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March 13, 2015

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Wolf Makes "Historic" Budget Proposal

Within a half hour after Governor Wolf's first budget address, ERG Partners realized that virtually every Administration spokesperson and every member of the House and Senate were in agreement. The proposal outlined by the governor was "historic, and complicated"

The definition of historic varied depending on your point of view. Wolf's chief of Staff Katie McGinty told ERG Partners, "It's a historic day! We will reduce state property taxes by 50 percent!" The "Wolf Pack" talked about historic funding levels for education, a historic opportunity to reform the state's tax system, and a historic cut in the state's Corporate Net Income Tax.

But Republican leaders called it the biggest one year spending hike in state history, and "a request for the largest tax increase in the history of the Commonwealth." ([MORE](#))

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This week the House Appropriations Committee began hearings with state agencies on the Governor's Budget and the operations of those agencies. The week started off on a somewhat bright note for all with the Independent Fiscal Office stating that the structural budget appears now to be in the \$1.5 billion range, much below the \$2.3 billion anticipated early this year. Wolf's Chief of Staff Katie McGinty commented this week that too much emphasis on the component parts takes away the "focus on the bigger picture." ([MORE](#))

Economic Development, Energy Bond Programs Proposed

The budget's \$675 million in economic development-related borrowing is contingent on the Governor getting passage of his severance tax proposal. Some \$55 million of that tax revenue would be used annually to pay the borrowing costs.

Wolf wants to use some extraction tax monies to pay debt service on a \$675 million bond that would fund an economic development package. A third of the bond, \$225 million, would be used to fund solar, wind, biomass and other renewable energy grant programs.

Specifically, the energy fund would earmark: ([MORE](#))

[Regional News - Ohio, New York, New Jersey](#)

[Federal News](#)

[US Senate Committee Hears from States on Clean Power Plan](#)

EVENTS

March 17-18

GLOBALCON Conference

Sponsored by Association of
Energy Engineers

Philadelphia Convention
Center, Philadelphia, PA

Information at

www.aeeprograms.com

March 18, 2015

ABA/ACORE Finance: New

**Trends in Clean Energy Finance
Mechanisms**

Monthly seminar

More information at

www.renewableenergyinfo.org

March 18, 2015

**Climate Change Advisory
Committee**

10 a.m. to 3 p.m.

Rachel Carson State Office
Building, Harrisburg, PA

March 19, 2015

**GreenCon 2015 Building
Conference and Expo**

8 a.m. to 6 p.m.

Franklin & Marshall College,
Lancaster, PA 17603

More info [here](#)

March 20, 2015

**Making the Utilities Act 129
Programs Pay Back for You**

SEDA-COG Breakfast

Seminar for Penelec and West
Penn Power Customers

7:30 a.m.- 9:30 a.m.

Celebration Hall State College,
PA 16801

Cost \$25

More [information](#)

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(Budget, Continued) Wolf's speech was called bold and ambitious even before the formal presentation, and in fact the address provided more of a vision than an outline, and he avoided the details of his spending proposal during the address. This is not unexpected, as the Governor's budget address also serves as a platform for his proposals for the commonwealth. And Wolf was clear throughout last year's gubernatorial campaign that he had several key priorities. Wolf said this was a "different kind of budget," relying on their consistent theme that he's a "different kind of governor," but Republicans in the House and Senate disagreed.

The proposal itself was pegged by the Governor as \$29.88 billion, but it removes the spending for the school employees' pension system and property tax relief from the General Fund

The pension contribution amounts to \$1.75 billion in spending, while the property tax relief spending totals \$2.14 billion, moving \$3.99 billion out of the General Fund in total, putting state spending at \$33.87 billion.

The Governor proposed to pay for the increases with a five percent severance tax on natural gas, a 21% increase in personal income taxes to 3.7%, and an increase in the state sales tax of 10% to 6.6%, along with elimination of exemptions from sales tax for dozens of products and services. He also proposed cutting the corporate net income tax by fifty percent to 5.99% this coming year and 4.99% in 2017. ([MORE](#))

And Complicated...

The impact fee and the severance tax are both to be levied during 2016 - despite provisions in Act 13 that a severance tax would eliminate impact fees. This would make the effective tax rate on drillers in 2016, if natural gas prices remain as low as they are now, 10 percent or more. The severance tax/education funding relationship brings up another matter to consider: the

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

March 25, 2015

Senate Appropriations

Committee DEP Budget

Hearing, 9:30 a.m.

Hearing Room 1, North Office
Building, Harrisburg, PA

March 27, 2015

Making the Utilities' Act 129

Programs Pay Back for You

SEDA-COG Breakfast

Seminar

PPL Customers

7:30-9:30 a.m.

Country Cupboard Restaurant

Lewisburg, PA 17837

Cost: \$25

More [information](#)

April 15, 2015

Agricultural Advisory Board

9 a.m. until 1 p.m.

DEP Southcentral Regional Office

909 Elmerton Avenue, Harrisburg.

Contact: Tom Juengst,

tjuengst@pa.gov.

April 16-17, 2015

**Northeast Biomass Heating Expo
2015**

Cross Insurance Arena

Portland, ME

More [information](#)

April 22-23, 2015

Renewable Energy Policy Forum

The Westin Washington D.C. City

interrelatedness of the budget's major components.

Trying to explain the budget's many proposals and conditions is a complicated task any year, as funding can be state, federal, or augmented funds, put into special funds or the General Fund. Observers of Governor Wolf's Executive Budget are also nearly unanimous in saying it's like unravelling a spider web, 3-D chess, a "giant Jenga game," and blaming his claim that the General Fund budget would only increase by \$880 million was an example of "Common Core math.

