STAFF WORKSHOP

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:	
Implementation of Renewables Investment Plan Legislation	Docket No. 02-REN-1038
Re: Guideline Revisions for Renewable Energy Program and RPS Implementation	

CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

THURSDAY, JUNE 12, 2008

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Reported by:
Peter Petty
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STAFF PRESENT

Jason Orta

Mike Leaon

Mark Hutchison

ALSO PRESENT

Diane Fellman
FPL Energy Project Management, Inc.

Phillip Reese
Colmac Energy, Inc.

Julee Malinowski-Ball
Public Policy Advocates
California Biomass Energy Alliance

Christopher R. Trott
Thermal Energy Development Partnership, LP
North American Energy Services

Bob Ellery
Sierra Pacific Industries

Kent Duysen
Sierra Power Corporation

Bob Allen
Burney Forest Power

Patrick Holley
Covanta Energy Corporation

Steve W. Iliff
Rio Bravo Partnerships

Eric Wills (via teleconference)
Sunray Energy

Mary Lynch (via teleconference)

Ben Gronfeld (via teleconference)
Global Ampersand

I N D E X

P R O C E E D I N G S

1:12 p.m.

MR. LEAON: Good afternoon and welcome. My name is Mike Leaon, Supervisor of the integrated energy and climate change unit in the renewable energy office.

Welcome to the workshop. The topic of this staff workshop will be changes to the existing renewable facilities guidebook. We appreciate your being here today.

I have a few housekeeping items to go over; and then I would like to briefly go over the agenda.

Regarding housekeeping, there is a sign-up sheet on the table by the entrance. Please be sure to sign that sheet if you haven't done so already. There are also handouts there, if you haven't picked those up.

During the Q&A portion of the workshop we do need speakers to hand in a blue card and use the microphone at the podium. And if you're going to speak, if you could also provide your business card to the court reporter, we would appreciate that very much.

In the event of an emergency, please

follow staff out of the building through the main entrance, and we would evacuate to the park. That is kitty-corner, it would be on the southeast side of the building here. Believe it or not, such occurrences have happened in the past.

Also, there is a restroom outside, if you leave the meeting room here and go to your left, it'll be across the open area on the right before the exit sign. There is also a cafeteria on the second floor.

For those people that are listening in over the internet, the phone number that was posted, you can use that phone number to call in to participate in the question-and-answer portion of the workshop. However, it is an open call, so we are asking you, if you do dial in, to please keep your phones on mute until you're ready to ask a question.

Regarding the agenda, the agenda runs till 3:00. I don't think we'll need that full amount of time, but in the event we do, we actually have the room till 5:00, so we can go all afternoon, if necessary.

We will have a PowerPoint presentation on the changes to the guidebook and the proposed funding mechanisms. We'll follow that with public comment and Q&A. If necessary, we'll take a short break at that point after the Q&A. Return for review and wrap-up and next steps. And we hope to have you out of here no later than 3:00.

With that, I would like to turn the workshop over to Jason Orta, our Program Lead person for the existing program. And Jason has a PowerPoint presentation for us.

MR. ORTA: Before I begin I would like to thank you all for coming; and sorry for --

(Operator Interruption.)

MR. ORTA: Again, I'd like to apologize for the delay in the meeting and the issues we have with the phone.

But before I begin I would like to provide an overview about the proposed changes that are listed in the notice. These include four funding options for the program.

Some of the numbers, what we have also done, and I'll get more into detail as I go through the presentation, is that some of these estimates have changed in response to earlier numbers indicated that facilities would be run -- assumed that some facilities would be running online for the whole year.

But there are issues with individual facilities that in which we had to still make adjustments to those estimates, so they wouldn't be running for the entire year.

And also before I get to those options I'd like to provide a little bit of an overview of the program. I mean this is information that you're all very familiar with, but it gives us a perspective of where we've been. And it's been a long trip. And where we might go.

So, as you know, the purpose of the existing renewable facilities program is to provide production incentives to existing renewable facilities, and the currently eligible technologies are solid fuel biomass, solar thermal electric and wind.

Right now solid fuel biomass and solar thermal are the only participating technologies. Just as a reminder, wind facilities are eligible, but they currently don't qualify for assistance.

Since 1998 this program has helped 273 existing renewable facilities. Most of these are what were called tier two and tier three facilities, which are not the solar thermal and biomass facilities participating in the program.

Over ten years this program has provided $267 million providing production incentives to 4400 megawatts of renewable energy capacity.

Earlier this year Senate Bill 1036 was enacted. We are no longer administering the new renewable facilities program, which was the supplemental energy payments. This reduced the collection for the renewable energy program. And what you see here on the slide is the breakdown of how that money is divided. And the existing renewable facilities program is at 20 percent of that total.

Again, just as a reminder of where we've been, as you all know, 2007 was the beginning of the SB-1250 era in administering this program. And in response to that last year we attempted to individually evaluate these facilities, what kind of funding they would need in order to meet the goals of the statute.

And in response to last year's experience, we proposed guidebook changes last winter. On December 13th we had a Renewables Committee workshop, which some of you attended.

Some of the comments that we got was

there was some -- it wasn't clear to the industry as how the applications were being analyzed last year. There was the appearance of subjectivity in the process. And there was this expression for a preference for a simpler, less labor-intensive approach to make funding award decisions.

Subsequent to that workshop staff developed this scoring matrix that would -- it was basically a series of Excel spreadsheets called the existing renewable facilities program application ranking system. We'll just go by the acronym of EARS in describing that.

What EARS tried to do was to have these four categories in which funding would be attached to values that were inserted into those categories. And those following categories are increased generation, major improvements, planned efficiency and energy price deficiency.

In January of this year the industry, the biomass and solar thermal industries were very helpful in providing comments about the EARS matrix. There was a series of conference calls discussing the, you know, providing comments and input about the EARS matrix.

And subsequent to those meetings staff

prepared a draft guidebook that incorporated EARS. That draft guidebook was sent to biomass and solar thermal facilities in March. And, again, we received comments. The basic flavor of those comments was that the scoring matrix, the EARS scoring matrix was too complicated.

So, we went back to the drawing board again, and tried to look for and put out options for simplifying the administration of the program. This, four options, which are the ones that are attached to this workshop notice, were sent out to the public.

The attempt with all four of these options was to simplify the program implementation and to increase the transparency of the program.

Three of these were options that were created by staff. In the notice those are options one, three and four. While option two was an option that was presented to us by the California Biomass Energy Alliance.

In addition to these four options there's other proposed changes to the guidebook, and those are listed as attachment B in the notice. These include clarification for the reporting of fossil fuel use by these facilities;

clarification of the definition of an existing renewable facility.

Just to clarify that the eligible generation of a program, and this has always been the practice, is the generation that's sold to the power grid.

