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February 13, 2015

## NEWS CLIPS

[New oil and gas regulations could be a test for the Wolf administration](#)

[PA Drilling Regs in Process Since 2012 Delayed by PA Gov Wolf](#)

[Steelton Company Chosen for Gas Pipeline Contract](#)

[Penn East Pipeline Foes Pack Lehigh County Meeting](#)

[Impact Fees Critical to Local Government](#)

[New Jersey Approves \\$6.8 billion merger between Pepco and Exelon](#)

[EPA Assailed for leaving coal country off climate hearing tour](#)

[New Cold War: US, Russia fight over Europe's energy future](#)

[American Gas Association Releases Its Annual Playbook](#)

## February in the Capitol - Spring Training for Budget Season

February in Harrisburg, like spring training in Florida and Arizona, is a time for the players to get back in shape, work with possible new player combinations, learn whether the gifted rookie really fits in the lineup, find the true power hitters, and prepare for the real season which begins when the Governor throws out his first budget pitch in early March.

Despite the fact that the Governor is not scheduled to give his budget address until March 3, much of this week's activity will impact the eventual discussions on closing the hole in the state's \$2 billion deficit. The House, Senate and Governor are all looking to June with quite varied financial and ideological strategies.

This week in Harrisburg also provided ample evidence that there is never a dull moment here - at least in the effort to secure top billing in the news media, Twitterverse and Instagram world. Governor Wolf made daily announcements and pronouncements, the majority leaders of the House and Senate took to the media to discuss political, financial and even sports issues, and on slow news days, the new Governor managed to get media attention over "behind the scenes" actions.

Monday found Governor Wolf announcing that he would start to dismantle Healthy PA, Corbett Administration's Medicaid expansion plan in favor of a "simple, traditional" Medicaid expansion which eliminates tiered programs and screening requirements. Under the Wolf plan, the federal government will pay the costs of new Medicaid

[GOP Avoids Showdown over EPA Climate Rules](#)

## EVENTS

**February 17, 2015**

**PA Environmental Quality**

**Board (EQB) 9 a.m.**

Room 105,

Rachel Carson Building

400 Market St. Harrisburg, Pa.

Contact: Jen Swan,

(717) 783-8727

**February 17, 2015**

**PA Citizens Advisory Council meeting**

10 a.m.

Room 105, Rachel Carson

Building

400 Market St., Harrisburg, Pa.

Contact: Jen Swan,

(717)783-8727

**February 18, 2015**

**Creating Prosperity and Opportunity Confronting Climate Change**

9:00 AM to 5:00 PM

(Registration \$40.00)

Judd Hall, Vermont Technical

College, Randolph Center, VT

Contact: Margaret G. McCoy,

Vermont Council on Rural

Development

[info@vtrural.org](mailto:info@vtrural.org)

**February 22, 2015**

**ABA/ACORE: Federal and State Policy: The Outlook for 2015**

More information at

[www.renewableenergyinfo.org](http://www.renewableenergyinfo.org)

**March 3, 2015**

**Governor's Budget Address**

*(tentative)*

House of Representatives,

Main Capitol, Harrisburg, PA

recipients for the first year, but will be reduced to an eventual 90% in 2020. Republican leaders questioned the ultimate budget cost of the new program, which is dependent on full and continuing federal funding, and bemoaning the loss of choice by Medicaid recipients. The Governor does not need legislative approval for this action but several programs passed by the General Assembly as part of Healthy PA, will be subject to further negotiations.

House Majority Leader Dave Reed (R, Indiana) took Monday afternoon to talk about the House's plans to pass legislation to privatize the state liquor system as its way to balance the state budget. (See story below.) Speaker Mike Turzai has repeatedly said his privatization plan will raise more than \$1 billion from the sale of the system assets. Reed said that the House would pass a bill before the end of February and later in the week, the House announced plans for a five day workweek beginning February 23 to do just that. The Senate has previously rejected full privatization, and Governor Wolf has consistently opposed this in favor of as yet undefined modernizations.

The next day, the Governor announced that enacting a higher minimum wage is one of his priorities. Raising the wage floor will provide benefits to the economy and make the free market work better, he insisted. House Republican leadership was quick to message the almost certain fate of this proposal in no uncertain terms, and citing loss of jobs impact on budget discussions.

