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Legislative Update

The state House cancelled its scheduled August voting session days last week, when leaders determined they had insufficient support to take up Philadelphia school funding and perhaps pension reform. House Speaker Sam Smith (R-Jefferson) and Majority Leader Mike Turzai (R-Allegheny) said the chamber did not have a consensus to put up 102 votes for either issue, with many members expected to offer amendments for other programs.

At the same time, Governor Corbett's staff said they could not guarantee the Governor would sign a bill if it wasn't only related to Philadelphia schools and a cigarette tax.

To soften the blow on that city's schools, Corbett announced that he would release \$250 million in school funds in advance so that the district could open its doors on time, but city officials said that action doesn't address long-term school funding needs.

When the General Assembly DOES return September 15, there are fewer than a dozen scheduled session days left before the November elections. The legislature CAN return after the election, in sine die session, but in recent years, legislative leaders have opposed such lame duck sessions.

Major issues remain – including the Philadelphia school funding crisis and reforms to the state's two major public sector pension systems. House Republicans have told ERG they expect a pension reform vote, possibly on a hybrid system. Governor Corbett last week asked lawmakers to come back early to consider it, but the governor is also hoping he can get movement on privatizing state liquor stores.

The Senate is looking at a variety of administrative changes to state laws, including online voter registration, campaign finance reporting and lobbyist reform. And both chambers appear willing to work toward reauthorization of the PA Health Care Cost Containment Council, changes in property taxes and school funding in general, drug databases and drug overdose reporting laws, Right-To-Know laws, and urban revitalization programs.

Gubernatorial Debates Scheduled

Two recent polls show Democratic governor candidate Tom Wolf's lead over Governor Tom Corbett has become more realistic, at around 12 percent, as the "bump" of his May primary victory, and renewed attacks have eaten at the edges of Wolf's support. Governor Corbett's campaign has launched a series of attack ads on television in recent weeks, which may be gaining some traction. At the same time, Wolf's public call for significant

changes in the state's income tax has raised the eyebrows and interest of many voters. The proposal appears to be almost revenue neutral, but was offered as a way to increase the state's share of education funding.

On Wednesday, the two campaigns announced they had agreed to three "prime time" debates between September 22-October 8 in the Philadelphia, Harrisburg and Pittsburgh media markets.

The first debate will be at the Pennsylvania Chamber of Commerce dinner September 22 in Hershey. That will be followed by a debate at the Philadelphia studios of KYW-TV on Oct. 1 and another on October 8 at WTAE-TV in Wilkesburg, near Pittsburgh.

Corbett, Wolf Talk Agriculture in Rock Springs

Penn State's Ag Progress Days, August 12-14 is the state's largest outdoor agricultural exhibition. ERG Partners is pleased to participate in the event annually, both as a sponsor and through its membership on the Penn State Ag Council. This year's Ag Progress Days featured energy conservation, regulation, shale energy development and on-farm renewable energy sources. Exhibitors and Penn State Extension educators provided information to the public on alternative energy markets, credits and farm energy sources, giving visitors an opportunity to hear about new products and system applications that provide benefits, along with savings over conventional energy sources and supplies. The event also featured presentations on land management issues, easements, leasing and trends of royalty income, proposed regulatory requirements and updates on energy policy.

On Government Day, more than 600 guests were addressed by Penn State's new President Eric Barron, State Ag Secretary George Greig, Governor Tom Corbett, and Democratic Gubernatorial candidate Tom Wolf. During Wednesday's luncheon, Barron praised the College of Agriculture and Food Sciences, as well as the Governor's School for Agricultural Sciences, which was renewed this summer after a five year hiatus.

Secretary Greig pointed to successes of the Corbett Administration for agriculture, including elimination of the state inheritance tax, changes in law that benefit farmers when moving implements of husbandry, and passage of transportation and infrastructure funding, including permanent funding for the state's dirt and gravel roads program.

The Governor said he was pleased to fund the Governor's School and cited increased funding to the state's local and county fairs to \$6.8 million. Corbett too talked about dirt and gravel road funding, and talked about his efforts as Attorney General to get engaged in agriculture with implementation of the state's ACRE act which created a "right to farm" for Pennsylvania agriculture.

Following Corbett to the podium, Wolf, the former Revenue Secretary, talked about his own experience in agriculture, while in the Peace Corps plowing a field with a wood bottom plough and helping teach Indians about the values of high yielding rice. He said that there are four things that can improve the agricultural sector in Pennsylvania, including investments in education, infrastructure, creation of a level playing field and full responsible use of the state's natural resources. He said as governor, he would connect policies to agriculture, using as an example, Redevelopment Assistance Capital Program funds for a food market in Philadelphia being contingent on use of PA agricultural products.

