



Alternative Energy Report

State, Federal Budget Issues, EPA Regulations Dominate the Week's News

The month of June is when the weather really warms up, as do the tempers in Harrisburg and Washington. If the first few days of the month are an indicator, it will be a long, hot several weeks on the Susquehanna and the Potomac, as well as in the mountains.

State budget numbers are being crunched, with revenues increasingly looking worse, and in Washington, the House Appropriations Committee is looking at pulling back on energy funding that was approved in the Farm Bill just four months ago.

Democratic gubernatorial candidate Tom Wolf has called for the Corbett Administration to pass a five percent severance tax on natural gas to help balance the budget, while other groups are publicly attacking plans to expand leasing of state lands for natural gas drilling.

And in what will likely become a major ongoing battle, the EPA this week finally released its plans to regulate emissions from existing electric generating facilities, setting off a firestorm of press releases, public statements and accusations from industry and environmentalists alike. More on these stories below.

State Budget, Pension Reform, Reducing the Legislature in Harrisburg

The General Assembly is officially engaged in the state budget process, which with any luck will conclude on time, at the June 30 deadline. Similar to recent years, passing a fair and on time budget will continue to be a struggle as the state slips further and further into debt with lower than expected revenue numbers and a

News Clips

[Uncertainty and Delay is Not an Energy Strategy](#)

[Attacks on Renewable Energy Standards Must be](#)

pension crisis with no immediate end in sight.

According to numbers released this week by the state Dept. of Revenue, the General Fund received \$108 million less than expected in May, making the total collections for the fiscal year \$532.5 million below estimate. Other revenue sources, including sales tax, PIT, corporate taxes, Motor License fund, inheritance tax, and “sin” taxes (i.e. cigarettes, gambling and liquor) were all low.

The vehicle that will become the 2014-15 state budget bill has not yet been introduced. Making light of a heavy situation, Majority House Appropriations Chair Bill Adolph (D-Delaware) said that he and his Senate counterpart Jack Corman (R-Centre) are “arm wrestling” over who will introduce the budget vehicle. Adolph said he anticipates a bill next week and consideration before the full House the week of June 16.

One huge piece of the state budget picture is the cost of funding state employee pensions. For several years, legislators and the Administration have been considering various changes to limit the annual costs of funding these benefits. Rep. Mike Tobash (R-Schuylkill) has proposed a reform package that the Public Employee Retirement Commission said this week could save the state’s pension plans more than \$11 billion during the next 30 years.

The savings from his plan would come by shifting the risk from the Commonwealth and school districts to new hires, and establishing a reduced benefit tier for new employees. Gov. Corbett said yesterday that he fully supports the Tobash bill, and House Majority Leader Mike Turzai called for passage of the legislation. House Democratic Appropriations Chairman Joe Markosek called for public hearings on the bill before any legislative action.

Also of note, this week the Senate State Government Committee approved two bills that would reduce the size of the legislature – House Bill 1234 (Smith) and Senate Bill 324 (Vogel). SB 324 was amended in committee to eliminate the Lt. Governor position and reduce the number of justices and judges on the PA Supreme Court

[met with a Unified Front](#)

[New recording explores capacity of Northeast US to meet food, bioenergy needs](#)

[Pa. regulatory board supports giving consumers more rights to choose power supplier](#)

[Report says PPL exploring sale of power plants, retail electricity subsidiary](#)

[Prospects for solar power brighter](#)

[OP-ED: Pennsylvania's opportunity to modernize energy](#)

and the PA Superior Court, respectively.

Wolf to Corbett, Legislators: Put Politics Aside and Pass a Severance Tax

Democratic gubernatorial candidate Tom Wolf this week sent letters to Governor Tom Corbett and members of the House and Senate urging them to put politics aside and pass a severance tax with an effective rate of at least 5 percent to ensure that oil and gas companies are “paying their fair share.” Wolf says that the bulk of money received from such a tax should be applied to education. Visit Wolf’s [website](#) to view the letters.