Warming up fully to the task of meeting his campaign promises within his first 100 days, on Wednesday, Governor Wolf formally unveiled his severance tax and plans to finance education from additional fees and taxes on unconventional gas companies - the top story of the week. (See story below) At least one major producer is on record that it might pull up stakes in Pennsylvania if taxes are raised, and again, legislative leaders were quick to comment, calling it DOA and saying it was a nine percent tax, not a five percent tax. Most of the proceeds would go to public education, and various officials, groups attacked the plan for its size, cost, and where any proceeds should go.

That afternoon, Senate Majority Leader Jake Corman held a press conference to release documents from the lawsuit filed by Corman and former Treasurer Rob McCord, calling for the NCAA to fire its president Mark Emmert for his actions against Penn State University and asking for a full Congressional investigation of the NCAA. Corman and McCord

**March 11, 2015**  
**House Appropriations**  
**Committee: PUC,**  
**Consumer Advocate, DEP**  
**Budget Hearings**  
Room 140 Main Capitol

**March 17-18**  
**GLOBALCON Conference**  
Sponsored by Association of  
Energy Engineers  
Philadelphia Convention  
Center, Philadelphia, PA  
Information at  
[www.aeeprogams.com](http://www.aeeprogams.com)

**March 18, 2015**  
**ABA/ACORE Finance: New**  
**Trends in Clean Energy Finance**  
**Mechanisms**  
Monthly seminar  
More information at  
[www.renewableenergyinfo.org](http://www.renewableenergyinfo.org)

**March 23, 2015**  
**PA Senate Appropriations**  
**Committee PUC Budget**  
**Hearing, 9:30 a.m.**  
Hearing Room 1, North Office  
Building, Harrisburg, PA

**March 23, 2015**  
**14th Annual Wall Street**  
**Green Summit**  
Columbia University Club, 7  
a.m. until 7 p.m.  
Information at  
[www.wsgts.com](http://www.wsgts.com)

**March 25, 2015**  
**Senate Appropriations**  
**Committee DEP Budget**  
**Hearing, 9:30 a.m.**  
Hearing Room 1, North Office  
Building, Harrisburg, PA

**June 2-4 2015**  
**Energy Ocean Conference &**  
**Exhibition**  
Portland, Maine,  
Contact [Jason Smith](mailto:Jason.Smith)

had sued the NCAA over its penalties which included \$60 million in fines to be used for prevention of child abuse, insisting that any fines paid by the University should be used in Pennsylvania. The NCAA responded that Corman has used the lawsuit to gain personal power, an accusation laughable in Harrisburg, but picked up by some in the national media.

Thursday's Capitol news was not issue-related. Governor Wolf made headlines for two disparate activities. News stories showed the new kind of Governor strolling through the halls of the Capitol, visiting offices of House and Senate members, and talking, taking selfies with legislative staff. And we saw the first of an expected series of stories which outline how even Wolf's campaign apparatus never sleeps, pushing out fundraising emails requesting funds from supporters with each new campaign pledge put into practice.

And the Democratic National Committee announced Thursday that it had chosen Philadelphia as the site of their 2016 nominating convention. The city won out over Brooklyn, N.Y. and Columbus, Ohio.

This morning, Wolf announced a moratorium on the Death Penalty in Pennsylvania. He said the state's current death penalty is "a flawed system that has been proven to be an endless cycle of court proceedings as well as ineffective, unjust and expensive," fulfilling another campaign promise.

## **Wolf Unveils Natural Gas Tax Proposal**

This week, Gov. Tom Wolf announced his plan to seek higher taxes on Pennsylvania's natural gas industry to help boost aid to public schools. The Governor, kicking off a statewide "Schools that Teach" tour, appeared at Caln Elementary School in Chester County, and called for a five percent severance tax on the value of the gas, plus 4.7 cents per thousand cubic feet assessed on Marcellus Shale natural gas production. He said the taxes would yield \$1 billion a year and help restore funding to public schools.

He said, "The tax I'm proposing ... is modeled after the severance tax that's levied in West Virginia." Wolf called the proposal the "Pennsylvania Education Reinvestment Act." Gov. Wolf reiterated that Pennsylvania is the only state with natural gas not currently imposing a severance tax and noted Ohio's proposed severance tax of six percent. He stated the proposal provides protections for property owners who lease their land for natural gas extraction to

(713) 343-1886.