Comment Period Extended on PUC Proposed Alternative Energy Regulations

On February 20, 2014, the Public Utility Commission adopted a Proposed Rulemaking Order at Docket No. L-2014-2404361, proposing revisions to the Commission's existing Alternative Energy Portfolio Standards regulations pertaining to the net metering, interconnection and portfolio standards provisions, with the Proposed Rulemaking Order published in the *Pennsylvania Bulletin* on July 5, 2014 at **44 Pa.B. 4179**.

The state Public Utility Commission is considering a new regulation that would cap the amount of energy that could be produced and sold back to the power grid by a private alternative energy system.

Though the new rule would most directly affect solar array systems, it also applies to other energy systems, including low-impact hydro power and biomass facilities, said PUC spokeswoman Robin Tilley. The regulation is being done to update practices with the Alternative Energy Portfolio Standards Act of 2004.

"These proposed rules essentially would make net metering regulations consistent across the commonwealth," Tilley said. "(It) basically codifies regulations that are already in place."

While news services have picked up on the proposed limits to net metering of solar generation, the rulemaking also impacts the development of distributed generation on the farm, particularly for net metering of anaerobic or methane biodigesters. The Commission noted that there is a potential of 50-60 digesters being developed on Pennsylvania dairy farms in the foreseeable future, but that if proposed metering aggregation restrictions remain in place, it's unlikely that those digesters will be developed.

On August 1, at the request of Agriculture Secretary George Greig, to better assess the impact of proposed changes on dairy farms, the PUC agreed to extend the comment period for the proposed rulemaking for an additional 30 days through September 3, 2014.

The amount of energy an alternative system can produce is being capped at 110 percent of the previous year, according to the proposal. This limit ends up helping other consumers on the power grid who do not use alternative energy systems, Tilley said. The utility is required to pay for the electricity coming from the alternative system, meaning that cost would be passed on, she said.

Based on comments filed so far with the PUC available on the agency's website, alternative energy companies are not in favor of the new regulations and some question their need.

Pipeline Projects across Pennsylvania

The Atlantic Sunrise pipeline was unanimously opposed by the Lancaster City Council Tuesday evening. The natural gas pipeline will not run through the city, but because it is an issue that impacts residents, the council voted to send a resolution in opposition to the pipeline to the Federal Energy Regulatory Commission, which is reviewing the project application.

Council members said that the pipeline would be detrimental to the county's farmland

and tourism and would impact everyone. There was also concern that land disruption and loss of mature trees would cause greater storm water run-off into the Chesapeake Bay watershed.

Thirty-five of the 177-mile project that would bring natural gas from the Marcellus Shale areas of Pennsylvania to Eastern Seaboard ports for possible shipment overseas are located in Lancaster County.

Across the state, PennEast Pipeline Co. LLC plans to build a 100-mile pipeline to bring natural gas from the Marcellus Shale region to consumers in Pennsylvania and New Jersey.

The pipeline would originate in Luzerne County and run southeast through Carbon, Northampton and Bucks counties, terminating at Transco's Trenton-Woodbury interconnection in New Jersey. The project could provide natural gas to 4.7 million homes, many of which are currently without this low cost energy option.

According to PennEast representatives, the firm will begin preliminary engineering studies in the next few months, along with a formal application before the Federal Energy Regulatory Commission. If all local, state and federal approvals are approved, construction of the pipeline could begin in 2017 with service in late 2018.

Yablonsky: Need Comprehensive Grid Strategy

Dennis Yablonsky is CEO of the Allegheny Conference on Community Development. This was adapted from testimony he provided to the EPA on Aug. 1.

For 70 years, the Allegheny Conference on Community Development has worked to provide sustainable prosperity and a high quality of life in the Pittsburgh region. The people of our region pioneered and produced many of the technologies that make such prosperity possible, chief among them, a reliable electric grid.

Today, the electricity service that we take for granted is under stress. Market dynamics, inadequate transmission infrastructure, too few new power plants to ensure sufficient supply and new federal regulations are combining to call into question something all of us take for granted — that when we throw the switch, the lights will go on.

The federal government has no overall plan to ensure the stability of the grid. Instead, it has taken a series of piecemeal and ad hoc actions without a full understanding of how they interact and impact the electricity grid.

The United States needs a national grid policy and a comprehensive action plan to ensure an adequate, affordable and reliable electricity supply.

The Allegheny Conference is asking the president to stop ad hoc regulation and changes to the electrical system and appoint a task force with representatives from the Department of Energy, the Environmental Protection Agency, the Nuclear Regulatory Commission, the Federal Energy Regulatory Commission, regional transmission operators, electric generating companies and others to develop such a plan.

