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December 18, 2014

Funding

Pennsylvania's Economic Development Programs Reorganized

Under a new law about to go into effect, some of Pennsylvania's major economic development programs such as Small Business First, the Machinery and Equipment Loan Fund and the Industrial Development Program are set to merge into the PA Industrial Development Authority. Supporters of the reorganization say businesses and entrepreneurs will have a "one-stop" approach to getting state economic development support, while the state will be able to leverage more efficient use of limited public tax dollar.

\$200,000 Big Idea Contest 2015

Small manufacturer or entrepreneurs located in Northwestern PA who are looking to bring a new product or process to the market are encouraged to apply to Ben Franklin Technology Partners \$200,000 Big



***Have a safe and happy holiday season!
ERG Report will resume on January 15, 2015.***

Swearing In, Inauguration Dates Set

Members of the Pennsylvania House and Senate will be sworn into office on January 6. Leadership is already in place for both chambers, but committee chairs and subsequent memberships have not yet been finalized.

Governor-elect Tom Wolf and Lt. Governor-elect Mike Stack will be sworn into office during inaugural events on January 20.

As with any new governor, the annual budget address will be pushed back, and likely to occur in late February or early March. The state continues to push up against difficult deficit and revenue numbers and may finally act on pensions, liquor reform, and other big ticket items.

Wolf Names Key Senior Staff

Wolf made several key senior staff appointments to join him in the Governor's Office in addition to Katie McGinty, who was previously named his chief of staff.

Idea Contest 2015.
Deadline is January 20.
Finalists will be chosen
in February with winners
announced April 14.
Click [here](#) application
and details.

Events

[Pennsylvania Farm Show](#)
*Jan 10-17, Harrisburg,
Pa*

[CP AEE Tour of Four
Seasons Produce](#)
*January 14, 11am-1pm,
Ephrata, Pa*
Randy Groff of Four-
Seasons will provide a
talk on deep energy
retrofits - the genesis and
journey of Four-Seasons.
A facility tour and light
lunch will be provided.

[Ben Franklin Technology
Partners Sponsoring an
Introduction to Equity
Financing](#)
*January 29, 5:30 - 7:30
p.m. with networking
reception to follow,
University Park, Pa.*

News Clips

[Study: Abandoned wells
could be significant
source of greenhouse gas](#)

[Pittsburgh conference
seeks input for region's
energy future](#)

[ASTM approves spec for
heating oil with 6 to 20
percent biodiesel](#)

[As pipelines proliferate,
Pennsylvania sees next
phase of gas boom](#)

[Goldman Sees U.S. Oil
Output Unscathed as
Costs Decline](#)

[UN Climate Talks Once
Again Break Down Over](#)

Last week, Wolf named John Hanger as his secretary for planning and policy, Mary Isenhour as secretary of legislative affairs, and Obra S. Kernodle IV as deputy chief of staff and director, Office of Public Liaison.

John Hanger served as a commissioner of the Pennsylvania Public Utility Commission from 1993 to 1998 and as secretary of the Pennsylvania Department of Environmental Protection from 2008 to 2011. He was the founding president of Citizens for Pennsylvania's Future (PennFuture) and served in that capacity from 1998-2008.

Mary Isenhour began her career as chief of staff to the Democratic Leader in the Kansas House of Representatives. She has since served as a national political director for the Washington, D.C. based Democratic Legislative Campaign Committee, executive director of the Pennsylvania House Democratic Campaign Committee (HDCC), and executive director of the Pennsylvania Democratic Party and as state director for Hillary Clinton's Presidential Campaign.

Obra S. Kernodle IV served in Philadelphia Mayor Michael Nutter's Administration as deputy of legislative affairs. He was part of President Obama's reelection effort as the Pennsylvania southeast political director, and previously served as the political director for both Mayor Nutter's 2011 reelection bid and District Attorney Seth Williams' race in 2009.

Transition Review Heads, Teams Announced
Governor-elect Tom Wolf has named the individuals tasked with reviewing state agencies, commissions, and various issue areas. These individuals will lead [transition review teams](#) specific to each state agency that will work with outgoing members of the Corbett administration to better understand the issues and challenges facing each agency.

Agriculture

- Russell Redding has served as the dean of the School of Agriculture and Environmental Sciences at Delaware Valley College since February 2011. Previously, Redding was the secretary of the Pennsylvania Department of Agriculture.

Conservation and Natural Resources

- Caren Glotfelty is the executive director is the Allegheny County Parks Foundation. She previously served as the director of environmental programs at Heinz Endowments.