**June 15-18, 2015**

**2015 BIO International  
Convention**

Pennsylvania Convention  
Center, Philadelphia, PA  
Global biotech community.  
More information available at  
[convention.bio.org/register](http://convention.bio.org/register).

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prevent natural gas drillers from passing the tax through to them. Wolf said he would address many issues in his budget address but wanted to start by focusing on "investing smartly and adequately" in education.

Wolf noted that his proposed severance tax would not be on top of the existing state impact fee, which provides hundreds of millions of dollars for local governments. "The lion's share of this tax would go to education. Some of this would go to adequate oversight to ensure the drilling is done correctly and alternative energy development," he said.

The industry opposes any tax increase.

But "The alternative is not really no tax," Wolf said in a very direct tone. "The alternative is no drilling, a ban as in the case of New York."

Rough calculations by the Senate Republican Caucus indicate Wolf's plan would produce an effective tax rate of eight to nine percent on drilling, "which is at least four times the current impact fee rate, which is approximately 2 percent."

Senate Majority Leader Jake Corman (R, Centre) said pension reform is a more pressing matter. "We repeatedly have said we cannot consider new revenue until we deal with pensions, which will have the effect of saving significant tax dollars," Corman said in a statement. "We have a bucket that is leaking. It would be a misstep to persist at putting water in the bucket without first plugging the leak."

House Majority Leader Dave Reed said, "While the governor's 7.5 percent natural gas severance tax proposal should not surprise anyone, we all need to remember, there is no 'free money.'"

Some Republicans were more blunt, noting simply, "It's DOA."

[\(MORE\)](#)

### **Reed Says Liquor Privatization Will Pass by Month's End**

House Majority Leader David Reed (R-Indiana) said this week that the House of Representatives would pass a liquor privatization bill out of the chamber by the end of February. Reed said that the House planned to use the bill from last session (HB 466, sponsored by Speaker Mike Turzai) as the vehicle to serve as a starting point for amendments and discussions, noting that the bill would be expected to raise more than \$1 billion, depending on when the bill passes and how long it takes to divest from the

system.

"It took 80 years to pass a liquor privatization bill through the House. It makes sense to start with that product to begin the negotiations. We also have to be realistic," Reed said. This session is different from last session. We have different members in our caucus, different members in the Senate, different leaders in the Senate and a different governor in place. All of those parties have to be at the table for discussions.

We have a budget decision ahead of us where we're going to be looking for revenue and I don't think anybody wants to turn down any potential revenue source and take it off the table immediately. If we look at the holistic view of issues ahead of us whether it's the Marcellus Shale industry, pension reform, balancing the budget now everybody is going to be at the table and there's going to have to be a little bit of give and take at the end if we are going to get a budget done by June 30.

Reed said, "By the time we get to the second week of March we will have more than enough agenda items out there as potential grand bargaining items to consider over the next couple months. We would like to start checking some of these items off the list."

"The only way we get a budget done on time is if we engage in the process a little bit earlier than it has been in the past. A lot of that will be dependent upon the governor. Some past governors didn't want to engage in budget conversations until June 28. If that's the case we're obviously going to have a problem. I have every indication that Gov. Wolf would like to engage in the process much, much sooner this year. I'm encouraged by that fact," Reed said.

### **ERG Partners Announces New Associate**

ERG Partners today announced that Sarah L. Gulick will become an associate with the Harrisburg-based public affairs firm. Ms. Gulick is currently Director of PennDOT's Bureau of Rail Freight, Ports & Waterways, a position she has held for five years. She is responsible for administration and oversight of two yearly grant programs totaling \$40 million.

Tracy Wingenroth, ERG Partner, said "Sarah brings a wealth of experience in communications, logistics, transportation and state government to the firm. We are excited to have her coming on board to help expand our services and knowledge base." Gulick will be responsible for administrative,

communications and transportation issues working with ERG Partners.

During her 12 years in state government, Sarah served in several management roles, including Acting Director for the Bureau of Aviation, Special Assistant to the Deputy Secretary for Aviation, and Internal Communications Manager.

She holds a degree in Communications from Elizabethtown College and is a member of the Transportation Research Board's (TRB) Women's Issues in Transportation and Freight Rail Committees.

