pipeline and President

Obama's plans to issue new climate change regulations without Congressional action.

The measure, sponsored by Senators Rob Portman (R, OH) and Jeanne Shaheen (D, NH), was a rarity in today's political environment. Until last week, it had widespread support from members of both parties in both chambers of Congress. A companion bill in the House, sponsored by Representatives David B. McKinley (R, WV) and Peter Welch (D-VT) has also drawn strong bipartisan backing.

Congressional staff members have been working behind the scenes for nearly a year to draft a consensus version of the bill that party leaders in both chambers could endorse. That was accomplished, but calls for amendments led to the bill's demise.

Republican Leader Mitch McConnell sought unsuccessfully to hold votes on a slew of amendments, and then trimmed his request to just five Republican proposals, including a measure to pre-empt EPA greenhouse gas restrictions for power plants that is opposed by coal supporters in his state. Majority Leader Harry Reid objected to both attempts, leading to a standoff from which neither side backed down.

Reid in the end switched his vote to 'no' to allow the energy efficiency measure to be brought up again. But that seems unlikely, since he and McConnell are once again blaming each other for allowing another bipartisan bill fall by the wayside.

"I think I had the votes if we had four to five amendments. I know I had the votes," Portman said. "But the reason why the bill went down was because of the intransigence of the [Democratic] leader in terms of amendments. If they had allowed five germane amendments, it would have passed... Today's failure to move forward on a bipartisan energy-efficiency bill is yet another disappointing example of Washington's dysfunction."

Reid blamed the failure on influence by Scott Brown, who is considering a run for the US Senate in New Hampshire and "the Koch Brothers," which has become something of a litany from the leader.



It has been seven years since Congress has passed a major energy bill, and a variety of energy issues have become top concerns since then. There is the push to combat global warming, which scientists say is made worse by the burning of coal, oil and gas, and the debate over hydraulic fracturing, or fracking, which environmentalists fear will contaminate water supplies but which also has led to a boom in oil and gas. The crisis in Ukraine, which depends on Russia for its energy supplies, has also raised questions about whether the United States should export its gas and crude oil to achieve its foreign policy goals.

The modest energy-efficiency bill would not have addressed any of those issues. It was a bundle of small-bore provisions aimed at cutting homeowners' energy use, utility bills and carbon footprints by, among other measures, making it easier for consumers to buy "smart metered" water heaters and making it cheaper for manufacturers to build energy-efficient cooling and heating systems.

The vote wasn't directly linked to the Keystone pipeline. All the Democrats present for the vote, including several who favor approving the pipeline, supported Reid's procedural move to block Republican amendments on Keystone, EPA greenhouse gas restrictions, a carbon tax and expediting liquefied natural gas exports.

### **Tax Extenders Legislation on Life Support?**

The Senate was scheduled to move on to a tax extenders package that includes the wind production tax credit and a raft of other energy provisions on Thursday. In a 53-40 vote, the Senate failed to move forward the bill which had earned broad bipartisan support.

Majority Leader Harry Reid blamed the failure to move the \$85 billion tax package on Senate Republicans, calling Republican leader Mitch McConnell the "Guardian of Gridlock." "It's a bill that is needed at this time," Reid said. "We'll have the weekend to think about this. Republicans just voted against tax cuts," he said.

"Let's not take away the rights of members of the Senate," said Sen. Orrin Hatch (R-UT), the Ranking Member of the Finance Committee. "It's offensive. This is

a bill that has to see the light of day,” he said. “The Republicans have been given nine amendments to vote upon since last July. In the House, Democrats have been allowed to offer more than 130 amendments, compared to the US Senate, the most honored deliberative body in the world...give me a break!”

The Senate had voted 96-3 Tuesday to advance a tax extenders bill, passing the first procedural hurdle. The Hire More Heroes Act, H.R. 3474, which will serve as the legislative vehicle for S. 2260, the EXPIRE Act. Nearly every Senate Republican joined Democrats to advance the \$85 billion plus bill that extends tax credits, which expired at the beginning of the year.