['Climate Reparations'](#)

[Senate passes tax extenders: biodiesel credit to be reinstated](#)

[Does the Pennsylvania Legislature have a conflict of interest problem?](#)

[ASTM approves new standard for butanol purity testing](#)

[USDA Improves Forest Health by Harvesting Biomass for Energy](#)

[Congressional Budget Deal Blocks U.S. Support for Green Climate Fund](#)

[Bioenergy Solutions Deserve a Major Role in U.S. Emission-Reduction Strategy](#)

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Glotfelty also was the first deputy secretary of water management for the Department of Environmental Resources under Governor Robert Casey.

Community and Economic Development (co-chairs)

- Rob Wonderling is the president and CEO of the Greater Philadelphia Chamber of Commerce. From 2002 to 2009, Wonderling served in the Pennsylvania State Senate.
- Dennis Yablonsky is the CEO of the Allegheny Conference on Community Development and its affiliated organizations. Prior to joining the Allegheny Conference, Dennis served as secretary of the Pennsylvania Department of Community and Economic Development from February 2003 to October 2008.

Environmental Protection (co-chairs)

- Christina Simeone is the deputy director of the Kleinman Energy Policy Center at University of Pennsylvania. Previously, Simeone was senior member of the PennFuture Energy Center staff.
- Robb Fox is a partner at the law firm Manko, Gold, Katcher & Fox LLP. Fox is known nationally for his work related to the federal Superfund law, toxics and chemicals litigation.

Public Utilities Commission

- Brent Alderfer is CEO and co-founder of Community Energy, a clean energy company. Alderfer served as a former Colorado Public Utility commissioner and is well known in the renewable energy industry for his leadership in markets for new and renewable energy technologies.

Severance Tax Talk Intensify as Legislature, New Governor Prepare for 2015

Governor-elect Tom Wolf campaigned on a five percent severance tax on natural gas extraction to raise \$1 billion to fund schools and fill the state's growing budget deficit - an idea that continues to split residents and business owners looking for any way possible to make ends meet without hurting their own bottom lines.

Last week, an Associated Press story said Wolf's estimate - supported in August by the Pennsylvania Budget and Policy Center (PBPC) - assumes a wholesale price drillers can "only dream about." At

current prices and production levels, a five percent severance tax could produce as little as \$525 million, and as much as \$675 million, the story noted. PBPC this week said the tax could generate up to \$881 million...still short of the needs for education funding, and the structural budget deficit, now pegged at almost \$1.9 billion.

True impacts and revenue numbers remain in flux, but legislators have already begun circulating draft legislation on both sides of the issue. Sen. Jim Brewster (D-Allegheny) announced legislation that would earmark revenue from a new natural gas extraction tax for public schools while retaining current well impact fees that support local governments.

Brewster estimated that his proposed five percent tax would generate between \$700 million to \$1 billion for public schools. The funds would be distributed via a new basic education subsidy formula that is now being developed by a bipartisan legislative commission.

Under his plan, shale drillers would be able to credit current impact fee expenses (Act 13 of 2012) against their severance tax liability. That way, the senator said the effective tax rate is five percent, which would keep the industry competitive. The current impact fee equates to an estimated 1.8 percent tax over the life of the well.

And State Rep. Kate Harper (R-Montgomery) on Thursday announced legislation to direct revenues toward public school employee pension costs. The Public School Employees' Retirement System currently has an unfunded liability that exceeds \$32 billion.

Rep. Harper's proposal would assess a tax of 3.5 percent of the gross value of units severed at the wellhead. She estimated the tax would generate more than \$400 million annually.

Harper said, "My proposal strikes the appropriate balance between keeping this job-creating industry competitive and capitalizing on the opportunity to protect our school taxpayers from skyrocketing pension costs."

The tax would be in addition to impact fees assessed on drilling under Act 13 which has generated more than \$630 million to date.

Representatives of Associated Petroleum Industries of Pennsylvania, the Marcellus Shale Coalition and the PA Independent Oil and Gas Association Tuesday held a press conference to again express their opposition to a severance tax on natural gas production.

Dave Spigelmyer with the Marcellus Shale Coalition said attempts by the Wolf administration to raise \$1 billion in revenue through a severance tax would "damage this play forever in the commonwealth."

"There are opportunities for job growth, opportunities for a manufacturing renaissance," said Spigelmyer. "All will create tax revenue for the commonwealth and I think that's where the focus should be for the state."

Newly elected State Senator Camera Bartolotta, on her Facebook page, summed up resistance of many elected officials from the Marcellus drilling area, noting, "I will fight, tirelessly, to keep the impact fee in place. \$130 million dollars have come to municipalities that are impacted by drilling. Money that we would not see otherwise is a huge benefit to our district."

An analysis by Platts showed that oil and gas companies will profit even with a five percent tax at current sales prices. Regardless, numbers on both sides of the argument are likely to remain sketchy.

