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July 25, Washington DC and online

[Biomass 2014: Growing the Future BioEconomy](#)

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[EESI Briefing: 17th Annual Congressional Renewable Energy and Energy Efficiency EXPO + Forum](#)

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Budget Signed, Governor Challenges Legislature on Pension Reform

Governor Tom Corbett finally signed the fiscal year 2014-15 state budget, but not without sending a message to legislators by vetoing \$72.2 million in funding earmarked for the Senate and House which included \$65 million in their general appropriations and \$7.2 million in legislatively designated spending.

Corbett also used a line-item veto to scratch out \$65 million, or 20 percent, of the Legislature's operating budget. The last time a governor used the power of a line-item veto to eliminate part of the Legislature's budget was 1978 under Gov. Milton Shapp, said House Parliamentarian Clancy Myer.

The General Assembly can override a governor's veto by a two-thirds majority vote, but no decision has yet been made a legislative response. In 1978, lawmakers overrode Shapp's veto.

The Governor also blue-lined \$20 million in transfers from the Machinery and Equipment Loan Fund (MELF) and Small Business First Fund. Legislators had sought \$200 million from those funds. One unintended consequence of this transfer has been elimination of a special MELF program promoted by the Administration to provide low interest (1.75%) loan financing to Pennsylvania companies wishing to expand and create or maintain jobs. Companies had until June 30 to apply for the funds, which they were surprised to learn this week are no longer available.

During the budget signing press conference, Corbett made his disappointment with the General Assembly clear, challenging legislators for not standing up to unions and passing meaningful pension reform. He accused both chambers of not being financially responsible for the taxpayers of Pennsylvania.

"As they did in the last three budgets, agencies sharpened their pencils, set priorities, and spent what they had – not what they wished they had," said Corbett. "We made tough decisions so that funding for critical programs and services that benefit the people of Pennsylvania would go unharmed. It is what I promised the people of Pennsylvania I would do, and, frankly, it is what they expect and deserve from their state government. "The same, however, cannot be said for the General Assembly," he noted.

[treatment plant closes, leaving mess behind](#)

"The governor's actions seemed to us to be about politics and not about the hard work of governing," House Majority Leader Mike Turzai (R-Allegheny) said last week. "You can't lead from behind, you gotta lead from out front," he added.

"We are disappointed that the Governor has not, to date, been able to work effectively with the Republican majorities in the House and Senate to address important fiscal issues impacting our state," m Senate GOP leadership, said in a statement, which adds "linking pension reform to punitive program cuts is not a winning strategy."

They said, "The state budget process is not a game to be played and vital government programs should never be placed in jeopardy. Putting the needs of Pennsylvania residents ahead of politics has always been, and continues to be our top priority."

Corbett insisted that public pension reform was critical, noting that one-third of the state's districts cited pension costs when they received state permission to raise property taxes in the upcoming school year beyond an allowed rate. Corbett continued his efforts last weekend, with robocalls across the southeastern corner of the state criticizing the Republican-controlled Legislature for sending him a budget "loaded with perks and earmarks." The governor warned of impending property tax increases without action from the General Assembly.

The House will return to session on August 4 to, among other things, consider a bill that would authorize Philadelphia to impose a cigarette tax to fund its schools.

Lawsuits?

The Governor's actions are under increasing legal scrutiny as well. Parts of the budget package are now an exhibit in a 2-year-old lawsuit that is seeking to stop Pennsylvania from allowing more natural gas drilling on publicly owned lands and diverting the drilling proceeds away from a land conservation fund.

The budget package establishes the state's authority to enact a new round of leasing of publicly owned lands for natural gas drilling and authorizes the diversion of another \$220 million from the fund into the state government's operating budget.

Lawmakers are saying the \$7 million in line-item vetoes by Corbett of earmarks or spending items picked by lawmakers were unprecedented and possibly unconstitutional.

Corbett's office insists he had the legal authority — most of it was for the cost of a new parking deal negotiated by his administration — but lawmakers say it may have crossed a constitutional line from blocking spending to blocking wording that instead gave direction to spending already authorized elsewhere.

Budget Deal Included Changes to Drilling Regulations, Lawsuits Continue

With Corbett's approval of the budget and fiscal code bills, the state Department of Environmental Protection will need to reevaluate its yet-to-be-finalized two-year overhaul of drilling regulations.

The draft rules implement key provisions of Act 13 – Pennsylvania's 2012 oil and gas law. They deal with surface activities on and around well sites, including waste handling, spill prevention, and protecting environmental resources.