The reality is that many of the proposals - his \$675 million bond issue for economic development, infrastructure and energy for example - would be paid for using funds from the severance tax. The House Republican leadership has turned on this idea already, and is not willing to even consider a severance tax of any size without privatization of the state liquor system. Senate Republicans have said that without first addressing pension reform, the other proposed taxes won't be considered.

Another \$3 billion in borrowing to employ what has been called a "risky - and currently illegal - pension obligation bond" to reduce some of the state's unfunded pension liability would come from modernization, not privatization, of the state liquor system. That modernization was projected to provide \$185 million in annual additional revenue which would be used to pay the costs of that bond for 30 years. And the \$3.8 billion proposed for property tax relief would come from the increases in personal income and state sales taxes.

And the numbers are in flux. Wolf's budget was based on filling a \$2.3 billion structural deficit, but just this week, the state's Independent Fiscal Office said that number would be \$1.5 billion.

The address itself...

"The idea of Pennsylvania is the idea that all things are possible. And if we work together, there is nothing that we can't accomplish. We are the state that built America.

"Let's be the generation that rebuilds Pennsylvania."

With those words, Governor Tom Wolf presented the General Assembly with his framework for a \$33.87 billion state budget for 2015-2016 and his vision for "the future of Pennsylvania."

Wolf's budget calls for a \$4.87 billion increase in state spending, which would be funded through a series of new tax reforms, aimed squarely at increasing education funding and helping the "middle class." He based his proposal on the three themes of his campaign - "Schools that teach. Jobs that pay. Government that works."

But a political reality is that Tom Wolf was elected governor on one theme, while Republicans increased their majorities in the House and Senate campaigning on another - growing jobs, tackling pension issues and limiting government spending.

Among the major proposals, Wolf called for a "historic investment in our schools," and a shift in education funding from local property taxes to state funds. He said his proposed five percent severance tax would preserve impact fees for counties, with the bulk of new revenue going to public education funding. Wolf claimed his plan would reduce the average person's property tax burden by 50 percent, or \$1,000.00.

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**Energy Ocean Conference &
Exhibition**
Portland, Maine,
Contact [Jason Smith](#)
(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.

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Wolf proposed raising the state Personal Income Tax from 3.07% to 3.7 percent, and raising the state sales tax from six percent to 6.6 percent with loopholes being closed, a proposal he called similar to House and Senate Bills 76, endorsed by many Republicans.

In the jobs area, Wolf proposed a "Made in Pennsylvania" cash-back jobs program, allowing manufacturers that increase their taxable payroll by at least \$1 million to receive cash payments of up to five percent of new taxable income. He called for priority to PA companies in Grant and Loan Programs, and proposed a hike in the state minimum wage from to \$10.10 an hour.

He proposed cutting the corporate net income tax rate from 9.99 percent to 4.99 percent, and called for closing loopholes in the tax code, including the Delaware loophole. And he called for finishing off the phase out of the Capital Stock and Franchise Tax by the end of the year.

Reaction to the budget proposals was swift and determined. Senate Majority Leader Jake Corman said, "Higher taxes are not a recipe for solving the problem of self-esteem. If one of the Democrats wants to introduce this budget, we'll be happy to run it and see how it fares." Corman said he would not even discuss new revenue until Wolf and the General Assembly deal with pension reform. And that any property tax cut would be eaten up by other tax increases. "People will be excited about the new revenue coming their way, but we will have to start from scratch."

House Speaker Mike Turzai called the proposal, "Disappointing and old school. And disrespectful of taxpayers."

House Appropriations Chairman Bill Adolph said, "Wow!" I have concern for small business folks, with an increase of \$4.8 billion in spending, his proposal to increase income tax by 21%, sales tax by 10% and adding 300 new items and services, and increases in cigarette tax by 60%; increase in severance tax - \$4 billion in new taxes. Someone is gonna be paying for that. "If you are earning \$52,000 per year, could be paying between \$1,000 and \$1,400 more in taxes, with no guarantee you receive a property tax reduction."

Senate President Pro Tempore Joe Scarnati said the tax increases would come out of the middle class's pockets. "Sound bites are warm and fulfilling," he said, "but it really is a very bad plan for all of Pennsylvania. We stand prepared to first off make sure all the Senate Democrats vote for that plan."

In response, this week, Governor Wolf presented legislation to the General Assembly to put his budget into law. Katie McGinty, Gov. Tom Wolf's chief of staff, said the governor's budget is now in legislative form and in the hands of state lawmakers.

"If I had cigars, I'd pass out cigars, because we've given birth to a huge, bouncing, baby budget," McGinty said with a chuckle speaking to state Capitol reporters. She indicated the administration delivered language of several bills - all needed to deal with the various Pennsylvania codes affected by the governor's budget proposals - to lawmakers and that Democratic leadership is now determining who will sponsor and introduce each of the bills.

Many of the bills are standard in the annual appropriations process, but some will be necessary to fulfill the Governor's intertwined proposals. "I think that it's important, now that we have the legislation delivered, to come back and say 'what's the rhyme and reason of this budget, what's the big picture, what

are we trying to achieve with this budget," said McGinty, reciting the Wolf mantra that the budget is all about "rebuilding the middle class and the economy of Pennsylvania."

House Majority Leader Dave Reed summed up his response, noting, "We all want schools that teach, jobs that pay and government that works. We just have different ideas on how."

The good news is that there is agreement on the goals. That appears to be the only agreement besides the historicity of the plan as the House and Senate begin three weeks of budget hearings.