This winter proved how vulnerable our electrical supply has become.

PJM Interconnection is the regional transmission organization that oversees the wholesale electric grid in Pennsylvania and all or parts of 12 other states, plus the District of Columbia. It must coordinate electricity delivery to meet the needs of 60 million people from nearly 1,400 generating sources that combined can produce 186,000 megawatts of power.

In January, PJM came within roughly 900 megawatts - less than 0.5 percent of the system's capacity - of having demand outstrip supply.

Nicholas K. Akins, CEO of American Electric Power, testified to the Senate in April that 89 percent of the coal-fired power plants that the company intends to shut down next year were needed by PJM during January's polar vortex.

Natural gas is supposed to take coal's place. But when gas-fired generation was needed in January, many power stations found they could not get any fuel because natural gas companies diverted gas to homes and hospitals to keep people safe and warm.

The Pittsburgh region is blessed with a strong portfolio of energy assets, from our abundant natural resources to our manufacturing and implementation of energy efficiency technology and advanced building materials. All of this and more will be needed as we move forward.

Solar and other renewables must be part of the solution. But they do not yet have the utility-scale storage technology that is necessary to power an economy. Meanwhile, conditions keep changing, rapidly and for the worse.

Together, coal, natural gas and nuclear power account for 85 percent of the country's electricity generation. And all three sectors are under stress.

The EPA recently held public hearings in Pittsburgh to consider new federal regulations that would ultimately reduce coal usage.

At the same time, action is underway at various levels of government around the country that could make natural gas extraction more difficult.

All the while, new nuclear power plants are almost impossible to finance and permit in this country and new federal regulations combined with market dynamics could make it uneconomical for existing plants to keep operating.

In Wisconsin, for instance, market distortions resulted in the Kewaunee nuclear power plant having to pay the transmission system to take the power it produced. So the plant's owner shut it down last year — 20 years ahead of schedule — and in the process wiped out 5 percent of the state's electric supply.

The Kewaunee shutdown and the potential for dozens of others to follow "is a trend we are clearly very, very concerned about," said DOE's Assistant Secretary of Nuclear Energy Peter Lyons.

The EPA has heard a lot about how its proposed greenhouse gas regulations for existing coal-fired power plants will increase costs to consumers. The bigger problem is that we are on a course where customers may find they can't get enough electricity at any price.

That's not an exaggeration. While PJM came close to the edge during the polar vortex, in South Carolina, hospitals, schools and tens of thousands of customers were subject to rolling blackouts because there wasn't enough of a margin when cold weather took out three power plants.

Ironically, even reduced demand, while part of the long-term solution, can also be a problem short term because of its effect on electric company finances. Ongoing electricity demand isn't back to where it was pre-recession. Part of that is a result of industrial companies closing their doors. But it is also the result of companies implementing energy efficiency measures to do the same amount of work with less power. Add in residential customers who are generating increasing amounts of their own power through home-based windmills and solar panels, and electric company margins are being squeezed.

Why should we care whether an electric company can make money? Because our system relies primarily on those private-sector companies to build the transmission wires and the power plants that keep us supplied. Governments regulate the process, but the private companies do the heavy lifting.

When customers pay their electric bills, they're paying for the actual power they use, along with a charge to maintain the transmission system and an insurance payment of sorts to pay for power plants that sit idle most of the time but are ready to switch on during peak demand. But as the economy changes, that business model is unraveling and, as a result, so is the margin of safety in our electric grid.

Given the various federal, state and local jurisdictions that have a say in the construction of power plants, natural gas supply pipelines and electric transmission lines, major projects take years to complete, without any clear way to jumpstart the process.

The result is that, by the time the grid problem becomes obvious to customers on the street, any solution will be years away. The United States can't maintain a modern economy, or society, under those conditions.

The reliability of the electric grid is so fundamental to our economy and to the wellbeing of our people that it should be a principle that can connect all sides in the conversation about our energy future.

As Evan Bayh, former Democratic governor and senator from Indiana put it at a nuclear energy forum in Philadelphia in May, "We are sleepwalking into our energy future."

We cannot afford to do that.

Pennsylvania Drillers Avoid Using Diesel, Kerosene in Wells, National Report Says

A national environmental report aimed at exposing gas companies for illegally using diesel fuel in their fracking fluids appears to clear Pennsylvania drillers of breaking the law intended to protect water supplies from toxic chemicals.

Industry disclosure reports for 25 Pennsylvania wells cited on Wednesday in the Environmental Integrity Project's report showed none reported using diesel fuel, which requires a special permit, since 2010.