And finally, even for months in order to keep track of the generation, and also to provide for our reporting purposes, and to provide estimates of funding needs and other types of information, we'll be requiring generation invoices for all the months. Even in the months that the facility is not getting paid.

Again, these are further discussion of those proposed changes. Those changes are listed in attachment B of the notice.

However, again, options one through four, as listed in the notice, even though they are different mechanisms for administering the program, we're going to have to collect the following information per Senate Bill 1250, regardless of whatever option we pursue.

For instance, these are all things that you're very familiar with, but I will run through the list. These items are called out in SB-1250.

These items are the following: the cumulative amount of funds previously received; the value of past and current tax credits; the facility contract price for energy and capacity; the facility's market value; an estimate of the incentive payment needed and explanation; an explanation of how the incentive payment will allow the facility to become cost competitive by the year 2011.

Again, there's some revisions to the estimates of how much each of the options would pay out on those revisions -- or revisions to the notice that was sent out.

Option one, which is the option that basically divides the facilities into five tiers or groups, would pay out a total of 15.6 million. Option two, which was the option that was presented to us by the Biomass Energy Alliance, would pay 22.6 million. Option three, which is a modified use of the scoring matrix, would pay $20 million. Option four, which is basically a flavor that how this program was administered from 1998 to 2006, would pay out 24.2 million.

Before I go on, I'd like to give you all a rundown of what these five different tiers are.

And option one divides all the facilities by five different tiers that are based on contract price and that are based on technology.

But in -- there's going to be a couple of graphs in this presentation that divide these facilities by different tiers.

Under option one, the biomass facilities will receive a 6.45 cent target price. The solar thermal electric facilities would receive a 6.15 cent target price.

Now, the different tiers are basically differences in energy prices. For instance, a tier one facility would be a facility that receives an average energy price below 4.95 cents.

A tier two facility would be a facility whose average energy price is between 4.9 and 5.6 cents.

The tier one facilities would receive a 2 cent per kilowatt hour incentive cap, while the tier two facilities would receive a 1.5 cent per kilowatt hour incentive cap.

The tier three facilities are facilities with a fixed energy price of 6.15 cents. They would receive a production incentive cap of .75 cents for biomass and .5 cents for solar thermal facilities.

Tier four facilities are facilities that have an average annual energy price of 6.5 cents; and they would receive a .25 cent incentive cap.

Tier five are facilities who receive an average energy price above 6.5 cents, and under this option they would not receive any funding.

This is a graph that was not included in the workshop notice, but this was one that we wanted to put in this presentation to give all of you the perspective of how the funds will be divided.

The tier one facilities, which are the biggest piece of the pie here, those are the facilities that receive the lowest energy price, would get 54 percent of the funding, with roughly equal shares for the remaining facilities of 15, 16 and 15 percent for tiers two through four respectively.

We also did the same analysis with the Biomass Energy Alliance's proposal. But, before we get to that graph I'd like to go through the mechanism that they propose.

For instance, here under this proposal the production incentives are purely based on contract price, not on technology. And does not differentiate between, for instance, there are facilities in option one whose energy price was below 4.95 cents would receive a 2 cent per kilowatt hour production incentive cap.

But this proposal proposes 6.5 cents target prices for biomass and solar thermal facilities that sell to PG&E, while there's a 6.2 cent target price for biomass and solar thermal electric facilities that sell to SDG&E and SCE.

Just to clarify, there is one facility that participates in the program that sells to the Sierra Pacific utility; that facility would fall under the PG&E category.

Again, we put together another colorful graph -- a little bluish, but it's a lot more color than our guidebook. Anyway, --

(Laughter.)

MR. ORTA: Under this proposal the big difference here is that the facilities that receive the lowest energy prices would get a smaller share, while the tier four facilities, which are facilities that get a 6.45 cent average annual energy price, would be getting the highest share of the funds under this proposal.

But it's also estimated that under this proposal that even the tier five facilities would get, which are the facilities whose energy price is higher than 6.45 cents, would get a piece of some of the pie here.

Option three is a simplified version of the EARS scoring matrix. There was concern that was presented to us when we proposed to incorporate the EARS matrix into the guidebook, that the EARS matrix was complicated. But what we attempted to do here was to simplify that by just everybody would start off, every facility would start off with a target price of 6.45 cents.

However, the incentive cap would range from zero to 2 cents. And what EARS would do would calculate that incentive cap for each facility.

Option four, which is similar to how the program was administered, and from 1998 through 2006, the target prices would vary by technology. Under this scenario the biomass target price would be 6.45 cents, while the solar thermal target price would be 6.15 cents.

However, under this option what's different from the 1998 to 2006 option is that facilities that receive an average energy price of 4.95 cents or less would receive a 2 cent incentive cap.

We also provided a similar analysis for this option, option four. There is, again what happens here is that the tier one facilities, the facilities that receive the lowest energy prices get the biggest piece of the pie. But however, the pie here, at least for all the years, but 2008 in particular, is a bigger pie than all the other options. The estimated payout from this option for 2008 is $24 million.

Again, going back to some history here, the fourth edition guidebook, which is the current guidebook that's in effect, was adopted on March 14 -- Wednesday, March 14, 2007. And that attempted to incorporate the changes from SB-1250.

Later that year, it was a pretty busy year for all of us in this room and those of you out there in tv-land, or web-land. It was in response to those concerns there were some lessons learned. And we wanted to propose additional guidebook changes.

What's going to happen is that once this meeting is over, and once we get your comments, which we strongly encourage written comments to come in, we will present options and your comments to the Renewables Committee.

And just speaking of the Renewables Committee, I just wanted to let everybody in the audience know the Commissioners for the Renewables Committee are not in the room, but their Advisors are in the room. Panama Bartholmy is the Advisor for Commissioner Douglas. And Tim Tutt, who is the Advisor for the Chairman. They are in the room today.

So the goal here is to produce the fifth edition of this guidebook. Again, the comments are due on Monday, actually Monday is June 16th. And we will present this to the Renewables Committee around June 23rd. Around that time we'll try to schedule a meeting.

That concludes my presentation, but before we hand it over to public comments, I would like to reiterate that the same phone number on the notice should be able to work. And I will read you that number. It's 1-888-469-3052. The passcode is workshop. And the call leader is Jason Orta.

And you're going to hear some noise

here, but I'm going to try to get --

MR. SPEAKER: Can you just say that phone number again? I think you had an extra 8 in there.

MR. ORTA: Oh, okay, sorry. I'll repeat the number again, it's 888-469-3052. The passcode is workshop. And the call leader is Jason Orta.

MR. LEAON: Okay, thank you very much, Jason. For the record, Mike Leaon, Energy Commission.

MR. ORTA: Oh, Mike, --

(Operator Public Announcement.)

MR. LEAON: This is Mike Leaon again. In the event that you are trying to call in and we aren't able to resolve the issue with the phone, I would ask that you please submit your written comments. And I certainly apologize for the inconvenience with the phone issue. We are still trying to resolve that, and if I get word that we've got a viable phone number, we'll certainly announce that.

