



Senate Environmental Resources and Energy Committee

Senator Mary Jo White
Chairman

Patrick Henderson, Executive Director

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March 18, 2009

John Hanger, Acting Secretary
Department of Environmental Protection
16th Floor Rachel Carson Building
Harrisburg, PA 17105

Dear Acting Secretary Hanger:

I am writing to request additional information regarding several grants approved by your Department.

On January 29th, the Governor's office and the Department of Environmental Protection (DEP) announced a \$300,000 Energy Harvest grant to Citizens for Pennsylvania's Future (Pennfuture). The announcement states that the grant is to supplement a previous grant for the design and installation of a wind turbine at the Hazleton (Luzerne County) Authority Water Department. The previous grant awarded by DEP for the same project was a \$200,000 grant awarded in November 2005. Ostensibly, the justification for the second grant award was because costs for the purchase and installation of a wind turbine had significantly increased in the previous two years.

I would appreciate your response to the following questions:

- 1) As head of Pennfuture, you were the signatory on the \$300,000 application to DEP, dated June 18, 2008. Given the fact that the DEP Secretary has final departmental decision-making as to which applications are funded, what if any steps did the Administration take to ensure that this application was reviewed by someone outside of DEP's chain of command? If so, who?
- 2) Community Energy, Inc., a subsidiary of Iberdrola Renewables, is to acquire the wind project and serve as the project operator. That being the case, what is the rationale for a third-party, non-profit organization such as Pennfuture to serve as the funding applicant? Why is it not more appropriate for either Community Energy, Inc. or the Hazleton Authority Water Department to serve as the funding applicant?
- 3) As part of its 2005 grant application, Pennfuture requested \$50,000 for "salaries and benefits". How much of the 2005 grant of \$200,000 was retained by Pennfuture for salaries, benefits or any other administrative costs?
- 4) How much of the 2009 grant for \$300,000 is to be retained by Pennfuture for salaries, benefits or any other administrative costs?

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- 5) Has the Department awarded supplemental grants – which exceeded the size of the original grant – to other organizations to cover high-than-anticipated project costs? If so, please provide examples.
- 6) A primary focus of Energy Harvest is to leverage public dollars to spur private investment. For example, the January 29, 2009 press release noted that over five years Energy Harvest has awarded nearly \$33.5 million while leveraging nearly \$110 million in private investments.

However, my understanding is that this project is to receive nearly \$700,000 in public or ratepayer assistance (\$500,000 Energy Harvest; \$192,000 Sustainable Development Fund production credits), with projected benefits to ratepayers of only \$393,000 (over 20 years) to customers of the Hazleton Authority Water Department (essentially paying \$393,000 less for wind power from the installed wind turbine compared with wind energy rates from PPL).

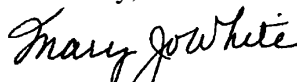
How is spending nearly \$700,000 to save \$393,000 over 20 years a positive investment of public dollars?

DEP also approved a separate \$10,000 contract with Pennfuture on September 24, 2008 (contract # 4100036754-02). This contract was also to supplement a previous \$30,000 contract awarded by DEP to Pennfuture in October 2006 (contract # 4100036754). I would appreciate your response to the following questions:

- 1) The October 2006 contract was to “*determine the economic impact of a renewable fuels standard*”. The September 2008 contract was to study the “*economic impacts of energy efficiency and demand side management programs*” related to the Alternative Energy Portfolio Standards Act. These are fundamentally different policy issues, even though the second contract states its purpose is to complete the first contracted project.
 - a. Why was additional money needed to complete the 2006 contract?
 - b. Why was the scope of work changed from renewable fuels to energy efficiency and demand side management programs?
 - c. Were these studies competitively bid? Were any alternate vendors solicited?
- 2) Are either of these projects completed? If so, please provide a copy of the final work product.

I look forward to a detailed and substantive response to these questions.

Sincerely,



Mary Jo White, Chairman
Senate Environmental Resources
& Energy Committee

cc: Secretary Steve Crawford