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Mr. Jason Orta:

Central California Power is pleased to provide comments to the "Joint Integrated Energy Policy Report and Renewables Committee Workshop on Biopower in California" held at the California Energy Commission Tuesday April 21, 2009. Of particular interest to this writer were the comments of Phil Reese, of the Biomass Association, Gregg Morris of GPI and Dave Warner, Director of the San Joaquin Valley Unified Air Pollution Control District (or Valley Air District). It's gratifying to learn that the Valley Air District is attempting to ameliorate some of the most stringent air quality permitting requirements in the world through new ideas, BACT, grants and the assistance of their knowledgeable and very capable staff. Mr. Morris in his comments related the carbon neutral and carbon positive aspects of biomass.

Mr. Reese was discussing the problem that has been plaguing the biomass industry, the problem of the lack of revenue for biomass generation. In this meeting Mr. Reese started his discussion with the cost of transporting the fuel from it's point of collection to the point of use, and before his comments were terminated started discussing the problems plaguing the industry. What is difficult for this writer to comprehend is that while everyone in the renewable industry acknowledges the many benefits to be obtained from a healthy, thriving, robust biomass industry, why is no one willing to recognize and acknowledge the costs associated with biomass generation.

In comparison with other renewables such as wind and solar, they both have received and are receiving a great many subsidies and incentives. Biomass in comparison is the stepchild of the renewables industry. It appears California is deliberately ignoring the problems associated with biomass generation while attempting to give the impression this technology is earnestly being sought. One of the many benefits of biomass generation is it's reliability, particularly during periods of peak demand. It is available on a 24/7 basis during this period and it is dispatchable. Neither wind nor solar can make this claim. Wind at best has a capacity factor of 25%, and it almost never is available during periods of peak demand. Generally wind is only available during the time period when there is a plethora of energy available. Solar while more readily available during the daylight and peak demand hours is also only available on an as-generated basis. On the basis of cost, solar is exponentially more expensive than any other renewable energy, and it appears it will take an extraordinary amount of time before it even begins to approach the price range of the other competitive renewable energies.

Transmission constraints on wind and solar; typically they are located a long way from available transmission lines and present huge, lengthy and costly permitting problems. Biomass plants are generally located in rural areas, but are usually in the 25-30 megawatt range and can be located close to existing substation interconnection points, because the fuel is trucked to the plant location, and the plant location may be able to accommodate existing interconnection points.

Another benefit with biomass it appears no one in regulatory authority wishes to acknowledge is the environmental and societal attributes biomass provides. Biomass fuel comes from a waste, a pollutant, usually a source that may create a health or fire hazard, or even an eyesore, it's collection as a fuel inhibits the necessity of collecting it as a pollutant, thus saving the cost of collection and space in a landfill or other disposal area. Biomass fuel collection accumulates air and water emissions, thus enhancing the environment by ridding the atmosphere of these pollutants. These benefits accrue through the use of biomass, they are intrinsic to the technology.

The question this writer wishes to ask the regulators and legislators is: While everyone in the renewable industry acknowledges the many benefits to be obtained from a healthy, thriving biomass industry, why is no body or entity willing to recognize and acknowledge the costs associated with biomass generation and come forth with a plan that will provide the industry with the revenue required to produce a financially healthy, robust, thriving industry? In Germany, when the use of biomass was promoted, they learned rather quickly that setting the cost for biomass energy can be challenging. Depending upon the technology utilized, the costs between these technologies differ. In the German system there are adders within the biomass feed-in tariff for systems as an example that use agricultural waste products that are combined heat and power (CHP) systems. In both Germany and Spain also, the biomass markets initially did not respond as projected to the feed-in tariff levels and did not accelerate at rates comparable to either wind or solar. The European Commission cited the

comparative complexity of the biomass market, with its different feed stocks, plant sizes, fuel supply logistics, and conversion technologies, as one of the reasons that biomass market was slow to respond to initial feed-in tariff rates. In both the Spanish and German cases, the feed-in tariffs for biomass were increased and were further differentiated by fuel and/or conversion technology.

Technology-specific tariffs create diversity when set at the appropriate levels. Germany's early value-based feed-in tariff created incentives for wind but did not accelerate markets for other technologies. The technology-specific tariffs in Germany and Spain, by contrast, caused rapid market acceleration across a portfolio of mature and emerging technologies. The portfolios differed, however, based on the policy priorities in both countries and the manner in which generation cost was defined. In Germany, biogas tariffs have been set high enough to encourage the cultivation of energy crops specifically for anaerobic digestion. It appears the German system has a handle on the situation, they are aware of the cost complexities associated with biomass generation and have attempted to overcome the barriers to obtaining this energy source. Investor security is determined both by price and policy certainty. The European Commission study on comparative policy effectiveness highlighted the importance of investor security. From this perspective, it is interesting to compare the German and Spanish feed-ins. While both policies provide long-term payments to generators—minimizing risk to individual projects—the German feed-in tariff provides more price and policy certainty over time than the Spanish policy does. Not only does the Spanish tariff adjust each year (according to the Consumer Price Index), but the tariff also has revisions, triggered by capacity goals, without clear rules as to what types of revisions might occur. This uncertainty created widespread concern when installed PV capacity recently crossed the trigger point, and the market stalled. The subsequent, sudden, and significant decrease in PV incentive levels contrasts with the comparatively orderly and phased schedule of PV digression rate decreases in Germany

Based upon the experience in renewable energy obtained by the German and Spanish systems generally and in biomass specifically, it appears that they both now recognize the costs associated with obtaining biomass energy and are taking the steps necessary to ensure a healthy, thriving, robust biomass industry. In addition, they recognize the importance of investor security. Their systems encourage project finance, whereas here in California as mentioned in paragraph 2 the present policy actually discriminates against biomass. The biomass industry is at the point where biomass generators are leaving the field because their revenues are insufficient to meet their costs. In many of the meetings that this writer has attended, Mr. Reese has voiced the problem to the Commission, but it appears that his words have fallen upon deaf ears. It appears that while everyone recognizes the benefits and everyone is climbing on the biomass generation bandwagon, no one is willing to take the steps necessary to provide the industry with the revenues needed to ensure a healthy, robust system. As a suggestion, if the Commissions continue to refuse to allow adequate remuneration for biomass generation in rates, why can't subsidies and incentives be added to biomass to augment compensation as has been done for wind and solar? Why can't the playing field be leveled and let biomass share in the subsidy and incentive largesse? Why are the subsidies and incentives virtually limited to wind and solar? Why doesn't California take a lesson from other proven systems? Biomass can and has provided a great many power generation as well as environmental and societal benefits to California, why do the Commissions continue to ignore the plight of the industry? Everyone appears to want the benefits of biomass, yet no one wants to pay the price. When someone robs Peter to pay Paul, they generally wind up with a sore Peter!

Sincerely,

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