But I think at this point what we'll do is we'll proceed to the question and answer for the folks in the room here. And what I would like to do is for the benefit of those listening in over the internet, we'll pass a wireless mike around the room here and I would ask stakeholders if they could introduce themselves. And give your name and organization.

(Whereupon, introductions were made.)

MR. LEAON: All right, thank you very much. I do have blue cards here and we'll go ahead and begin with public comments. And the first card I have here is Phil Reese, if you'd come up to the podium.

MS. FELLMAN: May I -- can we ask some questions? I have a question. Can you answer a question first, or --

MR. LEAON: Well, it would be difficult to ask questions with the court reporter. You'll have to be at the podium, because we need to record the testimony.

If you have a question on process come up to the podium, please.

MS. FELLMAN: I just had a question about --

MR. LEAON: Please use the microphone.

MS. FELLMAN: Hi, my name is Diane Fellman. And I don't want to -- the question I had was given the amount of money that's available, and the amount that would be allocated each year, what is the proposal on the part of the Energy Commission for allocating that? Because --

MR. LEAON: Okay, let me stop you there. Did you turn in a blue card to speak?

MS. FELLMAN: I did.

MR. LEAON: Okay. If you don't mind, if we could go in order here of the cards we received. And we'll get to you.

MS. FELLMAN: Okay.

MR. LEAON: Yes, thank you. All right, let's go ahead.

MR. REESE: Good afternoon. I'm Phil Reese, and I frequently introduce myself two ways. I am a principal of Colmac Energy, one of the biomass plants. And I'm, I guess, the Chairman of the California Biomass Energy Alliance. We used to have a paid chairman, and after he retired I missed the next meeting and found myself elected.

(Laughter.)

MR. REESE: We've had very good meeting attendance ever since then.

The California Biomass Energy Alliance represents all but one of the operating biomass plants in California, as well as several of the idle plants. And a couple that are in restart mode at the moment.

And in addition, we represent the SEGS I and II solar thermal energy projects, a company called Sunray Energy owns and operates those two.

I'd like to start off by recalling that Jason did say we had not only a workshop here, but we've had several meetings with staff. And we've had two lengthy conference calls.

And I'll make this point because those calls have been absolutely most constructive on the part of the staff; thoughtful deliberation asking us for information, asking us for questions, asking us for suggestions, answering our questions. In my 35 years of working with regulatory agencies, this is about the best I have ever seen.

Now, I'd like to give a bit of background here from a slightly different perspective than the presentation you just saw. And just remind the group that for the very most part, the biomass plants, as well as Sunray Energy, operate under essentially three categories of contracts with their buyers of power.

One category, which includes a small

number of plants, represents contracts that were entered into before the renewable portfolio standard was put in place, or at the very dawn, before there had been a solicitation. An era when energy prices, particularly diesel fuel, were substantially lower than they are now.

And those contracts, at the time they were executed, were believed by the plants to be reasonable and survivable.

We refer to these plants as orphans, and we've used that term with staff. And I think they probably know exactly which ones we're talking about.

Unfortunately, the last five years or so, price increases of just about everything, their contracts are literally not survivable.

The second category, and by far the largest, represents a group of plants that approximately two to two and a half years ago were given the opportunity at a point in time when the short run avoided cost, SRAC, was between 6 and 7 cents, and was relatively stable. But offered the potential for future volatility.

The plants were offered the opportunity to enter into a five-year term of what we call a fixed price contract. Now, to be absolutely accurate, the prices are not fixed for five years, but they escalate at the stupendous rate of 1 percent a year. Most of the plants are in the second year of those five-year contracts.

The third category of plants, and again it's a relatively small number, are those that when they were offered the opportunity to sign one of these fixed-price contracts, examined the fixed price they were offered and their cost of generation, and determined that signing onto the fixed price was a guaranteed loser. The only chance they had for survivability was to roll the dice and take the chance on SRAC.

Well, I'm sure most people here in the room know that over the last recent months or year, due to the price increases of natural gas, those plants that chose SRAC are very glad they made that decision.

And we don't believe that under any reasonable program in 2008, at least, any of those plants on SRAC would qualify for any subsidy from the Energy Commission. While we cannot be as firm in our prediction, we don't think they will qualify in 2009, either.

Now, I'd like to make one more point about the plants that took the fixed price contracts. I did say that right about now, those plants being in the second year, with the cost run-ups of everything from concrete to spare parts, and in particular diesel fuel, those plants are about break-even now.

Now, when the decisions were made to enter into those fixed price contracts, one of the elements that went into the decision was an Energy Commission report that projected that the price of natural gas was going to go down for quite a number of years. That would have driven SRAC down. So the security of a slowly rising fixed price looked pretty good. And most of the plants took that option.

I'd like to make a couple comments on the tier one and the pie charts that were thrown up there by way of introduction, introducing my main point.

Jason mentioned on slide 14 that the tier four plants got the most money. While that's correct, there are a number of assumptions as to how the plants will operate and how they will qualify. But the staff has a reasonably good handle on making reasonable assumptions.

I'd like to point out that that's not only the most money, but it's also, by far, the largest number of plants.

We have evaluated our proposal, which I'm about to introduce to you, on a per-plant basis. We feel that when the tier one money is examined against the small number of plants in that category, that there's an excessive skewing of the payout on a per-megawatt-of-capacity basis to the tier one plants.

But in these conference calls the staff has expressed the thought of having a two-year program, not just 2008, but 2008 and 2009. And we see a certain amount of sense and stability to that concept.

We've also discussed with the staff the basic decision, which is not the industry's to make, but is a decision on how much of the rollover funds to expend in 2008 or 2009, in addition to the collected amount in 2008 and 2009.

Our original proposal, which was presented as option two, was based on the concept of spending the collections in 2008, plus all of the rollover. And we've recognized that that might make 2009 a relatively thin year in terms of our needs.

The staff has also expressed their concern over supporting the orphans. And I think, hence, to some degree that led to option one, which puts a very large amount of money in the plants that have the very low energy price contracts.

Our proposal, which you're admittedly going to hear about right now, is a variation on option two, which recognizes the sense of a two-year program and perhaps the -- I don't want to use the word nonsense, but the lack of complete sense of spending the entire rollover amount in 2008.

Here's our proposal: Option two represents a distribution mechanism, in that it specifies target price and cap. So I'm going to refer to that distribution mechanism as option two.

We propose that the Energy Commission begin January 1, 2008, with calculations of distributing the subsidy in accordance with the mechanism of option two.

And then consider that the 2008

collections, as far as we know, will be about $14.9 million, and the total rollover is about 6. So take half the total rollover and add it to the 2008 collections, giving you about $17.9 million.

