

**The Pacific Lumber Co.
P.O. Box 37
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02-REN-1038	
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Comments by THE PACIFIC LUMBER COMPANY (PALCO) for:

Committee Workshop on Guideline Revisions for the Existing Renewable Facilities Program, December 13, 2007.

California Energy Commission
Re: Docket No. 02-REN-1038
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5504

I appreciate the CEC giving opportunity for participant input into the funding process. 2007 being a transition year has been subjected to considerable changes in the funding process that has brought with it several challenges both to the CEC staff and the participating Biomass facilities. Overall I believe the staff did an outstanding job in accomplishing this task and I would like to commend them for their efforts.

As I am sure the committee is aware the amount of biomass available for the power production has and is rapidly decreasing throughout the state of California. This is in large part due to the declining lumber operations in the state. In the past The Pacific Lumber Co. (PALCO) relied on their own mills to provide fuel for our power plant operations. With the tightening of environmental restrictions PALCO has closed all but one of their sawmill and planer operations. This has been more that a 75% reduction in PALCO's internal fuel source alone over the past five years. In order to keep up with output to PG&E the company began to purchase outside fuel from local sawmills and other biomass resources. Some of those resources are in excess of 200 miles from our power plant location.

With the recent downturn in the housing industry the lumber industry has cut back in production and this has added to the increase of mill closures. These closures reduce the primary fuel source that made Biomass plants profitable. When these plants try to utilize other sources for fuel to run they are faced with the problem that the amount that can be paid for the other resources fall short of what can be returned in power sales. In many cases just the transportation costs exceed the value of the fuel in power sales. PALCO uses some fuel that is given to them by the waste disposal facility (urban waste construction materials) and we pay only the transportation cost from the Bay area. As everyone is painfully aware the price of diesel has increased 40% in the last year alone. Power contracts that are set on SRAC fixed price increase by 1% per year over the next five years. SRAC variable contracts follow the gas market but as they move up and

down they are no where near the diesel price increases and it is only a short time before this fuel that is transported any distance will be a thing of the past.

The CEC funding has been a key factor in keeping several plants operational and PALCO is no exception. The loss or reduction of this funding source would be devastating to the viability of PALCO's and other plants to remain in operation. I realize that Biomass is not the only source of renewable energy available or supported by the RPS program. However in light of the recent attention on global warming, increasing power needs of the state and the difficulty of adding sufficient energy production (particularly renewable energy) the state of California is facing a dilemma.

I also recognize that it is not totally in the control of the CEC to affect the changes needed to solve these problems. Ultimately the state and federal legislatures will need to address the issues.

It is my hope that the CEC committee will be able to use information from workshops such as this that will help our legislatures to make the decisions needed to supply needed assistance to the power industry to supply renewable energy in the future. The issues that need to be addressed are both short and long term and each will require separate solutions.

PALCO is not able to have a full time person devoted to lobbying the appropriate government entities that need to be communicated with, but we are willing to do whatever we can to help. One thing that we would like to offer is an invitation for the CEC staff and legislative staff the opportunity to tour our facility and surrounding property to make them aware of the available resources (or lack of) and restrictions that need addressed in an effort to resolve this important issue.

Please feel free to contact me regarding this offer and any other ways that we can assist the committee.

Respectfully submitted,

Frank Wilson
Power Plant Manager
The Pacific Lumber Company