

Bion Says It Doesn't Have To Pay Back \$7.8 Million PennVEST Loan, All Existing Funding For Farmers, Wastewater Plants Should Go To The Scheme In SB 724

[Bion Environmental Technologies](#) attempted Monday to respond to critics of [Senate Bill 724](#) (Vogel-R-Beaver), which threatens to derail current clean water restoration efforts and divert critical funding from proven science-based practices, while favoring proprietary, corporate-backed and costly manure technologies.

[Click Here](#) for Bion's press release. [Click Here](#) to read a background memo responding to critics.

Bion said--

1. Bion said it was not obligated to pay back its \$7.8 million PennVEST loan for its Lancaster facility, but PennVEST said they did in a [September 25, 2014](#) letter to Bion.
2. Bion recommended all existing funding be taken away from Pennsylvania farmers and wastewater treatment plants used for Chesapeake Bay compliance be redirected through the Senate Bill 724 process. ([see Bion's memo](#))
3. Bion said its technology would be cost effective, if the mechanism for pricing nutrient credits made them more expensive than they are now at PennVEST credit auction. ([see Bion's memo](#))
4. Bion said the RFP process in Senate Bill 724, not which BMP that has the lowest cost, makes its technology more cost effective. ([see Bion's memo](#))
5. Bion said its manure treatment technology counts in the Bay modeling process, but they forgot to add the part that really counts-- EPA has not approved its technology as counting toward the specific Chesapeake Bay mandates Pennsylvania has. ([see Bion's memo](#))

Here are the details.

-- Issue 1. Bion: It Is Not Obligated To Pay Back A \$7.8 million PennVEST Loan, But Could Use Senate Bill 724 To Pay Back PennVEST Loan

Bion says in its response it is not obligated to pay back the \$7.8 million PennVEST loan because PennVEST assumed the risk of developing a nutrient credit market with sufficiently high prices to support the project, but it did not materialize.

Specifically, Bion said: "PennVEST knowingly assumed the risk related to development of a sufficient verified nutrient credit market and agreed to finance the project."

This is simply not true.

PennVEST notified Bion on [September 25, 2014](#) by letter that it is obligated to pay back the loan which Bion disclosed in its [10-K report](#).

Bion also defended paying back the PennVEST loan of taxpayer money with other taxpayer monies obtained through the flawed bidding process outlined in Senate Bill 724 by saying, "CBF/PED apparently want legislators (and other readers) to believe it would be unethical to win a public, competitive bid process and then use the proceeds to repay a debt."

The answer to that is yes-- taking money from state taxpayers to pay back a loan made with the same taxpayer funds should be prohibited by Senate Bill 724. Why should taxpayers pay themselves with their own money?

Of course that begs the question, if Bion does not think it is obligated to pay back the PennVEST loan, why would they say they would?

-- Issue #2. Bion Technology Is Cost Effective If You Change The Nutrient Credit System To Make Credits More Expensive

Bion claims the criticism that Bion's manure treatment technology is cost effective is untrue. It says while it is true that PennVEST now auctions off nutrient credits at \$2.50 per pound (actually \$2.27 at the last auction), Bion noted it would need \$10 per pound to support its technology.

Bion said the other BMPs mentioned as alternatives "are heavily subsidized with grant funding that does not require repayment. Clearly, \$2.50 [actually \$2.27] would quickly increase to \$10 or greater if subject to such scrutiny."

Of course a \$7.8 million PennVEST loan that Bion says it does not have to pay back (or maybe it does) apparently is not considered a "subsidy" under Bion's thinking, but yet it still needs the price of credits to be about \$10 counting the loan when the current market is pricing credits at \$2.27.

The market Bion seeks to create to support its technology already exists-- the PennVEST auction. That market has spoken and Bion's credits are simply too expensive.

-- Issue #3: Bion-Competitive Bidding Makes Bion's Technology Cost Effective, Not Lower Cost

Bion said the RFP process in Senate Bill 724 makes its technology cost effective because it involves a competitive process.

Actually, lower cost makes a best management cost effective, not a competitive bidding process alone, especially if it is rigged to favor large, capital-intensive technology like Bion.

Would an individual farmer, who needs the help and has the lower cost BMPs, submit a proposal under the RFP process outlined in Senate Bill 724? Of course not. They could not spend the time or money to do it.

Only large, capital-intensive options like Bion could, so the process in Senate Bill 724 makes them compete with other companies like themselves and excludes farmers and others with the real low-cost solutions.

Again, the marketplace has spoken through PennVEST auctions-- \$2.27 selling prices are less than the \$10 or more Bion needs.

-- Issue #4: Bion- The Fact Manure Treatment Technology Does Not Count Toward The Chesapeake Bay Milestones Is A Non-Issue

Bion says any approach that produces verified nutrient reductions will be acceptable for verification and Bay modeling purposes.