Enter January 1, 2008 with the intention of distributing the subsidy in accordance with option two, but when the point during the year is reached, that $17.9 million has been expended in terms of subsidy. Now, that, of course, depends on how well and reliably all the plants run. Because this is, indeed, a production subsidy.

We project that the $17.9 million, which again represents the 2008 collections plus half of the rollover, would be reached in late November or first of December 2008. At that point our proposal is that all of the plants stop receiving subsidy except for the orphans, which continue to be paid according to the option, option two methodology. And that might be only for a month, December.

That extra money to pay the orphans, and let me offer the last month would come from the second half of the rollover. Now, if the second half of the rollover is $3 million, that payment for the very tail end of 08 might use up a million or maybe two. The projections get very hazy when you're out that far and trying to predict operations.

But let me just postulate for displaying our proposal here, that somewhere between 1 and 2 million of the second half of the rollover is expended in paying the orphans after the $17.9 million level has been reached.

So we then enter 2009 with the 2009 collections, which we think will be about $15 million. And 1 to 2 million of what is left of the second half of the rollover, which would give us $16 to $17 million for distribution in 2009.

So on the 1st of January 2009, distributions again begin to all the plants in accordance with the option two methodology. And that continues until such point in time, which is readily calculable, that an amount of money has been expended such that the amount remaining is just sufficient to continue paying the orphans only for the last month, or perhaps two months, of 2009.

So, to reverse that. In 2009 all plants are paid until the amount expended leaves only enough to pay the orphans for the remainder of

2009.

That will give you a two-year program. It provides the support to the orphan plants, which even the industry recognizes.

Now, we've had a lot of discussion among the industry representatives. And I'll tell you, as near as I can count, there are 16 plants represented here in the room. As to why would Colmac Energy, for example be willing to give up some subsidy we might receive and say we'll support the orphan program.

Well, the biomass industry is getting on in years. Mine represents essentially the newest operating plant. We've been running 16 years. The support vendors, the replacement parts, to the extent they're available, are only available because there is a decent sized industry to put demand for parts and infrastructure support.

We believe there is a value to keeping a renewable biomass industry going, rather than having plants continue to go out of operation. And I'll remind you, and I have a list with me, there was a ten-year period ended in 2006 when we lost two plants a year, just going out of business for economic reasons.

Now, that has been stemmed. The last plant that stopped was January 2006. And as I said earlier, there are three plants that are in startup. And, in fact, El Nido may actually be generating. And I think the owner may be listening and would confirm that.

So that is our proposal. It is a variation on option two. It keeps the distribution methodology. It makes the decision to spend not much more than half of the rollover funds of 2008, but it keeps the methodology for two years.

MR. HUTCHISON: Phil, just a comment. Mark Hutchison, the renewable energy program. We'll call that option five, I guess, rather than -- option two.

I think I understood it, but my only comment is I would really encourage you to carefully craft that in writing. Because one of our objectives was to get away from, if we could, funding award agreements and actually memorialize this in the guidebook.

And I'm kind of struggling with how that verbiage would go. So, please submit something in writing.

MR. REESE: We will.

MR. HUTCHISON: Okay, thank you.

MR. ORTA: This is Jason Orta. I'd like to add a little bit to Mark's comment. If the guidebook lists target prices and production incentive caps, which options one, two and four do, then that means that these funding awards, based on the interpretation that we have here, those don't need to go to an Energy Commission business meeting. Because those numbers are going to be -- would be memorialized in a guidebook under those options.

MR. REESE: Well, may I speak here?

MR. ORTA: Go ahead.

MR. REESE: Our response is that we agree with what Jason just said. And in the examples I used in presenting our option five to you, I had to use examples.

If 1 million or 2 million of the second rollover half is used, no one can write down exactly what the distribution of the subsidy is going to be because no one can project how the plants are going to run and qualify for it.

But you can write down a methodology and a set of groundrules which require nothing more than arithmetic to execute.

MR. HUTCHISON: Yeah, and I'm fully supportive of identifying target prices and caps. When we start trying to nail down funding amounts and rollover, that could become a little bit more problematic because the amount available in 2008 is just an estimate until they've gone through their cost of living factor.

And maybe that's already been nailed down, but I worry a little bit about, you know, having a estimate number in there for the amount of funding available, so --

MR. REESE: Okay, well, we'll try to word it so that we don't have to use estimated numbers. We can put down the rules which would be applied, and they're applied to whatever the number comes out to be.

MR. HUTCHISON: Okay.

MS. MALINOWSKI-BALL: Julee Malinowski-Ball. Maybe one way to think of this, just to continue on with this train of thought, you have a paragraph in the guidebook that talks about prorating if there's not enough money.

So, I think what Phil is trying to say is you actually edit the prorating paragraph and say, instead of prorating everybody, you cut some off and continue paying others. That was an easier way to think about that.

MR. HUTCHISON: Okay.

MR. ORTA: And one more thing, just to clarify, Phil, I mean if you know this off the top of your head, are the target prices and production incentive caps in your option five the same as in option two?

MR. REESE: Yes.

MR. ORTA: Okay.

MR. REESE: Yes, and we've used a set of assumptions similar to yours. And, in effect, have prepared estimates of the expenditures within the various groups. Only we didn't do it in terms of total money alone; we did it in terms of dollars per megawatt of capacity that each plant would receive.

So your tier four is a big number, but there's also the largest number of plants in that tier four.

MR. LEAON: All right, Phil, thank you for your comments.

At this point I would like us to take a five-minute break, and for those of you that are on the internet, we're going to take another look and see if we can get this phone line situation squared away.

So, let's take a brief break here, five minutes or so, and hopefully we'll have the phone line open for those that may be listening on the internet that want to call in.

All right, thank you.

(Brief recess.)

MR. LEAON: Okay, before we begin with comments here in the room again, apparently we've got our phone situation taken care of. I would like to provide an opportunity for those of you that are on the phone to go ahead, introduce yourself, name and organization. And after you introduce yourself, please put your phone back on mute.

And at the end of the comments here in the room I will ask for those of you on the phone if you'd like to offer comments, we'll take your comments over the phone. But first we'll complete the speaker requests here in the room.

So, at this point, for those of you that are on the telephone, please go ahead, chime in, introduce yourself, and then put your phone back on mute.

(Whereupon, introductions were made.)

MR. LEAON: Okay, anyone else on the phone? All right, thank you very much for introducing yourselves. And, again, I apologize for the problems with the phone today.

All right, let's go ahead and resume with comments here in the room. The next card I have is from Chris Trott with Thermal Energy Development Partnership.

MR. TROTT: Uh-oh, is that me that made that happen?

MR. ORTA: I think you made it stop.

MR. LEAON: That could be your cellphone --

MR. TROTT: Oh, I made it stop? Okay.

MR. LEAON: -- interference, if you have a cell. But, go ahead.

MR. TROTT: Should I turn it off completely?