### **PA Senators Have Some Tough Questions for DEP Nominee John Quigley**

Word in the State Senate is that several of Governor Wolf's cabinet nominees will face tough questions before they can be confirmed. Among those is John Quigley, Wolf's nominee as Secretary of Environmental Protection.

Because of his own personal history, Quigley has publicly taken many controversial positions in his jobs, on a blog and in public meetings. The Marcellus Daily News this week posted several pieces relating to these commentaries, and quoted Senate President Pro Tempore Joe Scarnati as saying Quigley's statements have given some senators "indigestion..."

Republican Senators that ERG has talked to tell us that his views on environmental issues are certainly open for discussion at his confirmation hearing. Confirmation hearing dates have not yet been set, as Senate procedures include giving all nominees time to meet privately with members of the Senate prior to any public hearings. Look for some fireworks when Quigley and a few others come before the Senate Environmental Resources and Energy Committee.

### **Natural-Gas Royalty Interest Owners Protection Bills Pass Senate**

The state Senate last week approved two bills similar to those it approved last session aimed at protecting landowners from being bilked on natural-gas lease royalties.

Senate Bills 147 and 148 were sponsored by Sen. [Gene Yaw](#) (R-Lycoming) and make amendments to the Oil and Gas Lease Act. The bills [grew out of complaints](#) from natural-gas royalty interest owners, who said gas companies were including extra fees that essentially wiped out the royalty payment.

Drillers are allowed to deduct certain fees from their royalty payments under existing law. SB 147 gives royalty interest owners the ability to inspect records of gas companies to ensure proper payment amounts, and SB 148 prohibits gas companies from retaliating by terminating lease agreements or ceasing development because owners question the accuracy of payments.

The bills were amended to extend payment times to 90 days allowing time for royalty owners to inspect audits. Similar legislation and a third bill that would require gas companies to file documents with county recorders of deeds when a lease expires, is terminated or forfeited will be considered by the House of Representatives. Yaw and Rep. Garth Everett (R, Lycoming) have led the fight for royalty owners in the General Assembly.

### **Hutchinson to introduce Affordable Energy Development Zone Legislation**

Sen. Scott Hutchinson (R, Venango) said this week he plans to introduce legislation establishing the Pennsylvania Affordable Energy Development Zones Program to "help create jobs and lift the economy in rural Pennsylvania by capitalizing on the unconventional natural gas boon." In a cosponsorship memorandum, Hutchinson said, "Rural areas of the Commonwealth have seen decades of plant closures, job losses, population declines and stagnant economic growth. In too many cases, the best hope for finding a decent job has been to relocate, leaving behind family, friends and hometowns. My legislation would incentivize new businesses to locate in counties with natural gas producing wells, where they'll have ready access to a low-cost energy source. Incidentally, many of these counties overlap regions that have been hardest hit by manufacturing losses. Affordable Energy Development Zones authorized by DCED will provide new businesses ten-years of state tax relief provided they meet certain employment and capital investment thresholds. The exemption will be available only to new Pennsylvania businesses locating within a zone - not to businesses relocating from other areas of the Commonwealth unless a relocated business shows a net increase of job creation.

### **House Ag Committee Moves Bill to Allow Rights of Way in Ag Conservation Easements for Wind Power**

The House Agricultural and Rural Affairs Committee met this week and unanimously voted to move HB 188, sponsored by Rep. Curt Sonney (R-Erie), defining "wind power generating system" and

ensuring that granting a right-of-way for the installation or use of a wind power system would not jeopardize agricultural conservation easements.

Sonney told the committee that state law allows a farmer to allow access for mining and gas drilling without losing the easement, but doesn't allow the same for a windmill, which has less than a quarter acre footprint when constructed. He said, "We all know our farmers are always looking for income that can help them continue their mission of producing all the food we need...any chance, any opportunity we have to help the farmers is a good thing."

Sonney said he worked closely with the Department of Agriculture's Farmland Preservation Board in developing the language in the legislation. "When you think of the two acres, the actual windmill has about a quarter acre footprint," he stated. "An acre and three quarters is a lot of growth."

A similar bill passed unanimously out of the Ag Committee last session.

Committee Chairman Martin Causer (R, McKean) urged an affirmative vote on the legislation. "Under current law we already provide for all sources of energy other than the exception of wind and solar, and under this proposal we would allow wind energy, although restricted. I think is a step in the right direction," he stated.