In the end, it may not be so much a questions of "if" the revenue estimates are accurate, but more so whether funding education and filling budget deficits via a severance tax is the right avenue for Pennsylvania's long term plans. But it has become obvious that even a severance tax is no silver bullet for the state's budget problems.

Senators to Introduce Pipeline Impact Fee

While others are arguing about severance taxes, Sens. John Rafferty and Andrew Dinniman are pushing for a state gas pipeline impact fee to supply affected communities with revenue necessary to alleviate any environmental and safety issues due to pipeline construction.

"Many communities experience a period of reduced quality of life and long-term impacts to the environment as a result of the construction process," Rafferty and Dinniman wrote in a memo to colleagues. "Increased traffic congestion, noise, environmental risks and associated safety risks are experience by those who live, work, or commute in proximity to these projects."

The proposed fee would be levied on firms building new transmission and gathering lines for natural gas and oil. The proposal would calculate the pipeline fee based on the acreage of linear feet plus right-of-way width of a pipeline using the county average land value in an affected area. Revenue estimates are not available at this time.

Their proposal differs from Act 13, which levies a fee on drilling companies. The Senators introduced similar legislation last Session.

York Biodiesel Plant Moves a Step Closer with RDA Vote

Central Penn Business Journal, Dec. 17, 2014

York's Redevelopment Authority voted Wednesday to negotiate a development agreement with two entrepreneurs who seek to turn a long-vacant, RDA-owned industrial building on South Pine Street into a facility for making biodiesel fuel.

If Britta Schwab and James Munene can satisfy the agency's requirements, they'll get to buy the building at 630 S. Pine St. from the RDA for \$1,000. The building was once used by Simon Camera for processing photo film. Schwab and Munene also would get to lease a parking lot at 600 S. Pine St. from the RDA for a nominal amount. [More...](#)

Report Finds Pennsylvania a Rising U.S. Leader in Clean Energy

Pittsburgh Post-Gazette, December 17, 2014

Pennsylvania added nearly 1.4 gigawatts of clean energy capacity and attracted \$3.5 billion in private investment between 2009 and 2013, helping to make the Keystone state a "rising leader" in renewable energy investment, according to a report from the Pew Charitable Trusts.

Meanwhile, new clean energy projects planned in Pennsylvania over the next decade are expected to add 5 gigawatts of capacity and generate \$17.7 billion in investment, according to the report, which is part of an analysis by the Pew Trusts' Clean Energy Initiative. [More...](#)

Regional News

Cuomo to Ban Fracking in NY State, Says Health Risks Outweigh Economic Benefits

On Wednesday New York Governor Andrew Cuomo announced his administration's intent to ban hydraulic fracturing in the state, citing unresolved health issues, environmental impacts, and uncertain economic benefits.

New York has had a de facto ban on fracking for more than five years with dozens of municipalities issuing their own moratoriums on drilling. The administration decided to wait for results from a new study conducted by the Health Department before issuing a final decision.

During a year-end cabinet meeting in Albany, the administration previewed the long-awaited study with

both Environmental Commissioner Joe Martens and Acting Health Commissioner Howard Zucker supporting a ban. Delays on the report have angered many on both sides of the issue, but ultimately the administration felt the study proved fracking to carry unacceptable risks.

Martins said his agency will issue a final environmental impact statement in early 2015, after which he will issue an order prohibiting fracking.

Following the New York announcement, officials from Pennsylvania's Governor-elect Tom Wolf's camp told reporters that Wolf "opposes a ban" and he will "work to strengthen the rules governing drilling, increase enforcement of the rules, hire more inspectors, and create a health registry to monitor health issues."

"Pennsylvania's natural resources should help the commonwealth become an energy leader, including renewable energy and energy efficiency, as well as a magnet for investment and job creation," said Wolf transition team press secretary Jeffrey Sheridan.

New York's ban will cut off access to about 12 million acres of Marcellus Shale natural gas.

Ohio Energy Tour: Columbus Blundered on Energy Law

Cleveland.com, Dec. 16, 2014

More than 130 packed into a small auditorium at the Great Lakes Science Center on Monday. They came to hear examples of what they already believed -- that state Republican lawmakers made a big mistake when they voted to freeze Ohio energy efficiency standards for two years and cripple renewable energy growth.

[More...](#)

Federal News

Tax Extenders Bill Passes with "Shelf Life of a Carton of Eggs"

The Senate on Tuesday before its Holiday recess approved the one-year tax extenders package already passed by the House by a 76-16 vote, sending the bill for the President's signature. Senate Finance Chairman Ron Wyden was one of 16 senators to vote against the package, saying that it "doesn't have the shelf life of a carton of eggs," in reference to the fact that the bill and its extensions expire on December 31.

While this may be how Congress works (or doesn't...), it's no way for business to work, and makes long range planning incredibly difficult for companies that can't

assume extensions will be automatically approved while making critical financial and investment decisions.