All right, good afternoon. My name is Chris Trott; I'm here representing Thermal Energy Development Partnership, sometimes better known as Tracy Biomass. It's a 20 megawatt biomass plant in Tracy, California, in the central San Joaquin

Valley. It's a PG&E fixed-price plant, so under your option one it would fall under category four.

We're on the five-year fixed price. It started with a 6.39 cent per kilowatt hour average for the year, escalated at 1 percent per year. We're at an average of 6.45 cents today, but actually it's more like 5.7 cents during the summer period, for half the year.

I want to start by saying, just referring back to the 2007 program, because then that's what I'm going to base my comments on. And I appreciate, by the way, all the work that you've done putting this together, and all these options.

I want to each what Phil said, that I'm really impressed with how you guys have listened to comments, you know, and even gone back to the drawing board here again to try to make this a workable thing. And I do appreciate that very much.

MR. ORTA: I'm sorry, I would say that we're all ears, but I don't know how that would be received in the audience.

(Laughter.)

MR. ORTA: I'm sorry, go ahead.

MR. TROTT: Well, last year we got the

message, anyway, that Jason, you and your staff, you wanted the money that we got from the existing program to number one, be used to increase capacity factor, increase output, especially on offpeak -- or on peak hours from our plant.

And then to help the plant achieve self sustainability by 2011, because everybody thought -- I mean that's the goal of the program, right.

So Tracy put together a plan to accomplish this, and it involved spending lots of money, as you know, because you've seen it. I couldn't tell the rest of you because it's confidential, you know, but anyway, these guys know.

We had a great plan, I thought, to increase our capacity factor and achieve self sustainability by 2011. Okay. And we used the 2007 money that we got. We got it finally in January of 2008. We had just done a $1.4 million major capital expenditure of '07, so we were able to use that money to help pay for that outage, because we knew that it was coming.

And then we had about $4 million more planned for 2008 in major capital expenditures, according to our plan, to get us down the road to where we needed to be.

But, unfortunately, it was best laid plans. Because for Tracy Biomass, and I think for many other plants, too, that whole plan is pretty much out the window. And the reason is because diesel prices -- and maybe I should pass this out, pass this around the table here. I just printed this off the Energy Information Administration website this morning.

And they track California diesel prices a long ways back. But every week they publish a new average, okay. If you look at this graph here, essentially the diesel prices increased in California $2 a gallon since we were talking about this last year.

Okay, so what does that mean really, diesel prices increased $2 a gallon. Well, from the world of fuel production it takes a lot of diesel to gather biomass, to process biomass, and to haul it to a power plant. On average, across all the fuel types, it's about four gallons for bone-dry ton of wood fuel, okay, produced.

So if you take the $2 times four gallons per BDT, that's $8 a bone dry ton just increase in fuel cost, alone. Or about .8 of a cent per kilowatt hour, okay.

So our costs, just from diesel from last year to this year, .8 of a cent per kilowatt hour. For Tracy Biomass that's about $1.4 million for 2008.

I'm only using this as an example because it's not only fuel costs that have gone up, many other of our costs have gone up in the 7 to 15 percent range over the last year, which is much higher than the 1 percent inflation in our power purchase agreement.

So, needless to say, I guess 2008 we're looking at it now as kind of a survival year for us. Option one, because we're in category four, and we would get .25 cents for half of the year, doesn't even come close to even helping us pay for the increase in fuel costs.

So the only thing really on the table that works for us is the modified option two that Phil talked about, or some, you know, like option two with 1.5 penny possible; 1.5 penny for half a year works out to .75 cents. That helps us pay for the increased fuel cost.

Unfortunately, that doesn't leave

anything left over to help pay for the $4 million in capital expenditures that we planned for this year. So we've had to drastically cut back on our plan.

So, because of this diesel, alone, you know, our only hope really to be self sufficient by 2011 is that energy prices will be about what SRAC is now, or much higher than what we're getting. And that's going to automatically make us self sustaining.

So, we're looking at this money for this year as just to keep us around so that we're still available, we're still operating in 2011.

So we strongly, strongly support option number two. And we'll go along with what Phil said about keeping some of the money back and using it for the orphan plants if the fund gets all used up.

That's all I have. Any questions?

MR. ORTA: Just a quick question. So, at the end of this fixed-price contract, I just want to clarify, the energy price just defaults to SRAC --

MR. TROTT: Yes.

MR. ORTA: -- once the fixed price is

out.

MR. TROTT: That's correct.

MR. ORTA: Another question I have, too, is that one of the things that the statute calls for is that the facilities be self sustaining by 2011. How does that work in terms of if you get diesel fuel prices that see new increase every year, year after year? And what if this program is not around past 2011 and diesel prices still go up?

I don't know, I mean I don't have the answer to that question, but I mean I'm just thinking out loud, and I think that's just a point.

MR. TROTT: Well, the only thing that we can hope is that, you know, as diesel prices go up, natural gas prices go up, we've seen that happen already. And there seems to be sort of a link there. And SRAC seems to be tied mostly to natural gas.

So, you know, the energy price is going to keep up. That's really our big white hope right now.

MR. ORTA: Okay.

MR. REESE: (inaudible).

MR. TROTT: That's true. Yeah. Phil just pointed out the end of the fixed price, the five-year fixed price pretty much coincides with 2011, the end of the funding period.

So, any other questions?

MR. LEAON: No. Thank you, Chris, appreciate your comments.

MR. TROTT: Thank you.

MR. LEAON: Next speaker is Bob Ellery with SPI.

MR. ELLERY: Good afternoon. Bob Ellery, Sierra Pacific Industries. We've got actually six biomass plants in California. We have kind of all flavors.

We have the small one, the new plant, that we sell to PG&E under an SRAC contract. We love it. Wish we had them all under there today.

We have three plants that are under the five-year fixed price deals. We've got one that's purely market driven and sells power every day in the market.

And then we have what we call our orphan plant, which is our Loyalton facility, selling to Sierra Pacific Power Corp. That plant only runs because of this Energy Commission money. Without it, it's gone. And that's been true since the program started.

It was a sawmill cogen plant which went into operation in 1989, and you know, got essentially free fuel from the sawmill. So, you know, had a very low power contract, but it still was okay back then until the sawmill shut down in 2001 and that created our little orphan.

Today, you know, without this funding, you know, the last few years our fuel cost exceeds our energy payment from the utility. So there would be no way that that plant would ever continue to run.

A couple of comments on the fixed price deals. I mean I was active in those negotiations. And if you go back a couple years ago when we were negotiating those deals, gas prices were high at the time, at least we thought they were.

And, you know, we're all looking at Energy Commission projections of natural gas pricing and everybody had these wonderful charts that showed natural gas prices were going to go down. We looked at it and said, well, okay, you know, we grabbed the highest price we can, take away the gas risk; you know, everybody says it's going down, you know, lock up the deal and be happy.