### **"Natural Gas Choice Act" Introduced**

HB 57, sponsored by Rep. John Payne (R, Dauphin) would amend is legislation amending Title 66 to enhance natural gas competition in the Commonwealth. The bill provides an opportunity for consumers to shop and receive natural gas supply from a company other than their natural gas distribution utility. The Act also requires natural gas distribution companies to act as the supplier of last resort and purchase gas supply on behalf of customers who choose not to shop for a competitive supplier.

The bill eliminates the current interest rate structure and moves to a market based structure to eliminate a confusing and asymmetrical interest rate structure, and make it easier for customers to make "apples to apples" comparisons.

It also clarifies that a natural gas distribution company may recover all reasonable costs incurred to implement customer choice, including necessary operational and billing charges and customer education initiatives. The bill is similar to the Electric Choice Act, and Act 129 of 2008.



## **House Consumer Affairs Committee Hears PUC, Consumer Advocate Priorities for 2015-2016**

The House Consumer Affairs committee held an informational meeting this week with the Pennsylvania Public Utility Commission (PUC), Pennsylvania Office of Consumer Advocate, and Pennsylvania Office of Small Business Advocate seeking an overview of their legislative priorities for the session.

Robert Powelson, Chairman of the PUC, said that 2014 was a challenging year for the utility industry in Pennsylvania. "The PUC continues to focus on longstanding objectives, such as ensuring sustainable competition in the retail gas and electricity markets, encouraging utilities to accelerate the replacement of aging infrastructure and the expansion of new infrastructures, and planning for potential environmental regulations that could impact Pennsylvania's electric generating plants," he explained.

Powelson said the PUC's legislative priorities for the current session include updating the PUC's budget cap and expanding PUC authority to order takeover of troubled utilities.

Powelson also highlighted the issues of primary importance to the PUC, including: Retail Gas and Electric Market Enhancements; New Customer Protections in the Retail Electricity Market; Natural Gas Retail Market Investigations; Utility Infrastructure Replacement and Expansion; and EPA's Clean Power Plan- Section 111(d) of the Clean Air Act

Tanya McCloskey, Acting Consumer Advocate gave an overview OCA's legislative priorities for the current session. McCloskey said, "A key legislative priority in my view is to preserve default service and the obligation that the default service provider, also called the supplier of last resort in the natural gas industry, continue to provide safe, adequate and reliable service at the least cost over time." McCloskey continued to say, "Another area that I would submit for your consideration is the issue of the extension of natural gas service to unserved and underserved areas in Pennsylvania...The primary reason that many areas, particularly rural areas, do not have natural gas service is that even though the current price of natural gas is favorable, the cost of extending pipelines to sparsely populated areas can be very costly. Natural gas service presents a particular challenge because unlike other forms of utility service, consumers have alternatives to natural

gas for meeting their end use needs."

McCloskey said, "Pennsylvania has recently been faced with the potential abandonment of natural gas service in some areas for economic reasons and the potential inability of some very small natural gas companies to safely maintain service to their customers...Consideration should be given to the problems of small natural gas companies in maintaining safe and adequate service as well as to the issue of abandoning natural gas service."

## NATIONAL NEWS

### **Keystone XL Approved by Congress, Facing Death by Veto**

The House of Representatives on Wednesday voted 270-152 to pass a bill that would grant approval to the Keystone XL pipeline, setting up the first major veto of Obama's presidency.

Passage fell largely along party lines in a 270-152 vote, with 29 Democrats joining all but one Republican, Rep. Justin Amash (R-Mich.), in supporting the pipeline. Pennsylvania's Congressional delegation overwhelmingly supported the bill, with 12 Republicans and Democrats Bob Brady (D, Philadelphia) and Mike Doyle (D, Allegheny) voting for its passage. Only Philadelphia Democrats Chaka Fattah and Brendan Boyle voted against the legislation.

Wednesday's vote was the 11th time the House has passed legislation to build Keystone XL, including a bill approving the pipeline passed during the first week of the new Congress. The vote followed a 62-36 [vote](#) in the Senate, with both PA Senators Bob Casey, Jr. and Pat Toomey voting in support. The Senate version approved by the House includes a number of amendments, including support for energy efficiency and a nonbinding recognition that climate change is real.