Companies used small amounts of kerosene — a combined 22 gallons in the wells — but with one exception stopped in 2011, a year before the Environmental Protection Agency proposed clarifying the law to make clear that kerosene is a form of diesel and subject to permits. [More...](#)

Related News: [Report faults EPA for failing to regulate fracking with diesel](#)

Gas Drilling to Start at Pittsburgh Airport

Consol Energy Inc. will start natural gas drilling beneath the Pittsburgh International Airport this month. Allegheny County officials estimate that natural gas extraction will bring nearly half a billion dollars to the cash strapped airport. Drilling will start outside of the airport's perimeter, but horizontal drilling will tap into shale deposits below the airport.

Federal News

House of Representatives Fall Agenda

Late last week new House Majority Leader Kevin McCarthy (R-CA) released a memo to the House Republican Caucus outlining their fall agenda that includes a jobs-related bill, an energy package and a healthcare measure. Notably off of the list are immigrant reform and reauthorization of the U.S. Export-Import Bank which not only provides loans to purchasers of U.S. exports, but also provides insurance to banks that finance such deals.

Energy-specific items listed in McCarthy's memo include a vote on legislation supporting the Keystone XL pipeline, enhanced oil and natural gas development opportunities on federal lands, and legislation attempting to block recently proposed regulations from EPA.

EPA Continues to Kick 2014 RFS Down the Road

EPA announced another delay in the release of the 2014 Renewable Fuel Standard, making it eight months plus behind the originally scheduled release date of November 30, 2013. The agency also extended the 2013 RFS deadline a third time.

EPA has not even sent the final 2014 RFS to OMB for review. OMB has 90 days for its review (with an extension possible). Given the political impact of this rule, it is almost certain that a decision will be delayed until after the November elections. ERG questions the EPA's lack of action and must note that such failures by government are among the top reasons cited by businesses for frustration with regulatory agencies. Failure to know the regulatory agenda and requirements makes long term strategic planning virtually impossible for small businesses.

This month, EPA published a direct final rule that indefinitely extends reporting deadlines. Under the rule, the deadlines for these reports will be 30 and 90 days after publication of the final 2014 RFS in the Federal Register. Adverse comments that would obligate EPA to withdraw the direct final rule and proceed under normal notice and comment rulemaking are due by September 15, 2014.

In June, EPA had indicated that the 2014 RFS final rule would be issued "shortly." In the current notice, EPA makes no prediction for issuance of the final 2014 RFS rule.

The 2015 RFS, which has not yet been proposed, should by law be final by November 30 of this year. Considering the need for review by the Office of Management and Budget

(OMB), it appears the final 2014 rule will bump up against or even go past the November 30 deadline for the 2015 RFS. This will add weight to calls for legislative reform of the program.

Pa Congressman Attacks “War on Coal”, Meets with Opposition

Last week the Wall Street Journal ran an op-ed by Pennsylvania Congressman Mike Kelly which noted that a dozen states have filed suit to stop the Environmental Protection Agency (EPA) from enacting its Clean Power Plan that would require states to meet target greenhouse gas reductions. The initiative has received much criticism from Republicans and coal-state Democrats who feel that the rule will damage the coal industry.

Kelly said that he felt the EPA initiative will harm jobs, increase energy prices, and place the US at an unfair disadvantage in comparison to China or other manufacturing countries will more lax regulations. “When a government can level on you taxes and regulations that make it impossible for you to compete, then you’re going to stay on the sidelines,” he said.

Those who support the EPA rule were quick to rebuke Kelly's op-ed.

[Kelly: Pushing Back Against Obama's War on Coal](#)

[Republican Climate Policy Keeps Getting Less Intelligent](#)

Thompson Talks Waters of the United States Rule

Later Wednesday afternoon, Corbett was joined by Congressman Glenn “GT” Thompson, Sec. Greig and DEP Secretary Chris Abruzzo on a panel on public policy where members of the public were allowed to ask questions and make comments. During the panel, Thompson called the EPA's the EPA moved forward with another power grab to redefine the agency's jurisdiction under the Clean Water Act through a new proposed rule commonly known as the Waters of the United States.

Thompson said, “In Pennsylvania, agriculture is our number one industry. Our farmers and landowners know that clean air, clean water and being good stewards of the environment in which they live and work is fundamental to their livelihoods. But despite local, state and regional initiatives to protect our natural resources, the federal government once again has chosen to undercut these efforts with punitive federal regulations.

Thompson said that the rule appears to offer a permit exemption for normal farming and silviculture activities, if, and only if, individuals comply with conservation guidelines which until now have been completely voluntary.