House Committee Approves Changes to Economic Development Funding Program

For three years Gov. Tom Corbett has pushed for a combined business loan authority. While Corbett’s grander plan may be off the table, this week the House Commerce Committee unanimously approved House Bill 1550, which would add several economic development loan programs to the administration-controlled Pennsylvania Industrial Development Authority (PIDA).

While Corbett’s low-interest loan authority concept has undergone several facelifts, the legislature balked at the potential of handing over the reins to the Commonwealth Financing Authority.

As a compromise, House Bill 1550 foregoes the new authority and instead expands the scope of PIDA, which is controlled by the Dept. of Community and Economic Development. The overall goal is to create a single point of access for businesses and improving the application process.

State Energy Plan Available for Public Comment

The Pennsylvania Energy Development Authority offered its proposed State Energy Plan for public review and comments in the Pennsylvania Bulletin on May 31. The plan, a statement of the Authority’s policy goals, operating principles and investment priorities, will be open to comments for 60 days.

Excerpt from May 31 Pennsylvania Bulletin

The Pennsylvania Energy Development Authority

(Authority) makes available for public review and comments the Proposed Pennsylvania Energy Development Plan. The Authority finances clean, alternative energy projects in this Commonwealth. The Pennsylvania Energy Development Plan sets forth the Authority's policy goals, general operating principles and investment priorities.

The Authority enabling act requires the Authority Board of Directors (Board) to prepare and publish a plan for the allocation and distribution of financial and technical assistance—the Energy Development Plan (Plan). See section 2809-C of The Administrative Code of 1929 (71 P. S. § 720.9). The original Plan was published in 1984. In general, the Plan is an articulation of the Authority's policy goals and objectives. The Plan is to be updated every 3 years in accordance with Board procedures.

The Pennsylvania Energy Development Plan will be available for public comment for 60 days from the date of this notice. Interested parties may obtain an electronic copy of the Plan through the Department of Environmental Protection's (Department) web site at www.dep.state.pa.us (DEP keyword "PEDA").

Written comments should be submitted to Hayley L. Book, PEDA Executive Director, Department of Environmental Protection, 2nd Floor, Rachel Carson State Office Building, P. O. Box 8772, Harrisburg, PA 17101-8772, EP-PEDA@pa.gov. Facsimiles will not be accepted. Written comments must be received by Wednesday, July 30, 2014.

Executive Order Outlines Leasing of Additional DCNR Land for Drilling

As promised, Gov. Corbett has issued an Executive Order outlining ground rules for leasing additional DCNR State Forest and State Park lands for natural gas drilling. The order maintains that the drilling cannot result in additional long-term surface disturbance. Click [here](#) to read the executive order.

Environmental groups and the House Democratic Policy Committee have called for a halt to the practice, with a public hearing Monday by House Dems looking at the process, decision making, and impacts of the leasing and

drilling.

CFA Announces New Alternative, Clean Energy Investments

The Commonwealth Financing Authority (CFA) has announced the investment of more than \$3.4 million in grants to four projects through the state's Alternative and Clean Energy Program, including a biofuels project in Potter County which will create nine full-time jobs and will invest more than \$270,000 into the region. Other approved projects include two compressed natural gas fueling stations which have the benefits of reducing emissions and one high performance building project. The CFA investments in Allegheny, Carbon and Potter counties are projected to result in more than \$31 million in additional economic investments. [More...](#)

Ohio Legislature Passes Bill to Freeze, Alter State RPS

The Ohio legislature has passed a bill that could freeze the state's renewable portfolio standard (RPS) for two years. The bill, S.B. 310, also aims to add a provision to state law that requires the public utilities commission to adopt rules governing the disclosure of the cost of renewable energy resources, energy efficiency savings and peak demand reduction requirements to consumers. A recent statement made by the governor suggests he is likely to sign the legislation. [More...](#)

FEDERAL NEWS

EPA Proposes Clean Power Plan Regulating Existing Power Plants

On Monday, the Obama Administration released what could be the most important element of its climate agenda, dubbed the [Clean Power Plan](#). In it, the EPA proposed a state-centric framework for regulating greenhouse gas (GHG) emissions from existing power plants. The regulation would require states to cut carbon emissions from existing coal- and gas-fired power plants by an average of 30 percent below their 2005 levels by 2030.

