



## Alternative Energy Report

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### **Governor Proposes 2012-2013 Budget Next Week; No Deal Announced Yet on Marcellus**

The state legislature's "Budget season" officially starts with the Governor's budget address on February 7. The state still faces difficult financial times, with no easy answers in sight.

Pennsylvania collected \$2.2 billion in General Fund revenue in January, which was \$10.4 million, or 0.5 percent, less than anticipated, Secretary of Revenue Daniel Meuser reported today. Fiscal year-to-date General Fund collections total \$13.8 billion, \$497.2 million, or 3.5 percent, below estimate.

Senate President Pro Tempore Joe Scarnati is still hopeful that a deal on natural gas severance fee can be reached this month, and many organizations are pushing for a tax to be enacted to help carry the state's financial burden.

According to a report recently released by the Pennsylvania Budget and Policy Center, the state has lost more than \$300 million in revenue since 2009 by not passing a tax on natural gas production.

The tax and budget policy research nonprofit said its drilling tax ticker breached the benchmark on Monday. The ticker uses monthly well-drilling reports to calculate the average total production and estimates taxes lost based on the 5 percent tax proposed by former Gov. Ed Rendell in 2009, as well as the 4.7-cent fixed surcharge per 1,000 cubic-feet of gas produced.

### **Closing the Delaware Loophole**

After years of discussion, the state legislature may be ready to make companies pay taxes on Pennsylvania profits transferred out of state. The plan by House Policy Committee Chairman Reed (R-Indiana) and Rep. Eugene DePasquale (D-York) would close the so-called "Delaware Loophole."

House Bill 2150 would use the proceeds from closing that loophole to cut three corporate tax rates by \$1 billion in a decade.

"This could be part of the budget when it is signed in June, and we would hope that at least part of it will be," said House Majority Leader Mike Turzai (R-Allegheny). So far, the Corbett administration has not publicly responded to the idea.

The plan would cut business taxes by \$1 billion over 10 years, and offset that amount by increasing the corporate net income tax revenues by imposing the levy on companies using out-of-state holding companies to avoid the corporate tax. Over seven years, the corporate net income tax rate would fall from 9.99 percent to 6.99 percent.

### **House ER&E Chair George to Retire**

After fighting to keep his seat during the redistricting process, House Minority Environmental Resources and Energy Committee Chair Bud George (D-Clearfield) has announced that he will retire at the end of his term.

The 2012 Session will bring major changes to both the House and Senate Environmental Resources and Energy Committees as three of the four chairs are either retiring or seeking other nominations as House Majority Chair Scott Hutchinson (R-Venango) will run for state Senate seat being vacated by Senate Majority Chair Mary Jo White (R-Venango).

Now that the state Supreme Court has ruled the redistricting maps unconstitutional, it is unknown if George's seat will remain intact, or move to another part of the state. The maps rejected by the court combined the western districts of state Reps. Jesse White (D-Washington) and Nick Kotik (D-Allegheny), in lieu of moving the Clearfield seat.

### **PBEA Holds First Open Membership Meeting**

The Pennsylvania Biomass Energy Association (PBEA) held its first membership meeting today at Harman Stoves in Halifax. The meeting was the official kick-off of the Association, and the newly elected board of directors was able to meet with a diverse mix of companies spanning the state's biomass industry.

As the state's only industry-driven biomass energy association, the board and attendees focused their conversation on formulating goals for the Association for the betterment of the entire biomass energy industry. Education, outreach, and public policy are just a few of the areas that PBEA will focus on moving forward.

Following the meeting, ERG accompanied members on a tour of the Harman Stoves facility, where attendees learned more about the manufacturing process behind Harman's production of safe, efficient, clean-burning wood and pellet stoves for residential use. PBEA plans to incorporate on-site visits to member facilities as just one component of its educational outreach efforts.

For more information, or to join PBEA, visit their website at [www.supportpbiomass.org](http://www.supportpbiomass.org), and select "Join PBEA."

