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June 5, 2015

NEWS CLIPS

[Pa. does have time to implement efficient, renewable energy technologies](#) (op-ed)

[It's Time to Stop Subsidizing Fossil Fuels in PA](#) (op-ed)

[OH Natural Gas Production Up 11% in 1Q2015](#)

[OH Looks to the Future of Its Electricity Future](#)

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EVENTS

June 5-6

PA Timber Show

Penn State University
State College, PA

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State News

Budget talks start despite charges of stunts, gamesmanship

In 2003, the General Assembly took a record eight days to pass the bare bones stopgap budget proposed by newly elected Governor Ed Rendell. That action forced Rendell to veto it almost identical to what he had proposed. This week, House Republicans set up a vote for the revenue portion of Governor Tom Wolf's budget proposal, which was voted down by a 193-0 vote.

Afterwards, House Democrats and Wolf accused the Republicans of stunts and gamesmanship, with Wolf saying, "It's a funny way to start a conversation. I think we could do a better job of it."

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More State News

Wolf Calls for Formation of Pipeline Taskforce

Governor Tom Wolf today announced the formation of a task force to help Commonwealth agencies, the natural gas industry, and communities across the state collaborate more effectively as thousands of miles of pipelines are being proposed to transport natural gas and related byproducts to markets from gas wells throughout the Commonwealth.

In Pennsylvania, natural gas drilling has outpaced the development of the infrastructure needed to get gas to market. Governor Wolf created the Pipeline Infrastructure Task Force (PITF) in an effort to promote unprecedented collaboration of stakeholders to facilitate the development of a world-class pipeline infrastructure system.

PITF will include representatives from state agencies, the legislature, federal and local governments, the pipeline and natural gas industries and environmental groups, among others. Interested individuals can [apply here](#).

"We need to work with the industry to make sure that the positive economic benefits of Pennsylvania's rich natural resources can more quickly be realized

June 15-18, 2015
2015 BIO International Convention
Pennsylvania Convention Center, Philadelphia, PA
Global biotech community.
More information available at convention.bio.org/register.

June 23-24, 2015
BioEnergy 2015
Washington Convention Center, Washington, D.C.
More [information](#)

July 19-21
2015 PFI Annual Conference
Williamsburg Lodge
Williamsburg, VA
[More information](#)

July 20-24
Energypath Camp & Conference
University of Scranton
Scranton, PA
Compiled July 20-22
Conference July 23-24
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in a responsible way," said Governor Wolf. "This taskforce is part of our commitment to seeing the natural gas industry succeed."

John Quigley, acting secretary of the Department of Environmental Protection, will serve as chairman of the task force.

The task force will aim to recommend a series of best practices for: planning, siting and routing pipelines to avoid/reduce environmental and community impacts; amplifying and engaging in meaningful public participation; maximizing opportunities for predictable and efficient permitting; employing construction methods that reduce environmental impact; and developing long-term operations and maintenance plans to ensure pipeline safety and integrity.

"Over the next decade, we could see the construction of as many as 25,000 miles of gathering lines. These are the lines that connect the wells to the processing stations. We can also expect another 4,000 to 5,000 miles of midstream and transmission pipelines in Pennsylvania," Quigley said. "Now is the time for a collaborative conversation among all stakeholders -- state, federal and local governments; industry representatives; and environmental and conservation groups."

The oversight of pipeline development is a challenge for the industry as well as the host communities, as no single state or federal agency has sole authority.

For more information about the Pipeline Infrastructure Task Force, please visit the website [here](#).

Senate Holds Hearing on Severance Tax

June began with the Senate Finance and Environmental Resources and Energy Committees holding a joint hearing on Wolf's proposed natural gas severance tax.

Acting Secretary for the Department of Revenue, Eileen McNulty, provided the first testimony of the morning. She said, "To begin, I'd like to highlight for the committees two important facts: One - that Pennsylvania is the second largest producer of natural gas in the country, but the only state in the US that is home to abundant natural gas production but doesn't impose a tax on those resources; and two - that our education system is suffering from funding cuts that increased class sizes, shrank teaching staffs and led schools to eliminate programs that would enhance our children's development."

Testimony by industry leaders drove home the point that this is not the time to implement a severance tax on the natural gas industry.