The House and Senate are taking different approaches to tax policy. The Senate is passing shorter extensions as has been done in the past, while the House is trying to decide which tax extenders should become part of the permanent tax code.

Last week, the House passed a “permanent” research and development (R&D) tax extension without offsets. The R&D credit, which has been extended on a short-term basis for nearly 30 years, expired at the end of last year along with more than 50 other tax breaks. The \$156 billion House bill extended just the R&D tax provision.

Lawmakers overseeing tax policy have indicated that a final deal to extend all of the expired credits might not come until after the midterm elections. Senate Finance Committee leaders also want permanent extensions, but say they need more time to reach such a deal. Both Hatch and Chairman Wyden pledged to work through the weekend to try to reach an agreement on amendments and procedures.

### **EPA Proposes Updates to Emissions Standards for Refineries**

After receiving input from stakeholders including community groups, industry and the states, the U.S. Environmental Protection Agency (EPA) is proposing to update the toxic air pollution standards for petroleum refineries to protect neighborhoods located near refineries.

The agency said in a release that its “common-sense proposal would further reduce toxic pollution from flaring and other processes and includes new monitoring requirements.” Exposure to toxic air pollutants, such as benzene, can cause respiratory problems and other serious health issues, and can increase the risk of developing cancer.

“This proposal will help us accomplish our goal of making a visible difference in the health and the environment of communities across the country,” said EPA Administrator Gina McCarthy. “The common-sense steps we are proposing will protect the health of families who live near refineries and will provide them with important information about the quality of the air they breathe.”

The agency’s proposal would, for the first time, require monitoring of air concentrations of benzene around the fence-line perimeter of refineries to assure that emissions are controlled and these results would be available to the public. The proposal would also require upgraded emission controls for storage tanks including controls for smaller tanks; performance requirements for flares to ensure that waste gases are properly destroyed; and emissions standards for delayed coking units which are currently a significant unregulated source of toxic air emissions at refineries.

When these proposed updates are fully implemented, EPA estimates toxic air emissions, including benzene, toluene, and xylene, would be reduced by 5,600 tons per year. Volatile organic compound emissions would be cut by approximately 52,000 tons per year. Additionally, these cost-effective steps will have no noticeable impact on the cost of petroleum products at the approximately 150 petroleum refineries around the country.

EPA is issuing this proposal as part of a process outlined in the Clean Air Act that requires the agency to evaluate the emissions standards currently in place to determine whether there is any remaining risk to public health or the environment and whether there have been any new developments in practices, processes and control technologies.

EPA will take comment on the proposal for 60 days after

it is published in the Federal Register. The agency plans to hold two public hearings, near Houston and Los Angeles, and will finalize the standards in April 2015. Details on the public hearings will be available on EPA's website shortly. Click [here](#) for additional information about the proposal.

### **A Brief Overview of Comments to the EPA's Stove & Boiler Regulations**

The Alliance for Green Heat has done an initial review of almost all of the comments on the new NSPS filed by manufacturers, states, air districts, non-profit organizations and politicians. To learn more about the EPA regulations and corresponding comments, click [here](#).

### **Oil Industry Risks \$1.1 Trillion of Investor Cash**

Oil explorers like Exxon Mobil Corp. and OAO Rosneft risk wasting \$1.1 trillion of investors' cash through 2025 on expensive, uneconomic projects from the Arctic and deep seas to tar sands, according to a study. [More...](#)

### **ERG Responds to New Source Performance Standard Drafts**

This week, ERG Partners responded to the EPA's proposed New Source Performance Standards, noting that the technologies required by the regulations were unattainable at present. The text of ERG's letter follows:

May 9, 2014  
EPA Docket Center,  
U.S. EPA, Mail Code 2822T,  
1200 Pennsylvania Ave. NW,  
Washington, DC 20460  
Attn: Docket ID No. EPA-HQ-OAR-2013-0495

Dear Sirs:

ERG Partners is a public affairs and consulting firm based in Harrisburg, Pennsylvania, with decades of experience in working with energy companies – from oil and gas companies to alternative and renewable energy generators. We appreciate the opportunity to share our thoughts on the Environmental Protection Agency's proposed rule on New Source Performance Standards (NSPS) for greenhouse gases from new power plants.