And quite frankly, we're still happy, but obviously the reverse happened. Gas prices didn't go down. The gas prices went up, almost double. So, in hindsight, those are bad deals.

SRAC, you know, even the market price today, what $95 a megawatt hour versus our 64. I mean we'd all, we'd love to be thrown into the market today. Solve all these problems. But utilities are not about to let us off with -- they are very low-cost deals for them.

Had a conversation with the City of Redding the other day and their projection for their brand new combined cycle is about almost $90 a megawatt, you know. They're buying some biomass for 60, so they're in hog heaven.

So, you know, the market's fundamentally changed. So for us, we look at our $64 deals with PG&E and, you know, we can survive on those because we are a sawmill, because we are cogen. You know, we're not the same as the stand-alone power plants. Obviously we buy a lot more diesel than they do, though.

But Loyalton is the one that we focus on for the Energy Commission funding. It is, like I said, the only thing that's keeping it alive.

And so when we look at the different options, you know, the option two keeps the industry together. We'd all stop differentiating as an industry, and that's the way we've kind of always been working. And it does work and we think that's important.

The problem with option one is, of course, you can theoretically start funding at 4.9 cents and getting 2 cents, and now you're above the level that the other, you know, projects are getting, which doesn't make any sense, either. So, yeah, you can be more creative, but we think keep it simple is better.

So the only problem we have, as a company, looking at our Loyalton facility is if it runs out of money, you know, we're shutting down production immediately. I mean, so you ratchet Loyalton down, you know, it's kilowatt for kilowatt, I mean dollar for kilowatt. We can't continue to lose money.

So I think the compromise was, okay, if you run out of money you got to take that money from the expense, you know, people on the 6.45

deals, you know, first before you start, so that the orphans would, Loyalton being our orphan, you know, continue to survive.

Because otherwise you're, you know, the other rest of the orphans I'm sure are in the same boat we are. You reduce that money you're kind of out of business.

So, we strongly support the option two, as modified, to option five, which I think, you know, try to keep it simple. I mean it's basically it would be option two with a caveat that if we run out of money, you can't take that money from the orphans.

Thank you.

MR. ORTA: Just one question, Bob. So the Loyalton facility could live with a 1.5 cent per kilowatt hour cap?

MR. ELLERY: Yes. I mean, you know, do we like it? No. We have to be, you know, working very hard trying to find fuel. But, you know, we can live with it because we're probably close enough that it's getting us pretty close to the 6.45. So we're kind of on parity.

Because you start skewing numbers, you affect the fuel market. I mean, you make one plant able to compete better than another. So, you're really, you know, the option five helps us not get into that. So, yes, we can live with 1.5 cent cap.

MR. LEAON: Okay, thank you very much, Bob.

Next speaker, Ken Duysen with Sierra Power Corp.

MR. DUYSEN: Thank you, Staff. My name's Kent Duysen, President of Sierra Power Corporation. I'll make my comments very brief; I know the afternoon's moving right along.

We are one of the orphan plants, just like what Bob Ellery has one there in Loyalton. I want to say thank you very much for the assistance over the years, because without the assistance from the Commission we would not be running our operation.

I'll get right down to the chase here. We would support either option one or the modified option two, or the option five, as Mark talked about.

The one point I want to clarify is the 1.5 cent cap is minimal, and we need that each and every month. So, if there is over-subscription as what Phil discussed, I would just urge you, whether it's option one or option two, please keep the orphans alive at the minimal 1.5 cents for all 12 months of '08 and '09.

Any questions?

MR. ORTA: No, I don't have any questions.

MR. LEAON: All right, thank you very much.

MR. DUYSEN: Good, thanks.

MR. LEAON: Next speaker, Bob Allen with Burney Forest Power.

MR. ALLEN: Good afternoon. My name's Bob Allen; I'm with Burney Forest Power. We are a cogeneration facility located in Burney. We were designed at 24 megawatts and we try to run at 30 all the time.

We endorse modified two or option five. We think it's sensible, it keeps the industry whole, keeps all the plants running.

Our fuel is forest-derived or sawmill residues. And we don't own a sawmill, so we have to buy it all. Transportation costs, like Chris Trott said, are a big factor in fuel costs. And we see our working circle shrinking dramatically this year because diesel fuel has gone up almost two bucks a gallon.

All the guys that are supplying us fuel right now are screaming, you got to help, you got to help, Bob. And we say, we only have so much money to go around, so we'll just have to see what happens.

But we strongly endorse modified two or option five to keep the whole industry going. And hopefully by 2011 prices will have changed for energy and we will be self sustained.

Any questions?

MR. LEAON: No, no questions.

MR. ORTA: I don't have any questions.

MR. ALLEN: Thank you very much.

MR. LEAON: Okay, thank you very much. Next speaker, Pat Holley with Covanta.

MR. HOLLEY: Thank you. Pat Holley with Covanta Energy. We represent five biomass facilities in California, and managing partner in an additional one, the Chinese Station, Pacific UltraPower in Jamestown.

We just strongly support the continued efforts that have been shown here between the Commission Staff, renewable staff, and CBA. We're here to strongly support CBA's efforts today.

And in relation to Jason's earlier question about, you know, how do you become self sustaining after this program expires. We feel like an initiative is needed to work with the utilities to reopen some of these fixed price contracts that will support the industry in the long run.

You know, the utilities, themselves, have fuel price adjustment clauses in their natural gas delivery and their electric sales. So we feel like that issue needs to be reopened. We support any initiative, any efforts by Commission Staff, renewable staff, the Commissioners, themselves, along those lines.

And we'd like to thank you for the opportunity to comment today.

MR. LEAON: All right, thank you, Pat. Next speaker, Diane Feldman, representing LUZ Projects.

MS. FELLMAN: Good afternoon. My name is Diane Fellman; I'm representing -- I'm from FPL Energy Project Management, Inc., representing the LUZ Solar Partner Projects III through IX.

We've been before the Commission several times in the dialogue on this issue. And we really do appreciate the staff's efforts to simplify and provide an application for distribution of these funds that recognizes each project comes to the table with its own economics, its own configurations. But at the same time each project is generating and contributing to the RPS.

And we also appreciate the efforts on the part of the staff, as well as CBA, to make that more uniform across the technologies, recognizing the pricing structures that we have in our PPAs. And those are the principles that we're looking at.

With respect to the particular options, and that was why I was raising the question before, we have, I guess you would call it maybe a rock and a hard place. There's a limited amount of funds for really supporting the operations and backbone of the RPS in California.

The additions under the new RPS for new projects over the past six years have been about 460 megawatts. You know, what you have here is probably about, I don't know, Julee, do you know how many biomass megawatts we have?

MR. SPEAKER: We have 600.

MS. FELLMAN: Six hundred, I mean there's 1000 megawatts just in this room between biomass -- or probably 1200 megawatts in this room between biomass and solar.