As previously reported in AER, language was included in the fiscal code bill that changes the rules for oil and gas wells. The change mirrors a bill introduced by Sen. Joe Scarnati (R-Jefferson) that would make a distinction between modern and conventional wells.

During floor debate, Democrats challenged the constitutionality of the move, noting that bills are supposed to adhere to one subject, but the objections were overruled in the House.

The budget also establishes the state's authority to enact a new round of leasing publicly owned lands for natural gas drilling and authorizes the diversion of another \$220 million from the fund into the state government's operating budget.

Health Secretary Says Gas Questions Are Complex, No Quick Answers

Health Secretary Michael Wolf said Wednesday that the department's experts are responding to health complaints related to natural gas drilling, but there is no quick and easy way to answer questions about the issue.

Wolf said he hasn't spoken directly to Governor Corbett about possible health impacts from the drilling boom, only to Corbett's staff, and that the department didn't ask the legislature for additional money this year to study the issue, which critics have called for.

Wolf's predecessor, Dr. Eli Avila, said last week that the state has failed to seriously study the potential health impacts of drilling. Avila and other experts said Pennsylvania needs to fund and create a statewide health registry to study the issue.

In 2011, the state House approved \$2 million to start one, but Senate GOP leaders and the governor's office cut the funding at the last minute. Wolf said that creating a state-funded health registry isn't the only solution to answering the public's questions, but the department hasn't ruled it out.

"People want a quick answer, and unfortunately, on issues like this, there is no quick answer," Wolf said. "We will absolutely continue to follow up" on complaints that people make.

The Marcellus Shale drilling boom that began in 2008 has generated complaints about air and water pollution. Some people have complained that nearby drilling led to headaches, nosebleeds and other problems, and there are long-term concerns about the toxic chemicals used in the fracking process that breaks the rock to free gas. Wolf said that state experts have yet to see large-scale health impacts or clusters of people whose symptoms can be linked to shale drilling.

On Tuesday, six of Pennsylvania's leading environmental groups called for an investigation into how the Department of Health is handling drilling complaints.

"If there is any question that the actions of drillers are causing harm to our air, water and land as well as the health of our citizens, the governor and state agencies must address those concerns immediately," said a statement from the leaders of PennFuture, the Clean Air Council, PennEnvironment, and the state chapters of the

Sierra Club and Clean Water Action.

Researchers: 4 in 10 Oil and Gas Wells in Pa.'s Shale Region Likely to Fail

Four in 10 of the oil and gas wells in Pennsylvania's Marcellus Shale region are likely to fail, according to Cornell University-led researchers. In a report published June 30 in the journal Proceedings of the National Academy of Sciences, the research team looked at 41,000 wells in the state and determined 40 percent were likely to release methane into groundwater or the atmosphere, according to the Cornell Chronicle.

[More...](#)

New Jersey Allows for Public Comment on Withdraw from RGGI

New Jersey is taking public comment on Gov. Chris Christie's proposal to withdraw the state from the Regional Greenhouse Gas Initiative after a court ruled that Christie's first attempt to walk away from the regional cap-and-trade program in 2011 should have allowed public comment.

The state Department of Environmental Protection's proposal technically repeals state rules related to complying with RGGI that were made obsolete when Christie withdrew from the program in 2011. The state said in its notice last week that because of the earlier withdrawal from the program, there will be no environmental, economic, social or agricultural impacts from repealing the state rules. Environmentalists had hoped Christie would reverse course and keep the Garden State in RGGI after EPA's new greenhouse gas emissions rules for existing power plants were issued earlier this summer. The state will take public comments on the proposal through Sept. 5, and has planned a public hearing for August 8.

Environmental groups disparaged the move, and are organizing a push for comments supporting RGGI as a way to meet EPA's proposed power plant emissions standards. "Governor Christie keeps trying to put the interests of big out-of-state polluters ahead of the health and well-being of the people of New Jersey," said Doug O'Malley, director of Environment New Jersey.

FEDERAL NEWS

EPA Proposes to Replace and Reduce Harmful Greenhouse Gases

The EPA is proposing to prohibit the use of certain chemicals that significantly contribute to climate change where safer, more climate-friendly alternatives exist. This is the agency's second action aimed at reducing emissions of hydrofluorocarbons (HFCs), a class of potent greenhouse gases, under President Obama's Climate Action Plan.

This action is estimated to reduce greenhouse gases by up to 42 million metric tons of carbon dioxide equivalent by 2020, equal to the carbon dioxide emissions from the annual electricity use of more than five million homes.