He called the rule “perhaps the biggest power grab in the history of the country.” But said that after hearings, the EPA seems to be backing off its original intent, and that more hearings would be held in the future.

Sen. Patty Murray Provides Climate Costs Talking Points

Senate Budget Committee Chairman Patty Murray (D-Wash.) last Friday sent a [memo](#) to her Democratic colleagues urging them to start talking about how climate change will hurt the federal budget.

The memo, obtained by The Washington Post, details how global warming impacts will affect four key sectors of the federal budget: disaster relief; transportation and infrastructure; national security and agriculture. Murray said that failing to confront climate change will make it harder to meet our long-term fiscal challenges and cost the U.S. billions. [More...](#)

IRS Relaxes Renewable Energy Project Tax Credit Rule

Ruling Could Provide a Boost to Wind Power Industry

The Internal Revenue Service lowered a threshold for renewable-energy projects to qualify for federal tax credits, potentially providing a boon to developers and investors in the wind-power industry who had been uncertain how heavily they could rely on them for financing.

In guidance released Friday, the IRS and the Treasury Department said renewable-energy projects could qualify for a pair of tax credits if they had incurred at least 3% of the total project cost before the beginning of 2014, down from the previous threshold of 5%. Credits would be proportionally reduced in value below the 5% threshold, the IRS said.

The guidance also clarified what sort of construction qualified as work of a "significant nature," another test by which project developers—and their investor partners—can be assured that they have qualified for the credits, which provide the financial backbone of most major wind-farm projects. [More...](#)

DOE Announces \$18 Million for Innovative Projects to Advance Geothermal Energy, Includes 3 Projects in PA

The Department of Energy has announced up to \$18 million for 32 projects – including three in Pennsylvania – to advance geothermal energy development in the U.S. The selected projects target research and development in three technology areas: advancing subsurface analysis and engineering techniques for enhanced geothermal systems (EGS), applying a mapping approach called play fairway analysis to discover new geothermal resources, and accelerating extraction technologies to unlock domestic supplies of high-value materials like lithium from low- to moderate-temperature geothermal resources. Together, these projects will lower the cost and risk of geothermal development, thereby accelerating technological advancement and economical deployment of geothermal energy.

Integrated EGS R&D

Pennsylvania State University received two awards to:

- Explore ways to assess both the characteristics and evolving state of EGS reservoirs prior to stimulation and during production. The project will help scientists analyze the permeability of reservoir fracture networks in order to understand evolving flow structure and to engineer thermal recovery systems.
- Focus on the processes governing fracture flow and energy production in EGS reservoirs and examine methods to manage and predict changes in permeability over their lifetimes. This will be accomplished by measuring properties of reservoir rocks to study the mechanisms of fluid-induced permeability and to develop acoustic methods to image fracture characteristics.

Low-Temperature Geothermal Mineral Recovery Program

Carnegie Mellon University received an award to:

- Develop and test low-cost reusable resins for highly selective separation and recovery of rare earth elements from low-temperature geothermal resources. The project aims to design and synthesize chemical binding agents for separation and recovery of critical materials from complex fluids. The lab testing will set the stage for potential follow-on, larger-scale testing with the highest performing resins.

DOE Names New Head of Energy Technology Lab

The Department of Energy has named Grace Bochenek as the new director for the National Energy Technology Laboratory, which has offices in Pittsburgh, Pennsylvania and four other states. Bochenek will manage day-to-day operations for more than 1,000 employees who work on new technologies to manage and use fossil fuel energy. She has more than 25 years of technical and management experience with the Department of Defense, most recently as the first Chief Technology Officer of the U.S. Army Materiel Command. NETL also has offices in Texas, Oregon, West Virginia, and Alaska.

DOE Increases Access to Department-Funded Scientific Research

The U.S. Department of Energy is introducing new measures to increase access to scholarly publications and digital data resulting from Department-funded research via Public Access Gateway for Energy and Science (PAGES), a web-based portal that will provide free public access to accepted peer-reviewed manuscripts or published scientific journal articles within 12 months of publication.

As it grows in content, PAGES will include access to DOE-funded authors' accepted manuscripts hosted primarily by the Energy Department's National Labs and grantee institutions, in addition to the public access offerings of publishers. For publisher-hosted content, the Department is collaborating with the publisher consortium CHORUS – the Clearinghouse for the Open Research of the United States.

PAGES contains an initial collection of accepted manuscripts and journal articles as a demonstration of its functionality and eventual expanded content. Additional metadata and links to articles and accepted manuscripts will be added as they are submitted, with anticipated growth of 20,000 to 30,000 articles and manuscripts annually.

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