Lou D'Amico, President and Executive Director, Pennsylvania Independent Oil and Gas Association (PIOGA) voiced his opposition to the tax not just as an industry representative, but as a citizen of the Commonwealth. D'Amico cautioned, "People are losing jobs in this industry already, as a result of the economic environment." He added, "Adding a severance tax will do nothing but lead to the loss of more jobs and reduced capital expenditure programs, and further dampen the state's economic recovery."

Bruce Grindle, Vice President, Pennsylvania Grade Crude Oil Coalition (PGCC), argued, "The imposition of a severance tax at this time is ill-advised and would take the wind out of the sails of one sector of Pennsylvania's economy that has been growing." He added, "The imposition of a severance tax on the conventional oil and gas industry in Pennsylvania would most certainly be the final nail in the coffin of an industry that has been an economic engine and part of the western Pennsylvania landscape for over 150 years."

Matthew Knittle, Director of the state's Independent Fiscal Office (IFO), also

provided testimony on the analysis his office has done on the proposed tax. [More information can be found in the article below.](#)

Cabinet confirmations continue in Senate

The Senate moved forward on six cabinet nominations this week, unanimously confirming Banking Secretary Robin Weissmann, Insurance Commissioner Teresa Miller, Education Secretary Pedro Cortes, DCNR Secretary Cindy Adams Dunn and Secretary of Human Services Ted Dallas. Pedro Cortes was confirmed as Secretary of the Commonwealth by a 30-18 vote.

DEP Acting Secretary John Quigley was confirmed by the full Senate on a 44-4 vote on Wednesday afternoon after an often contentious confirmation hearing which produced "no recommendation."

Quigley, a former top state conservation official under Gov. Rendell and an environmental lobbyist for PennFuture, spent a long 90 minutes answering skeptical questions from Republicans on the Committee. Chairman Gene Yaw noted that everything Quigley said to the Committee was probably the right thing they wanted to hear, but that members had questions about prior public comments by Quigley, and wanted to see the DEP acting like Quigley was talking.

IFO says Wolf's severance tax could be 17.3% in first year

The state's Independent Fiscal Office (IFO) provides nonpartisan analysis to the Governor and General Assembly for budgetary purposes. This week, Matthew Knittel, director of the IFO, gave the State Senate's Environmental Resources and Energy, and Finance Committee's its analysis, and predicted that the combined terms of Wolf's proposal would yield a 17.3 percent tax in 2016, the first year it would take effect. He said that as prices increase and pipelines are built, the average tax rate should approach 7.3 percent, with producers eventually passing the cost of the tax on to end users, roughly 80 percent of which will be outside of Pennsylvania.

The current impact fee on the number of wells producers drill is equal to a 4.7 percent tax on the market value of annual production in 2015, largely due to very low natural gas prices. Knittel said the fee has ranged between an effective tax rate of 2 percent and 4 percent since its inception.

A key piece of Governor Wolf's budget revenue figures, his proposal sets a \$2.97 per thousand cubic feet minimum value for shale gas, regardless of the actual sale price, which has been considerably lower.

"The proposed severance tax will likely move Pennsylvania from one of the lowest severance tax states to the highest tax state, relative to other major gas producing states, Knittel said.

Representatives from the gas industry, who oppose the tax, were quick to warn legislators it would curb economic growth.

"Make no mistake, we will witness significant major decline in capital outlay in Pennsylvania," said Dave Spigelmyer, head of the Marcellus Shale Coalition. "This tax matter could not come at a more difficult time for an industry that's already under economic pressure."

Waters resigns, leaving House Democrats with just 81 members...for now.

Former Representative Ron Waters submitted his formal notice of resignation Monday afternoon, and with John Sabatina's election to the State Senate, the Democratic caucus now has just 81 members, with 119 Republicans on the other side of the aisle.

Waters and former Rep. Harold James both pleaded guilty in the undercover sting operation that the state Attorney General's office initiated, but was dropped by new Attorney General Kathleen Kane. Philadelphia District Attorney Seth Williams charged six people in the case after Kane declined to pursue the investigation. These were the second and third convictions in the case Kane had said was too flawed to win convictions.

Waters pleaded guilty to nine counts of conflict of interest, requiring him to serve 23 months on probation and resign the seat in the state House of Representatives he had held since 1999.