The White House has repeatedly said President Obama will veto the legislation, if for no other reason than that it disrupts a process that gives the executive branch exclusive authority to issue permits for cross-border pipelines. [\(MORE\)](#)

## **Obama Seeks \$2 Billion in Private Funds for Clean Energy**

President Obama has set a goal of raising \$2 billion from the private sector for investments in clean energy. The White House says it's launching a Clean Energy Investment Initiative as part of the Obama administration's effort to address climate change.

The Energy Department will solicit investments from philanthropists and investors concerned about climate change. The aim is to spur development of technologies and energy sources that are low in carbon dioxide pollution, such as solar panels, wind power, fuel cells and advanced batteries.

The White House says groups like Wells Fargo, the University of California Board of Regents, and the William and Flora Hewlett Foundation are committing to scale up their investments in clean energy.

The White House will also host a Clean Energy Investment Summit this spring.

## **Federal Budget and Energy**

The budget request process at the federal level is often symbolic. The White House shows off its priorities and how it would allocate tax dollars if it had free reign. President Obama's budget request this year mirrored themes from his State of the Union address, particularly when it comes to energy policy. The budget proposal includes a new \$4 billion fund for states that goes further and faster than the current timeline allotted in the Clean Power Plan. It calls for a permanent extension of the Investment Tax Credit (ITC) and Production Tax Credit (PTC), which is currently lapsed, and asks for money to finance additional clean energy projects. President Obama also called on Congress to abolish tax incentives for the oil and natural gas industry that are worth a minimum of \$43.8 billion in the next decade.

But as Sen. John McCain(R, AZ) put it, that budget is "dead on arrival." Judging by recent votes, Congressional leadership will fight the extension of the PTC for even five years and has shown nearly unanimous opposition to EPA's Clean Power Plan or any move to limit oil and gas subsidies.

In some regards, this year's budget is another demonstration of how far apart the White House and Congress are on energy policy. No one expected a growing Republican Congressional majority to accept the budget in full, but it looks like the chasm in ideology and practice is still comparable to McCain's home state Grand Canyon.

[\(MORE\)](#)

### **House Subcommittee on Energy and Power Hearing on FY 2016 DOE Budget**

This week, a US House Subcommittee held the first public hearing on the Department of Energy's proposed budget for fiscal year 2016. DOE's proposed budget for 2016 is \$29.9 billion dollars, a nine percent increase over last year's appropriation.

Subcommittee chairman Ed Whitfield (R, Kentucky) said DOE's budget request is growing, yet the agency's role in setting the nation's energy policy is shrinking. He said DOE has relinquished the lead to EPA, and much of DOE's actions amount to little more than a support role, in particular providing justification for EPA's efforts to handicap coal and other fossil fuels in the name of addressing climate change.

Whitfield took the opportunity to say that, "As a direct result of EPA's proposed regulations on new power plants, you cannot build a state-of-the-art coal fired power plant today in the United States - the type being built today in Japan, in Germany, in China, in India and other parts of the world. Low natural gas prices play a part, but EPA has effectively put a moratorium on construction by requiring that new plants use Carbon Capture technology that has not been demonstrated as commercially viable for power generation in this country. And, we continue to see that the prospects for CCS power plant commercialization are slipping years into the future, according to your agency.

So, at a time when EPA is ratcheting up the regulatory demands on coal-fired electric generation, DOE is cutting back on the Fossil Energy Research and Development program that could help this sector find ways to comply. And, just last week, the agency put an end to the FutureGen program even though EPA's regulatory agenda continues to require that new power plants install carbon capture and storage.

Whitfield said the Office of Energy Efficiency & Renewable Energy does some useful work that should continue, but its \$2.7 billion dollar budget is well out of proportion to the potential benefits and the realities of our nation's energy needs.

Full committee Chairman Fred Upton (R-MI) said, "For more Americans to see even more benefits, we need to move beyond decades-old energy scarcity policies. We need to maximize the benefits of North American energy. At the committee, we call this

building the Architecture of Abundance."