### **Investors Feeling Confident about Biomass**

During a recent webinar hosted by the American Council on Renewable Energy (ACORE) forecasting the biomass industry in 2012, investors from the Washington D.C.-based clean energy investment team at Leaf Clean Energy Company said that they believe that the woody biomass market is looking up.

According to Leaf's Peter O'Keefe, "[woody biomass] is an area that we think has tremendous promise in the U.S." With investments in a biomass power facility in Georgia and another in Florida, Leaf Clean Energy is looking for more opportunities, he said.

The reasoning behind the company's search for new biomass investment is directly linked to the base load power supply and future changes in that market. "If you look at base load power and the attack that it is under, biomass is absolutely a secure solution for us." O'Keefe pointed out the recent domestic and global issues with nuclear power and the push by European utilities to use renewable energy resources such as pellets.

O'Keefe and other investors on the call said that they believe the demand in Europe for pellets will also help push the industry in the U.S. forward.

### **DCED Makes Investments in Six Clean Energy Projects, Including State Largest Wind Farm**

The Commonwealth Financing Authority (CFA) has approved funding for six clean energy projects in six counties, including investment in what will be the state's largest wind farm.

Support for the approved projects is nearly \$13.8 million, primarily funded through the state's Solar Energy, Renewable Energy, and Alternative and Clean Energy Programs. The projects will have an installed capacity of more than 141 megawatts and the generation of more than 423,000 megawatt-hours of electricity annually. The electric generation could power at least 44,101 homes.

"These investments will result in substantial energy savings for businesses, families, municipalities and schools that use renewable technologies," said Department of Community and Economic Development Secretary C. Alan Walker. "These new projects will help make the development and deployment of solar, wind and renewable energy technology more affordable across Pennsylvania."

One of the projects, developed by EverPower Wind Holdings Inc., will receive a \$12.7 million Renewable Energy Program grant for the construction of the Twin Ridges Wind Farm in Northampton, Southampton, Larimer and Greensville townships, Somerset County. The 139.4-megawatt wind farm will be the largest in Pennsylvania and will generate up to 20 percent of the state's wind power. The \$238.8 million project will create an additional \$226.2 million in private economic investments and is expected to be operational by the end of 2012.

Click [here](#) for a full list of grant recipients.

### **House Majority Leader to Offer RACP Reform Bill**

House Majority Leader Mike Turzai (R-Allegheny) has circulated a co-sponsorship memo outlining his plans to introduce legislation to "completely reform" the Redevelopment Assistance Capital Project (RACP) grant program.

The memo states that Turzai's office has worked with members on both sides of the aisle, and the "legislation incorporates common sense changes to bring the program (and the resulting debt load) to a more responsible and manageable level."

The RACP program was established in 1999 with an initial debt ceiling of \$1.2 billion. Since that time, the debt ceiling has been raised six times, and is currently at \$4.05 billion. The memo states that there are approximately 8,000 RCAP projects itemized in the nine Itemization Acts that have passed since 1999. Most projects have not yet been authorized. [MORE...](#)

## **FEDERAL NEWS**

### **President Obama's State of the Union Address Touts Clean Energy**

President Obama called for clean energy tax credits and a clean energy standard in his annual State of the Union address on January 24. Saying, "I will not walk away from the promise of clean energy," the president framed the issue in terms of international competition, pledging not to "cede the wind or solar or battery industry to China or Germany because we refuse to make the same commitment here." He also announced two initiatives to advance the deployment of clean energy technologies.

"I'm directing my administration to allow the development of clean energy on enough public land to power 3 million homes," said President Obama. "And I'm proud to announce that the Department of Defense, working with us, the world's largest consumer of energy, will make one of the largest commitments to clean energy in history—with the Navy purchasing enough capacity to power a quarter of a million homes a year."