Three more sitting Democratic Representatives, Reps. Vanessa Lowery Brown, Michelle Brownlee and Louise Bishop are still facing charges. Brown withdrew a signed plea agreement when she appeared for court this week, and will return to court June 13. Brown had admitted to a grand jury that she took money, accepting five payments totaling \$4,000.

Brownlee will appear in court next Monday, and Bishop is scheduled to appear in court on Friday. Bishop, 81, wants her case dismissed, claiming that the sting's targets were selected because of their race.

Top Wolf Aid Attends Solar Rally

John Hanger, Wolf's Policy Director, attended a rally this week in support of solar energy.

Alongside labor leader, John "Johnny Doc" Dougherty, Hanger urged the General Assembly to pass Wolf's budget plan, which includes \$225 million for renewable energy and efficiency programs. The proposed plan also includes \$50 million to restart the Pennsylvania Sunshine Program, which has not been able to provide solar rebates since 2013.

"In the last four years, Pennsylvania just dropped out of the renewable-energy game," said Hanger.

David Masur, executive director of PennEnvironment, cited a recent report by Environment America Research & Policy Center showing that Philadelphia lagged behind other cities in solar installations.

According to the analysis, Philadelphia was ranked 26th nationally, with 9 megawatts of solar generation installed. Per capita, Philadelphia was ranked 41st. Wilmington and Newark, N.J., ranked in the top 10.

Chevron Fined for Lancaster Gas Well Fire

The Department of Environmental Protection (DEP) has entered into a Consent Assessment of Civil Penalty (CACP) with Chevron Appalachia, LLC (Chevron) for violations related to a fatal explosion and fire at the company's Lanco Well Site in Dunkard Township, Greene County.

The CACP requires the company to pay a \$939,552 fine for violations at the well site. The penalty points to Chevron's failure to construct and operate the well site to ensure that health, safety and environment were protected, as required by the state's Oil and Gas Act.

The explosion and fire at the site occurred on February 11, 2014, as workers were preparing the Lanco 7H well for production. The force of the explosion damaged and ignited the Lanco 6H well, which was on the same well pad. One worker was killed and another injured.

The well fires continued to burn for four days. The wells continued to emit gas and production fluids until they were capped several days later.

DEP's Bureau of Investigation (BOI) conducted an investigation which determined that an ejected nut and pin assembly on Lanco 7H well allowed gas to escape into the air. Chevron has since inspected other wells with similar installations and has made operational changes and issued guidelines on how those changes are carried out.

Regional news

NYSERDA Proposing to Spend \$1.5Billion on Renewable Energy

NYSERDA has outlined a plan in which it wants to set aside \$1.5 billion to fund renewable energy projects over the next decade. This plan, which outlines various options for awarding contracts and disbursing the funds, comes as the current plan is set to run out.

"It's the largest commitment New York state has made to renewable energy," said Richard Kauffman, the state's chair of energy and finance and chairman of NYSERDA's board. "This is for large-scale renewable energy, so it means utility-scale projects that we're talking about."

The proposal now heads to the state Public Service Commission who will accept public comments through July 22.

Several environmental groups, including the Sierra Club, signed a joint statement praising NYSERDA's proposed plan.

"This Large Scale Renewables proposal is a huge step forward toward that goal, while also driving the broader pollution reduction and job creation benefits such policies have proven to deliver," the statement read.

NJ Could Be Doubling Investment in Energy Storage

The New Jersey Board of Public Utilities (BPU) has proposed to double funding under the Clean Energy Act, bring the total to \$6 million. This money will be used to invest in energy storage.

The proposed increase in funding is a result of lessons learned from severe weather incidents, such as Hurricane Sandy. After Hurricane Sandy swept through the area in 2012, knocking out the power, NJ's BPU determined that most of its energy providers that also distributed renewable energy, couldn't do so without being connect to the grid power.

By investing in energy storage, New Jersey will not only be able to provide ongoing services to critical facilities during emergency incidents, but it will also be working toward meeting its renewable energy targets.

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Federal News articles

EPA finally proposes 2014, 2015, 2016 Renewable Fuel Volume Requirements

The Obama administration last week issued its long overdue biofuel standards, setting the volumes for renewable fuels at levels that fall short of the levels set out under the law.