The provisions in the bill are retroactive to January 1, 2014, and include dozens of credits impacting both individuals and businesses. These include the research and experimentation tax credit, new markets tax credit, credit for railroad track maintenance, and section 179 provisions. Energy tax credits include those for plug-in electric vehicles, credits for alternative fuel refueling property, cellulosic biofuels producer tax credits, incentives for biodiesel and renewable diesel, credits for construction of new energy efficient homes, bonus depreciation for cellulosic biofuels, credits for fuel cell motor vehicles, credits for nonbusiness energy property, deductions for energy efficient commercial buildings, and the Section 45 and 48 renewables credits.

While the wind industry argued that such a last-second revival of the PTC does little for developers who need months to get projects to the point at which they would qualify, the wind PTC's foes weren't exactly pleased with the one-year extension either.

The approval capped a months' long process where things were held up by others, including Democratic Leader Harry Reid, trying to broker other or longer deals. But Wyden and the White House opposed efforts by Reid and House Ways and Means Committee Chair Dave Camp (R-Mich.) to extend most breaks for two years and make some tax breaks for businesses permanent. The president issued a veto threat, which killed any further hope for more than a one year deal.

Some of the breaks are subject to question by many, including credits for NASCAR race tracks, rum companies in Puerto Rico, television and movie tax credits, and horse racing tax credits. But in the end, these extensions and the larger group are usually finished off. Looking ahead, leaders hope to put together a longer term tax policy bill in early 2015. But Republican Sen. Orrin Hatch, the incoming chairman of the committee, is not committing to a time table. "We're going to have to work on it, there's no question about it," Hatch said. "I just wish we could get permanency."

Keystone XL Vote Slated Early in 2015

The new Republican Senate will take up the proposed Keystone XL oil pipeline as its first order of business, incoming Majority Leader Mitch McConnell said Tuesday.

McConnell plans to allow open amendment debate on the pro-Keystone legislation from Sen. John Hoeven

(R-N.D.), an action that could be very interesting as Senators seek to use the bill as a vehicle for other issues - hopefully energy-related.

"And we'll move forward and hopefully be able to pass a very important job-creating bill early in the session." Among potential energy amendments that senators could seek to attach to the Keystone bill are proposals to slow or stop EPA's emissions rules for power plants and plans to fast-track liquefied natural gas exports.

McConnell added: "We already have 19 pipelines, I'm told by Lisa Murkowski, that either cross the Mexican border or the Canadian border. Multiple studies showing over and over again no measurable harm to the environment. People want jobs, and this project will create high-wage jobs for our people and it certainly does enjoy a lot of bipartisan support. You saw that on the vote that was held a couple weeks ago."

Murkowski (R-Alaska), the Energy and Natural Resources Committee's incoming chairwoman, said an open amendment process on Keystone XL legislation would show that Republicans are ready to change the way the Senate has been operating.

She plans to steer pro-Keystone legislation through committee before bringing it to the floor, but she acknowledged that McConnell's vow not to "micromanage" amendments could spark a flurry of contentious votes on unrelated issues.

And Murkowski reminded fellow senators that the GOP Senate hopes to give them many more opportunities to secure votes on energy issues not related to the \$8 billion Canada-to-Texas oil pipeline.

Shaheen-Portman Blocked - Toomey Takes the Floor

Sens. Jeanne Shaheen and Ron Portman took to the Senate floor again Tuesday to try passing a smaller version of their energy efficiency bill that already cleared the House. A day after Sen. Tom Coburn kept the bill from advancing via unanimous consent, Pennsylvania Republican Pat Toomey was on the floor to block the latest attempt "on behalf of a colleague who is unavoidable detained." That didn't stop Republicans in favor of the bill from complaining. "I'm very disappointed it was objected to again for no particular reason," Portman said. Sen. Lisa Murkowski also weighed in, wondering how the Senate will tackle tougher issues such as nuclear waste legislation. "How are we ever going to get to the tough ones if the easy ones that we describe around here as low-hanging fruit, that we can't get it through this process?"

National Defense Authorization Act Includes

Energy Provisions

The National Defense Authorization Act that cleared Congress on Friday also contained several bipartisan energy provisions, including language extending a Bureau of Land Management pilot program that speeds up processing of oil and gas permit applications that was backed by both parties and the industry. The NDAA also included language incentivizing natural gas vehicles by removing a CAFE credit cap for natural gas dual-fueled vehicles. The defense package also included a hydropower provision from Sen. John Barrasso that would allow non-federal hydroelectric development at 11 Interior-controlled projects in the West, a sequel to a similar bill passed by Congress in 2013 that covered hundreds of other Bureau of Reclamation facilities.