Budget Hearings Begin in House

This week the House Appropriations Committee began hearings with state agencies on the Governor's Budget and the operations of those agencies. The week started off on a somewhat bright note for all with the Independent Fiscal Office stating that the structural budget appears now to be in the \$1.5 billion range, much below the \$2.3 billion anticipated early this year. Wolf's Chief of Staff Katie McGinty commented this week that too much emphasis on the component parts takes away the "focus on the bigger picture." [\(MORE\)](#)

(Budget Hearings, continued) Addressing Acting Revenue Secretary Eileen McNulty, "I do know one thing - this is a gigantic tax increase, okay, a gigantic tax increase. I do believe the PIT and the sales tax is on the middle class, and the governor picked and chose where he sent the money to. I think everyone in the General Assembly has poor people living in their districts, but if the district is perceived wealthy, they don't get tax relief. And if you have a very wealthy person living in an area that is perceived poor, they get total property tax elimination.

"I don't believe the plan was well thought out. I think it was to get everybody's attention - which it did - and I think an awful lot of work has to go into this."

Other agencies before the House Appropriations Committee this week included the Departments of Agriculture, Community and Economic Development, and Environmental Protection. The PUC, Office of Small Business Advocate, and the Office of Consumer Advocate also appeared.

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Wolf wants to use some extraction tax monies to pay debt service on a \$675 million bond that would fund an economic development package. A third of the bond, \$225 million, would be used to fund solar, wind, biomass and other renewable energy grant programs.

Specifically, the energy fund would earmark: [\(MORE\)](#)

(Energy Fund, Continued)

- \$30 million in competitive grants to businesses employing combined heat and power (CHP) cogeneration technologies.
- \$20 million to facilitate construction of new wind farms and support

interconnection with the grid.

- \$20 million for "Green Agriculture," competitive grants for projects for farms ranging from energy efficiency, biodigesters, biomass and distributed wind generation.
- \$30 million to the Pennsylvania Energy Development Authority for expanding clean advanced energy technologies, services and fuels.
- \$25 million in matching funds for the "Last Mile" Natural Gas Distribution Line Fund for business parks and manufacturers to construct natural gas lines.
- \$50 million for relaunching the PA Sunshine program for rebates on qualifying solar projects with an aim of installing 100 MW of new solar generation the first year.
- \$50 million in grants to fund energy efficiency improvements.

Some House Republicans on Wednesday characterized the proposal as picking winners and losers.

Dennis Davin, acting secretary of the Department of Community and Economic Development, told the House Appropriations Committee the proposal is part of a larger investment in job creation, including supporting business development loan programs and business expansion programs. "We think when you look at those opportunities as a whole...Pennsylvania will do much better," Davin said.

Rep. Seth Grove (R, York) said during the DEP Appropriations hearing, "Now the governor says he's not going to pick winners and losers - it's a pretty big shift of taxing an entity and giving that money to another industry."

Acting DEP Secretary John Quigley responded, "It's part of a much bigger economic stimulus, economic development proposal that is completely appropriate."

Quigley argued that modernizing the state's energy infrastructure would employ Pennsylvanians in good-paying jobs like laying distribution pipeline, installing solar panels or retrofitting buildings to save energy costs.

In response to questions from Rep. Jeff Pyle (R, Armstrong) over the solar initiatives and industry declining, Quigley said, "The cost of solar power has gone down precipitously, so we expect more bang for our buck." The PA Sunshine solar program, created 2,700 jobs in Pennsylvania between 2009 and 2013 when the funds were exhausted.

"The solar industry has fallen on hard times in Pennsylvania, while it is growing in other states around the nation, most of which provide some level of additional public support for solar, those jobs are growing in other states," Quigley said. "In Pennsylvania, the solar industry has contracted...with the decline of federal and state support."

Pyle said that he didn't think alternative energy was a wise investment while coal-fired plants are closing.

"The governor is very clear he wants to protect - and that is the word he has used, protect - Pennsylvania's coal industry and protect Pennsylvania's position as a net energy exporter and take advantage of all of Pennsylvania's natural resources," Quigley said.

Quigley said "the Governor's proposal is not designed to replace coal fired plants. It IS designed to protect Pennsylvania's position as a net exporter of

energy, to incentivize energy, create jobs that can't be outsourced, and to complement our coal and gas industries."

Acting DCED Secretary Dennis Davin outlined the \$675 million investment program, ([See link here](#)) and said the funds will support programs including the Pennsylvania Industrial Development Authority (PIDA), which deals with business development loans, Business In Our Sites, which focuses on competing for business expansions and relocations, energy investment initiatives and technology and manufacturing innovation.

During Questions, Davin said the proposed Royal Dutch Shell ethane cracker plant would continue to move forward. He said the Wolf administration supports the plant, and said the state was working on key permits with state and federal agencies.

Rep. Wheatley also asked about the \$675 million bond issuance and questioned whether the administration anticipates coming before the legislature with a proposal that requires their input.

The governor's bond proposal includes money saving investments such Green Agriculture. This initiative will allow more farmers to take advantage of clean and renewable energy technologies and help achieve the state's energy goals. Acting Agriculture Secretary Russell Redding said that \$20 million would be available through competitive grants for projects designed to help Pennsylvania farms implement energy efficiency and technology upgrades, bio-digesters and distributed wind generation on farms - all of which can help farmers reduce energy costs by becoming more self-reliant.

Rep. Pyle suggested more funding to wind and solar "may not be the wisest investment" given the recent track record of the industries in the state. He cited legislation authored by Rep. Kathy Rapp (R, Warren) last year to conduct an efficiency study comparing wind and solar power investment to what the state is getting back, and suggested the department wait for its results "before we dive in head-first."

Rep. Mary Jo Daley (D, Montgomery) asked about the jobs that would be created by the program. Quigley said there is an opportunity to create thousands of long lasting, well paying, family sustaining jobs."

Rep. Christiana questioned why the state does not wait for the severance tax to be fully implemented before going to bond market and acquiring new debt for alternative energy projects. Sec. Quigley said the Office of the Budget could better answer that question but noted that the low rates provide the opportunity to have a comprehensive economic develop plan that would benefit the entire state.