EPA says in its proposal that "real-world limitations" have prevented the U.S.

from reaching its biofuel goals for 2014, 2015 and 2016 and that it would seek to use the waivers allowed by Congress to cut the mandate, while still seeing to increase overall supplies of the renewable fuels.

On May 29, the U.S. EPA released a proposed rule containing 2014, 2015 and 2016 renewable volume requirements (RVOs) under the renewable fuel standard (RFS), along with a proposed 2017 RVO for biomass-based diesel ahead of its June 1 judicial deadline. While the proposed RVOs do increase over time, they fall short of statutory requirements.

Proposed Renewable Fuels Volumes

	2014	2015	2016	2017
Cellulosic biofuel	33 mill gal	106 mill gal	206 mill gal	n/a
Biomass-based diesel	1.63 bill gal	1.70 bill gal	1.80 bill gal	1.90 bill gal
Advanced biofuel	2.68 bill gal	2.90 bill gal	3.40 bill gal	n/a
Total renewable fuel	15.93 bill gal	16.30 bill gal	17.40 bill gal	n/a

[View rest of article](#)

US House Subcommittee meets on Quadrennial Energy Review

The Subcommittee on Energy and Power, chaired by Rep. Ed Whitfield (R-KY), this week held a hearing on the "Quadrennial Energy Review and Related Discussion Drafts." At the hearing, Secretary of Energy Ernest Moniz touched on the findings of the administration's Quadrennial Energy Review (QER), which highlighted the need to modernize our nation's energy transmission, storage, and distribution infrastructure. In addition to testifying on the QER, Secretary Moniz provided testimony on the relevant discussion drafts released by the committee as part of its plan to build the Architecture of Abundance .

"First and foremost, America's energy boom is necessitating an infrastructure boom. We need more pipelines and storage facilities and all the other elements of the infrastructure for oil and natural gas. We also need more electric transmission lines and upgrades to the existing infrastructure to ensure that our electricity supply is sufficient, reliable, and secure against outside attacks," Whitfield said. Many have asked whether there's enough common ground between our efforts and the Obama administration to enact meaningful energy legislation. I believe that this question was answered with a clear yes when the Department of Energy's first installment of its Quadrennial Energy Review (QER) was released. This detailed study focuses on the infrastructure implications of America's new energy boom, and many of its recommendations overlap with provisions in our draft energy bill. I welcome Secretary Moniz this morning to discuss the QER and look forward to his input which is always valued by this subcommittee.

Since the 1970s, Congress has developed an energy policy based on assumptions of declining American energy output and increasing import

dependence. But that came before the dramatic turnaround in oil and natural gas production over the past decade, and now we are beginning the task of adjusting our energy policy to reflect this new reality. Both the QER and our energy bill are largely based on the need to update Washington's outdated approach.

Energy and Commerce Committee Chairman Fred Upton said, "Longstanding concerns about declining domestic energy output have been erased by rapidly rising oil and natural gas production. In 2013 alone, according to the QER, the U.S. added 1.23 million barrels per day of production, a record increase by one country in one year. Domestic production of natural gas and related liquids has experienced equally dramatic increases. In 2014, the U.S. became the world's number one energy-producing nation - and it's time we start acting like it.

Unfortunately, the scarcity mindset is still embedded in our national energy policy. Rising energy production requires more energy infrastructure - what I have called the Architecture of Abundance. Both the energy legislation and the QER include a number of ideas for upgrading and expanding the nation's energy infrastructure. And in light of the recent pipeline spill in California, I would add that both aim to ensure that this new infrastructure is built with state-of-the-art technologies that reduce the environmental and safety risks. But our energy abundance can be more than just an economic success story; it can be a foreign policy success story as well. That is why the recently released discussion draft of our energy diplomacy title is so important.

The QER, released on April 21, included several recommendations to meet America's growing energy infrastructure needs - many of which are the focus of the committee's draft energy bill. Secretary Moniz added, "We need a step change to modernize and transform our energy systems to meet U.S. environmental, energy security, and competitiveness goals for the 21st century."

Lancaster County Commissioner Scott Martin, Lancaster County Commissioner testified to the Committee on Tuesday. He told the members that natural gas had been a boon to Pennsylvania and Lancaster County, and that the domestic oil and gas "revolution" can only be successful long-term if the necessary pipelines are quickly built and brought on-line.