It will have widely differing effects on each state, which could choose from many options for complying — including joining cap-and-trade networks, encouraging

demand side energy efficiency or relying more on natural gas, nuclear, solar and wind. Depending on the scenario you pick, Pennsylvania will have to reduce carbon emissions by between 25 and 38 percent.

The plan was originally slated to be announced by the President, but after further review, the proposal was announced by EPA Administrator Gina McCarthy early Monday morning. President Obama addressed his comments on the plan in a telephone call with healthcare advocates Monday afternoon, as part of the Administration's plan to tie public support to potential improvements in public health from reduction of emissions.

The rule may be President Obama's best hope for a legacy on climate change, and could fulfill environmentalists' hopes for dramatically lessening the United States' reliance on coal, but there are several obstacles in the way of implementation: the courts, the states, opponents in Congress and whoever occupies the White House after 2016. This clearly is the beginning of a lengthy public debate, and is the end result of 40 years of public legislation aimed at addressing air pollution.

Pennsylvania is Coal Country

The EPA admits that some power plants are likely to close due to the rule, and it appears likely that some Pennsylvania's plants would have to be among them.

In a statement on his campaign site, Corbett criticized President Obama and Democratic gubernatorial candidate Tom Wolf (who support similar legislation) for threatening the 62,000 coal-related jobs in Pa, calling it the "job-killing Obama-Wolf cap-and-trade tax." A link to the statement is included below.

One major energy company that operates in Pennsylvania was cautiously optimistic about the proposal. "FirstEnergy believes it is in a strong position to meet the requirements in the proposed rule" through investments in emissions controls and plant retirements, said spokeswoman Stephanie Walton. She said FirstEnergy, which is based in Akron, Ohio, is still studying the plan, but had already expected to cut carbon emissions significantly next year.

Not surprisingly, both the Pennsylvania Coal Alliance and PennFuture this week released statements on the rule, and also not surprisingly, their takes differed significantly. See links below.

Pressure from Congress

Forty-one U.S. Republican Senators sent a letter to President Obama Wednesday urging him to withdraw the proposed regulation. In addition to the cost concerns, the senators said the EPA's proposal runs afoul of the Clean Air Act and its limits on executive power.

The GOP is calling the rule a "national energy tax" that will cripple the coal industry, while the coal industry feels shut out of the list of vital energy sources. Both warn that energy crisis and sky-high electricity costs are likely outcomes if the rule is implemented.

Coal-state Democrats have also attacked the rule and its impact on jobs in the coal and electric industries. This has become a major election issue, and the White House has given them a "free pass" to oppose the rule this summer and fall.

While House Speaker Boehner and Senate Minority Leader McConnell plan to try to block or minimize the rule, reality suggests this will be difficult. Next summer, Senate Republicans will undoubtedly try to use a little-invoked law called the Congressional Review Act to repeal the regulation. But Republicans probably wouldn't have the 67 votes needed to override an Obama veto, even if the GOP takes control of the Senate this fall.

The Next President

The next president could take action to slow down or weaken the standards, as well. But by 2017, so many of the legal and political battles will be behind us all that it would be difficult at best, to reverse three years of activity and planning.

Lengthy, Costly Battles

The administration's proposal first faces a 120 day public comment period, and will not be finalized for at least another year. The EPA will be holding several public hearings on the proposal, including one scheduled for

Pittsburgh July 31 from 9 a.m. till 8 p.m.

Once the rule is finalized, you can expect that court cases will begin in earnest, with coal companies, electric generating companies and state governments arguing that the rule goes far beyond the scope of the Clean Air Act which was its justification.