Legislation Creating Crude Advisory Council Moves to House

[Senate Bill 279](#), sponsored by Sen. [Scott Hutchinson](#) (R-Venango), passed the Senate in 48-0 vote, with one abstention, on February 18. It now awaits action by the House Environmental Resources and Energy Committee. If approved, this bill would create the Penn Grade Crude Development Advisory Council.

The Council would be charged with studying existing regulations and assisting the DEP with making necessary changes to better define the differences between conventional and unconventional gas and oil production.

Simultaneously, DEP created the Conventional Oil and Gas Advisory

Committee, whose duties will include an advisory role to the DEP on matters related to conventional oil and gas extraction practices and regulations. Its structure will be similar to the existing Oil and Gas Technical Advisory Board.

Utica Shale Tests Successful in North Central Pennsylvania

Seneca Resources, a subsidiary of National Fuel Gas Company, is proving that the Utica Shale play is viable in Pennsylvania, once pipelines are available. A test well site in Tioga County has been producing 22.7 million cubic feet of natural gas daily.

[The Utica Shale](#) lies several thousand feet below the Marcellus, and occupies a larger footprint, stretching from Quebec to upstate New York, through Pennsylvania, down into West Virginia and west through Ohio. Given the depth of the Utica deposits, Seneca had to drill to a depth of 12,200 feet, and then continued horizontally for another 4,640 feet.

National Fuel Gas Company CEO and President Ronald J. Tanski said in a press release, "This well, along with wells drilled by other operators in the area, have de-risked the Utica potential of our 10,000 acres on DCNR Tract 007. We estimate resource potential on this tract alone of approximately 1 trillion cubic feet. With these strong results in hand our team is evaluating options to develop this acreage in the next few years, depending on local gas prices and pipeline take-away capacity. We have additional Utica potential not only in Tioga County, but across much of our large Pennsylvania acreage position. Our next Utica exploration well is planned for fiscal 2016."

DEP Announces New Oil and Gas Technical Advisory Board Members

The Department of Environmental Protection (DEP) this week announced the members of the Oil and Gas Technical Advisory Board (TAB). TAB's mission is to increase transparency and communication about regulating the unconventional oil and gas drilling industry.

TAB is authorized under the 2012 Oil and Gas Act to advise DEP in the formulation, drafting, and presentation stages of all regulations relating to unconventional oil and gas extraction. TAB will be given the opportunity to review and comment on all regulations of a technical nature prior to submission to the Environmental Quality Board.

Five TAB members were appointed by Governor Tom Wolf on March 9. Three members are either petroleum engineers, petroleum geologists or drillers with at least three years of experience in Pennsylvania. One member is a coal mining engineer with three years of experience in Pennsylvania. The last voting member is a geologist, petroleum engineer or driller with three years of experience in Pennsylvania, chosen from three candidates supplied by the Citizens Advisory Council to the governor.

The Advisory Board members include:

- * **Fred J. Baldassare**, P.G., Owner & Senior Geoscientist, ECHELON Applied Geoscience Consulting
- * **David A. Yoxtheimer**, P.G., Hydrogeologist, Marcellus Center for

Outreach and Research at The Pennsylvania State University
* **Robert C. Hendricks**, P.G., Water Team Lead/Groundwater Protection Lead Appalachia, Shell Exploration and Production Company
* **Casey V. Saunders**, P.E., Pennsylvania Coal Operations Senior Project Engineer, CONSOL Energy
* **Bryan J. McConnell**, P.G., Environmental Program Manager, Tenaska, Inc.

The non-voting members of the Advisory Board are selected by the Secretary of the Department of Environmental Protection. They are:

* **John Walliser**, Esq., Vice President of Legal & Government Affairs, Pennsylvania Environmental Council
* **W. Michael Griffin**, Ph.D., Executive Director of the Center for Energy and Decision Making, Carnegie Mellon University
* **Emily Krafjack**, President, Connection for Oil, Gas, & Environment in the Northern Tier, Inc.
* **Barbara G. Kutchko**, Ph.D., P.E., Physical Scientist, National Energy Technology Laboratory at the US Department of Energy

Commonwealth Financing Authority Announces New Alternative, Clean Energy Investments to Improve Environment, Invest in Future

The Commonwealth Financing Authority approved funding this week to support new Alternative and Clean Energy (ACE) projects with the investment of more than \$6.0 million in grants.

"Today's investments approved by the Commonwealth Financing Authority are a start to building a stronger Pennsylvania," Governor Wolf said. "Pennsylvania can have a bright future, but we must continue to work together to make new, bold decisions to move the commonwealth forward. My proposed budget includes recommendations that will once again make Pennsylvania a leader in national energy."

The Commonwealth Financing Authority (CFA) approved three High Performance Building projects through the state's Alternative and Clean Energy (ACE) program.

The CFA investments in Bucks and Lancaster counties are projected to result in more than \$130.543 million in additional economic investments.

The ACE Program provides financial assistance in the form of grants and loan funds that will be used by eligible applicants for the utilization, development and construction of alternative and clean energy projects in the state. Council Rock School District will receive two grants for the construction of two high performance buildings within the district. The first grant for \$2 million is for the construction of a new USGBC LEED Gold middle school located in Newtown, Bucks County. The new 176,000-square-foot school will include geothermal heating and cooling, energy-efficient lighting, automated energy control systems, low-flow water-saving fixtures, occupancy-based temperature and lighting, a 110 kW solar PV array, and an improved thermal envelope. The project is anticipated to reduce energy consumption by an estimated 3,429,021 kBTU annually. In addition, new low-flow water fixtures

will save the district 30 percent of the annual water usage at the building. The total project cost is estimated at \$55,820,000.