"President Obama called on us to take action against potent greenhouse gases that contribute to climate change. Today, we are issuing a new proposal that builds on the innovative work businesses across the country have already made to reduce and replace some of the most harmful chemicals with safer, more climate-friendly alternatives that are available and on the market today," said EPA Administrator Gina McCarthy. "This action will not only result in significant reductions of harmful

greenhouse gases, but it will also encourage businesses to continue bringing safer alternatives to market.”

Under the authority of the Clean Air Act, EPA’s Significant New Alternatives Policy (SNAP) Program evaluates substitute chemicals and technologies that are safe for the ozone layer. Today’s proposed action would change the status of certain high-global warming potential (GWP) HFCs that were previously listed as acceptable under the SNAP Program to be unacceptable in specific end-uses based on information showing that other alternatives are available for the same uses that pose lower risk overall to human health or the climate.

The HFCs and HFC-containing blends affected by today’s proposal are used in aerosols, motor vehicle air conditioning, retail food refrigeration and vending machines, and foam blowing.

The agency received input from industry, environmental groups and others through workshops and meetings over the past year on this proposal. EPA will accept comment on the proposal for 60 days after publication in the Federal Register. The proposal is available [online](#).

Companies Call on President to Bost Biodiesel RFS

One hundred seventeen biodiesel companies and affiliated businesses from 41 states called on President Obama Wednesday to stand behind his past support for the U.S. biodiesel industry by continuing sustainable growth under the Renewable Fuel Standard (RFS).

Highlighting Obama’s strong position on biodiesel going back to his days as a U.S. senator and as a candidate for president, the companies and organizations sent Obama a letter outlining the extensive damage that would result from the EPA’s current RFS proposal, which would set a biodiesel standard of 1.28 billion gallons - far below actual 2013 production of nearly 1.8 billion gallons.

The letter follows a similar missive sent by 52 members of the House to the president last week.

The industry letter says signals from the administration and have led to the investment of billions of dollars “in developing a U.S. biodiesel industry that has successfully delivered more than 5 billion gallons of EPA-designated Advanced Biofuel under the RFS” since Obama took office.

“We are extremely concerned that you could be retreating on your previously unwavering support for biodiesel in a way that would have severe consequences for the industry’s future,” the letter states.

The letter specifically references legislation introduced by then-Sen. Obama in 2006 (“The American Fuels Act”) that called for an ambitious standard of 2 billion gallons of alternative diesel fuels by 2015.

“Thanks to American innovation, the hard work of our employees, and strong, consistent federal policy under the RFS, the biodiesel industry almost reached that goal last year by producing nearly 1.8 billion gallons under the RFS. With stable policy,

it is very likely that the industry will - a mere decade later - indeed reach your stated goal of 2 billion gallons by 2015," the letter states. "This is a success story of which you and your Administration should be proud: A clean, renewable energy industry meeting a challenging goal that you envisioned 10 years ago. Yet with this EPA proposal, this Administration is retreating. We urge you not to."

The EPA's RFS proposal remains pending, with the administration now reported to be delaying finalization until September.

EXPIRE Act Still Hanging, Businesses Urge Fast Action on Tax Extenders

Congressional action on tax extenders has been stalled since April, when the Senate Finance Committee passed legislation on a bipartisan 18-6 vote. The bill has important provisions for renewable energy industries, including the Production Tax Credit and Investment Tax Credits for various renewable energy facilities.

Recently, a coalition of more than 300 business and organizations called on the House and Senate leadership to act quickly pass the EXPIRE Act and extend tax policies critical to the continued growth of clean energy technologies.

In a letter signed by major companies and national organizations ranging from the American Farm Bureau Federation to the Biotechnology Industry Organization, National Wildlife Federation and the National Tooling and Manufacturing Association, congressional leadership were told the EXPIRE Act includes policies that increase energy efficiency in commercial buildings; encourage development of advanced biofuels; and support investment in new wind farms, among other benefits.

"Businesses and investors need stable, predictable federal tax policy to create jobs, invest capital, and deploy pollution-reducing energy technologies," the letter says. "Allowing the lapsed clean energy tax provisions to languish undermines investor confidence and jeopardizes continued economic and environmental benefits."

The "bipartisan tax provisions have a proven track record of helping scale up production and drive down the cost of clean energy technologies, thereby ensuring that market-ready technologies are deployed to their full potential," the letter says.