The Energy and Commerce Committee unveiled a framework for a broad energy package to advance its Architecture of Abundance agenda focusing on four areas: modernizing infrastructure, a 21st century energy workforce, energy diplomacy, and efficiency and accountability. Upton discussed this legislative framework with Moniz at today's hearing, and the Secretary indicated a willingness to work together on the plan. Upton noted that the department's upcoming release of the Quadrennial Energy Review (QER) would help inform and complement the committee's legislative efforts. He also questioned Secretary Moniz about the department's capabilities to partner with other nations to use our resources as a force for global good. Watch Upton's questioning with Moniz [HERE](#).

Upton concluded, "Let's not lose sight of the opportunity to turn America into an energy superpower and the bipartisan efforts that will help us get there. Dr. Moniz, we have a unique opportunity to work together as we look to fulfill our tremendous energy potential."

### **EPA Rule May Force Homeowner Choices on Natural Gas Furnaces**

This week, the Federal Register had a notice that EPA was proposing new stronger standards for some residential natural gas-fired furnaces, rules that have already been hotly debated - and long-delayed.

DOE estimates that its proposal would save Americans \$3.1 billion to \$16.1 billion by 2050. But industry groups like the American Gas Association have argued for separate product classes for condensing and non-condensing furnaces to avoid forcing homeowners to do costly structural modifications if they choose to continue using gas. The proposal published this week said the method of venting a furnace wasn't enough for DOE to heed industry's position.

**The** AGA said EPA's proposal could "mandate the installation of condensing natural gas furnaces." The proposal itself noted that it encourages moving from natural gas to electric furnaces. While the proposal notes projected reductions in CO<sub>2</sub> and NO<sub>x</sub> emissions, it says that increases in other pollutants such as sulfur dioxide and mercury are expected "due to projected switching from [non-weatherized gas furnaces] to electric heat pumps and electric furnaces under the proposed standards."

An all-day public meeting to discuss the proposal is scheduled for March 26 at DOE headquarters. The

draft rule is [here](#).

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## **REGIONAL NEWS**

### **West Virginia Repeals Renewable Energy Act**

West Virginia Gov. Earl Ray Tomblin (D) has signed legislation repealing the state's renewable energy standard, which would have required major utilities to get at least 25 percent of their energy from renewable sources by 2025. Ironically, Tomblin was the State Senate president in 2009 when the renewable energy standard was passed.

The push for the repeal was led by the American Legislative Exchange Council (ALEC), which also helped freeze Ohio's renewable energy standard last year. West Virginia's action was the first complete rollback of renewable portfolio standards.

ERG Partners expects similar battles in other states across the nation in 2015. In Colorado this week, the State Senate moved a bill to weaken that state's renewable energy standards, and bills have been introduced to take similar actions in Kansas, Ohio and Oklahoma. Even in Pennsylvania, legislation has been introduced by Rep. Jim Marshall (R-Beaver) that would remove ethanol blending requirements from the Biofuel Development and In-State Production Incentive Act.

This year, you can expect state-level clean energy battles to just keep getting more heated.

### **New York Continues Clean Energy Transition**

New York continues to take a very different approach than Pennsylvania in expanding Clean Energy initiatives and distributed energy resources such as PV solar, geothermal, wind, battery storage and energy efficiency programs. In December New York Gov. Andrew Cuomo [formally banned hydraulic fracking](#) from the state's shale formations, and the state is significantly expanding the resources of the New York State Energy Research and Development Authority (NYSERDA). State public utility regulators have set in motion a significant policy and regulatory overhaul of its electric utilities business models under a program called Reforming the Energy Vision (REV).

The Cuomo administration's decision in December 2014 to formally ban hydraulic fracking throughout the state is significant. It made New York the first major state with production potential to turn away from hydraulic fracking, when it put the onus on the oil and gas industry to demonstrate the safety of the

industry.

While public and media attention has been focused on the decision over fracking, New York has been pushing forward on clean energy incentive programs. Last fall NYSERDA proposed raising \$5 billion from electric bill surcharges over the next ten years to create a Clean Energy Fund (CEF), to "ensure the delivery and continuity of clean energy programs" statewide. The agency, which has collected about \$5 billion from the surcharge in the past six years, said the new funds would replace the state's current System Benefits Charge (SBC), Energy Efficiency Portfolio Standard (EEPS), and Renewable Portfolio Standard (RPS), all set to expire in 2015, with a new, more market-driven form of support. [Gov. Cuomo has proposed a \\$40 million dollar increase for reductions in energy use and the creation of clean energy jobs in the southern tier and interior of the state outside of Metro New York.](#) NYSERDA's successful NY-Sun Program, among other achievements, has just recorded its 10,000th solar installation on Long Island among other things.