Council Rock School District also received a \$2 million grant for the renovation and construction of a USGBC LEED Gold middle school in Northampton Township, Bucks County. The 136,000-square-foot renovation will also feature the addition of 44,000 square feet. The project will also include geothermal heating and cooling, energy-efficient lighting, automated energy control systems, low-flow water-saving fixtures, occupancy-based temperature and lighting, a 110kW solar PV array, and an improved thermal envelope. The project is anticipated to reduce energy consumption by an estimated 3,462,236 kBTU annually. In addition, new low-flow water fixtures will save the district 30 percent of the annual water usage at the building. The total project cost is estimated at \$50,675,001.

Manheim Central School District will receive a \$2 million grant for the construction of a new USGBC Gold elementary school in Penn Township, Lancaster County. The new 120,000-square-foot school will include a ground-source geothermal HVAC system, energy efficient lighting, a building orientation that takes advantage of natural daylight opportunities, and a modern thermal envelope. The project is anticipated to reduce energy consumption by 1,664,010 kBTU annually. In addition, new low-flow water fixtures will save the district 30 percent of the annual water usage at the building. The total project cost is estimated at \$30,048,000.

For more information about the CFA and a complete list of approved projects, visit www.newPA.com.

DEP Accepting Applications for Pennsylvania State Clean Diesel Grants

The Department of Environmental Protection (DEP) announced today that applications are now being accepted for the Pennsylvania State Clean Diesel Grant Program. School districts, municipal authorities, political subdivisions, state agencies, nonprofit entities, corporations, and limited liability companies or partnerships incorporated or registered in Pennsylvania that operate diesel fleets are eligible to apply.

"Supporting alternative transportation technologies improves our air quality and reduces the negative impacts caused by excessive greenhouse gas emissions," said Acting DEP Secretary John Quigley. "I am pleased to support any and all efforts to improve air quality in Pennsylvania."

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

Since the program's inception in 2008, DEP has awarded more than \$1.7 million in grants.

The grant program is funded through an annual allocation from the U.S. Environmental Protection Agency's State Clean Diesel Program.

Applications will be accepted through March 31.

To apply for a grant or for more information, visit www.dep.state.pa.us, keyword "Clean Diesel."

Wolf Lowers State Tax on Liquefied Natural Gas

After thorough consideration of the environmental and economic development benefits derived from use of liquefied natural gas (LNG) as a vehicle fuel alternative to diesel, Acting Secretary of Revenue Eileen McNulty announced today that Governor Wolf has reversed a decision made in late 2014 that increased state tax on LNG.

"One of my goals is to promote and develop a comprehensive energy portfolio for Pennsylvania that supports clean energy alternatives to imported petroleum," said Wolf. "Liquefied natural gas is not only a cleaner alternative to diesel, generating lower pollutant emissions when used to fuel vehicles, but it's also produced here in Pennsylvania from abundant natural gas reserves.

"Given the immediate environmental benefits of fueling trucks with LNG and the future economic gains that will come from further development of the alternative fuels industry in Pennsylvania, it makes no sense to discourage LNG consumption by taxing it at a higher rate."

For 2015, a gallon of gasoline is subject to state tax of 50.5 cents, while diesel is taxed at 64.2 cents per gallon.

LNG is defined in Pennsylvania law as an alternative fuel that should be taxed based on its energy potential as compared to gasoline, and the Department of Revenue has historically taxed LNG using a cents-per-gallon basis indexed to gasoline. The policy shift late last year, which followed a Department of Energy change in how LNG is measured at the federal level, applied the higher diesel tax to LNG, effectively increasing the state tax on LNG by 4.3 cents per gallon.

The reversal of the tax change for LNG will be effective retroactively to January 1, 2015, the date the increase took effect. As required by law, the new rate of 33.5 cents per gallon equivalent of LNG will be reflected in the March 13 edition of the *Pennsylvania Bulletin*.

Revised Rulemaking Proposal for Environmental Protection Performance Standards at Oil and Gas Well Sites

The Department of Environmental Protection (DEP) today announced the latest draft revisions of the Environmental Protection Performance Standards at Oil and Gas Well Sites, continuing DEP's record of modernizing and strengthening the environmental controls employed by this industry to assure the protection of public safety.

"These proposed revisions focus on the need to protect public safety and the environment while enabling drilling to proceed," said Acting DEP Secretary John Quigley.

The proposed amendments to Chapter 78 address surface activities at oil and gas well sites, and center on five core areas. The regulation amendments are proposed to:

- * Improve protection of water resources,

- * Add public resources considerations,
- * Protect public safety,
- * Address landowner concerns, and
- * Enhance transparency and improve data management. ([MORE](#))

(Oil and Gas Well Standards, continued) "These areas reflect the emphasis of the comments we received," Quigley said. "We received more than 24,000 comments, and want to be deliberate and transparent as we seek continued input on the proposed revisions from our advisory committees and the public."

The specific proposed changes would:

- * Require operators to demonstrate that streams and wetlands will be protected if the edge of the well pad is within 100 feet of the resource,
- * Require centralized wastewater impoundments to be permitted through more appropriate Residual Waste Regulations (with existing impoundments upgraded or closed within 3 years of the effective date),
- * Expand the review of impacts that operators must conduct to include public resources, such as schools, playgrounds and approved wellhead protection areas,
- * Require operators to identify active, inactive, orphan and abandoned wells and submit a plan report to DEP at least 30 days prior to drilling,
- * Create standards for noise control and mitigation, and
- * Modernize notification and report submission to improve efficiency and ease reporting.

The proposed amendments will be discussed at the upcoming meetings of the Oil and Gas Technical Advisory Board (TAB) and Conventional Oil and Gas Advisory Committee (COGAC), which is in formation, in late March.

Following these advisory committee meetings, the proposed amendments will be opened for a 30-day public comment period April 4, 2015.