"The nation's suite of clean energy and energy efficiency tax provisions lower the cost of clean energy and keep the U.S. competitive in the global technology race," the groups state. "They promote economic development, job creation, and a cleaner environment. To continue capturing these benefits it is essential to restore stability in the marketplace by extending the expired provisions through 2015 and by making them retroactive to the beginning of this year."

The letter says restoring the expired clean energy and energy efficiency tax provisions "will help build the economy, create jobs, and deliver a safer, healthier future for our children."

Energy Department Invests \$14 Million in Innovative Building Efficiency Technologies

The U.S. Department of Energy has announced up to \$14 million in funding for 15 research and development projects – including funding for two Pennsylvania companies – to support technologies that will contribute to advancing early-stage,

breakthrough energy-efficient solutions for buildings and homes. These projects will help building managers and homeowners reduce energy demand, save money and accelerate the deployment of clean energy technologies.

Seven incubator projects will be funded with nearly \$6 million to improve heating, ventilation and air conditioning (HVAC), water heating, sensors and controls, and building energy modeling. Additionally, eight frontier projects will receive \$8 million to address energy efficiency in advanced clothes dryers, windows, and building thermal insulation. Frontier projects seek to improve the efficiency of existing technologies by incorporating new, innovative materials or components.

Frontier projects selected for funding include:

- Alcoa Inc. (Alcoa Center, Pennsylvania) with Adhesive Systems Inc. (Frankfort, Illinois), DIAB Americas (DeSoto, Texas) & Ellsworth Adhesives (Germantown, Wisconsin) – An enhanced foam thermal insulation for commercial window systems that is placed between the inner and outer frames of the window to prevent temperature transfer through the frame and condensation on the inside frame. The final product would enable cost-neutral manufacturing of highly-insulating windows.
- PPG Industries Inc. (Cheswick, Pennsylvania) with ORNL Manufacturing Demonstration Facility (Oak Ridge, Tennessee) – This project seeks to improve highly insulating vacuum insulated glazings by lowering the manufacturing costs with a fabricate-on-demand process, improving edge sealing, pillar design and the evacuation process.

USDA Awards Funds to Promote Development of Rural Wood to Energy Projects

USDA has announced more than \$2.5 million in grants to develop wood energy teams in 11 states (including New York) and an additional \$1.25 million for nine wood energy projects.

"Renewable wood energy is part of the Obama Administration's 'all of the above' energy strategy," Vilsack said. "Working with our partners, the Forest Service is supporting development of wood energy projects that promote sound forest management, expand regional economies and create new rural jobs."

The federal funds will leverage more than \$4.5 million in investments from USDA partners. Under the terms of the agreements announced today, private, state and federal organizations will work together to stimulate the development of additional wood energy projects in their states. Click [here](#) to view a full list of Statewide Wood Energy Team Grant Recipients.

Federal News

US Imposes New Sanctions on Russia

In an effort to punish the Russian government for contributing to violence in the Ukraine, the Obama administration on Wednesday widened sanctions by banning people in the United States from providing new financing to two major Russian banks and energy firms. The energy firms – Novatek and Rosneft Oil Company – represent the second and third largest natural gas producers in Russia. An administration official

described the steps and a “broad, flexible and potent tool,” and warned that further steps could be taken.

House, Obama Continue Climate, EPA Debate

The US House Appropriations Committee on Tuesday approved a \$30 billion spending bill that the GOP hopes will block Environmental Protection Agency regulations that it views as exceeding the agency’s authority. Democrats on the committee argued that the bill would endanger communities and includes perks for big businesses.

The bill targets controversial policies at the center of President Obama’s climate change initiative by scaling back or in some cases all together blocking a wide range of EPA regulations, including the agency’s intent to limit greenhouse gas emissions from existing and future power plants.

Even if the full House approves the bill, the Senate is yet to act on any appropriations bills, and Obama is likely to veto such a measure. This represents that seventh of the 12 annual appropriation bills Congress must pass annually.

The bill contains a \$717 million, or 9 percent, decrease in EPA funding, which is \$400 million below the president’s budget request.

The EPA continues to defend its regulations against attacks from House Republicans, stating that the agency acts within its statutory authority. “As Congress has directed us, and as the courts have reaffirmed for us, our mission is to protect Americans from significant risks to human health and the environment,” agency spokeswoman Liz Purchia said.

“Overestimating the costs and deliberately undervaluing the benefits ignores the facts: For over four decades, EPA has cut air pollution by 70 percent and the economy has more than tripled.”