Bion uses very precise language here, but leaves out the important part-- only if those credits come from U.S. Environmental Protection Agency-approved management practices.

Bion existing credits could count toward a wastewater plant meeting its NPDES permit limits, for example, but they do not count toward the milestones. But even with that they are still too expensive to buy.

Note, Bion does not dispute the fact their technology is not approved by EPA.

-- Issue #5: Bion- PA Should Divert All Funding Now Going To Chesapeake Bay Compliance For Farmers And Wastewater Plants To The RFP Process In SB 724

In response to the concern Senate Bill 724 provides no funding for the RFP process or for buying the nutrient "credits" state taxpayers would have to buy, Bion says the state already spends too much for compliance with the Chesapeake Bay nutrient reduction mandate.

"The existing approach has a number of taxpayer funding sources that can be reallocated to more cost effective solutions [through Senate Bill 724]."

So the money now going to help Pennsylvania's farmers and wastewater treatment plants

should, in Bion's view, be diverted to fund Bion's proposals.

-- Issue #6: Existing BMPs Have Failed To Meet Chesapeake Bay Commitments

Bion says the existing best management practices have proved inadequate to meet the Chesapeake Bay mandates.

Actually, wastewater treatment plants have met and in some cases exceeded those mandates by their investments.

Pennsylvania's farmers have made tremendous strides in installing best management practices and have reduced nutrient pollution significantly, because the practices they install work.

It is not the best management practices that have been inadequate, it is the follow through needed to put those practices on the ground in time to meet the Chesapeake Bay milestones that has proven lacking.

For example, only 25 percent of the farmers that ask for help designing conservation practices for their farms get that help.

In addition, Bion-like technology only addresses 16 percent of the nutrient problem-- manure, and leaves for some other tool to make the 328 million pounds of sediment reductions Pennsylvania needs to meet the 2017 Chesapeake Bay milestone.

By diverting existing funding from practices that are proven and count toward the Chesapeake Bay milestones and away from Pennsylvania's farmers who most need the help would completely derail the entire Bay compliance strategy and any hope of meeting the 2017 milestones.

So let's summarize--

1. Not Obligated To Payback PennVEST Loan, But Could If Senate Bill 724 Passed: Bion says it is not obligated to pay back its \$7.8 million taxpayer loan from PennVEST. Not true. PennVEST wrote the company in September 2014 saying it was. Bion also said they had every right to pay back the PennVEST loan with taxpayer monies from Senate Bill 724. Of course that begs the question, if Bion does not think it is obligated to pay back the PennVEST loan, why would they say they would?

2. Bion Technology Would Be Cost Effective If Nutrient Credits Cost More: Bion says its technology would be cost effective if grants used to support other best management practices were included in the price of existing nutrient credits. Existing subsidies were known for other BMPs and factored into the nutrient credit market that exists now with the PennVEST auction. It should have been factored into Bion's business calculations, but they guessed wrong. Apparently, Bion does not consider a \$7.8 million PennVEST loan it says it does not have to pay back a subsidy, but yet still needs the price of credits to be about \$10 when the current market is pricing them at less than \$2.27.

3. Lower Cost Makes Something Cost Effective, Not An RFP Process: The RFP process in Senate Bill 724, Bion says, makes Bion's technology more cost effective. No, lower cost makes a best management practice cost effective. The market has spoken, \$2.27 is less than the \$10 Bion needs. They guessed wrong so they want to make everyone else's credits cost more.

4. Bion's Manure Technology Is Not Approved By EPA: Bion said verified nutrient reduction credits count in the Chesapeake Bay modeling process. Bion left out "from practices approved by EPA." Their technology has not been approved as counting toward the Bay milestones.

5. Bion Would Divert Funding Now Going To Farmers, Wastewater Plants To SB 724: Bion wants to divert all the funding now going to Pennsylvania farmers and wastewater

treatment plants for Chesapeake Bay compliance and use it to fund Senate Bill 724. This action would derail any chance of meeting Pennsylvania's Chesapeake Bay commitments and the 2017 milestones.

6. Best Management Practices Work Now, Bion's Is Not Cost Effective: Bion says existing best management practices have not worked. Not true. The practices on farms and wastewater treatment plants have made significant reductions. What has not worked is the scale of the commitment to help farmers put those practices on the ground, because the demand is there.

Yes, meeting Chesapeake Bay cleanup milestones are difficult, and manure treatment technology may have a limited, niche role in that effort, but does it justify creating more white elephants that can't pay for themselves? And increase prices of credits for everyone else?

Related Articles:

[Chesapeake Bay Foundation-PA: SB 724 Could Derail Clean Water Efforts In PA](#)
[PA Environmental Council Cites Concerns, Opposes Senate Bill 724](#)
[Analysis: Why Bion Is The Force Behind SB 724](#)

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