

January 16, 2007

## Georgia Energy Strategy Identifies Business Development Opportunities for Energy Sector

The Governor's Energy Policy Council recently released its final report to the Governor and legislators, looking at ways for the State to promote the development of cleaner energy technology and get better mileage out of existing energy resources. The report, titled, "State Energy Strategy for Georgia," concludes that Georgia is under-utilizing home-grown agricultural resources that could supply a substantial portion of the electricity and motor fuel needs of the state's fast-growing population and commercial sector. The Council's report recommends that the State consider such steps as offering grants and loans to developers of clean energy technology, and imposing quotas on the percentage of electric power that state government agencies must purchase from "green" energy sources.

The Council presented its final report to Governor Sonny Perdue on December 14, 2006, the product of nine months of public hearings and strategy sessions. The report attempts to inventory the mix of energy resources available to the state, and the regulatory and financial barriers that impede the development and use of clean energy technology and energy conservation measures.

Although the Energy Strategy report is advisory only, the report has value as a predictor of the policies that are likely to attract mainstream support among lawmakers and regulators, because the Council is made up of prominent business executives, energy industry representatives, builders, and legislators. The report's focus is on the ways in which limited energy supply and fossil fuel dependency may limit Georgia's economic future – either directly (because lack of reliable access to natural gas and petroleum can spike prices) or indirectly (because reliance on coal-fired generating plants will worsen air-quality problems that limit the ability to develop in metropolitan areas).

### Promoting Greater Fuel Diversity Through Renewables

The Council recommends a number of measures aimed at diversifying away from dependency on coal-fired electric power generation, which supplies 65 percent of the electricity used in the state. Some of the recommended policies in the report include:

- Consider requiring state government to buy an escalating percentage of its electricity from renewable energy sources, and consider similar requirements for businesses receiving state contracts.
- Reduce regulatory barriers to the development of biomass energy plants, and consider direct economic incentives for the development of biomass power plants and for biofuels plants.
- Relax state permitting for industries that want to install backup "fuel switching" systems to reduce their dependence on natural gas.
- Support the development of land-use standards by local governments that promote the set-aside of agricultural and forestry land for the production of biomass fuel.
- Convene a working group of utilities, EMC's and regulators to develop uniform statewide interconnection standards to be used by all generators connecting to the Georgia distribution grid.

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## Improving Reliability of Existing Electric Power Sources

The Energy Strategy report also looks at ways to get more out of the coal, natural gas and petroleum that now supply 70 percent of the state's electric power needs. Among the possible strategies identified by the Council for maximizing the use of existing resources are to:

- Complete an inventory by late 2007 of the adequacy of natural gas supplies (both physical supply capability as well as contracted capacity), and examine whether the Public Service Commission needs expanded authority over gas delivery infrastructure.
- Consider shifting to "output based" environmental regulations that measure emissions on a parts-per-useful energy output standard, to reward generators that are able to produce energy more efficiently.
- Provide economic and regulatory incentives to construct Integrated Gasification Combined Cycle coal plants in Georgia.
- Study the development of infrastructure to improve Georgia's access to a reliable supply of refined petroleum, including the possibility of developing a refinery off the Georgia coast.
- Offer incentives for the use of energy-efficient building technologies, including expedited permitting, waivers of density limits, and subsidized training programs.
- Set a voluntary target for each Electric Membership Corporation and utility to meet a certain percentage of anticipated load growth through energy conservation and efficiency rather than new generating capacity; the target would be purely voluntary, with no penalty for noncompliance.

## Promoting Development of Clean-Energy Business in Georgia

The Energy Strategy recommends targeting Georgia's industrial recruitment efforts at industries that produce clean-energy technology or that pledge to use clean energy. The report lays out a number of loan, grant or aid programs to fund the development of alternative energy, though it stops short of endorsing any. The options include:

- Create a "Clean Fuels Research and Development Fund" to match federal research grants.
- Tap the 4-cent sales tax on motor fuels to establish a Renewable Transportation Fuels Advancement Fund, to make grants or loans for research and development of biofuels technologies.
- Enact a state income tax credit for individuals and/or corporations that invest in clean energy fuels or technologies.
- Set up a revolving loan fund to help local governments pay for capital improvements that enhance energy efficiency.
- Create a research park affiliated with a major university to attract industries that develop clean energy technologies to locate in Georgia.

- Consider allowing polluters that violate air-quality laws to invest in environmental projects benefiting the public in lieu of fines.

The report does not attempt to assign dollar costs to most of its proposals, and many of the recommendations are in the form of avenues for additional study. As the General Assembly, the PSC and the Perdue administration work to flesh out the Energy Strategy recommendations, it is an opportune time for new and existing businesses to take stock of the opportunities in the Georgia market, and closely monitor the policy arena for further developments.



*If you are interested in more information about opportunities to develop , please contact the following attorneys with Sutherland's Energy and Energy Litigation teams:*

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