We are concerned that the proposed regulations establish unattainable goals, and may cause significant economic disruption, job loss and increased energy prices.

Because the technology needed to meet these standards is not yet ready for application, the regulations are effectively a moratorium on coal-fired plant construction. The Administration has publicly espoused an “all of the above” energy policy, but adoption of these regulations would rule out coal as a major energy source, and could be extremely harmful to the regional economy. These proposed regulations would have little effect on global carbon emissions as other countries increase their reliance on coal.

We firmly believe that regulations should be developed and adopted based on sound science, and on a risk - benefit analysis. These regulations, however create extreme risks for the economy while providing minimal benefits on global carbon emissions.

Coal is a critical component of Pennsylvania's economy and electric generation portfolio, accounting for roughly 40 percent of Pennsylvania's annual electricity output. The economic benefits of the coal industry – ranging from more than 36,000 jobs to \$4.1 billion in economic activity, are important to maintaining the economic recovery in the Commonwealth.

We would urge the EPA to reconsider these proposed regulations and work with elected officials and stakeholders to develop achievable standards based on best available control technologies. Through collaborative efforts, it is possible to develop a solution that will preserve our environment while protecting jobs.

Thank you,

John Nikoloff, Partner

### **Funding Programs**

**DEP Accepting Applications for 2013 Pennsylvania State Clean Diesel Grants**

DEP is now accepting applications for the state's Clean Diesel Grant Program. School districts, municipal authorities, political subdivisions, state agencies, nonprofit entities, corporations, and limited liability companies or partnerships incorporated or registered in Pennsylvania that operate diesel fleets are eligible to apply.

The clean diesel program's goal is to improve air quality by decreasing emissions from diesel-powered motor vehicles. The program supports projects that re-power or retrofit fleet vehicles to curb emissions; purchase and install idle-reduction technology; or purchase clean alternative-fuel fleet vehicles.

Since the program's inception in 2008, DEP has awarded more than \$1.9 million in grants. The grant program is funded through an annual allocation from the U.S. Environmental Protection Agency's State Clean Diesel Program. Applications will be accepted through June 10. For additional information visit [DEP website](#), keyword "Clean Diesel."

#### **DEP Alternative Fuels Incentive Grant Program Open**

An estimated \$8 million in grants is now available for the purchase or conversion of natural gas vehicles weighing 26,000 pounds or less, as well as the conversion or purchase of electric, propane or other alternative fuel vehicles of any size. Those eligible to apply include school districts, municipal authorities, political subdivisions, incorporated non-profit entities, corporations, and limited liability companies or partnerships registered to do business in Pennsylvania. Grant applications will also be accepted for innovation technology projects that include research, training, development and demonstration of new applications or next phase technology related to alternative transportation fuels and alternative fuel vehicles.

Applications will only be accepted online, using DCNR's eGrant system. The deadline to submit an application is 4 p.m., May 30, 2014. Grants will be awarded in the fall. For additional information visit [DEP website](#).

#### **USDA Renewable Energy and Energy Efficiency Program Open**

USDA's Renewable Energy for America Program (REAP) is now accepting applications from rural small businesses and agricultural producers for funding to make energy efficiency improvements or to install renewable energy systems.

Created by the 2008 Farm Bill, REAP was reauthorized by the recently passed 2014 Farm Bill. For fiscal year (FY) 2014, USDA plans to award up to \$12.3 million in grants and \$57.8 million in loan guarantees. Additional REAP funds provided by the Farm Bill will be made available with a subsequent notice.

Information on how to apply for REAP funding and on the application deadlines (which vary by project type) is available on page 25564 of the [May 5, 2014 Federal Register](#).

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