In July 2014, the state's Public Utility Commission enacted a policy review called, [Reforming the Energy Vision \(REV\)](#) with the objective of making major changes to its electric utilities and their traditional business model. The overhaul is intended to provide more energy choice while allowing increased customer control over their monthly electric bills.

New York appears to have made a major decision about its long term energy resource plans, moving toward alternative and renewable energy resources. Five years from now, the differing energy development paths now taking place between New York and Pennsylvania will be a good comparative study.

### **Ohio EPA Director Promotes Priorities, Questions EPA Rules**

Ohio's EPA Director Craig Butler told the state's Energy Mandates Study Committee that he had a "bucket" list of objections to the U.S. EPA's Clean Power Plan and recommended skepticism about how the state's clean energy standards would help achieve compliance.

The Committee was one outcome of a 2014 law that froze and scaled back the state's renewable energy and energy efficiency standards. It is challenged with assessing costs and benefits of the renewable energy and energy efficiency programs in the state, and to make recommendations for further changes. Asim Haque, Vice-Chairman of the Public Utilities

Commission of Ohio (PUCO) also testified at the hearing.

Both Haque and Butler objected strongly to the EPA's proposed rules, with Butler commenting on four major compliance strategies to fit the EPA's Clean Power Plan.

"Bucket 1" was increased efficiency from existing power plants. "To expect an additional 4-6% efficiency improvement on a per-plant basis is extremely unrealistic," Butler said. He noted that the second bucket, increased reliance on natural gas power generators would create "undue strain on both the natural gas and electrical distribution and transmission systems."

"As for the increases in renewable energy and energy efficiency under Buckets 3 and 4, remember that U.S. EPA's primary objective is to reduce coal-burning power plants operating at current levels," Butler said.

Among other things, SB 310 eliminated any in-state requirement for most forms of renewable energy. Ohio law now also counts many more things toward compliance with the energy efficiency standard.

Haque, too, was highly critical of the plan. He said the plan would "cause wholesale energy market prices to be 39 percent higher in calendar year 2025." Haque noted the EPA did not "appropriately represent Ohio law" in its calculations. Presumably that was because the federal agency relied on the pre-SB 310 version that existed when the rules were proposed.

"Finally, there are grid reliability concerns associated with each of these building blocks," Haque added. For support, he referred to a November 2014 report from the North American Electric Reliability Corporation (NERC).

### **Renewable Energy Supporters Rally in Annapolis**

Renewable energy supporters of the Maryland Clean Energy Advancement Act of 2015 came to the state Capitol this week, calling for legislation that would double the state's use of green electricity in the next decade.

About a hundred advocates showed up waving hand held windmills to support the legislation that would require the state's energy industries to produce 40 percent renewable energy by 2025.

Maryland utilities are on track to surpass the current standard, with 10.3 percent of energy purchased from renewable sources in 2014, according to the Maryland Climate Coalition.



## **Western MD Coalition Asks Halt to Drilling Regulations**

Meanwhile, a coalition of western Maryland groups, the Energy and Property Rights Coalition, has asked Governor Larry Hogan to put a hold on oil and gas regulations proposed by his predecessor, Democrat Martin O'Malley, shortly before O'Malley left office.

O'Malley in November called the proposed rules for hydraulic fracturing "the gold standard" for environmentally sound drilling. The coalition says the rules would quash any potential for shale gas drilling in Garrett and Allegany counties. The Hogan administration has until Feb. 23 to withdraw the proposed rules.

## **New Jersey Assembly Moving Bills to Change Renewable Portfolio Standards**

Last Week, the New Jersey Assembly Telecommunications and Utilities Committee amended and reported two bills impacting the electric production under that state's Renewables Portfolio Standards. A-3358, approved on a 5-1 vote, would move methane generated from landfills to consideration as a Class One source eligible for credit multipliers. The second bill, A- 3455, also approved in committee, bill makes it clear that hydroelectric generating facilities of greater than 30 MW would not be eligible for Class 2 credits.

New Jersey's Renewable Portfolio Standards, originally passed in 1999, call for 20.38% Class I and Class II renewables by energy year 2020-2021 and 4.1% solar-electric by energy year 2027-2028.