The proposed amendments were first opened for public comment on December 14, 2013. Throughout the 90-day comment period, the Environmental Quality Board (EQB) held nine public hearings. The rulemaking received comments from more than 24,000 commentators.

The draft regulations include separate regulatory chapters to differentiate the unique characteristics of conventional and unconventional well development. With the passage of Act 126 in 2014, the General Assembly explicitly acknowledged the distinction between these two very different industries, and directed DEP to draft separate regulations. Accordingly, the revisions include Chapter 78 for conventional wells, and Chapter 78a for unconventional wells.

TAB will discuss Chapter 78a (unconventional) at 10 AM on March 20. COGAC will discuss Chapter 78 (conventional) at 10 AM on March 26. Both meetings are open to the public and will be in Room 105, Rachel Carson State Office Building, 400 Market St., Harrisburg. Those who cannot attend in person may tune in via webinar. To participate in the webinar, pre-registration is required at least 30 minutes prior to the start of each session. To register, visit www.dep.state.pa.us and click on the "Webinar" button on the home page.

For more information, or to view the rulemaking, visit www.dep.state.pa.us

and click the "Chapter 78" button.

DEP Issues Draft Marcellus Shale Rule Revisions

Monday, the DEP released draft rulemaking that provides dozens of changes include:

- discourage and potentially ban open waste pits,
- require companies to close or upgrade large centralized wastewater storage ponds that have leaked and been implicated in soil and water contamination cases in the state in recent years,
- noise reduction requirements at shale well sites, and
- adding schools and playgrounds to the list of public resources, that will require stricter well permit reviews when drilling is planned nearby

Existing centralized wastewater storage ponds would either have to close within three years of when the rules take effect or meet the more stringent standards for liners, siting, public notice and bonding.

Based on a mandated timeline for development of regulations, these proposed rules would need to take affective in early 2016. DEP will solicit additional public input on the proposed rules in April.

Penske Among 11 Firms to Receive Federal Funds

Penske Truck Leasing, Co. of Reading is one of only 11 firms nationwide to recently be awarded a grant through the Energy Department's Clean Cities Program. All projects are aimed at improving potential buyers' experiences with alternative fuel and plug-in electric vehicles, supporting training, and integrating alternative fuels into emergency planning.

Utilizing \$400,000 in federal assistance, the "Penske Truck Leasing Alternative Fuel Vehicle (AFV) Demonstration and Enhanced Driver Experience Project" will provide heavy duty compressed natural gas vehicles to new drivers and fleets via Penske's large existing service market for a 1-3 month period. The project also will assess the need for medium-duty propane and hybrid-electric vehicles. Penske will work closely with the fleets involved to optimize their experience, troubleshoot their questions, and collect data to highlight results. The project lead will use these experiences to develop an AFV marketing plan that can target optimal fleets and regions, reduce AFV rental costs, provide comprehensive technical support for the rental term, and measure progress in fleet acceptance and integration of AFVs into fleets' everyday operations.

PUC Issues for Comment Next Steps for Future Energy Efficiency, Conservation Programs

The Pennsylvania Public Utility Commission (PUC) today issued for comment a Tentative Implementation Order on the future of energy efficiency and conservation (EE&C) programs established under Act 129 of 2008.

The Commission voted 5-0 to approve the [Tentative Implementation Order](#) that addresses issues related to the design and implementation of the next phase of the EE&C program.

Commissioner Pamela A. Witmer issued a [statement](#).

The current EE&C plans are valid through May 2016, at which time the law directs the PUC to re-evaluate the costs and benefits to determine if the EE&C programs should continue. By initiating this planning process well in advance of 2016, the Commission intends to facilitate a smooth transition to minimize any possible program lapses if the decision is made to move into the third phase of the program.

The Tentative Implementation Order solicits comments on the evaluation of the EE&C program, the proposed additional required reductions in consumption and peak demand, as well as on the proposals addressing the design and implementation of the next round of the EE&C program. The Commission proposes to implement a five-year Phase III of the Act 129 EE&C program that would operate from June 1, 2016, through May 31, 2021.

On Oct. 23, 2014, the Commission issued a [Secretarial Letter](#) seeking comments. In addition, the Commission held a stakeholder meeting on Dec. 2, 2014, to provide interested parties an opportunity to identify additional issues and concerns regarding the design of any future EE&C program and to address any questions regarding the topics and issues presented in the Phase III Secretarial Letter.

On Oct. 15, 2008, Act 129 of 2008 became law and included implementation of EE&C programs that would produce usage reductions to meet legislatively-mandated targets through May 31, 2013. On Aug. 2, 2012, the PUC issued a [Final Implementation Order](#) adopting a three-year Phase II Act 129 EE&C Program that operates from June 1, 2013, through May 31, 2016.

Act 129 also addressed issues such as electric utility and default service provider responsibilities; conservation service providers; smart meter technology; time-of-use rates; real-time pricing plans; default service procurement; market misconduct; alternative energy sources; and cost recovery.

The Pennsylvania Public Utility Commission balances the needs of consumers and utilities; ensures safe and reliable utility service at reasonable rates; protects the public interest; educates consumers to make independent and informed utility choices; furthers economic development; and fosters new technologies and competitive markets in an environmentally sound manner.

[Regional News - Ohio, New York, New Jersey](#)

Ohio Governor Kasich Calls for Severance Tax Hike

Last month, Ohio Governor John Kasich proposed to add additional revenue from the Marcellus and Utica Shale plays of approximately \$325 million in his budget. He proposed a variety of tax rates on oil and gas products from horizontal wells. The tax on oil would be 6.5% of the value of oil, and the tax on gas entering the distribution system without further processing would also be 6.5%. Similarly, condensate collected at a point other than the wellhead would be taxed at 6.5% of its value.

