ERG
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Governor Signs Three Energy Bills. Marcellus Shale Fees and Regs a Reality

Gov. Tom Corbett this week signed three energy-related bills, including the long awaited natural gas impact fee bill which establishes new regulations for the expanding industry.

In signing the bill, Corbett said "The bill enhances protection of our natural resources through stronger environmental standards, authorizes counties to adopt an impact fee, and builds upon efforts to help move Pennsylvania toward energy independence."

The historic measure is the first comprehensive re-write of the state's Oil and Gas Act since 1984. It contains much of what had been proposed by his Marcellus Shale Advisory Commission.

Under House Bill 1950 (Act 13 of 2012), natural gas drillers will be required to pay an impact feel to help fund various state and local programs.

The decision to impose the fee will be placed at the county level. If County Commissioners choose not to impose the 15-year impact feel, a critical mass of municipalities can override the ruling. Share percentages are split 60/40 between local municipalities and the state. A copy of the Governor's Office Release on the bill signing is available here.

Another Marcellus Shale related bill, Senate Bill 1237 was signed into law as Act 16 of 2012. The bill, sponsored by Senate Majority Leader Dominic Pileggi (R-Delaware), expands the state's Keystone Opportunity Zones. Lawmakers hope that the KOZ expansion will give Pennsylvania a competitive edge over Ohio and West Virginia in attracting a Shell petrochemical refinery to the Pittsburgh area, and spurring the state's economy.

The Governor also signed House Bill 1294 (Act 11 of 2012), sponsored by Rep. Robert Godshall (R-Montgomery). This bill allows public utilities to charge ratepayers up front for distribution system improvement charges (improvements to power lines and water, sewer and natural gas pipelines.) In order to be eligible to recover costs through a DSIC, a utility must submit a longterm infrastructure improvement plan to the Commission.

Senate Committee Oks Bills Dealing with Potential Gasoline Shortage in Western PA

The Senate Environmental Resources and Energy Committee unanimously reported out legislation designed to help alleviate a potential gasoline shortage in Western PA.

Senate Bill 1386, sponsored by Sen. Elder Vogel (R-Beaver) amends the Air Pollution Control Act, repealing the requirements for low-RVP (Reid Vapor Pressure) gasoline in the Pittsburgh region and Stage II vapor controls.

During the meeting, Vogel explained that a seven-county region in southwest Pennsylvania is required to use a special summer blend of gasoline, and due to the closure of refineries in the southeast, there are concerns that enough summer blend will not be available. Therefore, the bill seeks to eliminate the special requirement.

Federal standards have limited the RVP of gasoline sold in the region during the “high ozone season.” RVP’s are blended seasonally to maintain gasoline engine reliability. Last fall, the EPA responded to a request from Governor Corbett and waived the 7.8 psi RVP requirement for the Pittsburgh region due to the lack of available fuel at that lower RVP.

Committee Chair Mary Jo White (R-Venango) also noted that state DEP Secretary Mike Krancer has some concerns with the bill, but has agreed to look at the special gas plan.

The committee also agreed to Senate Bill 1398, sponsored by Sen. John Yudichak (D-Luzerne), which extends the sunset of the Underground Storage Tank Environmental Cleanup Program from 2012 to 2017.

Senate Policy Committee Reviews Impact on Southeast PA Refinery Closures

The Senate Republican Policy Committee this week heard testimony regarding the statewide impact of oil refinery closures in Southeast Pennsylvania on the supply chain.

Testifying before the committee, John Kulik, Executive Vice President of the PA Petroleum Marketers and Convenience Store Association (PPMCSA) said that the state would see a “historic quantum change in how energy is provided to the Commonwealth.” He indicated that the state would go from being at the beginning of the supply pipeline, to relying on others to supply the pipeline.

Without a strong production presence within the state, Kulick said, PA would see a loss of energy self-reliance, and a greater dependency on imported refined product from the global market.

There are significant economic and logical benefits for the state if a modern and competitive refining presence exists in the southeastern region. PPMSCA made several recommendations in the event that the closures become permanent:

- The state should review steps to ensure gulf-coast refined products are more accessible to the Pennsylvania markets;
- The Southwest Pennsylvania 7.8 RVP requirement should be repealed permanently and at least suspended for this summer (such proposals are included in Senate Bill 1386).
- The state should continue to study the ultra-low sulfur heating oil question in light of future refinery developments.

Click here to review additional testimony from Kevin Lindemer, President, Kevin J. Lindemer, LLC, regarding a study commissioned by the PPMCSA, focusing on the impact of the petroleum distribution system on the commonwealth if the Philadelphia, Marcus Hook and Trainer facilities were shuttered.