A major point of contention will be the EPA's decision to set emission-reduction goals for each state that lump all their coal- and gas-fired plants into one system, rather than setting plant-by-plant targets. EPA's approach can achieve much bigger pollution cuts, for instance by encouraging statewide efforts to reduce the demand for power, but opponents will argue that the agency is overstepping its legal authority.

Opponents note that a related rule for greenhouse gases from future power plants would almost certainly have to be done before the agency can finish the new rule, and the September rule is in a bitter legal battle over requirements for capture of carbon emissions, which may run afoul of the 2005 EPACT.

The courts can also slow the entire process down, perhaps until a new president and Congress can chime in. Environmental officials in North Carolina, Alabama, Michigan, Kansas, West Virginia, Indiana, Ohio, Arizona and Wisconsin wrote the EPA last month, asking for more time to submit implementation plans, given the almost certain litigation over the rule.

Political and legal battles will be fought at the state level too, with both state governments and regulated companies using local and state processes to oppose the impact of the regulations. The Clean Power Plan as proposed now will require states to begin hitting reduction targets in 2020, but given the timing, it's very possible that many states will still have legal issues and state regulatory plans in legal limbo until much later.

Interstate cap-and-trade systems, including the Regional Greenhouse Gas Initiative in the Northeast, are likely to gain momentum, for better or for worse. (Tom Wolf has called for Pennsylvania to join the RGGI.)

In short, the proposal of the Clean Power Plan sets the scene for a long struggle that will unfold over many years and Presidential administrations, and that can only be resolved with real certainty by new congressional action. Settle in for the fight—it's likely to go the distance.

EPA and Obama cite Health Concerns

The EPA framed the rules as having a “potentially dramatic improvement on public health,” saying that for every dollar the government invests in the new climate initiative, families will see \$7 in health benefits.

“Today, climate change-fueled by carbon pollution-supercharges risks not just to our health-but to our communities, our economy, and our way of life,” McCarthy said. “That's why EPA is delivering on a vital piece of President Obama's Climate Action Plan.”

The EPA projects that the new rules will:

- Cut carbon emission from the power sector by 30 percent nationwide below 2005 levels, which is equal to the emissions from powering more than half the homes in the United States for one year;
- Cut particle pollution, nitrogen oxides, and sulfur dioxide by more than 25 percent as a co-benefit;
- Avoid up to 6,600 premature deaths, up to 150,000 asthma attacks in children, and up to 490,000 missed work or school days—providing up to \$93 billion in climate and public health benefits; and
- Shrink electricity bills roughly 8 percent by increasing energy efficiency and reducing demand in the electricity system.

Costs and Benefits

The regulations are projected by the EPA to generate more than \$90 billion in climate and health benefits compared to \$7.3 billion to \$8.8 billion in costs. Under the first year alone, the EPA claims enforcement of the rule will avoid up to 150,000 asthma attacks and 2,100 heart attacks.

States will be given a year to design their own implementation plans that will comply with the rule. Certain states may be given up to 2018 to implement a plan.

“This plan is all about flexibility,” McCarthy said. “The glue that holds this plan together, and the key to making it work is that each state’s goal is tailored to its own circumstances, and states have the flexibility to reach their goal in whatever way works best for them.”

Chaos Theory

The EPA often struggles with meeting deadlines, and getting the rule finished before Obama leaves office is critical to having it turn out the way he wants. The EPA already added unexpected delays into the proposed standard Monday, pushing back requirements for states to file plans until as late as 2018, and giving itself a full year to review them. That pushes the endgame well into the next president’s term.

The states will have between one and three years to submit plans showing how they’ll meet the requirements. The EPA will have a year to approve or deny the plans. If a state refuses, the agency can implement a federal plan in its place.

But the rule offers no details on how the EPA would choose such a plan, and no “model” for any federally run program.