Obama said Wednesday that if nothing is done to mitigate the "direct threat" on infrastructure from climate change the U.S. will not remain "competitive in this 21st century economy."

The initiatives are aimed at guarding the electricity supply; improving local planning for flooding, coastal erosion and storm surges; and better predicting landslide risks as sea levels rise and storms and droughts intensify.

The U.S. Geological Survey will launch a \$13.1 million 3-D mapping program to help chart water resources, coastal erosion and more elements, the administration said are exacerbated by climate change; the Centers for Disease Control and Prevention has issued guidelines for health departments on how to deal with vulnerabilities to climate change that residents in a given region may experience; and the Federal Emergency Management Administration (FEMA) will include climate change in new guidance for hazard plans.

Study: States can Handle EPA Power Plant Rules

An independent analysis of the Environmental Protection Agency’s (EPA) proposal to limit carbon dioxide pollution from power plants concluded that states are “well

positioned” to handle the federal government’s requirements under the rules.

The Analysis Group said Monday that there will be costs associated with compliance, but “such costs will be much lower than the benefits to public health and to the overall economy from lower CO2 and other air emissions.”

If states design programs effectively, near-term electricity rate increases will be modest, and electric bills will fall in the long run, the group said. [More...](#)

Senate Dems Divided on Coal Provision in Export-Import Bank Bill

Sen. Joe Manchin (D-W.Va.) intends to include language in a bill to reauthorize the Export-Import Bank's charter that would roll back restrictions on financing overseas coal plants.

In December the bank implemented guidelines that prevent funding for power plants unless they adopt carbon capture technology. The revision was in response to a call to reduce climate change. There are exceptions for developing countries.

Manchin's language would strip those guidelines, which has prompted fellow Senate Democrats Barbara Boxer (Calif.) and Sheldon Whitehouse (R.I.) to promise to fight any such efforts.

Boxer said that the provision is “problematic”, and it “really will set the world back... and will lead to much worse climate pollution.”

It's not yet clear whether Democratic leadership would be willing to consider Ex-Im reauthorization with the coal language on the floor, or whether Manchin will need to offer it as an amendment. However, Boxer has vowed to “organize against” the measure.

Manchin argues that the coal additive could increase export of clean coal technologies overseas.

The charter is to expire at the end of September.

Senate Confirms Energy Nominees

The Senate voted this week to confirm two of President Obama's nominees to serve on the Federal Energy Regulatory Commission (FERC) which oversees U.S. energy sectors, such as interstate natural gas pipelines and the sale of electricity across state lines.

Norman Bay was confirmed on a 52-45 vote and Cheryl LaFleur was confirmed on a 90-7 vote. LaFleur is the acting chairwoman of FERC. She will continue to serve as chair for nine months while Bay shadows LaFleur, preparing to move into the role.

Senate Majority Leader Harry Reid (D-Nev.) praised Senate Energy and Natural Resources Committee Chairwoman Mary Landrieu (D-La.) for negotiating the deal with the administration. Many others disagreed saying that LaFleur is “a highly qualified woman” who is being demoted “in order to promote an unqualified man.”

Beyond the political maneuvering between Bay and LaFleur's roles within the FERC,

Bay also faced criticism from Republicans and pro-fossil fuel Democrats. Minority Leader Mitch McConnell said that he feared Bay would “serve as a rubber stamp” for the administrations “extreme anti-coal agenda”.

USDA BioPreferred® Stakeholder Announcement

The U.S. Department of Agriculture’s (USDA) BioPreferred® program office will host a public meeting for stakeholders to discuss the issue of incorporating mature market (wood) products into the BioPreferred program. USDA is seeking input from stakeholders on how to evaluate products for eligibility to be included in the BioPreferred program. The meeting is scheduled for August 1. Click [here](#) for more information about the public meeting and comment period.

EESI Briefing: Evolving Resiliency: Managing Climate Risks in the Northeast

The Environmental and Energy Study Institute (EESI) will hold a briefing examining the current and projected impacts of climate change in the Northeast and regional efforts to manage these risks on July 25 from 1:30-3pm.

The Northeast is home to approximately 64 million people. Since much of the population and infrastructure is located along the coast, this region is extremely vulnerable to the impacts of climate change, as was most clearly seen when Hurricanes Irene and Sandy struck in 2011 and 2012, respectively. Between 1958 and 2010, the Northeast experienced a 70 percent increase in the amount of precipitation falling during very heavy events.

Click [here](#) for more information or to RSVP to attend in person to join the live webcast.

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