For all other gas, the rate would be 4.5% of the value of the gas AFTER processing, regardless where that processing takes place. For natural gas liquids collected at a point other than the wellhead and separated from oil or

gas severed by a horizontal well, regardless of where title is transferred, the rate would be 4.5% of the value of natural gas liquids collected. Natural gas liquids would now include ethane, whether it is being rejected or sold.

Kasich recently suggested that if the industry doesn't agree to his proposal, a ballot measure in the state to create the tax would likely take place. And when it comes to getting something for nothing, who's to say that such a ballot measure sponsored by urban or environmental groups wouldn't set the tax at a much higher level than proposed by the Governor?

New York Broadens Solar Hot Water Program

The New York State Energy Research and Development Authority (NYSERDA) is extending portions of its Solar Hot Water Program beyond electricity to include displacing hot water produced by heating oil, natural gas, propane and wood.

The new funding guidelines will provide incentives of up to \$6,000 per site for eligible one- to four-family homes and up to \$150,000 per site for eligible commercial (including multifamily), agricultural, not-for-profit and government facilities.

The program has \$4.3M available for projects that displace hot water produced by electricity and close to \$3.4M for displaced hot water by non-electric methods.

Applications will be accepted beginning on March 20 on a first come-first served basis.

For more information on the Solar Hot Water Program, visit [NYSERDA's Web site](#).

New Jersey DEP Budget Hearings Scheduled/Christie Settlement a sure

Topic

The New Jersey Legislature closes out its regular business in March and plans to spend April and early May modifying Governor Chris Christie's proposed State Budget.

In his budget proposal, Gov. Christie said New Jersey should not raise taxes to close a budget shortfall - a decision that will likely endear him to 2016

Republican primary voters but rules out a potential source of funding for the state's major fiscal problems.

His budget proposal includes language allowing most money from large environmental settlements, such as the recent ExxonMobil agreement, to be shifted away from cleanups and into the state's general fund.

In the past, all such money went into the Hazardous Discharge Site Cleanup Fund. In the current budget, Christie added language allowing any money over \$50 million to be used as general state revenue. He vetoed lawmakers' attempt to split the amount over \$50 million between cleanup and general costs.

Christie repeats the same approach in his proposed budget for the fiscal year that starts in July - a period that could include the state receiving \$225 million from ExxonMobil to settle an \$8.9 billion lawsuit over environmental damages from its refinery operations in Bayonne and Linden.

Lawmakers plan to phrase that differently in the budget they'll send Christie in June to prevent such transfers, said Sen. Bob Smith, D-Middlesex, chairman of the Senate environment committee. "That's where he's coming from. That doesn't necessarily mean that's where the Legislature's coming from," Smith said.

The Senate Budget and Appropriations Committee will hold its hearing on the Department of Environmental Protection on April 16 at 10 a.m. in Committee Room 4, in the 1st floor of the State House Annex in Trenton.

The Assembly Budget Committee holds its hearing on the Department of Environmental Protection April 27, at 10 a.m. in Committee Room 11 on the Fourth Floor of the State House Annex.

It's a wait-and-see game in Ohio

It's been three weeks since the Ohio State Supreme Court ruled in the Munroe Falls case that local municipalities could not require gas companies to obtain additional drilling permits. However, its ruling on whether municipalities could use zoning ordinances to determine where drilling happens was left open. In the same vein, the Supreme Court did not rule on whether existing municipal bans on drilling could stand.

Local officials across the state are now waiting to see what will happen to other city ordinances. Broadview Heights, a city south of Cleveland, who passed a "community bill of rights" in 2012 that bans any future oil and gas drilling. Similarly, Athens recently voted to approve a ban on hydraulic fracturing while Carrollton, the seat of the largest oil-producing county, imposed a ban on drilling inside its village limits even before the Utica Shale boom started.

Federal News

US Senate Committee Hears from States on Clean Power Plan

Senate Republicans on the Environment and Public Works committee used a Wednesday hearing on the Environmental Protection Agency's (EPA) landmark climate rule to highlight the objections from states that oppose the rule.

State officials from Indiana, Wyoming and Wisconsin, each of which has Republican legislatures and governors, told how they find the rule unreasonable, irresponsible and illegal.

Democrats on the Committee brought in officials from New York and California - whose governors are Democrats - to support the regulation, which is designed to cut carbon emissions 30 percent by 2030. ([MORE FEDERAL NEWS](#))

(Congress and Clean Power, continued) This was the second hearing by the Committee and more will be scheduled in the future.

"The proposal undermines the longstanding concept of cooperative federalism under the Clean Air Act where the federal government is meant to work in partnership with the states to achieve the underlying goals," Sen. Jim Inhofe (R-Okla.), the committee's chairman, said at the hearing. "Instead, this rule forces states to redesign the ways they generate, manage and use electricity in a manner that satisfies President Obama's extreme climate agenda."

The witnesses from Republican states said that the EPA's proposal from last year was unattainable given the time constraints, the high amounts of carbon reductions and the inflexible tools.

"This proposal will cause significant harm to Hoosiers and most residents of the United States without providing any measurable offsetting benefits," said Thomas Easterly, commissioner of the Indiana Department of Environmental Quality.

Ellen Nowak, chairwoman of Wisconsin's Public Service Commission, said the rule threatens Wisconsin's economy. "If the problems in the Clean Power Plan are not remedied, the work Wisconsin has done to restore our manufacturing sector will be threatened," she said.

Democrats used New York and California to prove their contention that states can cut emissions and remain economically competitive. Both states are in the midst of their own efforts to slash carbon pollution from power plants.

"I have good news for other states: you can significantly reduce these emissions from the power sector and do so in a way that helps grow your economy," said Michael Myers, chief of the New York Attorney General's Office's environmental litigation section.