EPA officials insist that states would rather craft their own plans. But experience with the Affordable Care Act suggests this could be a problem. When it came to states setting up health care exchanges, 36 states chose instead to rely on federally run programs to save money.

More Information

[EPA fact sheets and details about the proposed rule](#)

[President Obama’s Climate Action Plan](#)

[Corbett Statement on the Proposed Rule](#)

[PA Coal Alliance Statement on the Proposed Rule](#)

[PennFuture Statement on Proposed Rule](#)

OTHER FEDERAL NEWS

House Committee Votes to Cut Mandatory Funding for Energy Title Programs

After a long battle in both the House and Senate, the Farm Bill passed Congress in February reauthorizing the Energy Title for five years, including \$694 million in

mandatory funding for bioenergy programs. Just a few short months later, a House committee has voted to roll back that mandatory funding through its fiscal year 2015 agriculture appropriations bills. The cuts were first revealed during House Agriculture Appropriations Subcommittee session in late May.

According to the Environmental and Energy Study Institute, under the process known as Changes in Mandatory Program Spending (CHIMPS), the House bill would fund Energy Title programs at \$89 million for FY 2015 – down from the \$147 million level provided in mandatory funding in the 2014 Farm Bill (a 39 percent cut). The cuts target three critical programs, with proposed funding levels as follows:

- Biomass Crop Assistance Program - \$15 million (\$10 million less than Farm Bill mandatory funding)
- Rural Energy for America Program (REAP) - \$30 million (\$20 million less than Farm Bill mandatory funding)
- Biorefinery, Renewable Chemical and Biobased Product Manufacturing Assistance program - \$22 million (\$28 million less than Farm Bill mandatory funding)

The House Appropriations Committee approved the bill (with no substantive changes to energy provisions) on Thursday, May 29 by a 31-18 vote. The Senate Appropriations Committee also recently advanced its FY 2015 agriculture spending bill with a 30-0 vote on May 22. Unlike the House bill, the Senate bill maintains the \$147 million in FY 2015 mandatory funding for Energy Title programs. The Senate bill also provides REAP with \$1.35 million in discretionary funding to support additional loan guarantees. The bill now awaits action by the full Senate.

Jobe Sends Warning Letter to Obama as EPA Preps RFS Rule for OMB

U.S. EPA may be sending the 2014 renewable fuel standard (RFS) final rule to the Office of Management and Budget later this week, according to the National Biodiesel Board, and indications suggest that the EPA and the Obama administration are considering leaving the biomass-based diesel program at 1.28 billion gallons while possibly adding a small increase for the overall

advanced biofuels standard, compared to its proposed rule released last fall. [More...](#)

Biomass Supply and Northern Long-Eared Bat

The U.S. Fish and Wildlife Service (USFWS) has proposed that the Northern Long Eared Bat be added to the list of endangered species and drafted interim planning guidance that would effectively shut down forestry/forest harvesting operations in huge swaths of the U.S. from April to October each year. Although it's called "Northern" the bat resides in 39 states, so a listing and enforcement of these logging restrictions would essentially shut down forest fiber production in this country.

House Bill Seeks to Prevent Strict EPA Wood Stove Regulation

House Resolution 4407, the Wood Stove Regulatory Relief Act of 2014, would prevent the Environmental Protection Agency (EPA) from establishing strict emission limits for wood and pellet stoves and boilers. The bill does not entirely seek to maintain the status quo, as it would still allow outdoor boilers and indoor furnaces to be regulated, which they aren't in most states. [More...](#)

AWEA White Paper: Wind Energy Reduces Carbon Pollution

A [white paper](#) just published by the American Wind Energy Association (AWEA), "The Clean Air Benefits of Wind Energy," says wind energy is a widely-available, affordable, reliable and rapidly scalable source of carbon emissions reductions. The paper, for the first time using the publicly available EPA AVERT modeling tool, quantifies on a state-by-state basis the emissions reductions attributable to the current fleet of wind turbines in the United States.

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