Martin said, "While renewables, greater efficiencies, clean coal, next generation nuclear, and a secure and smart grid are vitally important, it is really the virtually unlimited supply of clean, recoverable natural gas from shale that will lead America into the future." [Martin's full remarks are available here.](#)

Across the Nation, Bills Take Aim at RPS

With the exception of Hawaii, who is working toward raising their RPS to 100%, other states have begun focusing their legislative efforts on reducing or eliminating the current RPS's in place.

The following is a selection of RPS legislation from half a dozen states.

- **North Carolina:** After an attempt to reduce the RPS to 6.25% in April was voted down, a new bill seems to have taken hold. HB 760, was passed in the House and if signed into law, it would freeze the RPS at 6% instead of raising it in 2018.
- **Texas:** Senate recently passed SB 931, which will eliminate the state's RPS. The state has already reached its goal of 10,000 MW of solar and wind power and therefore it is argued, the industry does not need help from the state any more.
- **Minnesota:** A recently introduced bill would allow wind, biomass and hydro energy to meet the same RPS requirements as solar so long as

the energy produced is no more expensive than solar.

- **Vermont:** HB 40 passed both chambers and awaits final passage on the Governor's desk. This bill requires utilities to buy and sell more renewable electricity beginning in 2017. The bill incentivizes the build-out of 400 MW of new renewable energy by 2032 and incentivizes utilities to reduce customers' fossil fuel consumption via heat pumps and electric cars.
- **New Jersey:** SB 2444 is currently being debated and would require the state source 80 percent of its electricity from renewables by 2050, raising the state's current policy goal of 22.5 percent by 2022.
- **Michigan:** Recently introduced legislation would increase renewable energy target to 20 percent by 2022, doubling its target of 10 percent by 2015.

USDA Announces Restart of BCAP for Renewable Energy

The U.S. Department of Agriculture (USDA) announced this week that incentives will resume this summer for farmers, ranchers and forest landowners interested in growing and harvesting biomass for renewable energy. The support comes through the Biomass Crop Assistance Program (BCAP), which was reauthorized by the 2014 Farm Bill. BCAP provides financial assistance to establish and maintain new crops of energy biomass, or who harvest and deliver forest or agricultural residues to a qualifying energy facility.

Financial assistance is available through BCAP for costs associated with harvesting and transporting agriculture or forest residues to facilities that convert biomass crops into energy. Eligible crops may include corn residue, diseased or insect infested wood materials, or orchard waste. The energy facility must first be approved by USDA to accept the biomass crop. Facilities can apply for, or renew, their BCAP qualification status beginning today. \$11.5 million of federal funds will be allocated to support the delivery of biomass materials through December 2015. Last year, more than 200,000 tons of dead or diseased trees from National Forests and Bureau of Land Management lands were removed and used to produce renewable energy, while reducing the risk of forest fire. Nineteen energy facilities in 10 states participated in the program.

Farmers, ranchers and forest landowners can also receive financial assistance to grow biomass crops that will be converted into energy in selected BCAP project areas. New BCAP project area proposals will be solicited beginning this summer and accepted through fall 2015, with new project area announcements and enrollments taking place in early spring 2016. The extended proposal submission period allows project sponsors time to complete any needed environmental assessments and allows producers enough lead time to make informed decisions on whether or not to pursue the BCAP project area enrollment opportunity. This fiscal year USDA's Farm Service Agency (FSA) will allocate up to \$8 million for producer enrollment to expand and enhance existing BCAP project areas. Additionally, in accordance with the 2014 Farm Bill, underserved farmers are eligible for a higher establishment cost share. BCAP projects have supported over 50,000 acres across 74 counties in 11 different project areas.

BCAP was made possible by the 2014 Farm Bill, which builds on historic economic gains in rural America over the past six years, while achieving meaningful reform and billions of dollars in savings for taxpayers. Since enactment, USDA has made significant progress to implement each provision of this critical legislation, including providing disaster relief to farmers and ranchers; strengthening risk management tools; expanding

access to rural credit; funding critical research; establishing innovative public-private conservation partnerships; developing new markets for rural-made products; and investing in infrastructure, housing, and community facilities to help improve quality of life in rural America. For more information, visit www.usda.gov/farbill.

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