Sen. Barbara Boxer (D-Calif.), ranking member of the Committee said, "California, New York, and other states should be proud of their leadership in putting forward real solutions to climate change and showing that meeting the goals of the Clean Power Plan will benefit states and the American people," she said.

EPA head calls for US leadership in climate

The head of the EPA Wednesday told the Council on Foreign Relations that

the United States should lead the way to fight climate change internationally. Gina McCarthy said climate change causes global unrest and instability, and it is in the United States' best interests to play a leadership role in stopping it.

"Climate change fuels instability around the world, by amplifying risks to global health, security and to growth," McCarthy said. We should be "building it into all of our existing international efforts."

"The Pentagon calls climate change a 'threat multiplier,' " she said. "President Obama's national security strategy recognizes climate change as the gateway to more natural disasters, refugee flows and conflicts." And she said again that climate change is a national security risk on par with threats like terrorism and war.

McCarthy said that the EPA's Clean Power Plan is significant for international relations and diplomacy in addition to reducing greenhouse gas emissions. She compared this to the Montreal Protocol of 1989, when the leaders of the international community agreed to reduce emissions of chemicals to protect the ozone layer.

"It was an American university that uncovered the problem. And it was American industry that innovated solution. It was American leadership that forged a global market for better, safer products, and American companies that sold those solutions across the world."

The power plant rule puts the United States in a leading position in climate change policies, McCarthy said.

McCarthy noted work under the United Nations to establish an international agreement in December in Paris to cut greenhouse gas emissions. She said the President's recent agreement with China puts a higher emphasis on working with India in seeking international agreement to reduce carbon emissions.

Keystone Pipeline Fails Override in Senate

While the House ended their week early due to impending snow, the Senate attempted to override President Obama's veto of the Keystone XL pipeline legislation last Wednesday. Falling just five votes short of the needed two-thirds majority, this was the first time Congress has voted to override a veto by Obama. Eight Democrats voted with Republicans including Senator Casey.

The Keystone Pipeline legislation will still be a hot topic this session. Senate Environment and Public Works Chairman Jim Inhofe (R-OK) said he's "open to trying anything" to move the pipeline legislation forward including adding it to other bills, specifically the upcoming highway bill.

More Presidential Vetoes on the Horizon?

Before even being sent to the House for consideration, the White House has stated they will veto to EPA bills - HR 1029 (EPA Science Advisory Board Reform Act and HR 1030 (Secret Science Reform Act).

HR 1029 would expand industry access to the Science Advisory Board, by altering who could serve on the board. The White House believes this would weaken the Board's "scientific independence and integrity."

The Administration is taking the stance that HR 1030 "would impose arbitrary, unnecessary, and expensive requirements that would seriously impede the [EPA's] ability to use science to protect public health and the environment."

House GOP Slow to Review Crude Export Ban

A 40-year old export ban on U.S. crude oil will not be lifted without much review and discussion.

In a meeting last Tuesday, Energy and Commerce Chairman Fred Upton (R-Mich.) said that any move by his Committee to propose a lift on the ban "will only happen after an open review of the current policy." He further cited the process used in the previous Congress to expedite LNG permits.

"We thoroughly studied the potential impacts," Upton said, "acted only after listening to all of the interested parties and concluding that LNG exports would be beneficial for the economy and a net jobs creator, and we passed it in a bipartisan way."

Speaking at the U.S. Chamber of Commerce, ConocoPhillips Chairman and CEO Ryan Lance remarked that the export ban was outdated and that "we shouldn't put U.S. producers at a competitive disadvantage by limiting access to global markets."

EPA's CCS Technology Faces Tough Scrutiny From House

Environmental Protection Agency Administrator, Gina McCarthy, faced tough questioning by Congressman Tim Murphy two weeks ago.

The EPA's stance on their proposed mandate that new coal plants have to utilize carbon capture sequestration (CCS) technology has been "adequately demonstrated," was undermined by McCarthy acknowledging that the Kemper, Mississippi project cited in their rule, is \$3 billion over budget and is still not complete.

Congressman Murphy said, "It appears that all the projects ... cited by the EPA, they haven't been completed, some haven't been started, one's been discontinued, one isn't even in this country, and none of them are large-scale."

Murphy also mentioned that all the facilities used by the EPA in its rule making received federal subsidies even though it is in violation of the Energy Policy Act of 2005 which does not allow for the use of such technologies at facilities receiving federal assistance to be used for the purpose of adequately demonstrating the purposes of the Clean Air Act.

During the hearing, the Congressman also brought up that the National Energy Technology Laboratory (NETL) has told the EPA that the agency misrepresented NETL's study and had underestimate the cost of CCS technology. NETL further went on to recommend EPA change their cost of CCS by 30 to 63% more.

Murphy said he would continue to review the EPA's greenhouse gas rule and its impact on consumers, manufacturers, and job growth.

EPA Up Against the Clock On Climate Change Regulations

Environmental Protection Agency Chair Gina McCarthy has just under two years to pass what is being touted as landmark climate change regulations before President Obama leaves office.

These new regulations would require existing power plants to reduce their greenhouse gas emissions 30% by 2030 from 2005 levels. GOP leaders are already making it known that they will do what they can to dismantle these new regulations and other existing EPA regulations.

Senate Majority Leader Mitch McConnell (R-KY) is reaching out to the states, asking them to refuse to comply with the carbon regulations and it appears that New Jersey Governor Chris Christie is taking up the banner along side McConnell (see related article in regional news).

US in second place for energy diversification

The latest annual Renewable Energy Country Attractiveness Index, published by Ernst and Young, ranks the United States second, right behind China.

The index reports that solar will reach grid parity in many states by 2016. Additionally, a one year renewal of the production tax credit (PTC) for wind projects will be applied retroactively through 2014 and is expected to boost the wind energy sector.