President Obama also emphasized the need for greater energy efficiency,

proposing to help manufacturers eliminate energy waste in their factories and to give businesses incentives to upgrade their buildings, potentially cutting their energy bills by \$100 billion over the next decade. In addition, the president referenced a number of tax incentives that would aid domestic manufacturing of clean energy technologies, including an extension of the Advanced Energy Manufacturing Tax Credit. See the president's [State of the Union address](#) on the White House website, as well as the White House fact sheets on the president's proposals for [energy](#) and [manufacturing](#).

### **U.S. Dept. of Interior Closing in on Gas 'Fracking' Rules**

Interior Secretary Ken Salazar is getting closer to unveiling long-planned draft rules to impose new requirements on the natural gas drilling method called hydraulic fracturing, a proposal that President Obama highlighted in his State of the Union speech.

Salazar told reporters Monday that more information would surface in "several weeks" about the proposed regulations, which will cover hydraulic fracturing – dubbed "fracking" – on public lands under Interior jurisdiction. The rules will require companies to disclose chemicals used in the fracking process.

Interior first indicated it was weighing fracking disclosure rules in late 2010. Obama mentioned the upcoming rules while touting his support for expanded U.S. natural gas development, comments Salazar echoed Monday.

In addition to chemical disclosure provisions, the rules are expected to address wellbore integrity and management of large volumes of water that are brought back to the surface in the fracking process.

### **USDA Accepting REAP Applications, Launches New Energy Website**

The USDA is accepting applications for its Rural Energy for America Program. The program is designed to help agricultural producers and rural small businesses reduce energy consumption and costs. While it is not specifically designed to benefit biorefining operations, biodiesel plants and other biorefinery operations that fit the definition of a rural small business under the program language are eligible to apply. [More...](#)

### **2011 Marks 1 Billion Gallons Plus for US Biodiesel Production**

The U.S. biodiesel industry reached a key milestone by producing more than 1 billion gallons of fuel in 2011, according to year-end numbers released by the EPA on Friday.

The total volume of nearly 1.1 billion gallons is by far a record for the industry and easily exceeded the 800 million gallon target required under the EPA's renewable fuel standard (RFS). The previous record for biodiesel production was about 690 million gallons in 2008.

Despite reported setbacks in the renewable energy sector, representatives from the National Biodiesel Board see achieving this milestone as proof that the biodiesel tax incentive and the renewable fuel standard are working just as Congress intended.

"I think our success in 2011 reflects the bigger picture reality, which is that strong energy policy is working to stimulate production of clean, American-made energy," said Anne Steckel, VP of federal affairs for NBB. "Our industry is creating jobs, reducing our dependence on imported fuel, and improving the environment."

A recent economic study commissioned by NBB found that biodiesel production of 1 billion gallons supports 39,027 jobs across the country and more than \$2.1 billion in household income. An additional 11,698 jobs could

be added between 2012 and 2013 alone under continued growth in the RFS and with an extension of the biodiesel tax incentive.

The tax incentive has since expired (again) as of Dec. 31. The industry is calling on Congress to extend the credit.

## EVENTS

[Penn State Bioenergy Symposium - Short Rotation and Perennial Crops](#)  
February 29, State College, PA

[Penn State Bioenergy Emissions and Health Impacts Short Course](#)  
March 22, 2012, Harrisburg, PA

[3rd Annual Marcellus Midstream Conference & Exhibition](#)  
March 19-21, David L. Lawrence Convention Center, Pittsburgh, PA  
The proliferation of shale-gas production is causing a race to build the needed infrastructure to support production. The Conference & Exhibition will focus on the opportunities surrounding the building out of the infrastructure needed in non-traditional petroleum-producing regions.

[BBI Announces International Biomass Conference Agenda](#)  
April 16-19, Denver, CO

Visit [www.pa-erg.com](http://www.pa-erg.com) to view a full list of upcoming energy events.

## NEWS CLIPS

[FirstEnergy to Retire Six Older Coal-Fired Power Plants](#)  
[Corbett Reasserts Position on Marcellus Shale](#)  
[Senate Committee in Virginia Approves Energy Research Credits](#)  
[Offshore wind announcement a "step forward"](#)

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