House Finance Committee Oks RACP Bill

The House Finance Committee this week reported out a bill that would lower the debt ceiling of the Redevelopment Assistance Capital Project (RACP), which provides state matching funds for economic development and infrastructure projects. Sponsored by House Majority Leader Mike Turzai (Allegheny), House Bill 2175 reduces the state’s borrowing power for capital projects by roughly $3 billion.

About 8,000 RACP items have been authorized since 1999, but many have come under fire as pet political projects. Under HB 2175 any projects not approved before the end of 2011 would be removed from the list and have to reapply, meeting stricter program criteria.

The bill decreases the debt limit from $4.05 billion to $3.5 billion, with the ceiling dropping by $50 million per year until 2020, when it then drops to $150 million each year until it reaches a new ceiling of $1.5 billion. This will bring the cap down close the 2003 level of $1.45 billion.

The bill was amended three times during debate on the House floor, and was recommitted to the Appropriations Committee. Many Democrats have criticized the bill stating that reverting to the 2003 level of funding does not provide enough capital for economic and community development projects statewide, especially with all corners of the Commonwealth experiencing higher costs for materials and construction.

Reapportionment, Primary Deadline Issue Heats Up

Since the state Supreme Court threw out the 2011 state redistricting plan and advised the state to continue using the 2001 maps until new maps are finalized, the debate of whether or not to keep Pennsylvania's current primary date as-is, has heated up.

Republicans, as noted previously, have sought relief from federal courts, but last week, one federal judge refused to require use of the new maps. A second federal lawsuit, filed by House Speaker Sam Smith (R-Jefferson) has not yet been heard.

The Legislative Reapportionment Commission is slated to meet Feb. 22 to reconsider maps and future actions. Not only do maps need to be redrafted, but both the commission and the courts may have to observe separate 30-day review periods, which would push the timeline for any new maps to be enacted back as far as late April or early May, if not later depending on approval. Since the primary is set for April 24, the legislature may need to move the primary as far back as July or August if it wishes to ensure new districts are used for the 2012 elections.

This week, Senate Pro Tem Joe Scarnati (R-Jefferson) publically stated that he does not believe that the legislature should move the primary so that the 2001 maps would not be in use. Scarnati noted that when voters are already leery of the process, moving the primary date to gain political advantage would likely create an even greater negative perception in the minds of voters.

Gov. Tom Corbett has stated that he wants an early budget, and in a big election year, many lawmakers are in agreement with this goal – especially if it would allow time and energy to go into a later primary date. However, Scarnati, and Democrat Senate Leader Jay Costa (Alleghney) have both said they want to wait for May and early June revenue reports before finalizing a budget, to ensure the legislature is in the best position to assess the state's financial outlook.

PUC Chair Opposes Ross Solar Bill

During a House Appropriations Committee hearing, PUC Chairman Robert Powelson testified that he opposes legislation proposed by Rep. Chris Ross (R-Chester) that would amend the state's Alternative Energy Portfolio Standards Act to require increased purchases of solar photovoltaic energy by electric distribution and generation companies.

The bill's intent is to address the oversupply of solar energy credits in the state's Solar Renewable Energy Credit (SREC) market. Under the Ross bill, there would be a 4.5 percent increase in SREC purchase requirements between 2012 and 2016, and mandated decrease of 4.5 percent between 2019 and 2026. During past hearings and press conferences concerning the bill, Ross and other supporters have stated that the state's AEPS levels must continue to increase to keep the state competitive.

Ross told ERG that he continues to work on amendments to his original proposal, and has dropped a clause that would prohibit utilities from using electricity generated out of state to meet their Tier 1 and Tier 2 requirements in PA.

If an AEPS amendment package is moved in the House or Senate dozens of amendments can be expected to cover other types of electric generation, including revising definitions of biomass, cogeneration, and seeking to include other types of alternative and renewable energy generation such as natural gas, nuclear energy and waste to energy systems.

PUC Agrees to Extend Act 129, Energy Savings Law
The PUC has agreed to work with stakeholders to expand the Act 129 Energy Savings Program after May, alleviating concerns by some environmental groups that there could be a "blackout period" during which electric companies would suspend their energy efficiency programs The PUC is required to evaluate the cost-effectiveness of Act 129's programs in November 2013, but the mandatory savings program could expire in May.

FEDERAL NEWS

Obama Administration Outlines 2013 Budget Proposal
President Obama released his 2013 budget proposal this week, calling for increased investments in clean and renewable energy, including a 29 percent increase for DOE's Office of Energy Efficiency and Renewable Energy; $6.1 billion in loans to rural electric cooperatives and utilities to support the transition to clean energy generation; and over $500 million to support the development of biofuels and other forms of bioenergy.