And as you've heard from us and some of the projects today, we've been using the money to prevent degradation of our output. We've invested over $70 million in retooling our facility. We had come to you saying we were expecting a 12 percent increase in our output. Turns out in operations we're getting about a 20 percent increase in our output for that investment.

The funds from the existing account go to defray our capital cost in that investment, and help increase our operations. So not only have we avoided declining, but we've also increased.

And what we support -- and we would, I think, given the amount of money available and how it allocated, option five does make sense, as I heard it today. Because it recognizes that there's a pricing differential between the orphans and the fixed price and the SRAC contracts. And allocates those in the most fair way possible.

I think the tiers do offer some advantage, but, again, that's something the staff will have to look at in making the decision about how to allocate the limited funds.

With respect to -- I wanted to talk about the sustainability for 2011, as well. This is a real concern of ours because just like with the fossil fuel element of biomass, we have a fossil fuel element with our natural gas output.

And one critical thing that happens, I mean a year where there may not be as much solar output, which is looking like this year may be one of those years, we need to burn natural gas to meet our capacity factor requirements under our firm capacity contracts with Southern California Edison.

And that gas price, as everyone knows, has doubled. And we, of course, have the 25 percent limitation on that. But we do need to meet that requirement or else we do not get our contract prices. We have fixed Edison contract prices, so we're in that five-year fixed price.

And having us treated the same way -- we understand there's some differential for the diesel fuel component, we accept that -- but having us treated in the same way as the fixed prices for the biomass is very helpful to us.

And then the final thing that I wanted to add is that the constraints that the Legislature has put on the Commission in allocating these monies to look at, you know, what has been spent so far, I think, Jason, I want to acknowledge you and your colleagues that you've really wrestled this to the ground.

Because, you know, we tried one way; nobody liked it. You came up with another way; nobody liked it. And now you've come up with a third approach, and it seems to reach the goals of nondiscriminatory allocation, while recognizing the differences between the technologies and the kind of contract funding that we have.

So, are there any questions?

MR. LEAON: No questions. Thank you for your comments.

MS. FELLMAN: Thank you.

MR. LEAON: Okay, next speaker, Steve Iliff with Rio Bravo.

MS. LYNCH: While we're waiting, can you hear me?

MR. LEAON: Yes, go ahead.

MS. LYNCH: I was just wondering, while we're waiting for that speaker, are other people -

- there's a terrible clicking on the line now. And maybe it's my phone. I was just wondering if others were hearing that, as well.

MR. SPEAKER: Yes, I'm hearing that, too.

MS. LYNCH: Yeah, so I don't know if maybe you can get the operator; it seems to be getting louder and louder.

MR. LEAON: All right, why don't we take a hiatus right here for a minute or two and see if we can get that resolved.

MR. SPEAKER: Can we just move forward on that. Who knows what the clicking's about; let's just get it done.

(Laughter.)

MR. LEAON: Well, we'll continue, and while we continue we'll see if we can't do something about the clicking.

MS. LYNCH: Thank you.

MR. LEAON: Okay. Next speaker, Steve Iliff.

MR. ILIFF: Steve Iliff, yes. Thank you very much. Steve Iliff, I'm Financial Manager for the Rio Bravo Partnerships, two of which are biomass facilities. One in Rocklin and one in

Fresno, each approximately 24 megawatts.

Part of what I wanted to say reiterates what Mr. Trott said. As Jason is aware, we've seen historically the last few years severe deterioration in the output of our facilities. Trying to wrestle with creative ways to turn that around and make ourselves, you know, an increase in renewable generation.

What we came up with was a plan to not only invest quite a bit in the facilities, themselves, as far as structural improvements or replacement, but also a concerted effort to spend the extra money to improve the fuel quality that we're utilizing at both facilities.

Presented that to Jason and the rest of the CEC Staff, and with the intent that this, indeed, would turn us around, would indeed show an increase over the years, a demonstrable increase in capacity factors over the years, as we are receiving the funds from the CEC.

Our award last year, as we're all aware of, was on a facility-by-facility basis. And on the award that we received from the CEC was recognition that they did believe that this type of commitment or proposed commitment on our part would pay off. Not only would pay off not only for us, but for the people of California.

We have undertaken some of those upgrades or the improvement both last year and this year, and some more obviously still to come the rest of this year. But I wanted to let you know that the commitment by the CEC was a major step forward in convincing not only our owners, but in the case of Fresno, our debt holder, that there was a commitment on behalf of the state to increase renewable generation.

And there's, you know, standing behind the commitment with the funding, not funding necessary to fund the whole upgrade, obviously, but a chunk of it. And that kind of commitment went a long way in convincing not only our owners, like I said, but the debt holder who was willing to restructure our debt.

So I want to thank you for that. And like I said, we're in the middle of that whole process right now. We are starting to see some benefits as a result of that. And we continually expect to see benefits.

However, as significant a step forward as that was, and we really appreciate that, what we see presented as option one would be, for us, a significant step backwards. It would blow holes i the pro formas that were presented not only to the owner, but to the debt holder restructuring the debt.

Obviously we weren't foolish enough necessarily to put in the exact same number for funding to be received, but we had to make some sort of estimate. And, based on the commitment last year, we figured there would be still a significant commitment.

And option one, which would give us a quarter cent for half of our generation would be a significant step backward.

Our ownership and our facilities are strongly behind the, as you call it, the option five presented by Phil Reese, CBA. We would obviously prefer to see a facility-by-facility evaluation as opposed to what we see in option one. It would just be too little coming our way to really justify the continued upgrade, and also to perhaps put us in -- I won't say it would happen, you know, but another hiccough on operations would put us in jeopardy of perhaps even defaulting on our newly restructured debt service agreement with our debt holder at Fresno.

But, once again, we want to reiterate our support for proposal number five.

Any questions?

MR. LEAON: Okay, thank you. Thank you very much.

Okay, our next speaker is actually someone on the phone, Eric Wills. Eric, are you on the phone?

MR. WILLS: Yes, I am.

MR. LEAON: Okay, why don't you go ahead.

MR. WILLS: My name is Eric Wills. I am President of Sunray Energy. We have two facilities, SEGS I and SEGS II. They total 43.8 megawatts.

I think most people are familiar with our facilities. We're under a fixed price arrangement, but not close to the 6 cents that everyone else is on. Our average energy payment is around 3 to 4 cents, closer to 3 than 4.

So, where some people can get the 1.5 cent, being an orphan, get close to the 6.45, obviously we don't get there under our scenario.

So I do agree with a lot of things that

people have said. And our situation is very similar. For example, our natural gas costs have increased from maybe $6 an MMBtu to currently over $11. So, if it stays at that rate, our natural gas costs, just the increase alone from 2007 to 2008 will exceed any type of award that we would receive from the CEC.

So, just as biomass costs are going up with diesel and other stuff, the solar plants, likewise, are going up. A little bit differently, but the same type.