While Obama reinforced his commitment to renewable energy, it is not expected the Congress will take up many of these proposals, citing budget constraints and a need to move forward with the Keystone Pipeline project.

The Senate Agriculture Committee has begun hearings on the Farm Bill (below), which will be a major factor in how several energy-related programs are funding, or if they continue to be funded beyond 2013.

Click here to view a chart developed by 25x'25 comparing the President's clean energy and conservation program proposals to previous years' allocations.

Energy Programs Defended at Farm Bill Hearing
The Senate Committee on Agriculture held its first Farm Bill hearing of 2012, which focused on the benefits of energy programs in rural America, as well as strategies to addressing economic development programs for the next Farm Bill.

ERG has written the Senate Committee leadership, asking them to retain an Energy Title within the next farm bill and provide the necessary funding for the programs.

Sen. Stabenow has said she expects to use the Farm Bill framework that was agreed to last fall as the starting point for constructing the 2012 Farm Bill. Under that framework, the Energy Title in the Farm Bill was retained but very little mandatory funding was made available for its programs. This would leave the fate of these relatively new programs to an ever-shrinking and uncertain pool of discretionary funding.

Renewable energy production including biomass has been a major driver of the U.S. farm economy over the last decade, helping bring net farm income to a projected all-time high of $104 billion in 2011. The USDA can play a critical role in helping the ag and forest sectors capitalize on these emerging opportunities, and the Farm Bill is a primary vehicle for authorizing programs and funding to support these efforts.

PA Congressmen Glenn Thompson and Tim Holden are also chair and ranking member of the US House Agriculture Committee's subcommittee on Conservation and Energy, and will have a big say in what happens in the House. More...

Producers Call for Higher RFS2/3 Biodiesel Mandate
At the National Biodiesel Board Conference held earlier this week in Orlando, Biodiesel Board chief executive Joe Jobe told conference goers that boosting the federally mandated minimum volume of biodiesel slated for use next year is the single biggest challenge facing the industry.

For 2012 the RFS for biodiesel is one billion gallons, a volume US producers surpassed last year. Jobe said the EPA proposed to lift that to 1.28 billion gallons in 2013, but it's yet to approve the increase. He said a delay will harm the industry. More...

Electric Vehicle Tax Credit May Rise
The budget President Barack Obama proposed Monday would increase the tax credit for buyers of electric vehicles - from the $7,500 maximum to a $10,000 maximum - and expand the credit to other "advanced technology vehicles."

Under the proposal, the tax credit would apply to vehicles that operate primarily using an alternative to gasoline, as long as that technology is not currently widespread in the U.S. The preliminary budget document, from the U.S. Treasury's website, lacks details about the vehicles that would qualify. The amount of the tax credit would vary by the fuel efficiency of the vehicle, but would be at least $7,500 for electric vehicles.

The proposal is part of Obama's 4-year-old goal of putting 1 million advanced-technology vehicles on U.S. roads by 2015. The president is also requesting more money for staff to continue a loan program for advanced vehicle manufacturing.

The budget is for the fiscal year starting Oct. 1 and is not expected to pass Congress. Republicans control the House and are attempting to take back the presidency from Obama in the November election. Still, the proposal shows Obama's continued support for subsidizing electric vehicle purchases, despite the controversy surrounding the government's recent investigation into the Chevrolet Volt and the car's slower-than-expected sales.

The Obama administration will give clearer rules for the tax credit if it passes Congress, the budget document said. The tax credit would not have a cap on the number of eligible vehicles. Now it's capped at 200,000 per manufacturer. It would have a four-year phase-out before its expiration in 2020.

EVENTS

[Bioenergy Symposium: Pathways to the Future](), State College, PA

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

[Northeast Biomass Heating Expo](), March 22-23, Saratoga Springs, NY

[Energy Efficiency Global Forum 2012](), March 27-29, Orlando, FL

[Waste to Energy Development & Finance Summit](), March 27-29, Chicago, IL

[Fuel Ethanol Workshop & Expo](), June 4-7, Minneapolis, MN

[Biorefining Conference & Trade Show](), Sept. 14-16, Houston, TX

[Algae Biomass Summit](), Sept. 24-27, Denver, CO

Click [here]() to view additional energy-realted events.

NEWS CLIPS

[Joining forces to help fine-tune wind technology]()
[Md. Governor lobbies lawmakers for offshore wind power]()
[Environmental advocates: Christie pact pull-out will cost N.J. hundreds of]()

millions of dollars
PUC discusses logistics of shale impact fee collection, distribution

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