We're in support of option one because of the 2 cent for tier one there. We would also be in favor of the option 5 with a caveat that the solar thermal plants would receive a 2 cent cap. I don't believe it would impact anybody other than Sunray, the way the contracts are structured.

And it's not that much money in the scheme of things since our capacity factor is so low. So, if you take a biomass plant that has an 80 or 90 percent capacity factor, and you give an extra half a cent, that adds up.

In fact, in just doing the math here on the back of an envelope, it appears that the orphan plants get about five to ten times what

Sunray would get per megawatt. Our capacity factor is less than 15 percent.

So, for going to 1.5 to a 2 cent cap is about an increase of 200,000 bucks. So, we will provide some written comments, but we would be in favor of option one, which it sounds like a lot of people are in favor with; or option five with a slight modification. And hopefully the biomass would support Sunray on the 2 cent cap modified option 5.

MR. LEAON: All right, thank you very much, Eric. Any questions? Okay.

Our next speaker, also on the phone, Mary Lynch.

MS. LYNCH: No, I didn't have any comments to offer. I'm just listening in, thank you.

MR. LEAON: All right, thank you, Mary. In that case we'll move on to Ben Gronfeld, I hope I pronounced that right.

MR. GRONFELD: It's Gronfeld, but not to worry.

MR. LEAON: Thank you.

MR. GRONFELD: I represent Global Ampersand. We own the Chowchilla and El Nido

Biomass facilities, which for the past 18 months have been undergoing refurbishment to come back online. The Chowchilla facility is in commissioning now, and it's producing electricity. The El Nido facility is four to six weeks behind it.

I'll keep my comments fairly short. We obviously, in bringing these facilities online, have looked quite closely at and are very concerned with what the ultimate support is from this program.

The options that we would support and consider essentially, what we have developed our project based on is the EARS matrix. And hence, obviously anything that comes in with a cap below that, or what would be expected using the EARS matrix, does present a quite significant problem to us. And could result in some major delays for our projects as we try to bring them online.

MR. LEAON: Okay. Any questions?

MR. ORTA: Yes. Hi, Ben, this is Jason Orta, and I do have a question. Under these various options it appears that these facilities would probably be either subject to a 1.5 cent or 2 cent cap.

Now, if you don't mind elaborating, what would be the incentive cap that would work the best for those facilities?

MR. GRONFELD: Well, obviously the higher the incentive cap --

MR. ORTA: Sure, yeah, but --

MR. GRONFELD: -- would obviously work better for our facilities. I think, you know, we obviously support option one because we think it would result in the 2 cent cap in 2008 and then the 1.5 cent cap after that.

Option two, the CBA option, as we understand it from what we've been seeing of the way that was modeled, presents a pretty significant downsized scenario for us. I think -- and that could just be our interpretation of how it is modeled.

MR. ORTA: That's all I have, thank you.

MR. LEAON: Okay, thank you very much, Ben.

Our last speaker card is with Julee Malinowski-Ball, representing California Biomass Energy Alliance.

MS. MALINOWSKI-BALL: Thank you, again. Julee Malinowski-Ball on behalf of the California

Biomass Energy Alliance.

I actually just want to then kind of hit on the points that the Biomass members who are here today maybe have left out. I think they've covered most all the points that I would have liked to have made, and that we've made in prior comments. And we'll put forward in our written comments by Monday, 5:30-ish?

MR. ORTA: That's fine, that's fine.

MS. MALINOWSKI-BALL: Maybe Tuesday morning?

MR. LEAON: If you could stick to Monday, that would be --

MS. MALINOWSKI-BALL: I will do my best.

MR. SPEAKER: Monday or the 17th --

MR. ORTA: It's Monday, the 16th, the slide was wrong.

MS. MALINOWSKI-BALL: I just want to clarify. I know we were calling, you know, the modified proposal number option five. In fact, our written proposal to you earlier did actually say just that. So let's stick with calling it option two, because I think we did say something in writing that you should take care of the orphans, make them whole in the end, and the rest of the members are okay with that.

Second point I'd like to make, which I know I sound like a broken record, but I put this in writing several times, and said it verbally several times, we have to do something about the fuel attestation in the guidebook for the biomass plants.

Currently there are fuel restrictions for the biomass plants, and the guidebook asks for two sets of fuel attestations; one from the plant and one from each individual fuel supplier. We think that's overkill.

If the biomass plant is attesting, you know, signing a document that says they know where the fuel's coming from, it meets the fuel restrictions, you shouldn't have to go to each individual fuel supplier to say that once again. Another justification for not doing that is actually quite challenging for us to do so. Some facilities have over 100 fuel suppliers, and to get them to sign that piece of paper will be near impossible.

We would ask that you rein that in a bit, and simply be satisfied with the fuel attestation from the biomass plant.

Thank you very much. Simplicity, simplicity, simplicity, I think that's exactly where we are. Thank you for listening on that with, you know, options, especially with options one and two, of course, us supporting two.

Again, target price and cap in the guidebook is exactly where we want to be. And we absolutely support nixing the award notices, the funding award notices. We think that's absolutely the right direction to go.

Finally, I'd actually like to support what Eric Wills from Sunray says, 2 cents for the solar facilities I think is okay by us.

I don't have any more comments. Do you have any questions?

MR. LEAON: Okay, any questions? All right, thank you very much, Julee.

Okay, are there any other questions, folks in the room? Folks on the phone, any additional comments from people on the phone?

No, okay.

Well, we do have a break scheduled in here, but we can wrap it up right now if that's people's preference. Okay. And the people in the room are nodding their heads yes. So, let's go ahead and do that.

Certainly we appreciate all of your feedback and comments and support today. And be sure to get your written comments in by Monday.

We heard strongly today from the speakers support for option two, as modified. And we've heard that and will take a look at that. And we're looking forward to receiving your comments.

And, Jason, if you want to wrap up on next steps.

MR. ORTA: Sure. The next steps are, as you all know, we really do appreciate getting all your comments in writing. That would really help us, you know, just having it all laid out on paper would really help us in briefing the Renewables Committee which we will subsequently do.

And we will recommend -- we'll make some recommendations to them, but beyond that I don't know what the next steps will be. And I don't know the timing.

But I would like to add a couple of things. First of all, I always appreciate the patience that all of you have exhibited with us, and I do appreciate the time that you all take along the various processes of developing these funding awards, and developing the guidebooks. It's been very helpful; it's been very educational for me, as well.

And, everyone out there, I do appreciate your patience with the phone and with all the other stuff that went on today. And, again, I'd like to thank you all for your time for coming here and seeing us today.

MR. LEAON: All right, thank you, Jason. All right, with that, if there's no further comments or questions, we'll adjourn the meeting.

(Whereupon, at 2:58 p.m., the staff workshop was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Staff Workshop; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said workshop, nor in any way interested in outcome of said workshop.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of June, 2008.